CCRE CEMR
Local & Regional Europe

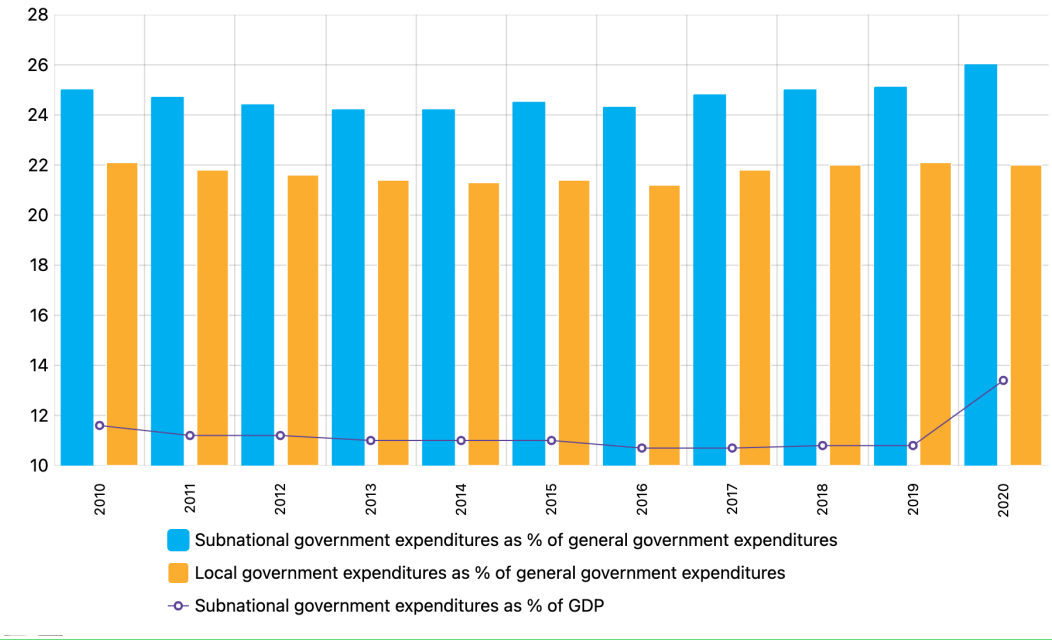
Local Finances and the Green Transition

Managing Emergencies and Boosting Local Investments for a Sustainable Recovery in CEMR member countries

Co-funded by the European Union

3. Budget expenditure and investment patterns

FIGURE 6 STABLE LEVEL OF DECENTRALISATION IN CEMR COUNTRIES, 2010-2020
Subnational and local government expenditure as % of general government expenditure and GDP

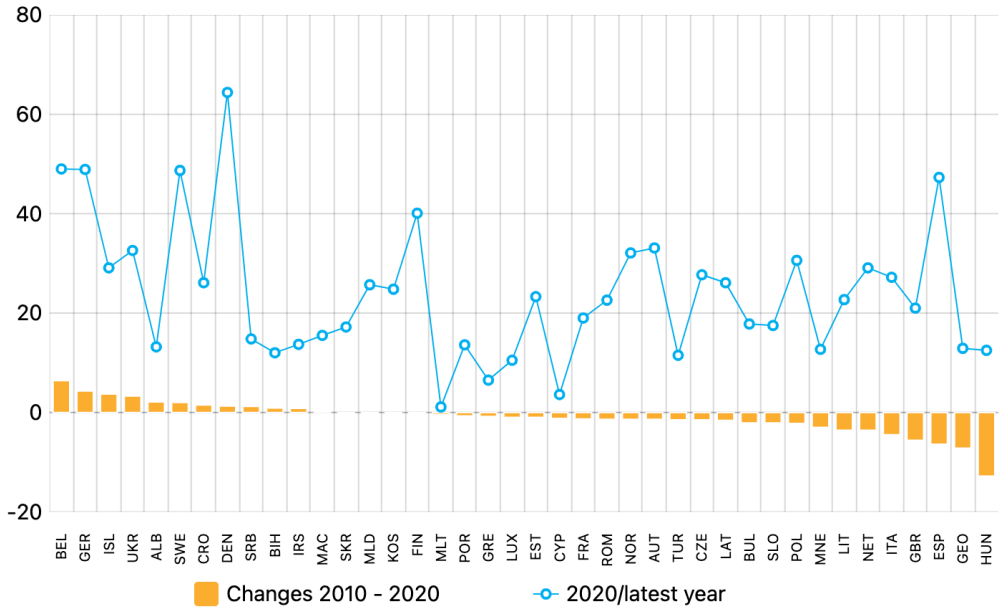


The scope of decentralisation has not significantly changed in the CEMR countries over the past decade. The share of subnational government expenditure in total general government expenditure was 25% the year after the economic crisis and, after a short period of some decline, had once again reached the same level by 2019. However, general government spending was somewhat delayed in keeping up with economic growth, as seen in Figure 2 above. The slow gradual economic recovery throughout the entire period led to the continuous decline in subnational expenditure as a percentage of GDP (Figure 6).

In the first two years of the decade, budget restrictions at the subnational levels were indicative of the economic recovery's slow start. Between 2010 and 2013, subnational governments' share in total government expenditure decreased by 0.8%. However, in the three years prior to the pandemic (2017-2019), the relative position of subnational governments had improved. Then in 2020, the economic slowdown and the higher demand for subnational spending due to the COVID-19 pandemic led to an abrupt increase in subnational budgets' shares again; they reached a record high ratio of GDP (13.4% in 2020) and 26% in general government expenditure.

CEMR countries pursued rather different fiscal decentralisation policies during this period (see Figure 7). One group of countries supported subnational governments, which led to their having a higher share in overall government spending (see left-hand side of the chart). This group is made up of two federal countries (Belgium, Germany), where regional expenditure drove the decentralisation, and two countries with already extended local services (Denmark, Sweden). The other decentralising countries either had a relatively low starting point (e.g. Albania) or were able to undertake major reforms during this period (e.g. Ukraine).

FIGURE 7 INCREASED LOCAL SPENDING IN MORE DECENTRALISED COUNTRIES
SUBNATIONAL GOVERNMENT EXPENDITURE AS % OF GENERAL GOVERNMENT EXPENDITURE, 2020, CHANGES 2010-2020



The other group of countries followed radical centralisation policies (countries on the right-hand side of the chart). In their cases, the subnational governments' share in general government spending decreased by 5% or more. Local governments lost the most in Hungary, Georgia, and among the larger countries, in Spain and the UK. In the quasi-federal Spain, the budgets of the state-like autonomous communities and the lower government tiers were both cut.

Centralisation was prevalent among the CEMR countries. As can be seen in Figure 7, the financial weight of subnational governments in general government expenditure decreased in the majority of countries. Another overall observation was that countries with lower subnational spending preferred centralisation policies, while the more devolved countries supported further decentralisation. There is thus a positive linear correlation between the share of subnational government expenditure and the changes in relative position of local budgets. **The more decentralised countries experienced increases or lower cuts in subnational spending than the more centralised ones, which lost more of their spending powers.** The public sector's past characteristics seem to determine its future paths.

Diverse options for countries with fragmented or amalgamated municipal models

Countries with bigger municipalities could opt to devolve more services to local governments with larger populations. However, this economic rationale positing that the scope of expenditure decentralisation is related to local government size could only be observed at work in a small group of countries. There were six countries in total with higher local spending levels and above average municipality population size: Denmark, Latvia, Lithuania, Sweden and the Netherlands – all from the North where amalgamated models with extended municipal functions are common – and Kosovo (see the upper right cell in Table 3).

TABLE 3 MAIN TYPES OF LOCAL GOVERNMENTS IN CEMR MEMBER COUNTRIES

Centralised (low)		*Scope of decentralisation* (local expenditure in general government expenditure)	
		Decentralised (high)	
Average municipality population size	*Large*	*Centralised, amalgamated* Turkey, Georgia, Greece, Serbia, Albania, Bulgaria, North Macedonia, Bosnia and Herzegovina, Montenegro, Israel	*Decentralised, amalgamated* Denmark, Sweden, the Netherlands, Latvia, Lithuania, Kosovo
	Small	*Centralised, fragmented* Slovenia, Slovakia, Hungary, Portugal, Austria, Belgium, Germany, Spain, France, Luxembourg, Cyprus, Malta	*Decentralised, fragmented* Finland, Norway, Estonia, Poland, Ukraine, Moldova, , Czech Republic, Romania, Croatia, Italy, Iceland

However, many more CEMR countries follow a distinctly different model, with small municipalities and limited local functions (bottom left cell in Table 3). Fragmented municipal structures with a low local share in general government expenditure also characterise the federal countries (Austria, Belgium, Germany, Spain) since the regional governments actually take up the lion's share of the subnational budgets. France, with its particular hierarchical and cooperation-based municipal model, also belongs to this group. The other members are relatively small countries, with several from Central and Eastern Europe (Hungary, Slovakia, Slovenia), Luxembourg, Portugal and small island States (Cyprus, Malta).

The smaller municipalities in the decentralised countries (bottom right cell) usually coexist alongside a rather powerful intermediate government tier. This group includes Italy, Poland, Ukraine, Finland, Norway a few transition countries primarily from the Balkans (Croatia, Moldova, Romania), the Czech Republic and Estonia. The latter, with its single tier subnational government structure, is the outlier in this group.

The fourth model, characterised by large amalgamated municipalities and limited local functions, are most typical of the Western Balkans; however, Georgia, Israel and Turkey also belong to this group of countries (top left cell).

This rough classification of first tier local governments is important for benchmarking various decentralisation models. Any transfers of best practices and policy solutions need to take these basic differences in local government systems into account. The responses to the past decade's two crises and the options for supporting municipal reforms all depend on these critical factors of municipality size and scope of local functions. The territorial administration reforms mentioned in Box 3 laid out the basis for further decentralisation, namely by allocating more public functions to amalgamated municipalities (see the example from Estonia in Box 6).

Box 6 – Decentralisation reforms in Estonia: Devolution to amalgamated municipalities

A local government amalgamation reform was implemented in 2017-2018 and merged 213 municipalities into 79. The county governments were abolished and their tasks redistributed between the central and local governments in 2018. County centre municipalities were mainly attributed small-scale tasks such as registering marriages and divorces. More significantly, responsibility for foster childcare services was assigned to local governments. Another significant change is in secondary education, where the central government is opening more and more State "gymnasiums" or secondary schools all over the country while local governments are closing theirs. However, special education schools for children with disabilities are being transferred by the Ministry of Education to municipalities on a case-by-case basis pending agreement. The central government's strong financial position has made it possible to increase the local government's financial base (share from personal income tax, equalisation fund, other grants).

Local functions

Subnational governments in the CEMR countries provide a wide range of services, although there are considerable disparities across the continent. The options for rationalising municipal expenditure and crisis management very much depend on the scope and form of decentralisation, i.e. the types of local public services provided. The services discussed in the section below constitute the ten main functions of government ("Classification of the Functions of the Government" (COFOG) categories).

Education **represents the largest expenditure item in the budgets of both types of subnational government tiers** (Figure 8). It accounts for more than one-fifth of the budgets of local governments (municipal, intermediate tier) and, in the federal countries, of the regional governments. As municipalities are responsible for a large number of devolved or deconcentrated administrative services, the spending on *general public services* (mainly public administration) is also significant (17%).

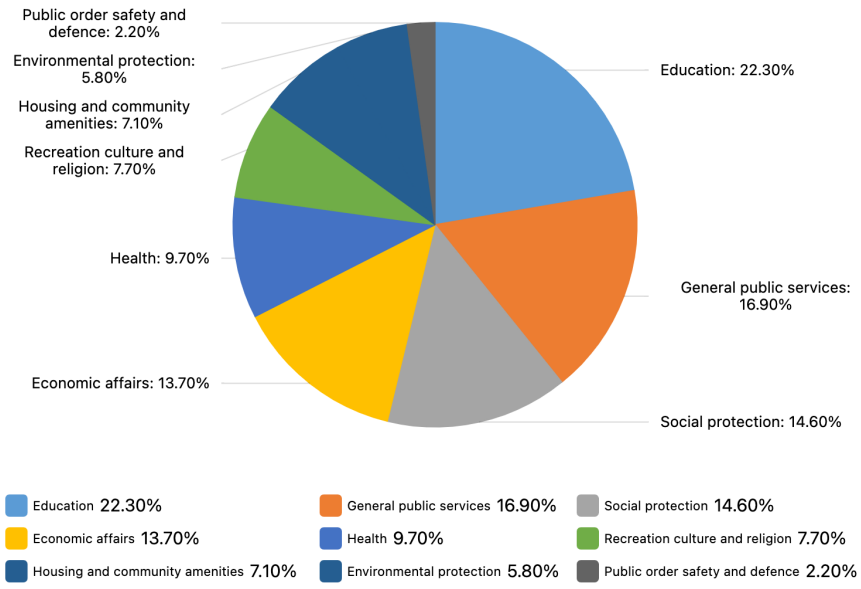
Social services, covering both institutional care and social assistance as well as pre-school services, is also a major item in local budgets (14%). *Economic affairs*, primarily transport services, energy, agriculture and tourism, is a similarly important spending item (14%). *Health care* services are divided up among the various government tiers, but it represents a significant local responsibility in many countries (10%). *Recreation and culture,* including sports, accounts for 5% of local budgets.

Housing and community services, mainly water supply, public lighting and social housing expenditure, uses 7% of local budgets. *Environmental services,* essentially solid waste and wastewater management, takes up only 6% of local budgets since this usually involves privatised or outsourced services with only a limited connection to the public budget.

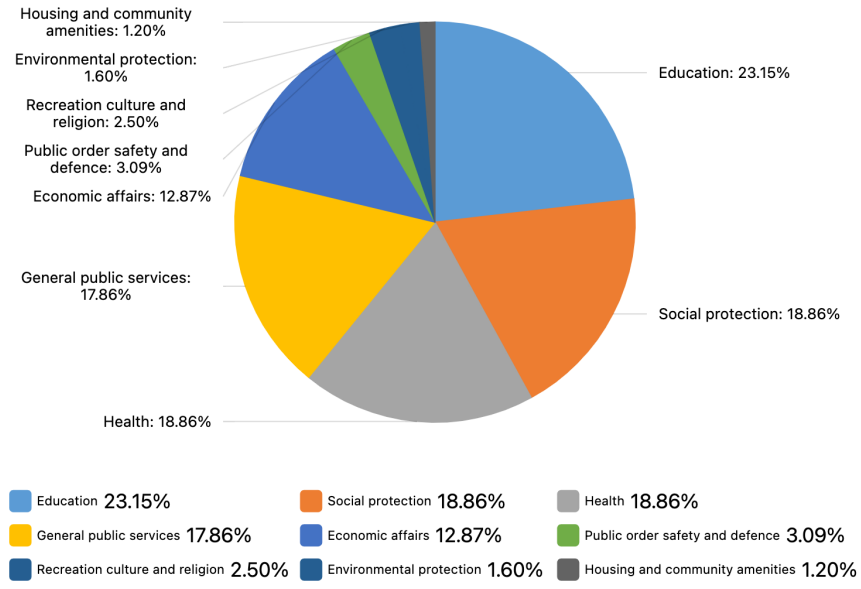
Social services **and** ***health care*** **also represent major items in the regional governments' budgets; together, they account for 19% of total expenditure**. As the regions also manage infrastructure network services (e.g. transport), spending on *economic affairs* (13%) is also significant.

FIGURE 8 COMPOSITION OF LOCAL AND REGIONAL*/ GOVERNMENT EXPENDITURE BY FUNCTION

Local governments, average, 2019



Regional governments, average, 2019



*/ State governments in federal countries

Between 2010 and 2019, the structure of local government expenditure changed only slightly. There was a marginal increase in the share of *public education, health care and recreational services*. As these human services are usually subject to strict national regulations, their higher share in local budgets may be tied to a national programme or a further devolution of these services.

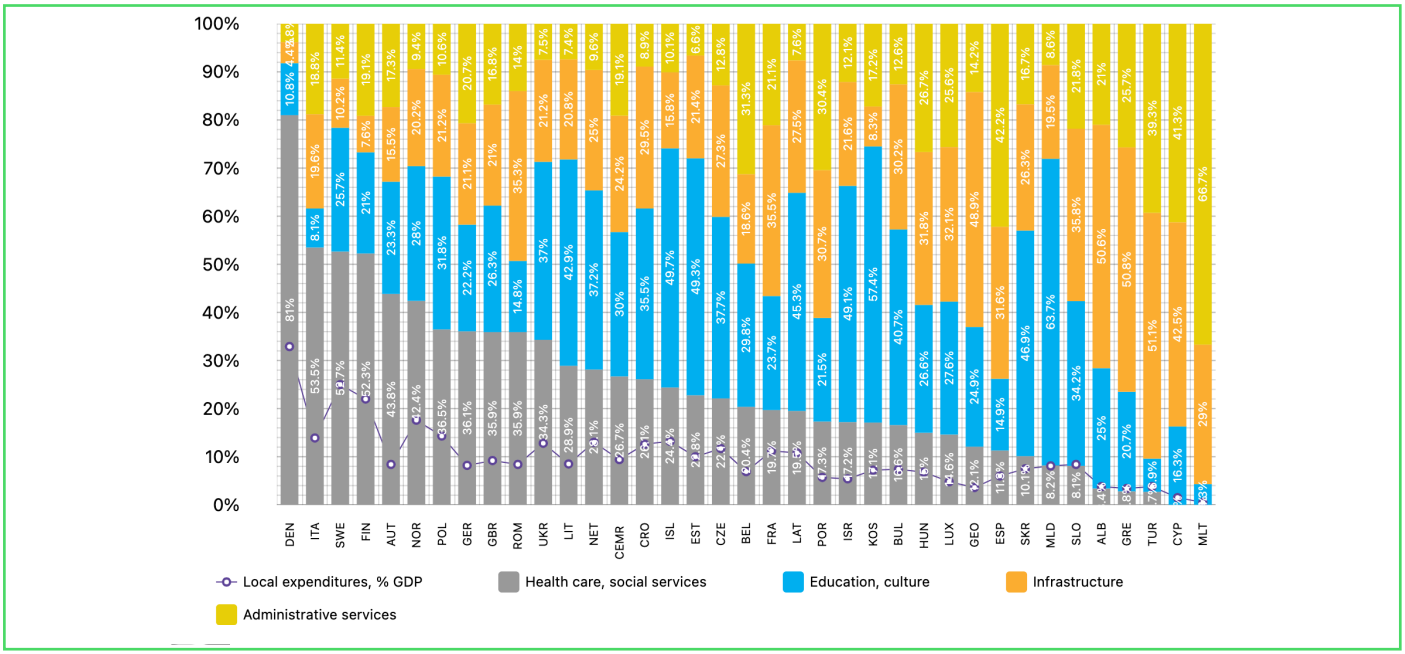
The budget share of *administration, housing and community services and environmental protection* decreased. These are usually areas where municipalities have more discretion and capacity to control local spending. This minimal restructuring of local budget expenditure demonstrates that local governments were able to improve

service efficiency in these sectors. Since demand for these typical local services remained stable, it follows that the usual service standards had to be provided even with a lower local budget share.

The restructuring of local budget expenditure could be seen to continue in 2020 and afterwards, even if no comparable data is available for the first year of the pandemic (CEMR, 2021, OECD, 2021). There was a greater need for public health services and social service activities, even as social distancing and work from home decreased the demand for other communal public services.

Locally provided services cover a wide array of areas in the CEMR countries. In the cases where local expenditure is reported by function, the budget shares for health care and social services correlate to the scope of decentralisation (Figure 9). In the most decentralised countries (measured using local expenditure as a % of GDP), these two costly services represented more than 30% of local government budgets.

FIGURE 9 HUMAN SERVICES DOMINATE LOCAL EXPENDITURE, 2019



In countries with an average degree of decentralisation (around 10% of GDP), education and culture were the dominant items in local expenditure. In the less decentralised systems, basic infrastructure services represented the core local mandates. In this group, higher local budgets could be found only in the countries where education was devolved (e.g. Bulgaria, Slovakia, Moldova, Slovenia).

Box 7 – Austria: Increase in unfunded mandates during the two crises

Among the functions managed by local government, compulsory schools (infrastructure) and childcare (infrastructure and staff) have been especially dynamic areas, particularly since federal policies have greatly expanded these mandates. However, in the past decade, federal legislation has created an additional burden for local governments with the introduction of a compulsory year of kindergarten free of charge before entering primary school. In the field of care for the elderly, eliminating the obligatory payment for individuals in nursing homes (abolition of the nursing care recourse) also gave rise to additional financial burdens for the local level.

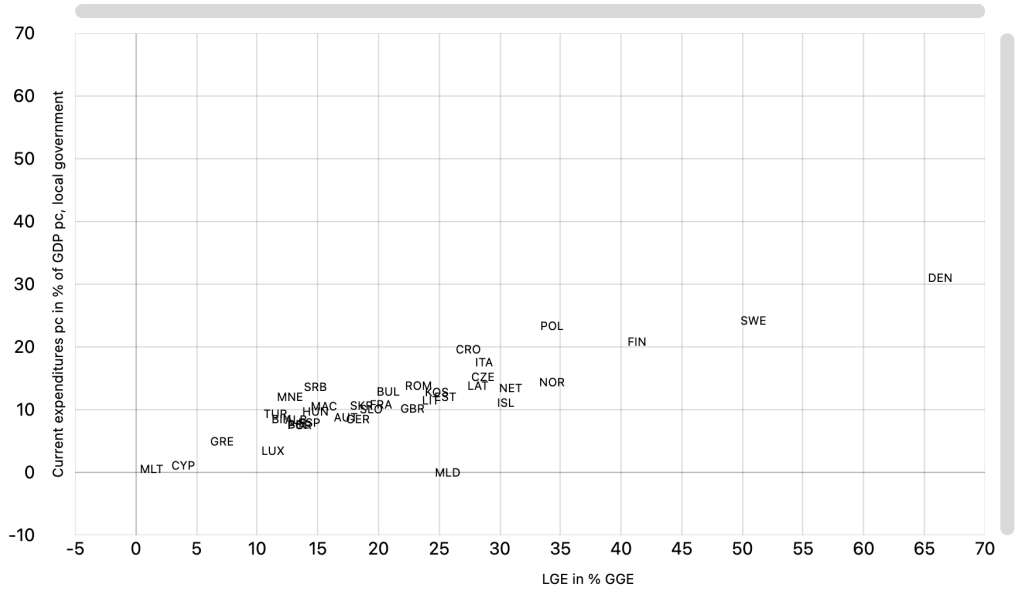
During the pandemic era, financial costs increased for some services provided through local companies. However, the public sector was excluded from the COVID-19 aid programmes, generally available to all companies and entrepreneurs in Austria. Nevertheless, the 100% locally-owned companies did not have access to these subsidy programmes.

Spending efficiency

After the 2008-2009 economic crisis, subnational governments everywhere were operating under constant pressure to improve the efficiency of their administration and other locally provided services. Given the difficulty of measuring service efficiency in the public sector, it is not easy to quantify changes in these areas. Fiscal indicators of higher spending can either be a reflection of the inefficient use of resources or it may simply be indicative of better service quality resulting from more spending on a local service.

Conducting an objective assessment is further complicated by the limited comparative data available on expenditure by economic category. The indicator used here to compare data therefore looks at *standardised costs*, i.e. the current expenditure per capita as a percentage of GDP per capita (for purposes of comparison, both in USD). As this indicator excludes differences in prices, salaries, taxation and level of economic development, it is an effective benchmarking method (Figure 10).

FIGURE 10 SCOPE OF DECENTRALISATION AND STANDARDISED LOCAL CURRENT EXPENDITURE, 2018



According to this indicator, local service management is less efficient in the countries above the trendline. Their spending exceeds what is considered the average (standardised) level of costs. The countries below the line are regarded as more efficient in their management of local current budgets, in comparison to others with municipalities overseeing similar responsibilities.

In the decentralised countries (local expenditure exceeding 20% of general government expenditure), there is potential for efficiency savings among the transition countries of Central-Eastern Europe and Italy (red circle). In the less decentralised group, the Western Balkan countries, Hungary and Turkey are the ones with above average current expenditure (blue circle). The countries below the trendline are regarded as more efficient in their total current budget usage.

Subnational government current expenditure is saddled by inescapable *labour costs*, i.e. gross salaries and wages. Options for improving local service efficiency are determined by the cost structure of municipal actions. Expenditure on employment represented 46% of current expenses on average in the CEMR countries, according to the OECD-UCLG World Observatory (Table 4).

TABLE 4 COMPOSITION OF SUBNATIONAL GOVERNMENT CURRENT EXPENDITURE, 2018

Compensation of employees	46.0%
Intermediate consumption	29.9%
Social expenditure, subsidies, transfers	23.2%
Other	0.9%
Total	100.0%

Other spending went towards intermediate consumption (30%), the operational costs of goods and services, and various local subsidies, social expenditure and transfers (23%). Actions to improve government financial efficiency could therefore focus on labour costs, which constitute the largest current expenditure category.

However, climate change mitigation may also bring about significant improvements in service efficiency. This is why local governments have often invested in energy efficiency programmes, which produce savings on public lighting and facility management budgets. They can also consider investing in solar energy production (see Box 8).

Box 8 – Solar Energy Agreements in Turkey

Municipalities are amongst the major consumers of electricity and increasing costs in this area represent a huge financial burden. In Turkey, solar energy use has been regulated since 2010 and the first legal framework for unlicensed energy production was introduced in 2011. Municipalities produce energy and deliver it back to the national grid. Their contribution is metered and deducted from their electricity bill. In 2011, the system was introduced with 500 KW of energy production; by 2019, this amount had increased to a staggering 6 000 MW. The national government's target for 2023 is 15 000 MW. Municipalities have many opportunities and sites to materially install photovoltaic (PV) systems, e.g. on public markets, municipal buildings, service buildings. They also have undeveloped lands to establish solar energy farms.

A municipality first receives a technical plan from the energy company and then obtains permission from the Ministry of Energy and Natural Resources. The completed installation produces energy that feeds back into the national grid and the total calculated savings is deducted from the municipal electricity bill. The investment is made by the municipality, which can apply to ILBANK (Bank of Provinces) for subsidised financial instruments with highly competitive interest rates on loans with a maturity of up to 25 years and a 5-year grace period.

Capital expenditure

This sub-chapter looks at the nature of subnational capital spending and in particular expenditure on local government investments. Generally, public budgets comprise current expenditure, which covers daily operational and maintenance costs such as salaries, materials, energy, etc., and capital expenditure. The latter generally consists of investments in physical infrastructure (buildings, utility networks, other assets) with a useful lifespan of more than one year as well as financial investments. After a brief description of the main expenditures by competence, this report will study the proportion and composition of subnational capital expenditure.

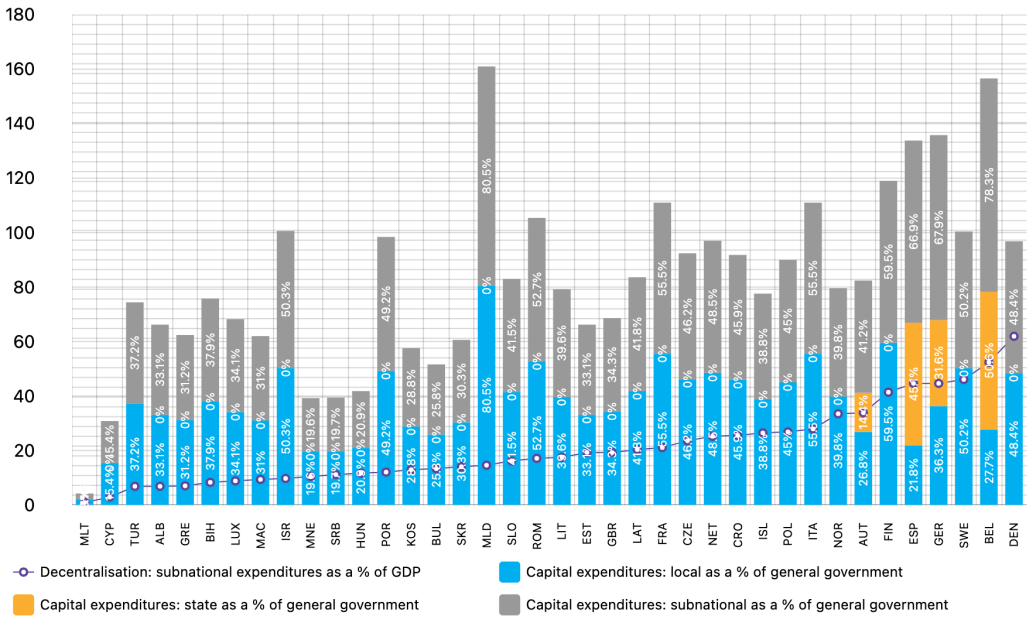
Capital investments represented only 15-18% of total subnational expenditure from 2010 to 2020. More capital investments are managed by first tier local governments (e.g. municipalities, counties) than by regional (state) governments, where capital expenditure only accounts for 5-7% of total budgets. Since 2010, the share of capital investments in subnational budgets has remained relatively stable. The 2016 and 2017 fiscal years were the exceptions when capital expenditure ratios fell slightly (15-16%) amidst a decline in overall government expenditure. In the first year of the pandemic, current spending (operational, maintenance) took up a large proportion of subnational government expenditure and the capital investment ratio fell again to 15% (2020).

However, subnational governments are responsible for a significant part of all government capital expenditure. Over the past decade, the trends in subnational government capital expenditure have followed the overall pattern of decentralisation.

Capital budgets were constrained after the 2008-2009 economic crisis. Subnational governments were the target of national fiscal policies and central government actions aimed at balancing public budgets. Following a gradual decline in the ratio of local investments that lasted until 2016, this trend reversed course and the share of subnational investments increased until 2019. In the first year of the pandemic, subnational government capital investments again dropped, especially at the local government tier (down to a ratio of 37.9% in the countries that reported data for 2020).

Setting aside these CEMR averages, there are major differences in subnational governments' responsibilities over capital investments depending on the country (Figure 11). In the less decentralised countries, local governments manage one-fifth or more of total government investment (Cyprus and Malta are exceptions). In the decentralised countries, subnational governments manage more investments than the national governments (see the federal countries and those with a high local expenditure-GDP ratio). Among the federal countries, however, it is the regional government tier that is more active in this area in Belgium and Spain.

FIGURE 11 HIGH SUBNATIONAL GOVERNMENT CAPITAL INVESTMENT RESPONSIBILITIES
CAPITAL EXPENDITURE AND DECENTRALISATION, 2020 (MOST RECENT YEAR5)



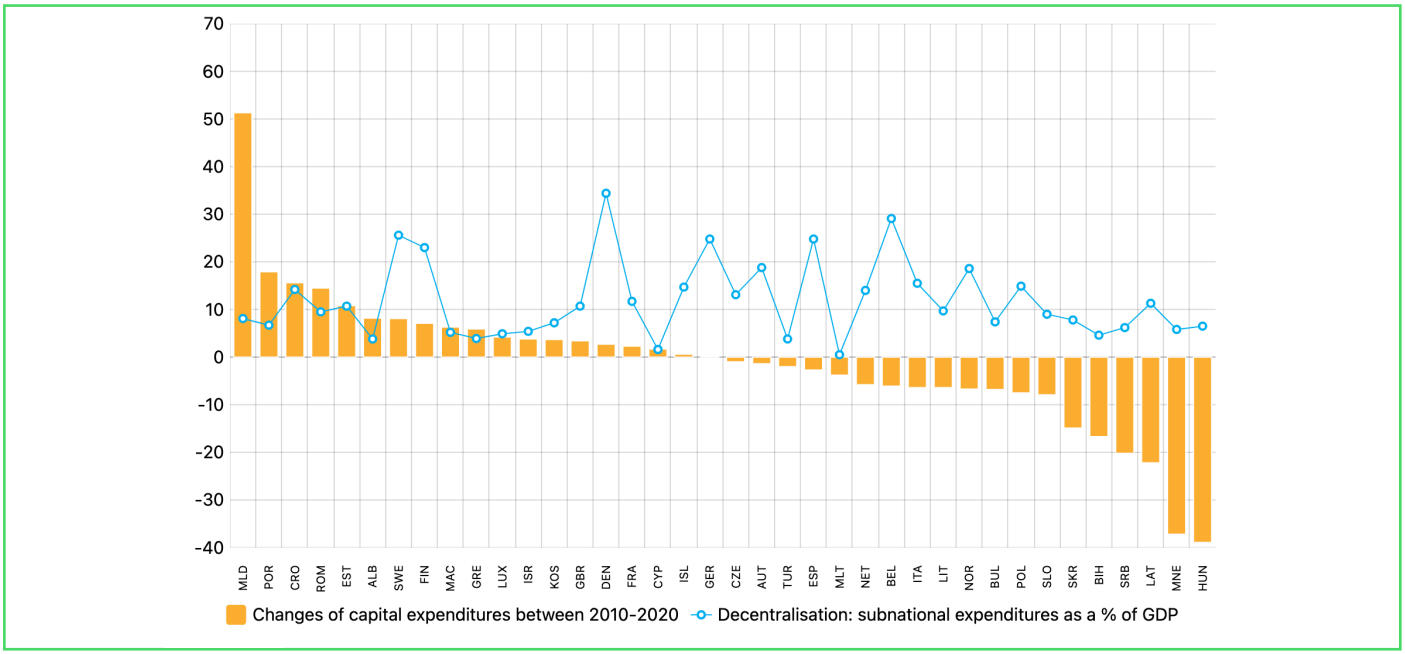
Throughout 2010, almost an equal number of CEMR member countries reported a declining share as they did an increasing share in total capital spending of subnational governments (Figure 12). Subnational governments lost the most in the less decentralised countries (e.g. Montenegro, Serbia, Bosnia and Herzegovina, Slovakia) and where major centralisation reforms were implemented (e.g. Hungary).

However, at the other end of the spectrum, subnational governments in some less decentralised countries did increase their role in public investments (e.g. Moldova, Portugal, Albania, North Macedonia, Greece). Others from the more decentralised countries in the middle were mostly able to maintain their share in general government capital investments; while some even managed to carve out a larger portion of total government investment (e.g. Croatia, Sweden, Finland, UK, Denmark).

5 The most recent year of reporting was 2020, although in some Western Balkan countries only 2019 data was available. The data for 2019 does not reflect the impact of the pandemic.

FIGURE 12 IMPACT OF THE CRISES: DIVERSE SUBNATIONAL CAPITAL EXPENDITURE POLICIES OVER THE DECADE (2010-2020/MOST RECENT YEAR)

CHANGES IN CAPITAL EXPENDITURE BETWEEN 2010-2020 (SUBNATIONAL SHARE AS A % IN GENERAL GOVERNMENT CAPITAL EXPENDITURE)



This fluctuation in capital expenditure can be explained in part by political electoral cycles. In some countries, local government elections coincided with higher local capital spending: Moldova (2019), France, Romania and several regions in Italy (2020).

Local government capital expenditure is mainly driven by national investment programmes and grant schemes. For example, the "Facilities for Syrian Refugees in Turkey" programme has a municipal component, which allocated EUR 400 million to local infrastructure projects (see Box 9). It also has grant and loan components from three donors under a joint coordination mechanism.

Box 9 – Facilities for Syrian Refugees in Turkey

Turkey currently hosts over four million refugees and the European Union has pledged to assist Turkey in dealing with this massive task. Of the Syrians under temporary protection (SuTPs), 98.5% now live out of shelters in many cities and towns. These host municipalities were already facing significant development challenges, such as providing adequate services and support for infrastructure, education, housing and employment.

The EU Facility for Refugees in Turkey manages a total of EUR 6 billion in two tranches. It also provides a joint coordination mechanism to ensure that the needs of refugees and host communities are addressed in a comprehensive and coordinated manner. The Facility has prioritised humanitarian assistance, education, migration management, health, municipal infrastructure, and socio-economic support. In order to overcome any public tensions that might arise, all projects under the FRIT programmes target a parity of 50% Syrians and 50% most vulnerable members of the host community.

Under the framework of the second tranche (FRIT 2), the French Development Agency (AFD) signed an agreement with the European Union Delegation to Turkey. On top of the already earmarked amount of EUR 214.8 million, AFD supplemented the loan with an additional EUR 63 million (bringing the total amount to EUR 277.8 million). Facilitated by the operational and financial intermediation of ILBANK (Bank of Provinces), these funds will go towards projects focusing on drinking water supply and sanitation and solid waste management. The 19 existing projects have targeted the 8 provinces close to the Syrian border that host the highest numbers of refugees. In addition, the World Bank has also signed an agreement with the EU for a total of EUR 135 million destined for the municipal services improvement programme. Almost all the projects are currently in development.

Local green investments

This sub-chapter sheds some light on the state of play of local and regional green finances where the financial data is available. Subnational governments have been conferred powers to manage capital expenditure in several areas pertaining to the six climate and environmental objectives of the EU Taxonomy regulation[6], primarily the following: climate change mitigation, climate change adaptation, the sustainable use and protection of water resources, the transition to a circular economy, pollution prevention and control.

Municipalities and regions play a crucial rule in global efforts to achieve the Greenhouse Gas (GHG) reduction in line with the Paris Agreement of 2015 and to reduce global warming to 1.5 degrees Celsius above pre-industrial levels. According to the Greenhouse Gas Protocol, cities are responsible for an estimated 75% of global energy-related CO_2 emissions.[7] The European Commission estimates that there is a yearly investment shortfall of EUR 350 billion to overcome to meet the EU's climate mitigation goals and an additional EUR 130 billion needed each year to attain its other environmental objectives (European Commission, 2021).

TABLE 5 SUBNATIONAL GOVERNMENT CAPITAL FORMATION AS % OF GENERAL GOVERNMENT IN SELECTED SERVICES, EU COUNTRIES, 2019

	2010	2015	2019
Housing, community amenities	85.0	90.2	88.2
Environmental protection	75.3	70.9	73.8
Economic affairs	50.9	48.8	50.0
Total subnational investments	**54.1**	**52.9**	**54.3**

6 European Commission 2022, https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en.

7 https://ghgprotocol.org/greenhouse-gas-protocol-accounting-reporting-standard-cities

These investment gaps cannot be bridged by national governments alone. It requires the mobilisation of private and public financial resources and this is where subnational governments also play an important role. They exercise partial control over the main sources of emission since housing, energy infrastructure, public transport, waste management, etc. are usually local government competences. As will be discussed later in this study, the main pillars of the European Union funding mechanism (Recovery and Resilience Facility) also entail a significant local dimension.

Most subnational capital investments are implemented in the infrastructure, communal and utility sectors. Local green investments are typically reported in three COFOG service areas: housing and community amenities, environmental protection and economic affairs (Table 5). In EU member countries, subnational governments were predominant in this respect in two areas: in *housing and community services*, almost all capital investments were local (88% of all government capital formation in 2019); in *environmental protection*, which includes reporting of waste management, an overwhelming majority of capital investments were local (74% in 2019).

Over the past decade, the local share of spending on housing and community investments has even increased despite the unfavourable economic conditions. This further highlights the importance of subnational governments in public services relating to climate change, green development and environmental protection.

Transport-related investments, which fall under *economic affairs*, have been almost equally implemented by the national and local government tiers (see the case of Austria in Box 10).

Box 10 – Local investments in urban public transport in Austria

The federal government financial allocation for public transport under the fiscal equalisation scheme covers less than 5% of cities' expenditure. The federal government provides funding, via the states (Länder), for the extension of city-regional railway systems, which amounted to EUR 125 million during the 2020-2024 period.

Cities benefitted from increased investment in public transport. According to a study of 12 participating cities, even though spending increased by 28 % from 2014 to 2019, revenue increased only by 12%.[8] A new phase of subway construction in Vienna will cost EUR 6 billion, 50% of which will be covered by the federal government. Several public transport projects are still in the planning stage, for example, trolleybuses in the city of Linz (with costs split between the city (60%) and Land (40%)).

TABLE 6 NUMBER OF LOCAL GOVERNMENTS THAT ADOPTED AND IMPLEMENTED LOCAL DISASTER RISK REDUCTION STRATEGIES, 2018

Germany	11 092
Austria	850
Norway	394
Finland	310
Slovenia	212
France	101
Lithuania	100
Estonia	79
United Kingdom	42
Netherlands	25
Ukraine	25
Poland	16
Czech Republic	14

Source: UN SDG database, indicator 13.1.3

8 https://www.kdz.eu/de/wissen/studien/finanzierung-des-oepnv-oesterreichischen-staedten

Local governments can do a lot more for a better environment beyond investing in municipal service improvements. Local *strategies on environmental risk management* have an impact not only on municipal services but affect other actors such as businesses and citizens as well. Goal 13 of the UN Sustainable Development Goals aims to combat climate change and promote adaptation actions. It is worth noting that the sub-indicator measuring progress in this field specifically refers to "proportion of local governments that adopt and implement local disaster risk reduction strategies in line with national disaster risk reduction strategies".

Some CEMR countries have been major actors in this field since the early days of the agreement on the SDGs. The number of local governments that have adopted and implemented local disaster risk reduction strategies is listed in Table 6. Municipalities from countries listed at the top have been the most active (some cities have even come up with multiple strategies), while in other countries, only a few cities have experimented with risk reduction strategies thus far. Overall, subnational governments in the CEMR countries have been active in developing local climate-related programmes (see Box 11 on Tartu, Finland, Box 12 on Austria and Box 13 on the model of urban green areas in Turkey).

Box 11 – Car-Free Avenue project in Tartu, Estonia

The City of Tartu has focused on creating high-quality public spaces in order to bring people together from all walks of life and improve the quality of life in the city. In July 2020, the city closed off one of its main centre streets to car traffic and opened it up to pedestrians for one month as part of an experiment. This Car-Free Avenue project concept was first put together within a month after the COVID lockdown. It was a case of excellent collaboration between most of the departments of the Tartu City Government and more than 50 partners that came together to make the Car-Free Avenue project a reality. The budget of the project was around EUR 80 000 and was provided by the city.

The Car-Free Avenue was situated in between the classic old town and the river Emajõgi, giving new life to riverside areas and creating a connection between the two spots. The whole area was redesigned to create a public space made up of different microcosms, presenting versatile possibilities. It became a hot spot for different events, including dance courses, morning yoga, national radio broadcast pop-ups, concerts and more. More than 200 events, performances, conversations, meetings, mini-concerts and workshops took place on Car-Free Avenue over a one-month period. There were activities for both children and the elderly. It also launched a public discussion all over Estonia on climate.

The design of the area complied with COVID-19 restrictions and followed national social distancing rules. All of the design elements took the two-metre requirement into account; even the grass around the area was sectioned off into two-metre stripes.

The "*Autovabaduse*" (Car-Free Avenue) event attracted people from all over Estonia and even from abroad with around 150 000 total visitors. An impact assessment of Car-Free Avenue was conducted, receiving feedback from thousands of respondents. As many as 70% thought that the project had been a success. Another positive impact of Car-Free Avenue was its effect on domestic tourism, attracting nearly 7 000 more overnight stays in Tartu over July of the previous year.

The overall opinion of 25 businesses in the surrounding area was also positive: 85% of the enterprises noted that the project had boosted the area and 64% of the respondents confirmed that their business turnover for July was higher than expected. In addition, 33 programme partners were interviewed and 91% of them expressed interest in continuing the cooperation in the coming years. This novel and sustainable approach received a great deal of media attention and led to much discussion regarding the future of city centres and the inexorable rise of private car use in cities.

Many car owners were initially opposed to the closing of the street as they feared increased traffic jams. However, traffic did not in fact become an issue and people began to realise that the whole urban area could enjoy many benefits from the project. Traffic analysis of the period actually showed that the time spent in rush hour traffic jams during the Car-Free Avenue project only increased by one minute.

Box 12 – Local climate change mitigation and adaptation programmes in Austria

Nationwide funding programmes in Austria have focused on the following areas: energy renovation of housing and public buildings; energy efficiency within the context of the states' (Länder) housing subsidy programmes; and infrastructure for flood control and avalanche barriers. Flood protection measures are often financed by several municipalities with co-financing from the Land and the federal government.

The major climate-related funding and support programmes are the Climate and Energy Model Regions (KEM) (https://www.klimaundenergiemodellregionen.at/); Climate Change Adaptation Model Regions, (KLAR) (https://klar-anpassungsregionen.at/); the e5-Local Energy Efficiency Programme (https://www.e5-gemeinden.at/); and Climate Alliance Communities (https://www.klimabuendnis.at/klimabuendnis-gemeinden)

In the City of Vienna, several improved climate-related planning practices have been implemented: the Climate Roadmap (measures in the areas of buildings, transport and waste to reach climate neutrality by 2040); the Smart City Wien Framework Strategy (2019-2050) (https://smartcity.wien.gv.at/en/approach/framework-strategy/); the Vienna Climate Council for citizen participation; and study on climate budget (WIFO).

Box 13 – Nation Garden Model in Turkey

In 2019, the Turkish Ministry of Environment, Urbanisation and Climate Change introduced the "Nation Garden Model". It aims to respond to the increasing public demand for green areas in cities, as well as bringing people closer to nature, supporting active life and socialisation and converting them into use as disaster assembly areas, should the need arise.
The overall target of the Ministry of Environment, Urbanisation and Climate Change is to establish a total of 81 million m^2 of Nation Garden areas in the country's 81 provinces by the end of 2023. Currently, 14.5 million m^2 have already been converted into green Nation Garden space, and another 13.0 million m^2 are under construction. Throughout this implementation, care has been taken to develop stronger protocols to counteract any negative practices experienced during the construction period, which will then be revised and acted upon during the new period. https://milletbahceleri.gov.tr/#

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