

Jul-Sep, 2013

Quarterly Infrastructure Finance Review



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1.0. Infrastructure Finance Overview

Table A: Infrastructure Project Financing Profile of Banks & DFIs					
(Amount in Billions)	% Change				
	Sep-12	Jun-13	Sep-13	QoQ	YoY
Amount Outstanding	286.2	267.0	267.4	0.2%	-6.6%
NPLs	17.3	18.6	18.2	-2.3%	5.3%
Disbursements (Cumulative)	363.2	360.1	352.3	-2.2%	-3.0%
No. of Projects (*Cumulative)	362.0	370	372	0.5%	2.8%
Total Sanctioned Amount	482.8	505.4	519.5	2.8%	7.6%
*Cumulative number of projects is the total number of projects less the matured ones.					

Quality Infrastructure is critical for national productivity and economic growth of any country. Needed investment in infrastructure and consumption of infrastructure services have significant implications for achievement of sustainable development objectives, as infrastructure services encourage new investment and underpin many aspects of economic and social activities.

At the end of Sep-13, amount outstanding against infrastructure sectors saw a growth of 0.2 percent when compared with preceding quarter i.e. Jun-13, while the decline recorded YoY basis was 6.6 per cent. A sector-wise analysis revealed that the major share (67 percent) in total outstanding infrastructure project financing remained with Power Generation sector and Telecom sector followed it with 11 percent. Non Performing Loans saw a decline of 2.3 percent on QoQ basis.

Amount outstanding against infrastructure sectors saw a growth of about Rs. 400 Million when compared QoQ basis.

The following sections present outstanding financing, disbursements, number of projects, non performing loans, amount sanctioned, and sectoral share. It is pertinent to mention here that the data/figures pertain to the existing projects excluding the matured ones at the end of Sep, 2013.

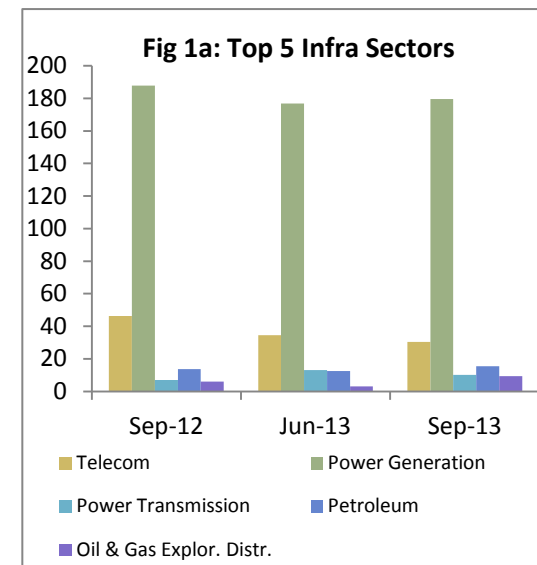
2.0. Outstanding Portfolio

Total amount outstanding, against infrastructure finance, at the end of Sep-13 was Rs. 267.4 billion as compared to Rs. 267 billion at the end Jun-13, recording a meager increase of Rs. 400 million primarily led by Power Generation and followed by Telecom sector. Moreover, the decline recorded, on YoY basis, was 6.6 percent. Most of the key infrastructure sectors witnessed decline except Petroleum sector that saw a growth of 207 percent when compared with preceding quarter ending June-13. Following is the list of top infrastructure sectors where lending has been made by the formal sector:-

- Telecom
- Power Generation
- Power Transmission
- Petroleum
- LPG Extraction/ Distribution
- LPG Import & Distribution
- Oil & Gas Exploration/Distribution
- Road, Bridge, Flyover
- Water Supply, Sanitation

Of the 09 major infrastructure lending sectors under review, five sectors i.e. Power Generation, Petroleum, LPG Extraction/ Distribution, Oil & Gas Exploration/ Distribution and Water Supply, Sanitation saw growth while remaining four sectors witnessed declining trends on QoQ basis.

At the end of Sep'13, a segregate review of infrastructure sectors and financing patterns shows that Power Generation sector recorded an increase of 1.5 percent QoQ basis, while



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>

Power Transmission recorded a decline of 23 percent. Further, LPG Import/Distribution sector recorded a decline of 76.8 percent, Petroleum sector showed a growth of 24.7 percent, and LPG Extration/Distribution sector witnessed a growth of 7.9 percent, while, Oil & Gas Exploration/ Distribution also saw a growth of 207 percent, Telecom 1.5 percent, and when compared with yester quarter Apr-Jun'13 .

3.0. Non Performing Loans

At the end of Sep'13, total amount of non-performing loans (NPLs) decreased to Rs. 18.2 billion from Rs. 18.6 billion at the end of Jun-13; registering a decline of 2.3 percent. The decline in infrastructure NPLs, on QoQ basis, was mainly attributable to Power Generation sector while, on YoY basis, NPLs saw a growth of 5.3 percent led by Power Generation and Telecom sectors.

Furthermore, at the end of the period under review, a sectoral analysis reveals that major share (58 percent) in NPLs pertained to Power Generation Sector, followed by Telecom with 27.4 percent whereas the remaining 14.6 percent was the share of all other infrastructure sectors.

4.0. Banking-sector wise Share

At the end of Jul-Sep'13 quarter, following the usual trend, private sector banks' share remained the highest in total outstanding amount against infrastructure sectors with 74 percent followed by public sector banks with 19 percent, DFIs with 5.2 percent, foreign banks with 1.2 percent, and Islamic banks with 0.2 percent.

Moreover, at the end of Sep-13, total amount sanctioned for infrastructure sectors saw a growth of 2.8 percent QoQ basis and stood at Rs. 519.5 billion. Of this amount, the share of private sector banks was 79.7 percent followed by public sector banks with 16.2 percent, DFIs with 2.4 percent, foreign banks with 0.6 percent, and Islamic banks with 1.0 percent.

Box 2: Training Program on Islamic Infrastructure Project Finance

A one day's training program on Islamic Infrastructure Project Finance was held on May 21, 2013 at SBP-BSC, Lahore. Soft copies of the presentations and the program brochure can be accessed via the link:-

<http://www.sbp.org.pk/departments/ihfd/fin.htm>

Non Performing Loans witnessed a decline of 2.3 percent, QoQ basis.

Cumulative Amount Sanctioned by Banks & DFIs for infrastructure projects at the end of Sep-13 was Rs. 519.4 billion.

At the end of Sep-13, Cumulative Disbursements saw a decline of 2.2 percent, QoQ basis and stood at Rs. 352.3 billion. Almost similar patterns of share, in total cumulative disbursements, observed by private sector, public sector, DFIs, foreign and Islamic banks as specified for outstanding and total sanctioned amount above.

As per the data reported by banks & DFIs for the period Jul-Sep, 2013, among the Islamic banks, one Islamic bank made Islamic project financing and the outstanding was Rs. 3.3 billion by end of Sep'13.

5.0. Disbursements

During the quarter (Jul-Sep' 13) under review, an amount of Rs. 12.5 billion was disbursed towards infrastructure sectors against Rs. 9.6 billion in the corresponding quarter (Jul-Sep'12) of 2012. The growth recorded in disbursements to infrastructure sectors was more than 34 percent when compared with preceding quarter (Apr-Jun'13).

At the end of Sep'13, Rs. 352.3 billion was the total cumulative amount disbursed to all infrastructure sectors, of which 59 percent was the share of Power Generation followed by Telecom with 14 percent, Power Transmission 7 percent, and Petroleum with 5 percent.

At the end of the quarter under review, cumulative disbursements saw a decline of about 2.2 percent QoQ basis; however, on YoY basis; a decline of 3 percent was recorded primarily attributable to Power Transmission (68 percent) followed by Oil & Gas Exploration/Distribution (39 percent).

6.0. Number of Projects

At the end of the period under review, out of 372 infrastructure projects financed, 245 were undertaken by private sector banks, 60 by DFIs, 58 by public sector banks, 4 by foreign banks, and 5 by Islamic banks.

Box 3: 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.mpn.gov.pk/>

During the quarter under review, disbursements to infrastructure sectors saw a decline of 2.2 percent on QoQ basis.

Cumulative Disbursements saw a decline of three percent YoY basis.

During the quarter under review 4 new projects have been undertaken by the industry for Infrastructure sectors.

4 new projects were undertaken by the industry during the quarter Jul-Sep'13, of which 2 were undertaken by private sector banks and 2 by public sector banks.

A sectoral review shows that number of new projects undertaken by Power Generation sector was 4, Power Transmission 2, Petroleum 2, Road/Flyovers/Bridge 2, and Telecom sector 1.

7.0. Amount Sanctioned

At the end of the period under review, Rs. 519.5 billion was the total amount sanctioned by the banks and DFIs for Infrastructure projects against an amount of Rs. 505.4 billion at the end of Jun-13, recording a growth of 2.8 percent, QoQ basis.

The share of Power Generation sector was the highest with 51 percent in total amount sanctioned followed by Telecom, Petroleum and Power Transmission with 18 percent, 9 percent and 7.9 percent respectively.

Of the Rs. 519.5 billion, the lion's share of 79.7 percent was the part of private sector banks followed by 16.2 percent of public sector banks.

The lions share in total sanctioned amount by Banks & DFIs for infrastructure sectors was that of private sector banks.

Infrastructure Finance News

Following part briefly mentions important news pertaining to infrastructure projects during the quarter (Jul-Sep, 2013) under review. However, for further details the relevant hyperlinks may be visited.

ECNEC approves 10 projects worth Rs 51.791 billion

http://www.dailytimes.com.pk/default.asp?page=2013%5C09%5C14%5Cstory_14-9-2013_pg5_6

ISLAMABAD, Date: September 14, 2013: A meeting of the Executive Committee of the National Economic Council (ECNEC) was held under the chairmanship of the Finance Minister Senator Ishaq Dar, which approved 10 projects amounting to Rs 51.791 billion.

Three projects i.e 40 megawatts (MW) Dowarian Hydro Power Project, 35 MW Nogdar Hydro power Project and Hassan Abdal Havelian-Mansehra expressway project were withdrawn.

CDWP Okays 13 Energy Sector Projects of Rs103b in Pakistan

Posted on Aug 29, 2013

<http://ifclgroup.com/wordPosts/viewNews/7876>

The Central Development Working Party (CDWP) approved 13 projects costing around Rs 103 billion including foreign aid of Rs 8.2 billion relating to energy sector.

CDWP meeting was held under the chairmanship of Minister for Planning & Development/Deputy Chairman Planning Commission, Prof Ahsan Iqbal. The meeting was especially held to consider energy related development projects.

The minister stated that government's priority is to make country self-sufficient in cheap and affordable energy. He further stated that water and energy are backbone of govt's policy. He stated that if proactive approach is not adopted for building water reservoirs, the country may face bigger problem in ten years than what is being faced for energy today. He advised the participants that PC-I should be prepared with due diligence in consultation with all stakeholders to avoid frequent changes in PC-I at implementation stage.

CDWP is authorized to approve projects costing up to Rs 1.0 billion. Projects costing over Rs 1.0 billion are to be approved by ECNEC. Eight (8) projects costing Rs 101 billion, each costing over Rs 1.0 billion, were recommended by CDWP to ECNEC for consideration/approval.

Gaddani, Thar power plants: Sindh to convince Centre to take projects side by side

<http://www.nation.com.pk/pakistan-news-newspaper-daily-english-online/karachi/27-Aug-2013/gaddani-thar-power-plants-sindh-to-convince-centre-to-take-projects-side-by-side>

KARACHI, Date: Sindh Chief Minister Qaim Ali Shah presided over a high level meeting regarding quarterly update on Thar coal mining and power project by Sindh Engro Coal Mining Company (SECMC) and Thar Power Company (TPC) here at the CM house today.

The meeting discussed the quarterly performance by the SECMC on coal project. Finally, a steering committee was formed comprising of the Advisor Finance, Chairman SBol, and secretary energy to expedite scientific and technical formal work. A meeting with the PM then would be sought to impress upon the federal government to take both Gaddani and Thar together.

The committee formed would request federal government to form a high-level powered steering committee to resolve all outstanding problems related to Ministry of Finance, Water and Power (PIIB, NEPRA, GENCO, and NTDC), Ministry of Petroleum and Natural Resources (PSO) and Ministry of Railways.

Energy, infrastructure projects: Nawaz seeks cooperation

July 05, 2013

<http://www.brecorder.com/top-stories/0/1207221/>

Prime Minister Nawaz Sharif on Thursday called upon the heads and chief executives officers of financial institutions and corporate sector to help resolve Pakistan's energy problems and development of infrastructure projects. In a detailed meeting with the President and Chairman of China's Export-Import (EXIM) bank Li Ruogu, here at the State Guest House, the PM asked Li to provide funding to the Chinese enterprises working in Pakistan.

The PM said that with the support of EXIM bank, the pace of development in various projects in Pakistan would be completed in fast track, adding that his government wanted to carry out various projects with technical and other co-operation of china at a fast track. He pointed out that his government was ready to provide sovereign guarantee to the Chinese companies wanted to undertake various developmental projects. China and Pakistan, the PM said were important friends and "we are grateful to China for their support in various areas of economy."

Nawaz Sharif invites Chinese corporate sector to invest in Pakistan's energy, infrastructure development projects

<http://www.nihao-salam.com/news-detail.php?id=NDE5NQ==>

BEIJING, July 4: Prime Minister, Muhammad Nawaz Sharif Thursday held detailed meetings with heads and chief executives officers of financial institutions and corporate sector and emphasized them to contribute in addressing Pakistan's energy problems and development of infrastructure projects.

Meeting with the President and Chairman of China's Export-Import (EXIM) Bank Li Ruogu, here at the State Guest House, Prime Minister asked Mr. Li to provide funding to the Chinese enterprises working in Pakistan.

Nawaz Sharif ask Pakistan, India to spend on infrastructure instead of arms

<http://www.newspakistan.pk/2013/08/04/nawaz-sharif-pakistan-india-spend-infrastructure-arms/>

Prime Minister Muhammad Nawaz Sharif says Pakistan and India should sit down for serious talks on lingering issues for the benefit of their people.

He said this while talking to members of the Pakistan Journalists Forum, who called on him at his residence here Saturday to congratulate him on assuming the office for the third time.

Nawaz Sharif said that instead of spending hugely on arms, both the countries should focus on investing in social infrastructure for the benefit of our people.

Terming the recently announced Gwadar-Kashghar economic corridor a game changer, he said that special industrial zones would be set up in Gwadar to facilitate foreign investment.