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Kamran Shehzad highlights importance of private sector role in infrastructure development

Mr. Muhammad Kamran Shehzad, Deputy Governor, State Bank of Pakistan has highlighted the role of private sector in the development of infrastructure in the country as public sector alone cannot fulfill the responsibility of removing infrastructure deficiency.

He was formally inaugurating a five-day Training Program on 'Frontiers in Infrastructure Finance' organized jointly by the State Bank of Pakistan and the World Bank at SBP, Karachi today. This is a joint initiative of Infrastructure & Housing Finance Department of SBP and World Bank Group to address the issue of lack of expertise in the financial sector on project development and financing. Around sixty professionals associated with infrastructure development and financing from banks, Development Finance Institutions (DFIs) and Federal and Provincial Governments are participating in this training program.

Mr. Kamran said that the importance of private sector is extremely critical for success of any policy initiative in the way of infrastructure development. He said that currently the role of private sector is limited to the projects in energy sector in the form of Independent Power Producers (IPPs) and the success of energy sector in attracting private capital was due to a policy of the federal government which provided sovereign guarantees that led to opening up of avenues for the private sector.

He pointed out that the country's banking sector, together with DFIs, has an outstanding portfolio of Rs 284 billion in overall infrastructure sector, of which a staggering 68% is in power sector alone. Other key areas like Oil & Gas exploration, Petroleum and Roads etc. are not getting much financing and the performance of DFIs is very disappointing, with only 2% share in overall portfolio. A study mentions that if a country wants to attain a 7% GDP growth, then it has to invest 7% of its GDP in infrastructure development, he said and added that this scenario called for some concrete steps towards infrastructure development.

Mr. Kamran said that SBP while recognizing the pivotal role for private sector participation in the infrastructure development formed an Infrastructure Task Force inviting participation from key public and private sector stakeholders. The Task Force was mandated to put their heads together and identify obstacles to development of infrastructure in general and infrastructure finance in particular and propose viable ways for effective private sector participation, he said and added that one of the principal recommendations of the Task Force was the establishment of a dedicated institution, which not only provides financing solutions but also develops infrastructure projects to attract private sector under Public Private Partnership (PPP) mode.

He said the proposed dedicated institution, which is being established with the help of Government of Pakistan and multilateral agencies, will have a mandate of developing and financing projects in key infrastructure areas and it is expected to be active later next year.

Mr. Kamran said that the central bank is also supporting human resources development, institutional strengthening and capacity building in the infrastructure sector and added that the current training program is part of the similar effort.

SBP Deputy Governor said that the objective of this training program is to address the capacity gaps in infrastructure financing and have a fairly good number of professionals, who are proficient in undertaking project financing for infrastructure sectors which entail a complicated structure under Public Private Partnership (PPP) mode. "The program will expose our young professionals to the project financing practices adopted in developed economies, with complicated structures of public private partnership," he said and added that the contents of the training are based on modern techniques and tailored to the needs of local circumstances. He said the Cambridge Economic Policy Associates (CEPA), a very reputed and internationally renowned entity, is engaged to conduct the training and hoped that after the completion of this training young professionals will be better equipped with modern practices of a range of essential project financing components like project feasibility, project risks, financial modeling, fiscal risk management, risk allocation and mitigation, concession agreements and contract award methods.
