

Oct-Dec, 2013

Quarterly Infrastructure Finance Review



Team Members:

Imran Ahmad	Additional Director
Zahir Sakhi	Assistant Director

Under the guidance of:

Syed Samar Hasnain, Director

Table of Contents

1.0.	Infrastructure Finance Overview	1
	Box 1: Infrastructure Project Finance Guidelines	1
2.0.	Outstanding Portfolio	2
	Box 2: Global Project Finance Infrastructure Review Full Year 2013.....	2
3.0.	Non Performing Loans	3
4.0.	Banking-sector wise Share	3
	Box 3: National Sanitation Policy 2006	3
5.0.	Disbursements	4
	Box 4: Petroleum Policy of 2012.....	4
6.0.	Number of Projects.....	5
7.0.	Amount Sanctioned	5
8.0.	Infrastructure sector news and links	6

Disclaimer: Whilst every effort has been made to ensure the quality and accuracy of the data/information provided in this document, the State Bank of Pakistan makes no warranty concerning the contents of this review. The contents and comments are provided for educational purposes as well as for general information only. In no event will the State Bank, its affiliates or other stake holders be liable for any mistakes.

1.0. Infrastructure Finance Overview

Table A: Infrastructure Project Financing Profile of Banks & DFIs					
(Amount in Billions)	% Change				
	Dec-12	Sep-13	Dec-13	QoQ	YoY
Amount Outstanding	288.6	266.2	255.2	-4.1%	-11.6%
NPLs	17.5	18.2	19.4	6.7%	11.2%
Disbursements (Cumulative)	355.5	350.0	351.9	0.5%	-1.0%
No. of Projects (*Cumulative)	363	372	363	-2.4%	0.0%
Total Sanctioned Amount	492.8	510.2	502.9	-1.4%	2.0%
*Cumulative number of projects is the total number of projects less the matured ones.					

Total amount sanctioned by banks and DFIs for infrastructure increased to Rs. 502.9 Billion, recording growth of 2% YoY basis.

Infrastructure plays a pivotal role in the development of a country. Quality infrastructure improves investment climate, enhances export competitiveness, creates employment, improves living conditions of public and leads to a higher tax revenue for the Government.

At the end of Dec-13, amount outstanding against infrastructure sectors saw a decline of 4.1 percent when compared with preceding quarter i.e. Sep-13. Non-performing loans (NPLs) increased by 6.7 percent QoQ basis. Cumulative disbursements for the quarter ending Dec-13 saw a rise of 0.5 percent although the cumulative number of projects decreased by 2.4 percent. The total amount sanctioned by banks and DFIs at the end of Dec-13 stood at Rs. 502.9 billion, compared to Rs. 492.8 billion a year earlier, showing an increase of 2.0 percent.

Box 1: Infrastructure Project Finance Guidelines

- SBP's Guidelines on Infrastructure Project Finance can be accessed at <http://www.sbp.org.pk/ihfd/2010/Annex-CL1.pdf>

A sector-wise analysis shows that the major share (70.5 percent and 10.7 percent) in total outstanding infrastructure project financing remained with Power Generation and Telecom sector respectively. Power Transmission sector's share was 3 percent while Petroleum and Oil & Gas (exploration and distribution) sectors' share was 4.9 and 3.2 percent respectively.

The following sections present outstanding portfolio, disbursements, number of projects, non performing loans, amount sanctioned, and sectoral share in Infrastructure Project Financing (IPF). It is pertinent to mention here that the data/figures pertain to the existing projects excluding the matured ones at the end of Dec, 2013.

2.0. Outstanding Portfolio

Total amount outstanding, against infrastructure finance, at the end of Dec-13 was Rs. 255.2 billion as compared to Rs. 266.2 billion at the end of Sep-13, recording a decline of Rs. 11 billion. Power generation saw an increase of 0.8 percent whereas outstanding portfolio in the telecom sector declined by 11.1 percent QoQ basis. Road, bridge & flyover sector saw a growth of 36.6 percent. Following is the list of top infrastructure sectors where lending has been made by banks/DFIs:-

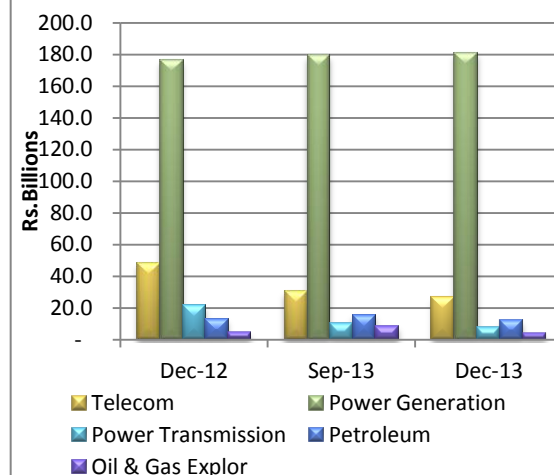
- a) Power Generation
- b) Telecom
- c) Petroleum
- d) Power Transmission
- e) Oil & Gas Exploration/Distribution
- f) Road, Bridge, Flyover
- g) LPG Extraction/ Distribution
- h) Water Supply, Sanitation
- i) LPG Import & Distribution

Box 2: Global Project Finance Infrastructure Review Full Year 2013

- Total volume US\$ 280bn
- Deal Count 548
- Debt Volume US\$ 234bn

Full review available at: www.ijonline.com

Fig 4a: Top 5 Infrastructure Sectors



The decline recorded in outstanding portfolio, on YoY basis, was 11.6 percent. Most of the key infrastructure sectors witnessed decline except Power Generation, which saw growth of 2.7 percent.

3.0. Non Performing Loans

At the end of Dec-13, total amount of non-performing loans (NPLs) stood at Rs. 19.4 billion, showing an increase of 6.7 percent from a quarter earlier. Telecom sector showed a decrease of 7.3 percent while Power Generation sector showed increase of 3.2 percent in NPLs (QoQ basis).

The total amount of NPLs for the year ending Dec-13 showed a rise in NPLs of 11.2 percent YoY basis. Furthermore, at the end of the period under review, a sectoral analysis reveals that major share (56 percent) in NPLs pertained to Power Generation sector whereas it was 47 percent at the end Dec'12. The Telecom sector's share in total NPLs declined to 24 percent compared to 27 percent last year.

4.0. Banking-sector wise Share

At the end of Oct-Dec'13 quarter, following the usual trend, private sector banks' share remained the highest in total outstanding amount against infrastructure sectors with 72.6 percent followed by public sector banks with 19.8 percent, DFIs with 5.1 percent, foreign banks with 0.9 percent, and Islamic banks with 1.6 percent.

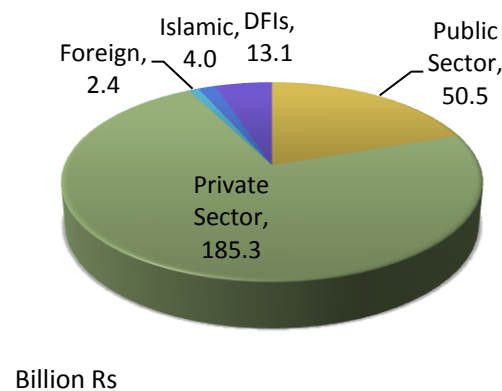
Moreover, at the end of Dec-13, total amount sanctioned for infrastructure sectors saw an increase of 2.0 percent YoY basis and stood at Rs. 502.9 billion. Of this amount, the share of private sector banks was 78.8 percent followed by public sector banks with 16.5 percent, DFIs with 2.4 percent, foreign banks with 1.3 percent, and Islamic banks with 1.0 percent.

Box 3: National Sanitation Policy 2006

It provides a broad framework and policy guidelines to enhance and support sanitation coverage in the country. Full document is here:

<http://www.environment.gov.pk/NEP/SanitationPolicy.pdf>

Share of financial institutions in outstanding portfolio as of Dec'13



At the end of Dec-13, Cumulative Disbursements saw a rise of 0.5 percent, QoQ basis and stood at Rs. 351.9 billion. Private sector bank's share in cumulative disbursements for the quarter stands at 72.9 percent; public banks share 19.6 percent and DFIs with 4.5 percent.

The data received from banks/DFIs for quarter ending Dec-13 shows that NPLs increased by 6.7 percent to Rs. 19.4 billion QoQ basis. Private sector bank's share in NPLs was recorded at 57.5 percent followed by public sector with 28.2 percent. DFIs share in NPLs stands at 14.3 percent, while foreign banks and Islamic banks did not have any NPLs for the quarter under review.

5.0. Disbursements

During the quarter (Oct-Dec'13) under review, an amount of Rs. 5.79 billion was disbursed under infrastructure project financing against Rs. 12.23 billion in the previous quarter (Jul-Sep'13) of 2013.

At the end of Dec'13, Rs. 351.9 billion was the total cumulative amount disbursed to all infrastructure sectors, of which 60 percent was the share of Power Generation followed by Telecom with 14 percent, Power Transmission 6.9 percent, and Petroleum with 4.1 percent.

At the end of the quarter under review, the cumulative disbursements increased by 0.5 percent compared to the previous quarter while it decreased by 1 percent on YoY basis. Cumulative disbursements to Telecom, Power Transmission and Petroleum sector fell by 2.8 percent, 5.8 percent and 17.1 percent respectively on QoQ basis. Power Generation sector experienced a growth of 1% in cumulative disbursements.

Box 4: Petroleum Policy of 2012

The government of Pakistan announced **Petroleum Exploration and Production Policy 2012** in August, 2012, which would help achieve maximum self-sufficiency in energy and promote exploration and production activities by providing competitive incentives to the investors.
<http://www.mpnr.gov.pk/>

Rs. 5.79 Billion dispersed for the quarter Oct-Dec'13 under IPF.

Cumulative Disbursements rose by 0.5% during Oct-Dec'13 QoQ basis.

6.0. Number of Projects

At the end of the Dec'13, out of 363 infrastructure projects financed, 239 were undertaken by private sector banks, 58 by public sector banks, 57 by DFIs, four by foreign banks, and five by Islamic banks.

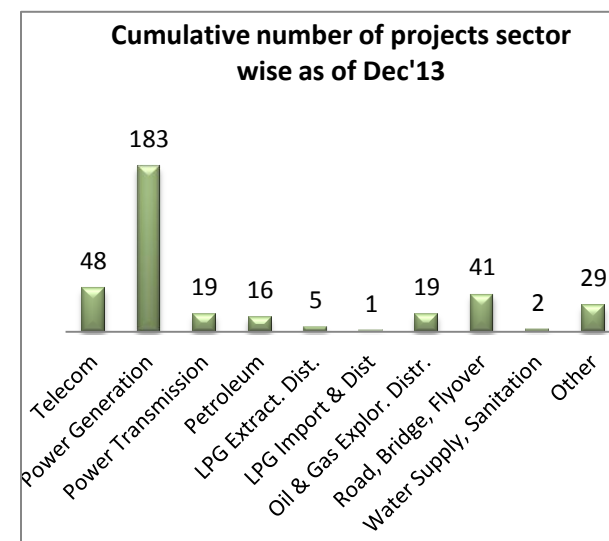
Two new projects were undertaken by the industry during the quarter Oct-Dec'13. Both projects were undertaken by a single public sector bank, one in the telecom sector and the other in road, bridge and flyover sector.

The chart on the right shows sector-wise distribution of the projects.

7.0. Amount Sanctioned

At the end of the period under review, Rs. 502.8 billion was the total amount sanctioned by the banks and DFIs for Infrastructure projects against an amount of Rs. 492.8 billion at the end of Dec-12, recording a growth of 2 percent, YoY basis. The sectors which saw increase in amount sanctioned are Power Generation, Oil & Gas (exploration and distribution) and Road, Bridge & Flyover sector.

Out of the total amount sanctioned during the quarter, 53.6 percent remained with Power Generation sector, 18.1 percent with Telecom sector, followed by Petroleum and Power Transmission with 7.2 and 6.1 percent respectively. Oil and Gas Exploration/Distribution sector's share was 4.4 percent, Road, Bridge & Flyover sector's share was 3.6 percent and Water Supply & Sanitation sector's share was only 0.1 percent.



8.0. Infrastructure sector news and links

This part briefly mentions important news and information pertaining to infrastructure projects during the quarter (Oct-Dec, 2013) under review. However, for further details the relevant hyperlinks may be visited.

Energy, infrastructure projects: Chinese Group wants to make investment (<http://www.brecorder.com>)

October 14, 2013. The Chinese Gezhouba Group Corporation has expressed its desire for investment in Pakistan's infrastructure and energy sector's projects. Gezhouba Group has expertise in hydro power projects, infrastructure development and coal mining.

ECNEC approves 10 projects worth Rs 218.6 billion

<http://www.pakistantoday.com.pk>

December 31, 2013. ECNEC, in its meeting, approved ten projects totaling Rs 218.6 billion which include irrigation, water, power, infrastructure, education and a project for distribution of 100, 000 laptops under the Prime Minister's Scheme for Youth.

German group to generate 100MW from solid waste

www.nation.com.pk (November 12, 2013)

LAHORE - Two MoUs were signed between Punjab government and international group of Germany, ALBA, with regard to generating energy from solid waste. Under the agreements, the German company will invest in the projects of generating energy from garbage and hospital waste. The project will be executed speedily and will start producing 100MW electricity in 2015.

China proposes an Asian infrastructure investment bank

http://www.chinadaily.com.cn/china/2013-10/03/content_17007977.htm

JAKARTA - Chinese President Xi Jinping on Wednesday proposed to establish an Asian infrastructure investment bank to promote interconnectivity and economic integration in the region.

ADB to Help Finance Crucial Private Infrastructure Projects in Bangladesh (www.adb.org/news/bangladesh)

ADB will provide a \$110 million credit line to the state-owned Infrastructure Development Company Ltd. (IDCOL) for investment in projects in power generation, water and sanitation, transportation, and information technology.

India: CCEA allows IDFC to set up Infrastructure fund with Rs 5,500 corpus (<http://economictimes.indiatimes.com>)

December 13, 2013: Cabinet Committee on Economic Affairs (CCEA) has allowed the Infrastructure Development Finance Company (IDFC) Ltd. to set up an India Infrastructure Fund which would have a corpus of Rs. 5,500 crore.

Fact Sheet: Infrastructure in Sub-Saharan Africa

<http://web.worldbank.org>

The cost of redressing Africa's infrastructure deficit is estimated at US\$38 billion of investment per year, and a further US\$37 billion per year in operations and maintenance; an overall price tag of US\$75 billion. The total required spending translates into some 12 percent of Africa's GDP. There is currently a funding gap of US\$35 billion per year.