To diversify its financing sources for affordable housing access, and thus reduce the housing deficit in the country, the Republic of Ecuador has issued its first social bond.

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The Republic of Ecuador has issued the world’s first sovereign social bond. The proceeds from the bonds will support “Casa para Todos”, a public program.

The limited saving capacity of a large part of the population and the lack of mortgage loans at affordable rates are the main causes of the deficit.

The housing deficit affects almost half of households in Ecuador: 67 percent in rural areas and 38 percent in urban areas. The deficit is estimated to increase at a rate of 40,000 households per year.*

**Housing deficit**

**Beneficiaries**

Under this mechanism, approximately US$1.35 billion will be offered to benefit 24,000 middle- and low-income households.

**Proceeds**

The proceeds from the issuance of the sovereign social bond will allow for mortgage loans to be offered at a preferential interest rate of 4.99 percent, through the Ecuadorian financial system and a securitization scheme.

**First IDB bond guarantee**

For the first time, the Inter-American Development Bank (IDB) has granted a partial credit guarantee for a bond issuance. This guarantee—by a supranational entity with AAA credit rating—allows Ecuador to attract international investors and reduce the cost of financing. Spain’s General Cooperation Fund provides additional technical resources to support the issuance.

* According to data from the Ministry of Economy and Finance of Ecuador (2017).

This issuance of sovereign social bonds provides affordable housing to the target households, costing them no more than a third of their income and allowing them to maintain their current standard of living. To learn more about this issuance, as well as “Casa para Todos”, please visit: [https://www.finanzas.gob.ec/](https://www.finanzas.gob.ec/).
The Sovereign Social Bond for Affordable and Decent Housing in Ecuador meets four of the 17 Sustainable Development Goals (SDGs):

**The public program “Casa Para Todos” considers the definition of “affordable and decent housing” provided by the United States Department of Housing and Urban Development, which states that buyers should be able to afford homes with 30 percent or less of their income.**
Sovereign Social Bond Execution Scheme

Investors 
Bond proceeds (US$400 million) 
Sovereign social bond with IDB guarantee 
Guarantee (US$300 million) 
Technical assistance from Spain's General Cooperation Fund 
Financial intermediaries 
Social mortgages 
IDB supervision through compliance with the Operating Regulations (OR) program 
Fiduciary structure 
Ministerio de Economía y Finanzas 
Republic of Ecuador 2020

Key Points of Ecuador’s Sovereign Social Bonds
### IDB Guarantee Terms

| Guarantor          | Inter-American Development Bank (IDB)  
|                   | Fitch AAA / S&P AAA / Moody's Aaa       |
| Cover             | US$300 million                           |
| Covered risk      | Non-honoring of a sovereign financial obligation for the payment of scheduled interest and principal payments due under the notes on each scheduled date |
| Governing law     | New York State                           |

### Sovereign social bond summary term sheet

| Issuer            | The Republic of Ecuador                  |
| Guarantor         | IDB                                      |
| Issued amount     | US$400 million                           |
| Currency          | US$                                      |
| Tenor             | 15 years                                 |
| Use of proceeds   | Eligible social mortgages complying with the “Casa para Todos” program requirements |
| Independent reviewer of the social bond framework | Vigeo Eiris – issuance in compliance with the ICMA Social Bond Principles |
| Social impact reporting | Annual                                 |
| Listing           | Luxembourg                               |