



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 9.2.2005
COM(2005) 37 final

**COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE
EUROPEAN PARLIAMENT**

**The 2005 Review of the EU Sustainable Development Strategy:
Initial Stocktaking and Future Orientations**

{SEC(2005) 225}

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Foreword

Sustainable development is a fundamental objective of the European Union, but it is also a global challenge faced by our partners around the world. It raises the questions of how to reconcile economic development, social cohesion, north/south equity and protection of the environment. Its importance is reflected in the EU Treaty and taken up in the Constitution, which challenges the Union *“to work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment”*.

With rapid demographic changes, the next decades will put enormous and increasing pressure on the world’s resources, whether in terms of climate change, natural resources, biodiversity, or the wealth gap between North and South. We must take action today in order to preserve for tomorrow the delicate economic, social and environmental balances governing the globe.

Europe’s future can only be seen in this global context. The EU has already made significant efforts to promote sustainable development at home and internationally. By taking a proactive approach, the EU can turn the need for environmental protection and social cohesion into opportunities for innovation, growth and jobs. With the review of the sustainable development strategy (SDS) we recall our commitments to better define the structural changes needed in our economies and society, and set up a positive agenda to steer this process of change for better quality of life for all.

To respond to this challenge, co-ordinated action and strong leadership is needed from the Union in order to shape solutions that can make a lasting difference to people in Europe and in every part of the world.

This is why at the start of this millennium the European Union engaged itself in a compelling agenda for change, to ensure that we start to face up to unsustainable economic, social and environmental trends. In 2000 the Lisbon Strategy set out an ambitious agenda of economic and social reforms to create a highly dynamic and competitive knowledge-based economy. In 2001 a broad Strategy for Sustainable Development was launched by the European Council in Gothenburg and in 2002 its external dimension was defined in Barcelona, ahead of the UN’s World Summit on Sustainable Development in the summer of 2002. Each of these steps has been accompanied by important decisions and action to fulfil the commitments made.

However, despite all this not enough progress has been seen; unsustainable trends have yet to start to reverse and the international stakes remain high.

The combination of the start of a new Commission and the arrival of a new European Parliament provides the right moment to take stock of progress and to push to accelerate the pace of change.

The first steps have been made. The Commission in proposing the Strategic Objectives for the Union over the next five years has reaffirmed its commitment to sustainable development. It has just proposed in the mid-term review of the Lisbon Strategy to make a renewed Lisbon agenda our strategy for growth and jobs; allowing us to use the motor of a more dynamic economy to fuel our wider social and environmental ambition. In this way, Lisbon remains an essential component of the overarching objective of sustainable development set out in the Treaty: improving welfare and living conditions in a sustainable way for present and future generations. As the Commission affirmed in the mid-term review: *“Both Lisbon and the Sustainable Development Strategy contribute to ensuring this goal. Being mutually reinforcing, they target complementary actions, use a range of instruments and produce their results in different time frames.”*

Moreover, the review of the Lisbon strategy is accompanied by the launch also today by the Commission of an updated EU Social Agenda; an agenda mapping out the policies that can help to ensure a more cohesive continent and the further development of our social model in response to unsustainable trends. In this way, our Social Agenda is contributing in its own right to the goal of sustainable development.

This Communication represents the Commission’s first step in reviewing the Sustainable Development Strategy in 2005. This report provides an initial assessment of the progress made since 2001 and outlines a number of future orientations, which can guide the review of the Sustainable Development Strategy which will be presented in a separate Communication to the European Parliament and Council later this year. This Communication builds on debate over the proceeding year, including the opinion of the European Economic and Social Committee last April and the results of a public consultation launched by the Commission last October¹.

¹ A more detailed summary of the outcome of these exercises is set out in Parts 1 and 2 of the Commission staff working document, SEC(2005) 225. The full Commission report on the consultation results will shortly be available at http://europa.eu.int/comm/sustainable/pages/review_en.htm.

The European Union has a broad, long term vision on its future. We believe in the strength and underlying values of our dynamic European model. We will ensure that the needs of the present and future generations can be met. This fundamental objective will transpire in all Union policies. Sustainable development requires action now. The European Union has the capacity, competence and creativity to make the changes needed. Europeans and all other citizens of the world can count on the Union's commitment to ensure a sustainable future for all.

Part I: Sustainable Development – What is at stake?

1. INTRODUCTION

Sustainable Development – meeting the needs of the present generation without compromising the ability of future generations to meet their needs – is a fundamental objective under the Treaty on European Union² and the Constitution. It is an overarching concept which underpins all Union policies, actions and strategies and requires economic, environmental and social policies to be designed and implemented in a mutually reinforcing way.

In an ever more globalised world, clear political leadership is necessary to promote a **dynamic European model** for today and in the future. The Commission is firmly committed to sustainable development and wants to set a positive agenda for change. Our future in Europe and in the world requires a long term vision and action across a wide range of policies. The Commission is convinced that we need to improve prosperity, solidarity and security in order to deliver a better quality of life for us and future generations. We need growth and more jobs, a cleaner and healthier environment. We need a more cohesive society where prosperity and opportunity is shared across the European Union and beyond. We need more innovation, research and education. We need to fulfil our global responsibilities and commitments. Our future prosperity and quality of life will depend on our capacity and commitment to change our production and consumption patterns and to decouple economic growth from environmental degradation.

Action on these issues cannot be confined to the Union alone. Sustainability remains a global challenge. This is why it is essential to show European leadership along twin internal and external tracks. This requires an integrated approach and reflects the fact that with globalisation and increasing interdependence between issues, the EU can only deliver fully on its key internal priorities if it succeeds at the same time on the world scene. Equally, the EU's ability to reflect its global commitments in all its policies is crucial if it is to turn words into deeds, maintaining its credibility as a world leader in the field of sustainable development.

While this Commission's mandate continues until the end of 2009, it has a clear

² Art. 2 of the Treaty on European Union.

obligation to look beyond that date in formulating policy. If we want to achieve our future goals, we must not wait until tomorrow; we have to take action now. Realising the long term vision calls for concrete objectives to steer long term trends as well as mechanisms to meet the goals set out, starting now. This Commission has already confirmed the relevance of its core strategic objectives of prosperity, solidarity and security to sustainable development³.

The EU first set out its commitment to sustainable development in June 2001. At this time the **Gothenburg** European Council adopted the EU Sustainable Development Strategy (SDS) on the basis of a Commission Communication. In 2002, the Commission presented a second Communication⁴ focussing on the external dimension of sustainable development, which was endorsed by the European Council in **Barcelona**. These texts together form the basis of the comprehensive EU Sustainable Development Strategy. The Commission has committed to review the Strategy at the start of each new Commission's term in office. This will be done in the course of 2005 on the basis of experience over the past four years.

The revised Sustainable Development Strategy will need to adopt a broader approach highlighting the structural changes in the economy needed to move towards more sustainable production and consumption patterns and covering unsustainable trends. With a further strengthening of the new approach to policy-making, the revised Strategy will reaffirm its three dimensional approach and also ensure the full integration and reinforcement of the external aspects of sustainable development. It will furthermore confirm the commitment made in the proposal on the financial perspectives 2007-2013 that sustainable development will be a guiding principle for EU policies.

2. THE EUROPEAN UNION'S APPROACH TO SUSTAINABLE DEVELOPMENT

The Strategy on Sustainable Development has the following components:

First, it sets out a **broad vision of what is sustainable**. The strategy's basic message is that, ultimately, the economic, social and environmental dimensions of sustainability must go hand-in-hand and mutually reinforce one another: *"Sustainable development offers the European Union a positive long-term vision of a society that is*

³ COM(2005) 12, 26.1.2005 : "Strategic objectives 2005-2009 - Europe 2010: A partnership for European Renewal: Prosperity, Solidarity and Security".

⁴ COM(2002) 82, 13.2.2002: "Towards a global partnership for sustainable development".

*more prosperous and more just, and which promises a cleaner, safer, healthier environment - a society which delivers a better quality of life for us, for our children, and for our grandchildren*⁵. Understanding the importance of and the interrelationships between these three pillars of sustainable development is crucial.

The second, and arguably the most ambitious part of the strategy, seeks to **improve the way in which we make policies**, focussing on improving policy coherence and making people aware of possible trade offs between contradictory objectives so that informed policy-decisions can be taken. This implies careful examination of their full effects, including those of non-action notably through early impact assessment, and sending the right signals to the market by getting prices right. It also requires that EU policy makers take into account the global context and actively promote consistency between internal and external policies. Furthermore, it also calls for investment in science and technology to support the adjustments needed for sustainable development. Finally, the new approach to policy-making insists on improving communication and mobilizing citizens and business.

Third, it addresses a limited number of **trends that are clearly not sustainable**, such as the issues of climate change and energy use, threats to public health, poverty and social exclusion, ageing societies, management of natural resources, and land use and transport.

Finally, the global dimension expands on some of the international goals and focuses on the priority objectives identified in the EU contribution to the World Summit on Sustainable Development (WSSD). These are harnessing globalisation, trade for sustainable development, fighting poverty, social development, sustainable management of natural and environmental resources, improving the coherence of European Union policies, better governance at all levels and financing sustainable development.

3. WHY A REVIEW?

The Commission is already committed to review the strategy at the beginning of each new Commission's mandate. This has been welcomed by the European Council, most recently in June and November 2004. In addition, a number of developments further underline the need for a review at this point in time:

⁵ COM(2001) 264 "A Sustainable Europe for a Better World: A European Union Strategy for Sustainable Development", p. 2.

- the worsening of unsustainable trends, notably, the growing pressure on natural resources, biodiversity and the climate as well as the persistent inequality and poverty and the increasing economic and social challenges posed by an ageing population;
- Europe's economic underperformance coupled with new competitive pressures triggered by continued globalisation and the emergence of newly industrialised countries (such as China, India and Brazil), signalling increased economic competition and possible shifts in national production structures, which have implications for sustainable development at a global level;
- new international commitments and negotiations which all have the potential to contribute to global sustainable development need to be matched by increased implementation efforts (such as the WTO Doha Development agenda, the Johannesburg plan of implementation decided at the WSSD, the Monterrey commitments on financing for development and the Millennium Development Goals);
- new security threats, such as terrorism (11 September 2001 and 11 March 2004 attacks), natural crises (flooding) and health scares (e.g. SARS) have led to a heightened sense of vulnerability. Moreover, there is a growing awareness of the need to take action against organised crime, corruption and racism;
- finally, the review should take account of the enlargement of the European Union to 25 Member States, the definition of national sustainable development strategies in most of the Member States and the greater involvement of local and regional authorities.

4. TAKING STOCK OF PROGRESS

While some progress has been made in implementing the Strategy and immediate results cannot be expected, it is clear that much remains to be done. There are few signs that most of the threats to sustainable development have been reversed. They require urgent and continued attention. While a more detailed account of progress can be found in the Commission staff working document⁶, a number of important developments can be highlighted.

- **Changing the way we make policies.** Since 2001 a “new way of

⁶ SEC(2005) 225.

“policymaking” has been introduced to make policies more coherent and to create the right conditions to promote sustainable development.

Improving policy coherence

The integration of a number of horizontal principles of the Treaties in all EU policies is a central objective. An example of EU action to this end is the “Cardiff process”, which promotes integration of environmental concerns into sectoral policies. However, a first stocktaking in 2004 of the Cardiff process showed that progress has been limited so far.

A new Impact Assessment mechanism was introduced in the Commission in 2003 as one instrument to help improve policy coherence. It is designed to assess the economic, environmental and social impacts of major policy proposals in an integrated manner and to make the trade-offs between competing goals more explicit. To date, the Commission has produced over 50 Impact Assessments on a wide range of policies from proposals for the Re-Insurance Directive to policy orientations on the Common Market Organisation of Sugar, and the financing of Natura 2000. On the external side, sustainability impact studies have been initiated on all major trade negotiations.

Developing the open method of coordination

The open method of coordination can be a powerful instrument to promote exchange of good practice, involve and mobilize stakeholders and put pressure on Member States to adopt a more strategic and integrated approach and deliver more efficient policies. Common objectives and common indicators have, for example, been agreed by the Commission and the Member States in the areas of social inclusion and pensions. Most Member States have set quantitative targets for the reduction of poverty and social exclusion.

Getting prices and incentives right

Making sure that market prices reflect the true costs of economic activities to society will encourage changes in production and consumption patterns. To achieve this, market-based instruments like environmentally-related taxes, emission trading schemes and subsidies can be an effective complement to traditional regulatory measures. In this area, progress has been made in recent years at EU level, but decision making is still sometimes difficult, in particular in relation to taxation because of the unanimity requirement in the Council. Examples where the EU has applied market-based instruments include the 2003 Energy Tax Directive, which extends the Community system of minimum tax rates from mineral oils to other energy products, and the EU-wide allowance trading scheme for greenhouse gas emissions, which is

in place since 2005 to help achieve the Kyoto reduction targets.

Investing in science and technology

Advances in knowledge and technological progress are key to achieving a balance between economic growth and social and environmental sustainability. There are many synergies to exploit between innovation for quality and performance and innovation to optimise energy use, waste and safety. More energy-efficient machines, for example, consume fewer natural resources and lead to lower emissions. Investments in new technology will also create jobs and growth. EU action in this field includes the sustainable development activities of the 6th Framework Programme for Research and Technology Development. The Environmental Technologies Action Plan promotes technology platforms on hydrogen and fuel cells, photovoltaics, sustainable chemistry, water supply and sanitation. The EU is also stimulating the take up of technologies having an impact on our social systems, for example, healthcare systems⁷.

Communicating and mobilising citizens and business

Civil society and the private sector play important roles in sustainable development. Several initiatives have been taken at EU level to encourage active involvement of these groups, and to improve the consultation processes and the mobilisation of stakeholders. Among other things the Commission has adopted minimum standards for stakeholder consultation and improved information on and participation in environmental decision making. It has also taken various initiatives to promote Corporate Social Responsibility.

- Unsustainable trends

Climate change and clean energy

In the last 100 years Europe's temperature has risen faster than the global average (0.95°C in Europe compared with 0.7°C globally); 8 out of 9 glaciers are retreating to a significant extent; extreme weather events - such as droughts, heat waves and floods - have increased⁸. Keeping the global temperature rise below the level at which more dangerous climate change becomes probable requires deep global cuts

⁷ See for example the recently adopted e-health action plan: making healthcare better for European citizens – an action plan for a European e-health area, COM(2004) 356.

⁸ EEA report "Impacts of Europe's changing climate", August 2004.

in greenhouse gas emissions. Certain estimates of damage caused by extreme events in 2002 indicate a loss of €25 billion⁹. A reliable and affordable energy supply is far from commonplace in the developing world, where over 2 billion people rely on biomass (wood, waste, etc.) as their primary energy source and 1.6 billion lack access to electricity.

The European Climate Change Programme (ECCP) has served as a key vehicle to take action against climate change in Europe. It covers crucial energy initiatives and the recently launched EU-wide allowance trading scheme for greenhouse gas emissions, which started operating on 1 January 2005. The EU is also promoting a number of measures contributing to tackle climate change through its Regional Funds. However, while the latest available data show that by 2002 the EU-15 had reduced greenhouse gas emissions by 2.9% from 1990 levels, much more needs to be done in order to reach the Kyoto Protocol target of a 8% reduction from 1990 levels during the period 2008-2012. Internationally, the EU has also continued to play a leading role in promoting the ratification of Kyoto and in implementing the commitments made at the 2002 Johannesburg World Summit on Sustainable Development (WSSD). The EU has in this regard advocated the use of renewable energies worldwide, through the Johannesburg Renewable Energy Coalition. The EU Energy Initiative is a contribution to the WSSD, aiming to improve access to adequate, sustainable and affordable energy services in rural, peri-urban and urban areas.

In Europe, renewed commitment is given to make real progress on energy efficiency through a new Energy Efficiency Initiative.

Public health

The threats to public health in the EU have continued to increase since 2001. Life-style-related and chronic diseases increase rapidly worldwide with obesity showing the most alarming developments (10-40% increase during the last 10 years in most EU countries). The HIV/AIDS epidemic has globally reached its highest level of infections ever (39.4 million) and the proportion of newly reported HIV infections has more than doubled in Europe since 1996. Greater contact and mobility around the globe has increased the impact of health threats through infectious diseases such as avian flu and SARS. Bioterrorism is another new element. In developing countries, recent health and development gains have been reversed and the spread of major

⁹ Munich Re, Geo risk research department, January 2004.

communicable diseases is a serious threat to their future development. The World Health Organisation (WHO) estimates that unhealthy environments every year cause the death of over 5 million children worldwide.

Examples of policy measures taken since 2001 include the funding of genome research to fight antibiotic resistance; the establishment of a joint EU surveillance and early warning networks for communicable diseases; the adoption of a proposal for a new EU regulatory framework for chemicals (REACH); the adoption of the European Environment and Health Action Plan 2004-2010; and the setting up of a European Food Safety Authority (EFSA) and European Centre on Communicable Diseases (ECDC).

Internationally, EU financing to tackle diseases such as HIV/AIDS, Tuberculosis and malaria has increased substantially. Contributions have also been made to reduce the price of essential pharmaceutical products in developing countries.

Poverty and social exclusion

Poverty and social exclusion represent a growing problem. In the EU, around 15% of the population lives at risk of income poverty. The situation in some of the new Member States is of particular concern. Other worrying trends are the transmission of poverty and exclusion across generations and the disproportionate burden borne by certain population sub-groups (e.g. unemployed, single parents, disabled people, ethnic minorities). Worldwide, 2.8 billion of the world's 6 billion people live on less than € 2 per day.

EU Member States have agreed to co-ordinate their policies for combating poverty and social exclusion by setting common objectives, designing national action plans and evaluating these using common indicators to monitor progress. The European Commission is supporting this co-ordination process. European Regional Policy funding also contributes to this goal, for example, through investments in education, training and local employment.

To tackle the issue worldwide, the EU's development policy sets as its main objective to significantly reduce and, eventually, to eradicate poverty. A variety of actions have been taken within the framework of the new global partnership for poverty eradication and sustainable development established at the Doha, Monterrey and Johannesburg summits.

An ageing society

Population growth in the EU is projected to come to an end and a decreasing and ageing working population will have to support an increasing number of old people. The old-age dependency ratio is forecast to increase from 24% in 2004 to 47% in 2050.

Whereas increasing life expectancy is a major achievement, Europe's ageing society raises sustainability issues which need to be addressed. Neither migration nor a rapid increase in birth rates can avert a sharp rise in the share of older people in the population over the next two decades.

The Commission is working with Member States to modernize social protection systems to ensure that they remain financially sustainable and socially adequate. Measures also include prolonging the working lives of older workers. The target, established by the European Council in Barcelona, is for 50% of 55-64 year olds to be in work by 2010 and for the effective labour market exit age to be raised by 5 years by 2010. Apart from tackling the financial side, healthcare systems also need to evolve to cope with expected demand from the increased number of elderly people, in particular in order to improve access to healthcare. The Union is facilitating structured co-operation in this field and the exchange of good practice.

Management of natural resources

Rapid global population growth means that by 2010 there will already be 400 million more people on Earth compared to now, essentially located in urban areas. In a world of growing 'interdependence' we cannot continue to produce and consume as we are doing today. Bio-diversity is under threat. Worldwide, there are 15 500 species of plants and animals which face a high risk of extinction. Recent decades have already seen very significant losses in virtually all types of eco-systems and species (animals, plants, forests, fresh water, fertile land, etc). Fresh water is another precious natural resource under pressure. Overall, the global water crisis threatens lives, sustainable development and ultimately peace and security.

Policy actions taken to achieve the EU's target of halting the loss of biodiversity by 2010 include the reform of the Common Agricultural Policy and the Common Fisheries Policy, and the creation of the Natura 2000 network. A Communication on halting the loss of biodiversity by 2010 is in preparation. Measures to enhance resource efficiency include the EU Directive on waste electrical and electronic equipment and Commission Communications on integrated product policy. In the period from 2000-2006, the European Union is also deploying large amount of money from the Structural and Cohesion Funds to co-finance investments in favour of

environmental infrastructures and the rehabilitation and maintenance of industrial, urban and natural sites.

International initiatives include the EU Water Initiative – “Water for Life” - as a follow up to the World Summit on Sustainable Development. The EU is also taking a leading role both in the Convention on Biodiversity and in the work to establish a ten-year framework of programmes on sustainable consumption and production.

Land use and transport

Despite the aim to decouple transport from GDP growth, the volume of transport continues to rise faster than GDP. This has impacts in a variety of areas, ranging from traffic congestion and health problems caused by air pollutants, to increased CO₂ emissions affecting the EU’s targets on climate change.

The EU has initiated a number of policy initiatives to limit the negative effects of this trend in the growth in transport. It is encouraging a shift from road transport to modes with lower environmental impacts, such as clean buses, shipping and rail. The Commission has also proposed that Member States introduce infrastructure charging to influence transport demand, by moving towards a situation where prices paid by transport users reflect the full costs to society (e.g. the Euro vignette directive), but implementation remains limited. Moreover, significant progress albeit offset by increase in demand and volume of transport, has been made in vehicle and fuel technology, driven by EU legislation and initiatives. Finally, actions are being pursued to improve the urban environment and land-use management, for example through the EU Structural Funds programme “Urban II” and the Research Framework Programme. The Commission is also preparing a Thematic Strategy on the Urban Environment which is due to be published in 2005.

External aspects of sustainable development

In addition to the unsustainable trends listed above, promoting sustainable development at the global level has, inter alia, included the following EU actions:

- Harnessing Globalisation

Globalisation is the new context in which sustainable development has to be achieved. While it can be an important stimulus to sustainable development, the gains from globalisation are too often unevenly spread between and within countries and unregulated integration can have negative impacts on the environment and

society as a whole.

The EU supports a coherent and integrated approach to questions relating to globalisation in WTO, International Financial Institutions (IFIs) and across UN bodies. It also wants to strengthen key bodies – such as, for example, the International Labour Organisation.

To effectively and equitably integrate the developing world into the global economy, the ongoing WTO-negotiations, the Doha Development Agenda (DDA), are essential. In the DDA-negotiations, the EU has since 2002 consistently been working to pursue its objectives in terms of the promotion of global sustainable development across the board on a large number of negotiating issues. Furthermore, since developing countries' efforts to integrate into the global trading system need to be effectively supported, trade related assistance (TRA) has been designated as one of the priority areas for the EU's development co-operation and the TRA dimension has been integrated in all the relevant levels of decision making on how to allocate funds.

In addition, since the WSSD, the EU has also taken important steps to implement supportive action related to trade policy outside the scope of the DDA, inter alia, through pursuing its efforts to include a substantive element on sustainable development in all ongoing or future bilateral or regional negotiations.

– Better Governance at Global level

Good governance and the promotion of democracy are critical factors in reaching the Millennium Development Goals. The Millennium Declaration states that creating an environment that is conducive to development and to the elimination of poverty depends, inter alia, on good governance within each country, on good governance at the international level and on transparency in the financial, monetary and trading systems.

The Commission has addressed institutional capacity building, good governance and the rule of law in a Communication on Governance and Development, focusing on institutional capacity building and dialogue on governance in different types of country situations. Efforts have also been made to promote sustainable development in all existing international and regional cooperation agreements and policy instruments. In addition, strengthened international governance for sustainable development has been at the heart of EU's efforts to develop effective multilateralism.

- Financing for development (FfD)

To reach the Millennium Development Goals, financing is needed. However, the UN target of 0.7% Official Development Assistance (ODA) of Gross National Income (GNI) is still far from being fulfilled.

The EU defined its contribution to the “Financing for development process” in eight explicit commitments, endorsed by the European Council in Barcelona on 14 March 2002. The latest monitoring report forecasts that aid levels in the enlarged EU (25 Member States), as a whole, will exceed its intermediate target of 0.39% ODA/Gross National Income (GNI) and provide 0.42 % of its GNI in ODA by 2006, or an estimated € 38.5 billion. The total volume of additional resources mobilised during 2002–2006 is € 19 billion.

Part II: Responding to the challenges

5. FUTURE ORIENTATIONS

In the light of the continuing challenges, Europe must not only stand by its commitment to a long-term agenda for sustainable development and a better quality of life, but also to find ways to tackle these more effectively.

5.1. Reaffirm the basic principles of the European Union Sustainable Development Strategy

The concept of sustainable development and the complementarity between the Sustainable Development Strategy and the Lisbon Strategy have been clarified in the foreword.

Beyond that, the review will confirm the quintessential **three-dimensional nature** of sustainable development as the cornerstone of the strategy, i.e. a development that can only be achieved if economic growth, social inclusion and environmental protection go hand in hand, both in Europe and in other parts of the world.

The review will also take into account **the EU's contribution to global sustainable development** in two ways: first, by addressing the international aspects of the six unsustainable trends addressed by the strategy; second, by integrating into it the external EU policies that contribute to global sustainable development. In doing so, the EU will reconfirm and strengthen its commitment to take a leading role in driving the sustainable development agenda at global level.

5.2. Reaffirm the new approach to policy making and policy coherence

The review will re-enforce the **'new approach to policy making'** as the central means of placing sustainable development at the core of EU policy-making. In particular, the future EU Sustainable Development Strategy will give a further boost to the different components of the EU's Better Regulation agenda, including impact assessment, stakeholder consultation and regulatory simplification.

This means that sustainable and cost-effective policy making will continue to be promoted through Better Regulation, including a more effective implementation of a **balanced Impact Assessment mechanism** covering both new internal and external Commission policy initiatives. In addition, sustainability impact assessment studies

will continue to be applied to major trade agreements. While the tool has recently been refined to take account of first lessons learned¹⁰, continued attention will be given to possible ways to further improve the method, particularly with regard to the economic, social and environmental aspects of sustainable development. In this respect the Commission also intends to improve consultation of stakeholders on EU policies. Furthermore, attention will also be paid to the importance of ensuring adequate follow-up to the Inter-Institutional Agreement with the European Parliament and the Council¹¹ (e.g. to the need for European Parliament and the Council to apply the same principles and standards regarding impact assessment when it comes to impact assessment of substantial amendments to Commission proposals).

Also included under the new approach is the **open method of coordination**, notably in the fields of social inclusion, access to the labour market and social protection where this method plays a key role in modernizing social protection systems.

As part of the new approach to policy making, the Commission will continue to promote the use of **market-based instruments** to reflect the true costs of resource use and its environmental impact to society. For example, Member States will be invited to look at how they could shift the burden of taxation onto the causes of environmental damage and away from labour. The review will also further emphasize the importance of investments in **science and technology** for sustainable development. Possible means to further promote eco-innovations include the EU's research programme, the Commission's Innovation Policy, as well as public procurement. Exchanging information with external partners on sustainable research, science and technology will also be promoted.

5.3. Maintaining a focus on key unsustainable trends and exploring the linkages between unsustainable trends in greater detail

The review will maintain the Strategy's focus on **main trends that pose a threat to sustainable development**. Many of these trends can only be tackled through continued action over a long period of time and will involve major structural changes in the functioning of our societies and economies. However, this should not be an excuse for inaction in the short run.

The review will therefore include **a thorough assessment of the unsustainable**

¹⁰ Ref. Impact Assessment: Next Steps – in support of Competitiveness and Sustainable Development, SEC(2004) 1377, 21.10.2004.

¹¹ Interinstitutional agreement on better lawmaking, OJ C 321, 31.12.2003, p. 1.

trends covered in the current strategy with a view to identifying objectives and necessary actions for the years to come. The priority areas identified in 2001 should also be brought into line with the international commitments made by the EU at the World Summit on Sustainable Development, the UN conference for Financing for Development as well as the UN Millennium Declaration and other related multilateral agreements and commitments undertaken by the EU. Moreover, they will be updated to reflect the accession of ten new Member States to the EU – and the prospect of further enlargement in the not too distant future – which poses new challenges for the Union's capacity to address the unsustainable trends. In this context, the review will also examine the case for adding a limited number of new or not previously considered trends, including economically unsustainable trends.

Finally, the review will pay greater attention **to identifying inter-relationships between the selected unsustainable trends**. It will seek to maximize positive synergies and reduce trade-offs. For example, by promoting a shift in transport from road to rail it is possible to reduce greenhouse gas emissions and reduce congestion at one and the same time (creating a 'win-win' situation). Another example would be how investment in fundamental technological change could result in better competitiveness and at the same time improve environmental quality and social cohesion.

5.4. Setting objectives, targets and milestones

The approach taken in the 2001 strategy was to define medium-term headline objectives relating to each of the unsustainable trends and to identify a number of measures intended to address these. The review will confirm the need for clearer objectives, targets and related deadlines as a way of giving focus to action in priority areas and enabling progress to be measured.

Although the trends represent long-term problems that will need long-term solutions, the only way to ascertain that society is moving in the right direction is by setting clear intermediate targets and measuring progress. Setting long-term objectives, therefore, must not come to mean postponing action.

The revised strategy will therefore present new headline objectives for each of the unsustainable trends and set the intermediate milestones which will allow the EU to monitor actual progress. The operational objectives and action plans will be identified within the relevant internal and external sectoral policies which will also be the main vehicles for implementation and monitoring of the policy initiatives, including international commitments agreed under the Millennium Declaration and the

Barcelona and Monterrey summits.

5.5. Ensuring effective monitoring

The decision in Gothenburg to ensure yearly monitoring of the strategy at the Spring European Councils has fallen short of expectations. A reinforced reporting system will be developed in the review. It will focus on the short and medium-term delivery of the strategy's objectives, combining and simplifying as far as possible current reports on sustainable development issues. The institutional responsibilities (particularly the roles of the European Council and the European Parliament) in the monitoring process will also be made clearer.

Monitoring will take place in particular on the basis of sustainable development indicators developed by the Commission. These will draw on, among other things, the various indicators developed within the sectoral policy processes and the synthesis already made from these in the set of structural indicators which have monitored progress towards the targets set as part of the Lisbon reform agenda. More effort will also be put into developing future models, forecasts and further gathering of scientific data to help effective monitoring.

5.6. Strengthen ownership and improve co-operation with public and private actors at all levels

Further action is needed to raise awareness, mobilise and involve stakeholders at all levels. It must be clear who is responsible for what action at what point in time and who will bear the costs. To this end, the Commission will explore how to create effective partnerships with industry, trade unions, non-governmental organisations and consumer interests, particularly with a view to discussing ways of helping to curb the unsustainable trends identified in the context of the review.

More consistency will be sought between EU, global, national, regional and local initiatives to promote sustainable development. Possible actions will include identifying common priorities under each of the headline objectives; starting a process of mutual learning with Member States and/or regions; and setting up mechanisms for the permanent exchange of information on best practice.

The Union will also need to step up its efforts to stimulate further action in other parts of the world, both in industrialised countries and countries in transition, and in the developing world. The Commission will strive to develop the dialogue on sustainable development objectives with partners outside the EU, notably administrations and

civil society in third countries as well as international organisations and NGOs focused on global issues.

6. NEXT STEPS

The Commission invites the European Council, the Council, the European Parliament, Member States, regional authorities and all parts of civil society to comment on the proposed orientations for the strategy. An initial opportunity for discussion will be the holding of the stakeholder forum organised by the European Economic and Social Committee on 14 and 15 April 2005. The Commission will then present a proposal for a revised sustainable development strategy for the Union later this year.