**LOAN APPLICATION**

**TO THE COUNCIL OF EUROPE DEVELOPMENT BANK (CEB), PARIS**

EUR 100 000 000 loan application by the City of Tallinn to partially

finance the City’s multi-year investment programme for 2025-2029.

December 2025

**1. PROgramme DESCRIPTION**

**Programme Background**

Tallinn is Estonia’s capital and largest municipality, with about 456 000 inhabitants, representing roughly one-third of the national population. The city continues to experience sustained demographic growth driven by internal mobility and international migration, resulting in increased pressure on public services and significant investment needs. Tallinn’s long-term development framework is articulated in its comprehensive strategy “Tallinn 2035”, which aims to create an inclusive, green, and resilient living environment.

Despite strong economic performance and advanced digital governance, Tallinn faces structural challenges relating to ageing public infrastructure, uneven service quality across districts, mobility constraints, and the need to integrate climate-resilient approaches into urban development. Public buildings - particularly schools, kindergartens, and social care facilities - are often outdated and require full reconstruction to meet modern safety, accessibility, energy-efficiency, and pedagogical standards.

**Objectives, Beneficiaries, Project Components**

The Loan will support Tallinn’s 2025–2029 multi-year investment programme, providing partial financing for priority infrastructure projects in education, social care, social housing, urban regeneration, and public space improvements.

The planned investments are grouped under key areas, including:

- Education infrastructure: construction, expansion and renovation of schools, kindergartens and special-education institutions.

- Social infrastructure: construction and upgrading of public buildings for social care and social housing.

- Urban regeneration and public spaces: reconstruction of streets, upgrading pedestrian and cycling paths, improvements to street lighting, creation of public urban areas, expanding a stadium, expanding green areas.

Under the *education infrastructure* component, beneficiaries include children in early childhood education, school-age pupils and students, as well as children with disabilities who will gain access to modern and inclusive facilities and learning environments. The *social infrastructure* component will support adults with disabilities, children and young people requiring protection or behavioural support, and families who need counselling and family support services. Improvements to social housing will benefit low-income households. The *urban regeneration and public space* component will benefit all residents by enhancing the quality, accessibility and safety of streets, parks and public spaces, with gains for users who rely on walking and cycling for everyday mobility.

**Implementation Schedule**

The loan facility will be implemented during the period 2025-2029. Accordingly, the Loan’s Closing Date is set for 30 June 2030.

**2. SOCIAL IMPACT**

The investments are expected to generate substantial and long-lasting social benefits for the residents of Tallinn, with a focus on population groups experiencing high vulnerabilities. By addressing infrastructure needs in education, social care and social housing facilities and improving the quality of the urban environment, the investments directly support Tallinn’s strategic objective of becoming an inclusive and resilient “green world city”.

**3. PROJECT FINANCING**

**Programme direct costs**

The CEB funds will co-finance the city’s investments budgeted for 2025-2029, supporting the construction and modernisation of municipal infrastructure.

The City of Tallinn is requesting a EUR 100 million loan, that can represent up to 50% of total eligible costs of the programme.

**Financing Plan - sources**

Investment costs not financed by the CEB will be covered through contributions from the City’s own revenues, national funds and/or other loans.

**CEB loan Disbursement Schedule**

Disbursements are to be made in a minimum of two tranches, according to works progress and the City’s funding needs. The first tranche shall not exceed 50% of the total loan amount, with a weighted average life of up to 12 years (tenors up to 20 years with up to 3 years grace period).

Subsequent tranches may be requested only after the full allocation of the preceding tranche.

**4. KEY INDICATORS and MONITORING**

Detailed information on monitoring requirements and customised indicators will be included to the Framework Loan Agreement to be signed between the City of Tallinn and the CEB.

The information for the programme monitoring will be provided to the CEB following the allocation of each loan Tranche.

The City undertakes to favourably receive requests for monitoring missions to be carried out by CEB employees or external consultants appointed by the CEB, to provide the necessary cooperation for such monitoring missions and to facilitate access to the sub-project sites visited within the framework of these monitoring missions.