

Quarterly Infrastructure Finance Review

Jan-Mar 2014



**INFRASTRUCTURE HOUSING & SME FINANCE
DEPARTMENT**



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1.0. Infrastructure Finance Overview

Table A: Infrastructure Project Financing Profile of Banks & DFIs					
(Amount in PKR Billions)				% Change	
	Mar-14	Dec-13	Mar-13	QoQ	YoY
Amount Outstanding	254.6	255.2	281.5	-0.2%	-9.6%
NPLs	18.0	19.4	20.0	-7.3%	-9.8%
Disbursements during the quarter	18.3	5.8	6.7	216%	172%
Disbursements (Cumulative)	341.7	351.9	356.9	-2.9%	-4.2%
No. of Projects (*Cumulative)	360	363	367	-0.8%	-1.9%
Total Sanctioned Amount	505.9	502.9	494.5	0.6%	2.3%
*Cumulative number of projects is the total number of projects less the matured ones.					

Disbursements by banks and DFIs during the quarter increased from Rs 5.8 billion to Rs 18.3 billion, when compared with previous quarter.

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 Mar-14, amount outstanding against infrastructure sectors saw a marginal decline of Rs 0.6 billion or 0.2% when compared with preceding quarter i.e. Dec-13. Non-performing loans (NPLs) also decreased by 7.3% QoQ basis. Disbursement during the quarter showed a sizeable increase from Rs 5.8 billion to Rs 18.3 billion or 216% although, cumulative disbursements made up to March 2014 declined as 12 projects achieved maturity. The total amount sanctioned by banks and DFIs at the end of Mar-14 stood at Rs 505.9 billion, compared to Rs 505.2 billion a quarter earlier, showing an increase of 0.6%.

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% & 10%) in total outstanding infrastructure project financing remained with power generation and telecom sectors respectively. Power transmission sector's share was 1.7% while petroleum and oil & gas (exploration and distribution) sectors' share was 3.7% and 2.7% 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 March, 2014.

2.0. Outstanding Portfolio

Total amount outstanding, against infrastructure finance, at the end of Mar-14 was Rs 254.6 billion as compared to Rs 255.2 billion at the end of Dec-13, recording a decline of Rs 0.6 billion or 0.2%. Power generation saw a rise of 2.1% while outstanding portfolio in the telecom, power transmission and petroleum sectors declined by 8.9%, 41.9% and 23.2% respectively, QoQ basis. Following is the list of infrastructure sectors where lending has been made by banks/DFIs:-

- a) Power Generation
- b) Telecom
- c) Petroleum
- d) Oil & Gas (O&G) Exploration/Distribution
- e) Road, Bridge, Flyover (R.B.F)
- f) Power Transmission
- g) LPG Extraction/ Distribution
- h) Water Supply, Sanitation

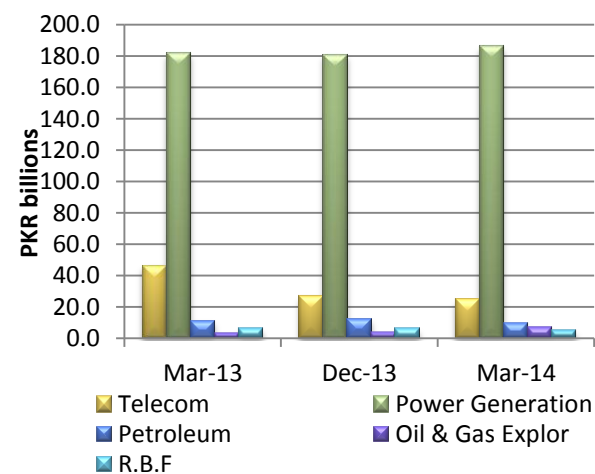
The decline recorded in outstanding portfolio, on YoY basis, was 9.6 % which is less than the that witnessed during previous quarter. Most of the key infrastructure sectors witnessed decline except power generation and oil & gas sector, which saw growth of 2.5% and 103% respectively.

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

Figure A: Top Infrastructure Sectors



3.0. Non Performing Loans

At the end of Mar-14, total amount of non-performing loans (NPLs) stood at Rs 18 billion, showing a decrease of 7.3% from a quarter earlier. The decline was witnessed due to declassification of a single loan by a public sector bank.

The total amount of NPLs at the end of Mar-14 fell 9.8% on YoY basis. Furthermore, at the end of the period under review, a sectoral analysis reveals that major share (60%) in NPLs pertained to power generation sector while telecom's share in total NPLs was 25%.

4.0. Banking-sector wise Share

At the end of Q3 FY14, private sector banks' share in total outstanding amount against infrastructure sectors dropped by 1% to Rs 188 billion and public sector banks' share declined from 20% to 18%.

Moreover, at the end of Mar-14, total amount sanctioned for infrastructure sectors saw an increase of 0.6% QoQ basis and stood at Rs 505.9 billion. Of this amount, the share of private sector banks was 78% followed by public sector banks with 15%, DFIs with 3.6%, foreign banks with 1.5%, and Islamic banks with 2.1% share in total outstanding.

At the end of Mar-14, cumulative disbursements saw a decline of 2.9%, QoQ basis and stood at Rs 341.7 billion. Although disbursements during the quarter drastically increased to Rs 18 billion, the decline in cumulative disbursements was witnessed as twelve projects reached maturity. Private sector bank's share in cumulative disbursements at the end of March, 2014 stood at 74%; public banks share 18% and DFIs with 4.9%.

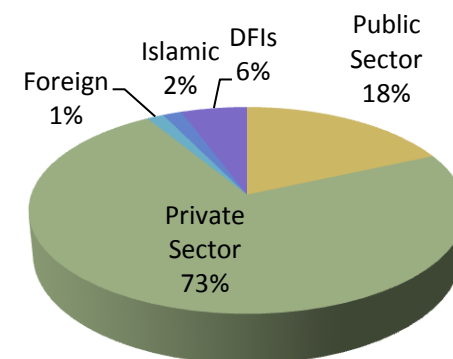
The private sector banks' share in NPLs was recorded at 60% followed by public sector with 25%. DFIs share in NPLs stands at 15%, while foreign banks and Islamic banks did not report any NPLs.

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>

Figure B: Share Of Financial Institutions In Outst. Portfolio As Of Mar-14



Total outstanding: Rs 254.7 billion

5.0. Disbursements

Cumulative disbursements showed decline both on quarterly and yearly basis as the number of projects achieving maturity during the quarter exceed the number of new projects added.

At the end of Mar-14, Rs 341.7 billion was the cumulative amount disbursed to all infrastructure sectors, of which 63% was in power generation sector followed by telecom sector with 12% share (Figure C).

During the quarter Jan-Mar'14, an amount of Rs 18.3 billion was disbursed under infrastructure project financing against only Rs 5.8 billion in the previous quarter (Oct-Dec'13).

6.0. Number of Projects

Out of the 360 infrastructure projects financed, 234 were undertaken by private sector banks, 57 by public sector banks, 59 by DFIs, four by foreign banks, and six by Islamic banks.

Nine new projects were added by the industry during the quarter Jan-Mar'14, of which, 4 projects were added each in power generation and petroleum sectors while one new project was added in the telecom sector.

Figure D shows sector-wise distribution of the projects.

Figure C: Cumulative Disbursements (sector wise)

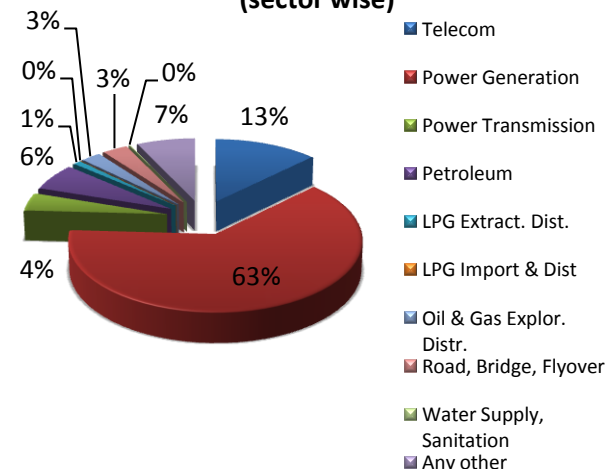
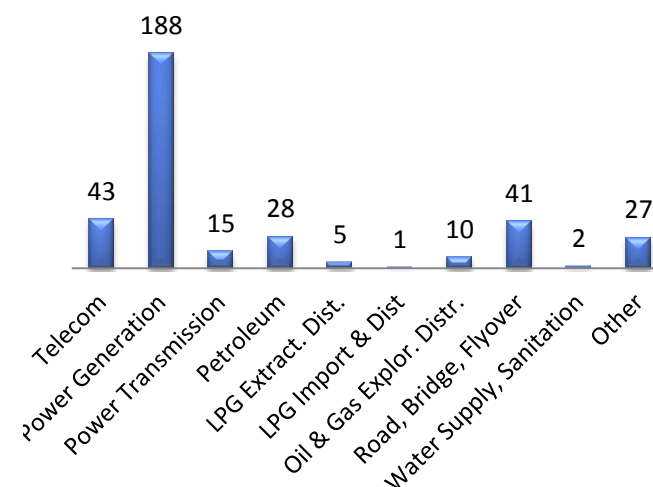


Figure D: Cumulative number of projects sector wise as of Mar-14

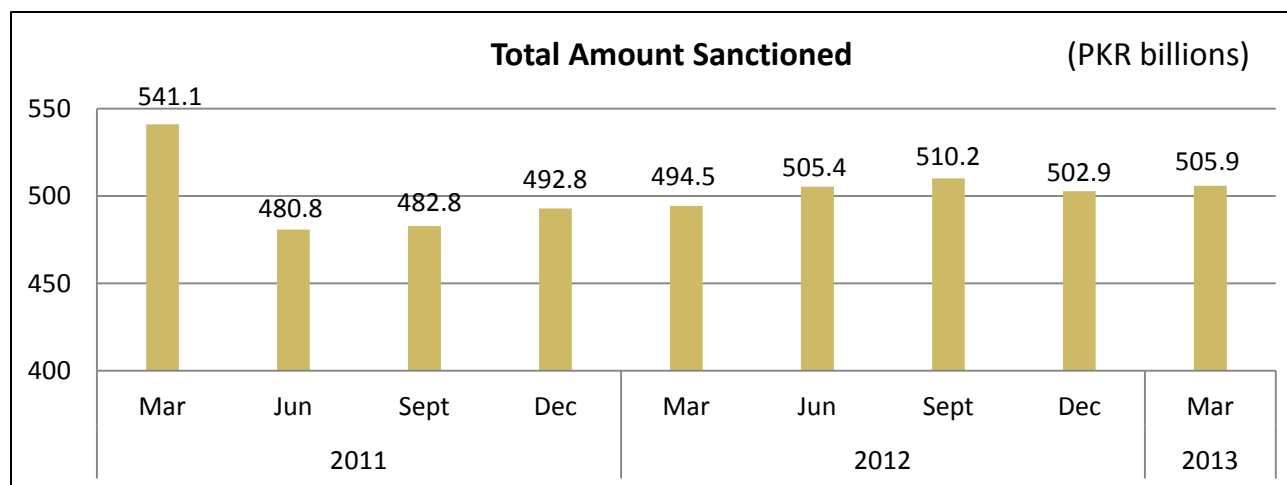


7.0. Amount Sanctioned

At the end of the period under review, Rs 505.9 billion was the total amount sanctioned by the banks and DFIs for infrastructure projects against an amount of Rs 502.9 billion at the end of Dec-13, recording a growth of 0.6%. The growth is 2% when compared on yoy basis. The sectors which saw increase in amount sanctioned are power generation, petroleum and road, bridge & flyover sector.

Cumulative Amount Sanctioned by Banks & DFIs for infrastructure projects at the end of Mar-14 was Rs 505.9 billion.

Out of the total amount sanctioned during the quarter, 55.9% remained with power generation sector, 16.7% with telecom sector, followed by petroleum and power transmission with 10.2% and 4.2% respectively. Oil and gas exploration/distribution sector's share was 2.3%, Road, bridge & flyover sector's share was 4% and water supply & sanitation sector's share was only 0.1 %.



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.

China to invest \$50 billion in energy, infrastructure projects till 2017

March 14, 2014. China is to invest \$50 billion in energy and infrastructure projects in Pakistan till 2017 of which \$35 billion investment is anticipated in energy sector. <http://www.brecorder.com/fuel-a-energy/193:pakistan/1162440:china-to-invest-50-billion-in-energy-infrastructure-projects-till-2017/?date=2014-03-14>

IDB approves \$220m for Jamshoro power project

March 30, 2014. ISLAMABAD: The loan was approved by IDB's board of executive directors at its meeting which started on March 23. The IDB's approvals were mainly in the energy sector with a total of \$490m in Pakistan, Morocco, Senegal, Mauritania and Cameroon. <http://www.dawn.com/news/1096488/idb-approves-220m-for-jamshoro-power-project>

WB to provide \$10.2 bn to Pakistan in next five years

(March 31, 2014) ISLAMABAD: The World Bank (WB) will give Pakistan \$10.2 billion during the next five years — from 2015 to 2019. Finance Minister Ishaq Dar has, meanwhile, assured the World Bank that the government was going to eliminate tax exemptions in Pakistan in the next budget.

[http://www.thenews.com.pk/Todays-News-13-29406-WB-to-provide-\\$102-bn-to-Pakistan-in-next-five-years](http://www.thenews.com.pk/Todays-News-13-29406-WB-to-provide-$102-bn-to-Pakistan-in-next-five-years)

Asia Infrastructure Centre of Excellence commences operations

SINGAPORE: Singapore has moved a step closer to fulfilling its ambition of becoming an infrastructure hub, as the Asia Infrastructure Centre of Excellence (AICOE) commenced official operations. <http://www.channelnewsasia.com/news/business/asia-infrastructure/1054588.html>

World Bank urges Vietnam to seek private financing for infrastructure

The southeast Asian country has experienced intense changes over the last two decades that have transformed the country, the Bank highlighted in a joint report produced with Vietnam's Ministry of Finance, and sponsored by AustralianAid <http://www.publicfinanceinternational.org/news/2014/03/world-bank-urges-vietnam-to-seek-private-financing-for-infrastructure/>

World Bank set to approve financing for Congo's Inga dam

KINSHASA, March 14 (Reuters) - The World Bank is likely to approve \$73 million next week to fund an expansion of the Inga hydroelectric dam in Democratic Republic of Congo, a bank official said on Friday. <http://in.reuters.com/article/2014/03/14/congo-democratic-inga-idINL6NOMB1W020140314>