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Infrastructure Finance Review



Infrastructure Housing & SME Finance
Department

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1.0. Infrastructure Finance Overview

Infrastructure is critical to national productivity and economic growth. However, across a range of measures, infrastructure development in the country is not keeping pace with either current or projected demand. Infrastructure development requires large upfront capital investment for benefits that spread over longer time. Banks/DFIs participate only when there is a clear assurance of a project's viability or/and government's support. This review is prepared based on the data received from banks and DFIs. An analysis of the infrastructure financing profile for Q4, FY14 depicts the following trends.

During Q4 of FY14, amount outstanding against infrastructure sectors witnessed growth of Rs 21.5 billion or 8.4% when compared with Q3. This increase was largely due to the telecom, power generation and oil & gas sectors, where cumulative increase in outstanding amount was more than Rs 20 billion. The anomalous growth in telecom was observed due to the successful auction of 3G/4G licenses in April this year. It is noteworthy to mention here that a large part of the licensing fee has been financed by local banks.

Non-performing loans (NPLs) showed a rise of 0.4% and currently stand at Rs 18.1 billion compared to Rs 18 billion in March 2014.

A sector-wise analysis shows that the major share (71% & 12%) in total outstanding infrastructure project finance remained with power generation and telecom sectors respectively. Government of Pakistan backed guarantees is one of the reason that power generation sector has witnessed tremendous growth over the years. The share of power transmission sector was 1.5% while petroleum and oil & gas (exploration and distribution) sectors' share was 3.1% and 3.3% respectively in total outstanding amount.

Disbursements by banks and DFIs during the second half of FY14 increased from Rs 18 billion to Rs 45 billion, when compared first half

Box 1: Infrastructure Project Finance Guidelines

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

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

Table A: Infrastructure Project Financing Profile of Banks & DFIs

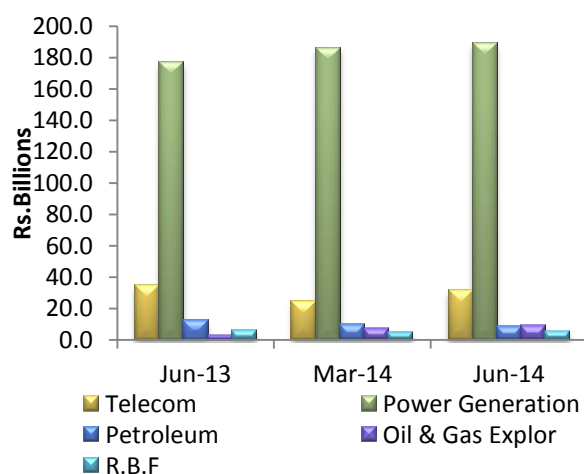
(Amount in PKR Billions)				% Change	
	Jun-13	Mar-14	Jun-14	QoQ	YoY
Amount Outstanding	267.0	254.6	276.1	8.4%	3.4%
NPLs	18.6	18.0	18.1	0.4%	-3.0%
Disbursements during the quarter	9.3	18.3	26.4	44.6%	185.8%
Disbursements (Cumulative)	360.1	341.7	370.6	8.4%	2.9%
No. of Projects (*Cumulative)	370	360	374	3.9%	1.1%
Total Sanctioned Amount	505.4	505.9	535.6	5.9%	6.0%
*Cumulative number of projects is the total number of projects less the matured ones.					

The following sections present outstanding portfolio, disbursements, number of projects, non-performing loans, amount sanctioned, and sectoral share of Banks & DFIs in Infrastructure Project Financing (IPF). It is pertinent to mention here that the data/figures pertain to the existing projects and excludes projects which have matured at the end of June, 2014.

2.0. Outstanding Portfolio

The total amount outstanding, against infrastructure finance, at the end of Jun-14 was Rs 276.1 billion as compared to Rs 254.6 billion at the end of Mar-14, recording a rise of 8.4%. Power generation and telecom sectors noticed a rise of 1.5% & 67% respectively while outstanding portfolio in the power transmission and petroleum sectors declined by 4% & 12% respectively, QoQ basis. Following is the list of infrastructure sectors where lending has been made by banks/DFIs:-

- Power Generation (PG)
- Telecom
- Oil & Gas (O&G) Exploration/Distribution
- Petroleum
- Road, Bridge, Flyover (RBF)
- Power Transmission (PT)
- LPG Extraction/ Distribution
- Water Supply, Sanitation (WSS)

Fig 1: Top 5 Infrastructure Sectors

On YoY basis, amount outstanding against infrastructure finance grew by 3.4%. Most of the key infrastructure sectors witnessed decline except telecom, PG, O&G and WSS sectors. The share of O&G and WSS sector in total outstanding portfolio is 3.3% and 0.2% only.

3.0. Non Performing Loans

At the end of Jun-14, total amount of non-performing loans (NPLs) stood at Rs 18.1 billion, showing an increase of only 0.4% from a quarter earlier. However, compared to the same period, last year, the total amount of NPLs decreased by 3%. The major share (60%) in NPLs pertained to PG sector while telecom's share in total NPLs was 25%.

4.0. Banking-sector wise Share

The institution wise share in outstanding portfolio has largely remained the same with a large share of private sector banks followed by public sector banks (Fig 2). DFIs share in total outstanding amount remains unchanged at 5%. Although, in absolute terms, share of institutions has increased as total outstanding amount has increased.

Moreover, at the end of Jun-14, total amount sanctioned for infrastructure sectors grew an increase of 4.4%, QoQ basis and stood at Rs 538.4 billion. Of this amount, the share of private sector banks was 77% followed by public sector banks with 15%, DFIs with 3%, foreign banks with 1.5%, and Islamic banks with 3% share in total amount sanctioned.

5.0. Disbursements

Cumulative disbursements showed rise both on quarterly (8.4%) and yearly (2.9%) basis.

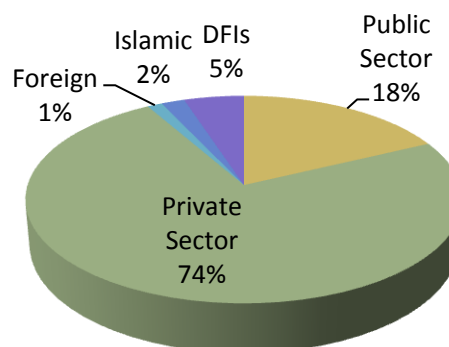
At the end of Jun-14, Rs 371 billion was the cumulative amount disbursed to all infrastructure sectors, of which 61% was in PG sector followed by telecom sector with 14% share.

During the quarter under review, an amount of Rs 26.4 billion was disbursed under infrastructure project financing against Rs 18.3 billion in the previous quarter,

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

Fig 2: Share of financial institutions in outstanding portfolio as of Jun-14



Total outstanding: Rs 276.1 billion

showing increase in quarterly disbursements for the second consecutive quarter.

6.0. Number of Projects

Out of the 374 infrastructure projects financed, 249 were undertaken by private sector banks, 56 by public sector banks, 57 by DFIs, four by foreign banks, and eight by Islamic banks.

Twenty two new projects were added by the industry during Q4 FY14, of which, 10 were added in PG, 4 projects were each added in telecom & RBF sector and 1 new project was each added in petroleum, LPG (Ext. & Dist.), O&G and WSS sector. Figure 4 shows sector-wise distribution of the all projects.

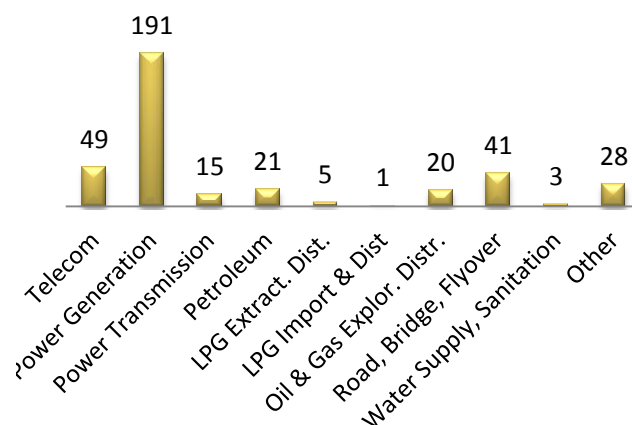
7.0. Amount Sanctioned

At the end of the period under review, the total amount sanctioned by Banks & DFIs for infrastructure projects increased from Rs 506 billion to Rs 535 billion, recording a growth of 5.9% compared to the previous quarter. A similar trend was observed when compared on yearly basis. The sectors which saw increase in amount sanctioned are PG, telecom and O&G sector.

Out of the total amount sanctioned during the quarter, share of PG stands at 54%, telecom's share was 19% followed by petroleum with 7.7% and O&G sector with 5.5%.

This review confirms increasing growth in infrastructure financing especially in the priority sectors like power, telecom and oil & gas which is a positive sign for economic development. This trend must be continued for longer term growth with further increasing trend for sustainable development. Additionally there are other sectors like railway, power transmission, aviation, roads and tourism where financing can be provided to commercially viable projects.

Figure 4: Cumulative number of projects sector wise as of Jun-14



Cumulative Amount Sanctioned by Banks & DFIs for infrastructure projects at the end of Jun-14 increased from Rs 506 billion to Rs 535 billion.

8.0. Infrastructure sector news and links

This part mentions important news and information pertaining to infrastructure. However, for details the relevant hyperlinks may be visited.

Delhi Development Authority takes up PPP mode for revival of water bodies in the city

NEW DELHI: The Delhi Development Authority will undertake large scale revival, conservation and development of 63 major water bodies on its land on public private participation (PPP) basis.

<http://economictimes.indiatimes.com/news/economy/infrastructure/delhi-development-authority-takes-up-ppp-mode-for-revival-of-water-bodies-in-the-city/articleshow/37204689.cms>

Britain offers 1 billion pound credit line for Indian infrastructure projects

NEW DELHI: British finance minister George Osborne on Tuesday announced a 1 billion pound (\$1.68 billion) credit line for investment in Indian infrastructure projects

<http://economictimes.indiatimes.com/news/economy/infrastructure/britain-offers-1-billion-pound-credit-line-for-indian-infrastructure-projects/articleshow/38024512.cms>

AfDB Establishes U.S. \$100 Billion Africa50 Fund for Infrastructure Financing

NIGERIA: African Development Bank (AfDB) has instituted a 100 billion dollars infrastructure fund to fast track the continent's industrial development.

<http://allafrica.com/stories/201406061353.htm>
!

IDB launches \$2bn infrastructure fund

The Islamic Development Bank has launched its second Infrastructure Fund, IDB Fund II, which will fund infrastructure development in up to 57 countries.

<http://www.constructionweekonline.com/article-28892-idb-launches-2bn-infrastructure-fund/>

China-Pakistan Economic Corridor to boost economy, committee told

Secretary Planning Development and Reform Hassan Nawaz Tarar briefing National Assembly Standing Committee on Planning Development and Report with Abdul Majeed Khan Khanan Khail in chair said decision establishing CPEC was taken during Nawaz Sharif visit to China in July 2013, and purpose was to formulate a long-term economic plan for both the countries.

<http://www.dailytimes.com.pk/business/22-Jul-2014/china-pakistan-economic-corridor-to-boost-economy-committee-told>

ICBC and Deutsche line up Dasu mega-dam

ICBC and Deutsche Bank are nearing being mandated on the \$2 billion commercial debt tranche of the Government of Pakistan's 4,300MW Dasu mega dam project

<http://www.ijonline.com/news?page=7>

Gadani infrastructure, Karachi water projects approved

ISLAMABAD: The Executive Committee of the National Economic Council (Ecne) formally approved on Friday two major projects — the Gadani Power Park infrastructure development project and Rs25.5 billion for the first phase of the Greater Karachi Water Supply Scheme

<http://www.dawn.com/news/1120186/gadani-infrastructure-karachi-water-projects-approved>

Acronyms

IPF	Infrastructure Project Financing
DFI	Development Finance Institution
QoQ	Quarter-on-Quarter
YoY	Year-on-Year
PG	Power Generation
O&G	Oil and Gas
RBF	Road, Bridge & Flyover
PT	Power Transmission
WSS	Water Supply & Sanitation
NPLs	Non-Performing Loans
FY	Fiscal Year
LPG	Liquefied Petroleum Gas