

'January - March 2012'

Quarterly Infrastructure Finance Review

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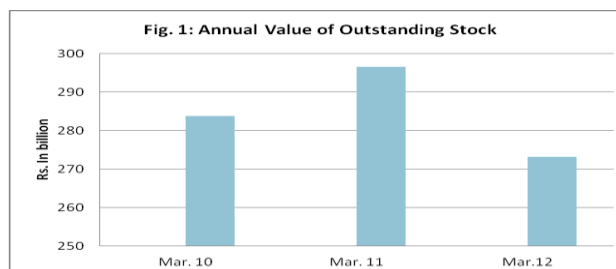
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OVERVIEW OF INFRASTRUCTURE FINANCE:

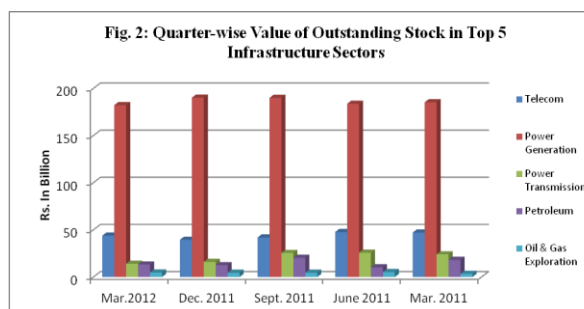
The importance of physical infrastructure cannot be overemphasized but the commensurate response is still lacking and leaving a lot to be desired. International experience emphasizes the need of institutional capacity for project development to achieve meaningful progress in infrastructure financing. All the developing countries have multiple institutions with varying degrees of mandate and functions peculiar to their economic needs but the common thread among them is they supply a pipeline of viable projects and means to provide long term fixed-rate financing.



The stock of infrastructure finance has seen some roller coaster ride in recent time as it was Rs. 296.5 billion in Jan - March 2011 which fell to Rs. 290 billion in April - June 2011 and topped at Rs 300 billion in July – September 2011. In this quarter under review the outstanding portfolio of infrastructure saw some sluggishness and decreased to Rs. 273 billion. On annual basis, as depicted in fig. 1, the outstanding is also showing a fluctuating trend – 8.4% decline in stock from March 2011 to March 2012. The trend of financing in different sectors is topped by power generation sector as shown in detail in following sections. The disbursement figures are most volatile in recent history as these were Rs. 3.6 billion in July – September 2011 and saw an upward trend at Rs. 7 billion in October – December 2011 which again posted an upward movement at Rs. 10.3 billion during quarter under review. Telecom sector topped the financing with Rs.4.2 billion followed by Power Generation sector with Rs.3.5 billion. The overall scenario did not present a rosy picture as shown by the financing trends.

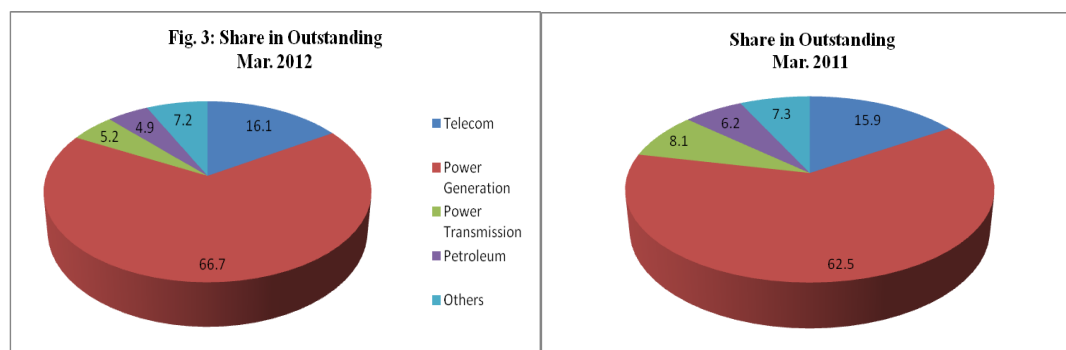
OUTSTANDING PORTFOLIO:

Total financing outstanding at close of March 2012 has been Rs. 273 billion against Rs. 281 billion at the end of previous quarter ending December 30, 2011. The volume of outstanding portfolio was Rs. 296.5 billion at the end of March 2011. Figure 2 shows the quarterly position of top five sectors from March 2011 to March 2012. The analysis shows that power generation sector stood out among all the sectors of infrastructure. A number of factors like power policy, availability of sovereign guarantees in case of IPPs, expertise of financial sector in this area and demand of energy are the main reasons of its consistent lead over the other sectors. A considerable activity had been witnessed in Telecom sector during couple of previous quarters which also got pace down in this quarter under review. Petroleum and Power Transmission sectors have shown a downward trend. While Oil and Gas sector has shown a steady trend over the last few quarters.



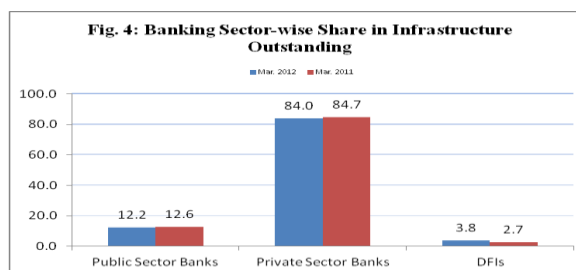
Sectoral Share in Outstanding Portfolio:

Figure 3 shows the comparison of top five sectors in outstanding infrastructure financing at the end of March 2012 with the status existing on March, 2011. At the end of March 2011, Power generation sector had 62.5% of the total stock followed by Telecommunication sector with 15.9%. After a year, the top slot continues to be held by Power Generation sector with a substantial 66.7% share in the pie. Except for Telecommunication sector, Most of the other major sectors in graph showed a declining trend. The Telecommunication sector shown upward trend at 16.1% share from 15.9%. Petroleum sector climbed down from 6.2% to 4.9% in a year.



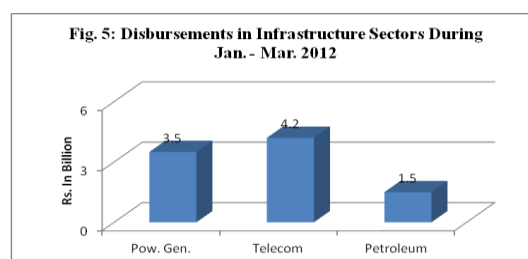
Banking Sector-wise Share in Outstanding Portfolio:

Figure 4 shows the category-wise share of banking sector in outstanding stock of infrastructure financing. The trend has been in favor of private sector as it was in previous quarters. Share of private sector banks have been stable over the year at around 84%, while share of public sector banks declined from 12.6% to 12.2% after a year. The share of DFIs remained below par through-out the year. Though private banks enjoy a major share, portfolio diversification beyond limited infrastructure sectors is highly desirable.



DISBURSEMENTS:

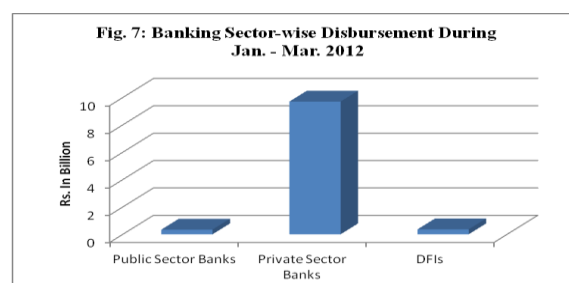
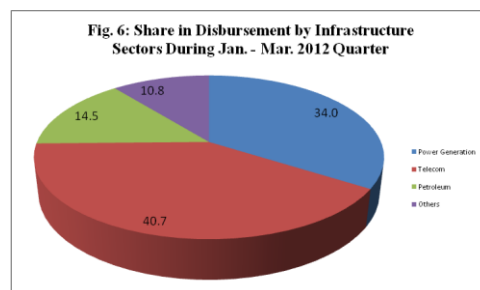
Total of Rs. 10.3 billion were disbursed during January - March 2012 quarter in all infrastructure sectors against Rs. 7 billion in the previous quarter. The disbursement during Jan-Mar 2011 quarter was Rs. 7.6 billion. Figures 5 and 6 show the amount disbursed and share of each sector during the quarter under review. Telecommunication sector received Rs. 4.2 billion, which is 40.7% of overall disbursement. Telecommunication sector got Rs. 1.03 billion in last quarter while Telecom and Ports & Shipping sectors were conspicuous by their absence in the quarter March 2011. Apart from this recent funding, overall telecom sector seems reaching a saturation point as most of telecom companies are in paying back mode and no new initiatives



are on the ground. Petroleum sector also received Rs.1.5 billion in the quarter under review which is a healthy sign for the sector.

Banking Sector-wise Disbursements:-

Figure 7 shows that private sector commercial banks disbursed Rs. 9.6 billion (93.3%) out of total Rs. 10.3 billion financing in infrastructure sectors during the quarter. Public sector banks disbursed Rs. 335 million (3.2%) while DFIs disbursed Rs. 368 million (3.5%) despite having a mandate of development finance. In the same quarter last year, private sector banks disbursed Rs. 5.4 billion (71.5%) while public sector banks disbursed Rs. 1.9 bn (25.5%) and DFIs' share in disbursements remained Rs. 229 million (3%).



Infrastructure News:

USAID helps Water & Power Ministry enhance capacity

.....a basic Case Tracking System(CTS) can help transform the manual logging and registration of files as they move from officer to officer and, are many times lost in the traffic. USAID Power Distribution Program is assisting Pakistan power sector in improving its over all performance and reducing losses.....

Anti-poverty unit to fund 109 infrastructure projects

The Pakistan Poverty Alleviation Fund (PPAF) announced to provide Rs. 238 million grant to finance 109 small-scale community development schemes in the poorest areas of the country.

The development program would benefit over 40,000 marginalized communities in the districts of Rajanpur, Layyah, Dera Ismail Khan and Khyber Agency. This financing would be used for small-scale infrastructure, water, energy, livelihood enhancement and protection and capacity-building schemes in four districts. The assets would be transferred to the poor and ultra poor community organizations to sustain their livelihood while capacity-building trainings would also be imparted to the marginalized communities. (The Express Tribune December 10,2011).....

Pakistan urges Korean Investment

Permission of 100% foreign equity, equal treatment to foreign as well as domestic investments makes Pakistan an attractive place for investment, Spokesperson to the President Farhatullah Babar quoted the president as saying, on the eve of President's forthcoming visit to Republic of Korea. The President invited Korean companies to take advantage of most attractive investment opportunities available in Pakistan in different sectors including oil & gas, mining, trading,

energy, information technology & telecom, food & agriculture, small and medium enterprises, infrastructure and tourism. He said that Pakistan offered establishment of country-specific economic zones to friendly countries and offered that Korea may also consider establishing an economic zone in Pakistan. (**The Express Tribune: December 01, 2011**)

Power companies: Management control to be outsourced

Managing Director of Private Power and Infrastructure Board (PPIB) NA Zuberi said that in order to enhance efficiency of nine public sector power companies, the government had decided to outsource their managements, operations, maintenance and rehabilitation, including conversion to cheaper fuel, to the private sector companies located one each in Jamshoro, Kotri, Quetta, Guddu, Muzaffargarh, Multan, Shahdara and two in Faisalabad. A roadshow for the management, operation, maintenance and rehabilitation of the public sector power complexes through private sector's operation and maintenance contractors was organized in Beijing where a large number of Chinese attended the event.