

Quarterly Infrastructure Finance Review



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Overview:-

The infrastructure project finance portfolio has posted a 36.9% growth on YoY basis from September 2008 to September 2009 (same was 25.7% from June 2008 to June 2009). The quantum of overall disbursement is Rs. 18.9 billion in this quarter which was Rs. 22 billion during the previous quarter. Power generation sector remains the supreme beneficiary with disbursement of Rs. 13.2 billion during the quarter under review as compared to Rs. 11.7 billion during previous quarter. Though the disbursement in power generation has slightly increased but no new project in this important sector has been reported. Telecom sector, which received a substantial financing in last quarter, remains dormant in the current quarter.

The level of private sector’s participation is very low as compared to other developing countries of the region and we are arguing through our reviews that a clearly defined PPP policy at the highest level is required for a number of important infrastructure sectors viz. water supply and sanitation, logistics, irrigation, ports, airport etc. in line with a power policy which is in place for quite some time and has been attracting significant amount of private investment over the years.

Outstanding Portfolio:-

Total financing outstanding at close of September 2009 was Rs. 279.4 billion as against Rs. 204.1 billion at the end of September 2008 achieving a growth of 36.9%. The analysis shows, as in figure 1, that stock of other sectors changes at a slow pace but the rise in stock of power generation is a constant feature in all the quarters over a year. This may be attributed to a number of factors which include the existence of a power policy, expertise of financial sector in getting financial close of the projects (financial sector is involved in energy sector since 1994) and most importantly the sovereign guarantee for private investors.

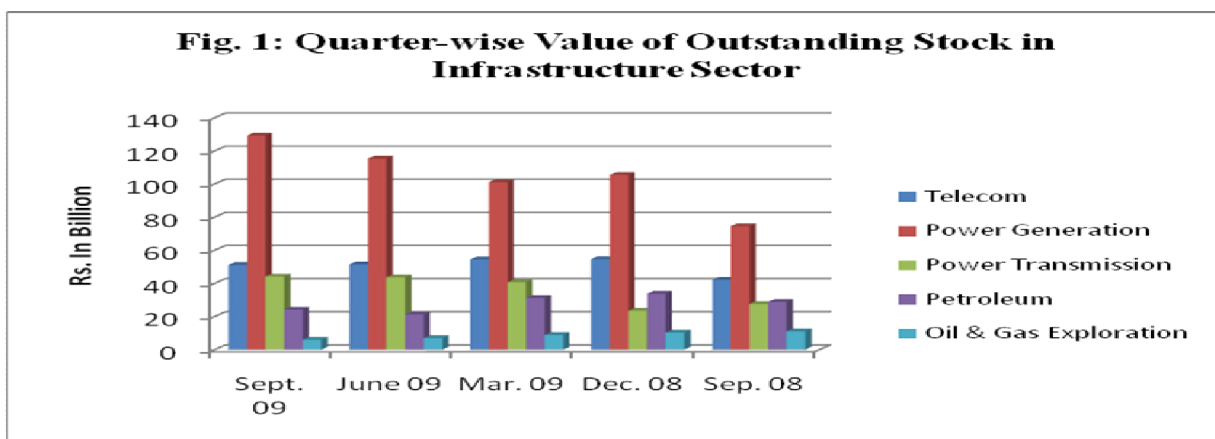
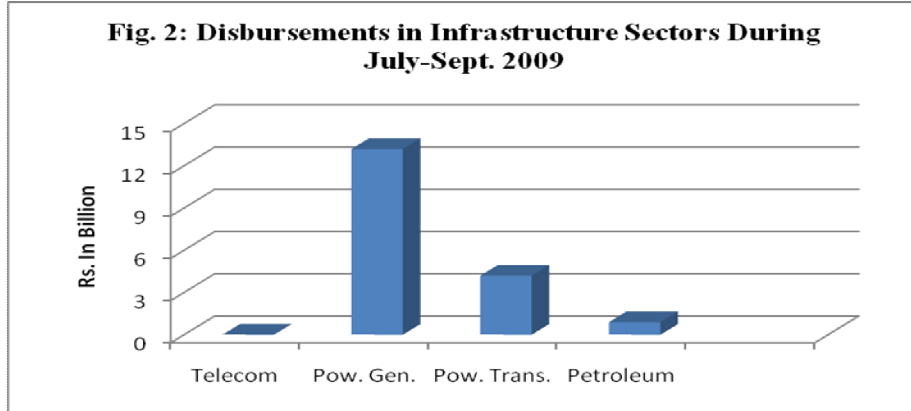


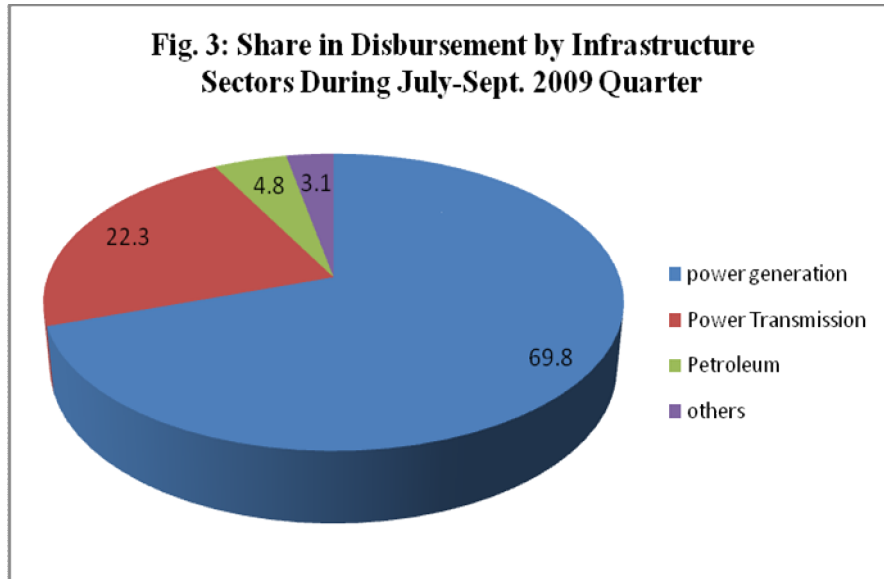
Figure 1 shows the position of top five sectors from September 2008 to September 2009. Telecom sector remained stable over the year while petroleum sector is gradually posting a low score as its stock decreased from Rs. 28.9 billion in September 2008 to Rs. 24.2 billion in September 2009. Power transmission, though, has shown increase over the year but still much below the desired level, considering the huge unmet needs in this sector.

Disbursements:-

Total Rs. 18.9 billion disbursed during Jul-Sep 2009 quarter in all infrastructure sectors against Rs. 22 billion in previous quarter. Figures 2 and 3 show the amounts disbursed and share of each sector during the quarter under review. Power generation sector received Rs. 13.2 billion (69.8%) which is significantly higher than other sectors. The share of power generation in disbursement was 53.2% (Rs. 11.7 billion) in the last quarter.

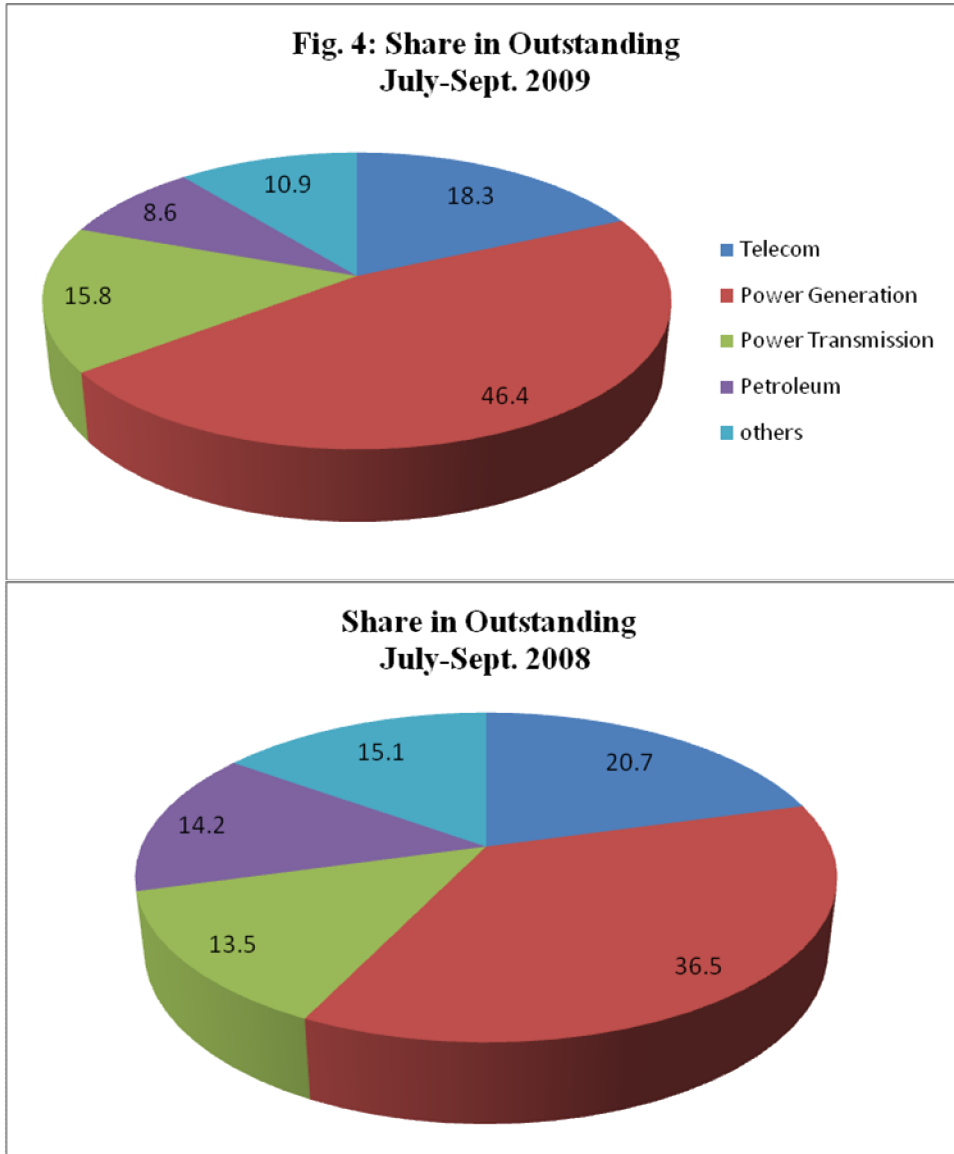


Telecommunication sector received Rs. 3.7 billion (16.9%) in last quarter but only Rs. 107 million in current quarter. Oil & gas sector received Rs. 3.6 billion during last quarter but no disbursement for this sector during the quarter under review.



Year-wise Analysis of Sectoral Share in Infrastructure Portfolio:-

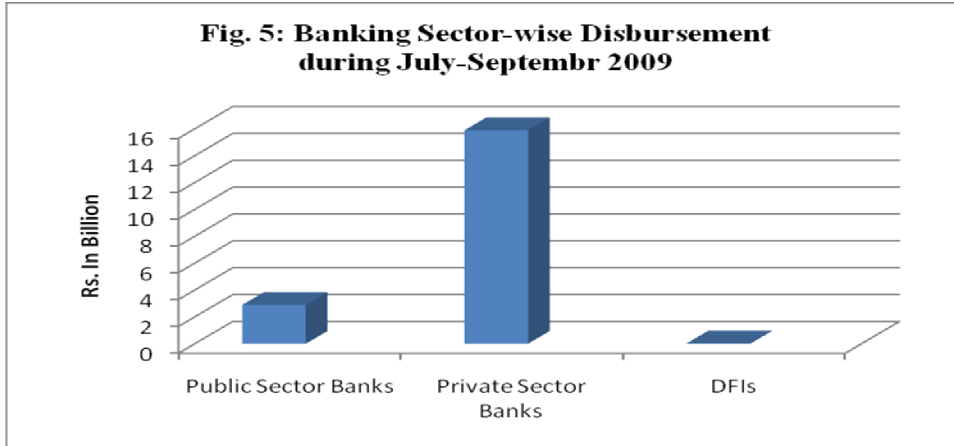
Figure 4 shows the comparison of top four sectors in outstanding infrastructure financing at the end of September 2008 with the status existing on September 30, 2009. In September 2008, power generation sector had 36.5% of the total stock followed by telecommunication sector with 20.7%. After a year, the top slot continues to be held by power generation sector with a substantial 46.4% share in the pie. The telecommunication sector remained at second place with 18.3% share. With rise in power transmission sector also, more than 60% of the infrastructure portfolio pie is taken by the power sector as a whole. Petroleum sector, despite having huge potential, had also been on the downside from 14.2% to 8.6% in a year.



Banking Sector-wise Performance:-

Banking Sector-wise Disbursements:-

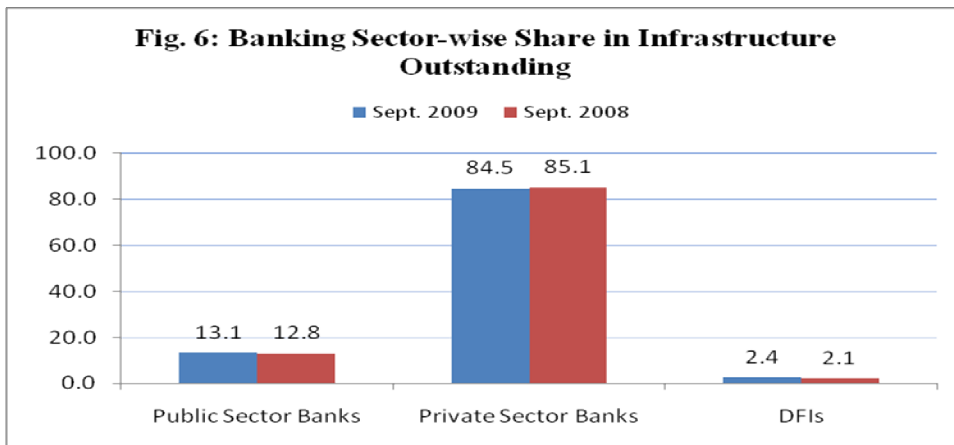
Figure 5 shows significant contribution of the private sector commercial banks in infrastructure project financing. Private sector commercial banks disbursed Rs. 15.9 billion out of total



Rs. 18.9 billion financing in infrastructure sectors during the quarter. Public sector banks disbursed Rs. 2.9 billion while DFIs have miniscule Rs. 34 million.

Banking Sector-wise Share in Outstanding:-

Figure 6 shows the category-wise share of banking sector in outstanding stock of infrastructure financing. The trend is predominantly in private sector banks' way. The stock share of private sector banks is hovering around 85% during the year. Public sector banks and DFIs have a very



marginal share and did not present a major shift during the year. Though private banks enjoy a major share, portfolio diversification beyond limited infrastructure sectors is highly desirable.

Major Departmental Initiatives and Achievements:-

Appreciating the critical role of infrastructure sector in propelling the domestic economy, following key initiatives have been taken by SBP to further develop market based mechanisms and enhance the flow of credit to this priority sector.

Capacity building Program:-

In addition to initiatives taken to institutionalize project financing, SBP realizes that a simultaneous development of human capital will play a critical role in ensuring sustainability of project financing. In this regard a training program titled 'Frontiers in Infrastructure Financing' is planned in partnership with World Bank.

Revised Guidelines for Infrastructure Project Finance:-

The existing guidelines for Infrastructure Project Finance have been reviewed and number of areas have been identified which, if bring in tune with international standards, can facilitate project financing. Infrastructure & Housing Finance Department has drafted the revised guidelines, blending international standards and peculiar domestic experiences in infrastructure financing and shared with the key stakeholders for their input.

Infrastructure Development and Financial Institution:

State Bank is presently working on an initiative to establish an institution under Public-Private Partnership mode for growth of infrastructure sectors in the country. Principal buy-in of MoF has been elicited. MLAs have also expressed their initial interest in supporting this initiative and formal discussions with them are in progress.