Jul - Sept, 2015

Quarterly Infrastructure Finance Review

Infrastructure Housing &
SME Finance Department

The Team

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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*
RB&F	*Road, Bridge & Flyover*
PT	*Power Transmission*
WSS	*Water Supply & Sanitation*
NPLs	*Non-Performing Loans*
FY	*Fiscal Year*
LPG	*Liquefied Petroleum Gas*

1. Infrastructure Finance Overview

In Pakistan, Banks and Development Finance Institutions (DFIs) have provided major part of the credit for financing infrastructure projects in the private sector. The Infrastructure Project Financing Review (Jul-Sept, 2015) is prepared based on quarterly data received from banks and DFIs. It includes infrastructure projects financed by banks & DFIs, as defined in the IPF Guidelines (Box 1). An analysis of the infrastructure financing profile for Q1 of FY-16 depicts the following trends.

At the end of Sept-15, amount outstanding against infrastructure sectors witnessed growth of Rs 5.4 billion or 1.6% when compared with the preceding quarter (Apr-Jun, 2015). This increase was largely in the power generation, power transmission and telecom sectors, where combined outstanding amount grew by Rs 9.9 billion. Whereas, a decline in outstanding amount was observed in petroleum and oil & gas sectors.

Non-performing loans (NPLs) decreased during the quarter by 4.7%, and by 14.4% on YoY basis

During the quarter (Jul-Sept, 2015) Rs 11.5 billion were disbursed to infrastructure projects, which is lower by Rs 9.5 billion compared to the previous quarter.

Box 1: Infrastructure Project Finance Guidelines

SBP's Infrastructure Project Finance Guidelines define Infrastructure projects as one of the following:

a. A road, including toll road, fly over, bridge project;
b. A mass transit, urban bus, urban rail project;
c. A rail-bed, stations system, rail freight, passenger services project;
d. A telecommunication local services, long distance and value added project;
e. A power generation project;
f. A power transmission or distribution project by laying a network of new transmission or distribution lines;
g. A natural gas exploration and distribution project,
h. An LPG extraction, distribution and marketing project;
i. An LPG import terminal, distribution and marketing project;
j. An LNG (Liquefied Natural Gas) terminal, distribution and marketing project;
k. A water supply, irrigation, water treatment system, sanitation and sewerage system or solid waste management system project;
l. A dam, barrage, canal project;
m. A primary and secondary irrigation, tertiary (on-farm) irrigation project;
n. A port, channel dredging, shipping, inland waterway, container terminals project;
o. An airport;
p. A petroleum extraction, refinery, pipeline project;
q. Any other infrastructure project of similar nature, notified by SBP.

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).

Table A: Infrastructure Project Financing Portfolio of Banks & DFIs

(Amount in PKR Billions)				% Change	
	Sept-14	**Jun-15**	**Sept-15**	**QoQ**	**YoY**
Amount Outstanding	282.4	328.7	**334.0**	1.6%	18.3%
NPLs	18.52	16.63	**15.9**	-4.7%	-14.4%
Quarterly Disbursements	15.69	20.45	**11.5**	-43.7%	-26.7%
Disbursements (Cumulative)	349.6	393.9	**395.3**	0.4%	13.1%
No. of Projects (*Cumulative)	382	378	**389**	2.9%	1.8%
Total Sanctioned Amount	551.4	623.0	**640.0**	2.7%	16.1%

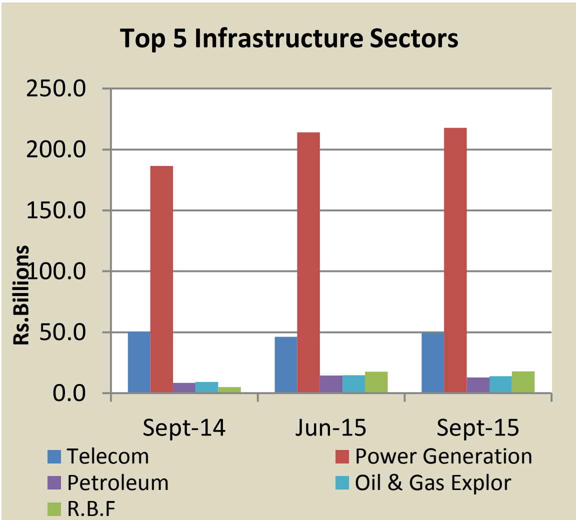
*Cumulative number of projects is the total number of projects less the matured ones.

2. Outstanding Portfolio

The total amount outstanding, against infrastructure finance, at the end of Sept-15 was Rs 334.0 billion when compared with Rs 328.7 billion at the end of Jun-15, recording an increase of 1.6%. Infrastructure Project Finance (IPF) portfolio of banks & DFIs has witnessed growth for seventh consecutive quarter since December 2013. Telecom, power generation and power transmission noticed a growth in outstanding portfolio on QoQ basis. Following is the list of infrastructure sectors where lending has been made by banks/DFIs:-

a) Power Generation (PG)
b) Telecom
c) Oil & Gas (O&G) Exploration/Distribution
d) Petroleum
e) Road, Bridge, Flyover (RBF)
f) Power Transmission (PT)
g) LPG Extraction/ Distribution
h) Water Supply, Sanitation (WSS)

On YoY basis, amount outstanding against infrastructure increased by 18.3%. Almost all sectors witnessed growth in outstanding financing except for telecom.

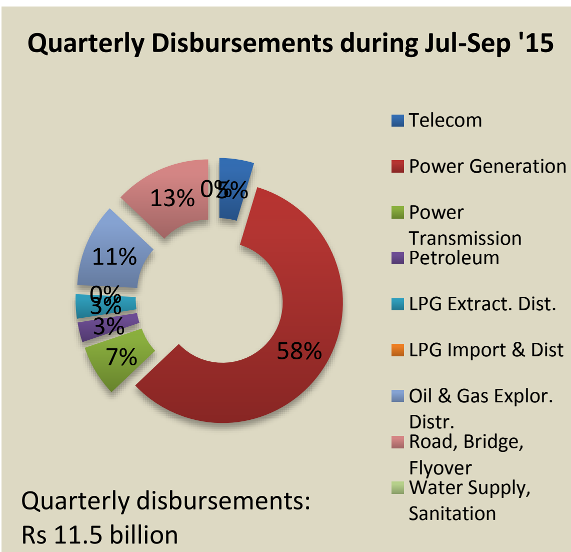


3. Non Performing Loans

Total amount of non-performing loans (NPLs) decreased by 4.7% during the quarter to reach Rs 15.9 billion whereas on yearly basis NPLs decreased by 14.4%.

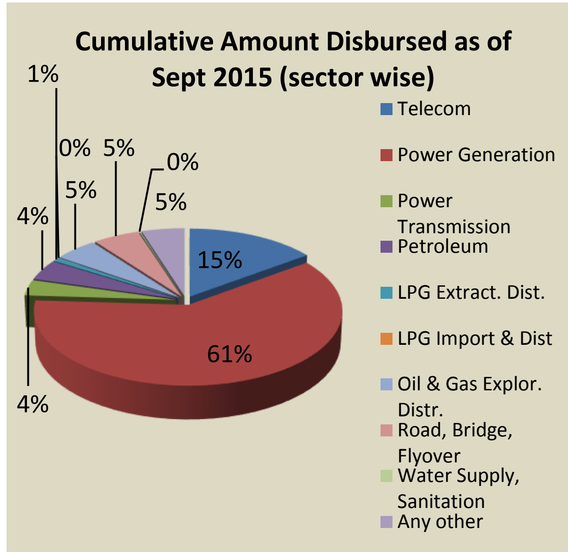
4. Disbursements

Disbursements during the quarter amounted to Rs 11.5 billion, which is lower compared to previous quarter as well as to the corresponding quarter, last year. Disbursements were mainly made to power generation, O&G and RB&F sectors.



The cumulative amount disbursed as of Sept-15 increased marginally on quarterly basis by 0.4% while it increased by 13.1% on yearly basis.

At the end of Sept-15, the cumulative amount disbursed was Rs 395 billion to all infrastructure sectors, of which 61% was in PG sector followed by telecom sector with 15% share (see figure).



5. Number of Projects

Out of the 389 infrastructure projects financed, 211 are in power generation sector, 48 in telecom, 23 in power transmission, 21 in petroleum, 25 in O&G, and 27 in RB&F sector.

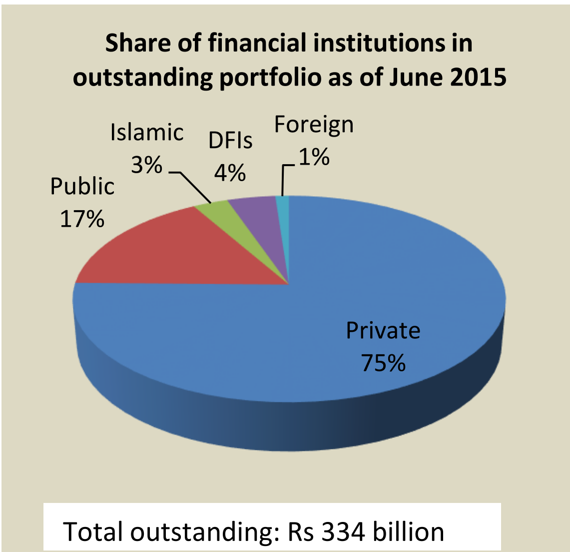
6. Amount Sanctioned

At the end of the period under review, the total amount sanctioned by Banks & DFIs for infrastructure projects increased from Rs 623 billion to Rs 640 billion, recording a growth of 2.7% compared to the previous quarter. A similar trend was observed when compared on yearly basis, where a 16% increase was observed.

Out of the total amount sanctioned during the quarter, share of PG stands at 55%, telecom's share was at 17% followed by RB&F and petroleum with 7% share each and O&G sector with 5.3%.

7. Banking-sector wise share

The institutional share in outstanding portfolio has largely remained the same with a large share resting with private sector banks followed by public sector banks (Figure below). Islamic banks' share in total outstanding amount has remained steady at 3%.



Infrastructure financing portfolio of banks & DFIs has shown encouraging growth since December 2013 when it was at Rs 255 billion.

Annexure

Table B: Infrastructure Project Financing Profile over the years

(Amount in Rs. Billions)	Periods						
	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Sept-15
Amount Outstanding	275.9	298.5	265.5	289.3	255.2	297.8	334.0
NPLs	8.2	10.4	17.1	17.5	19.4	16.1	15.9
Disbursements (Cumulative-As on)	251.1	349.0	356.2	356.3	351.9	367.7	395.3
No. of Projects (*Cumulative)	311	338	337	364	363	392	389
Total Sanctioned Amount	496.5	520.3	482.6	493.5	502.9	591.2	640.0

*Cumulative No of projects are the total number of projects less the matured ones.

Table C: Total Investment requirements in Pakistan across different Infrastructure sectors between 2011-20

		(in billions USD)
	Low	**High**
Transport	17.2	21.5
Electricity	64.0	96.0
Water Supply & Sanitation	9.3	14.0
Solid Waste	3.3	6.7
Telecom	12.4	12.4
Irrigation	9.7	14.6
Total	**115.9**	**165.2**

Source: Reducing poverty by closing South Asia's Infrastructure Gap, World Bank study, 2013