



GCC Long-Term Financing Needs: The Role of Banks and Capital Markets

(Roundtable II – Development and Diversification of Financial Markets in the MENA Region)



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IIF Annual Meeting of MENA Bank Chief Executives

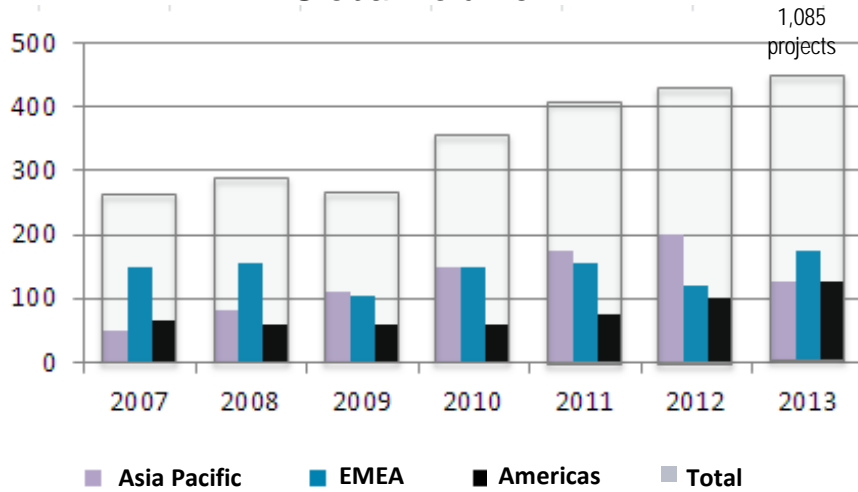
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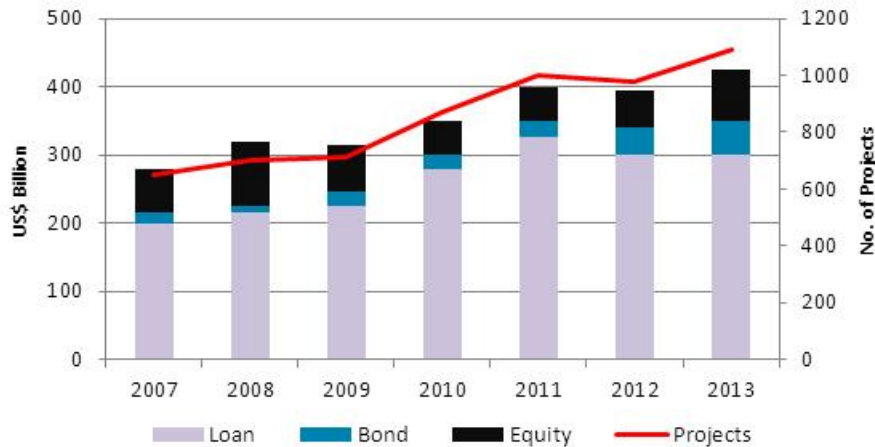
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GLOBAL PROJECT FINANCE – VITAL STATISTICS

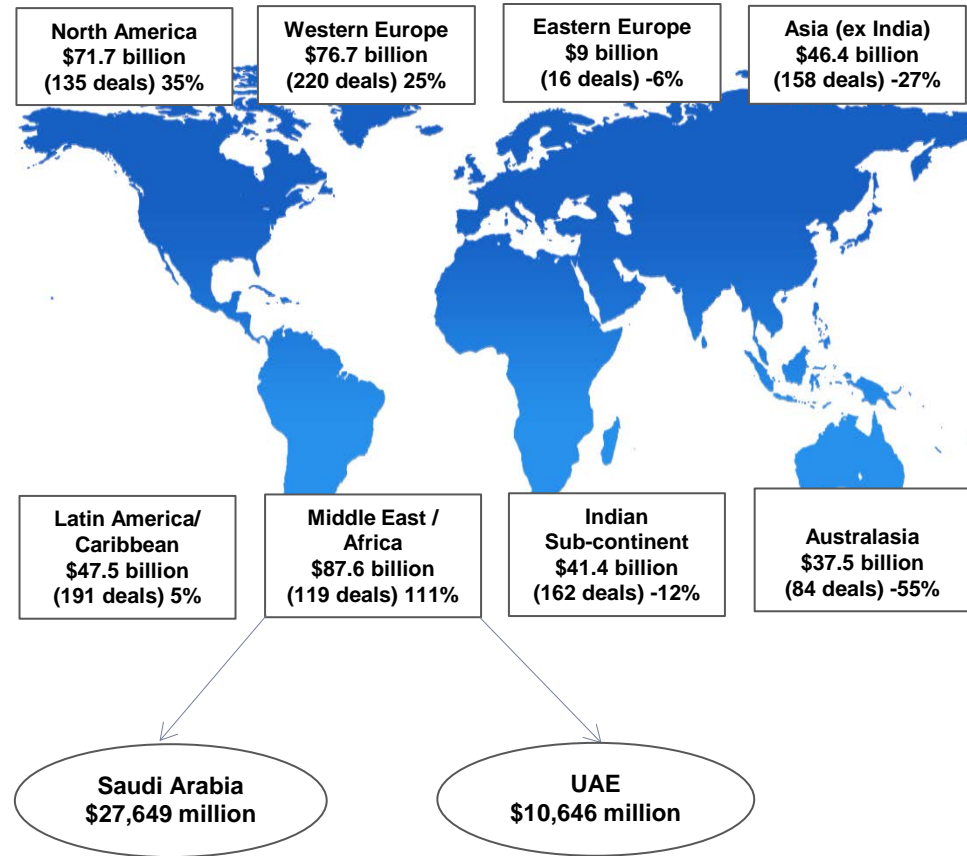
Global Volume



Global Funding

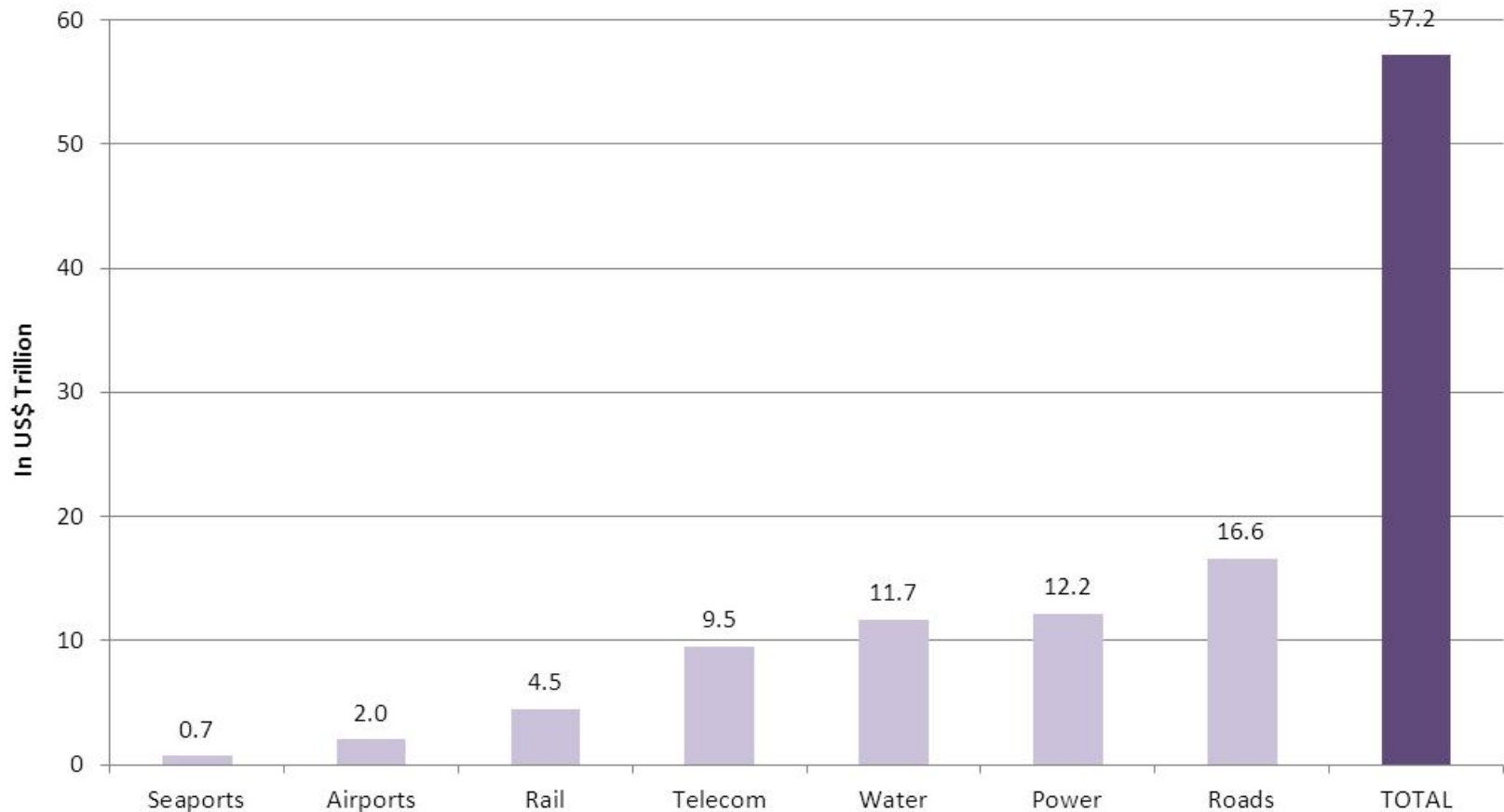


Regional Analysis - 2013



SIZING THE GLOBAL INFRASTRUCTURE DEMAND

Global Infrastructure Requires US\$57 trillion in Investment by 2030



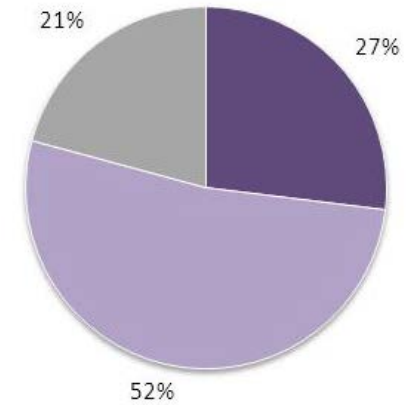
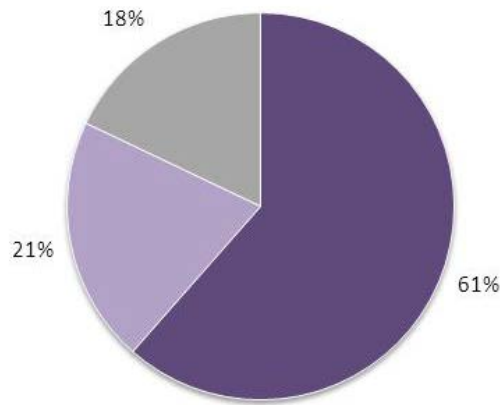
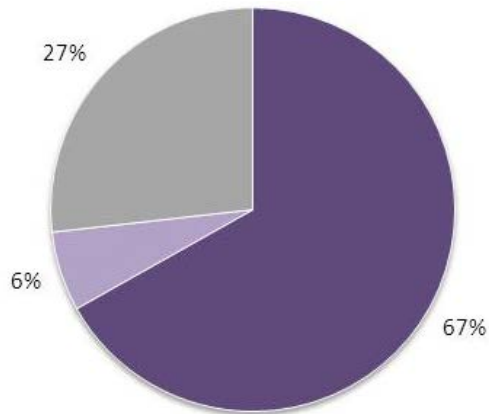
GLOBAL FUNDING PATTERNS COMPARISON

Middle East

Emerging Asia

North America

2008

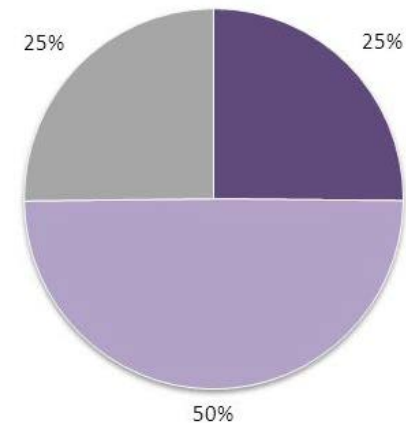
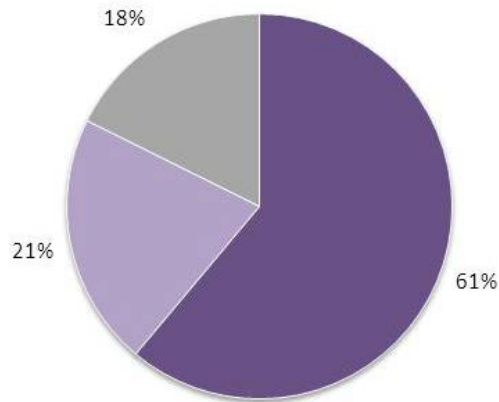
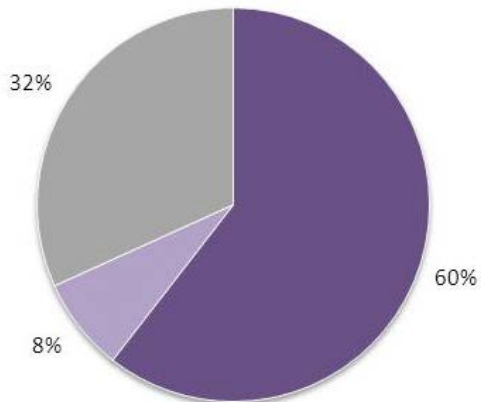


Banks dominate the external financing structure.

The role of the bond market has grown since the 1997 crisis.

A more balanced distribution of the external financing structure.

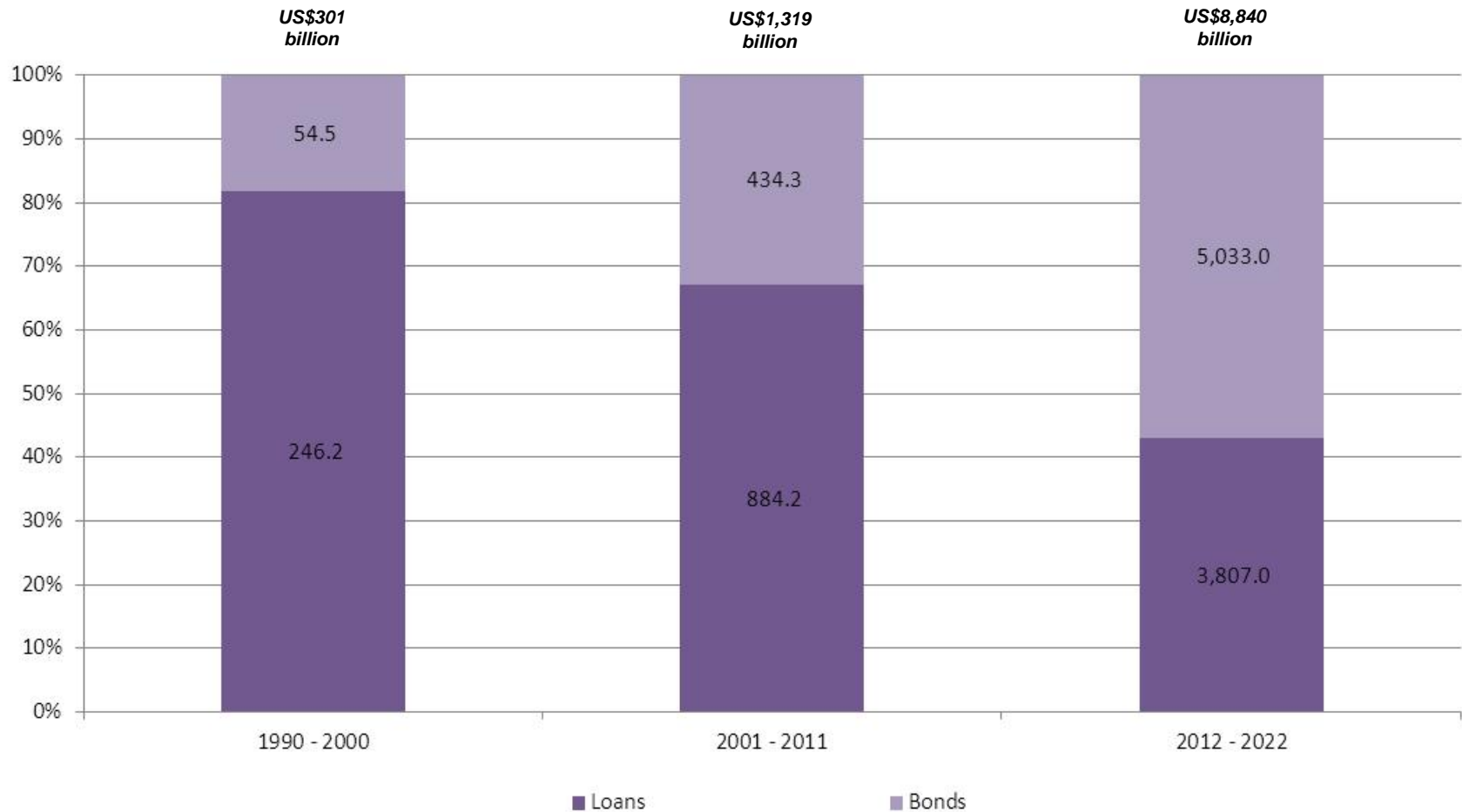
2012



Source: International Monetary Fund

■ Bank Assets ■ Bonds ■ Stock Market Capitalization

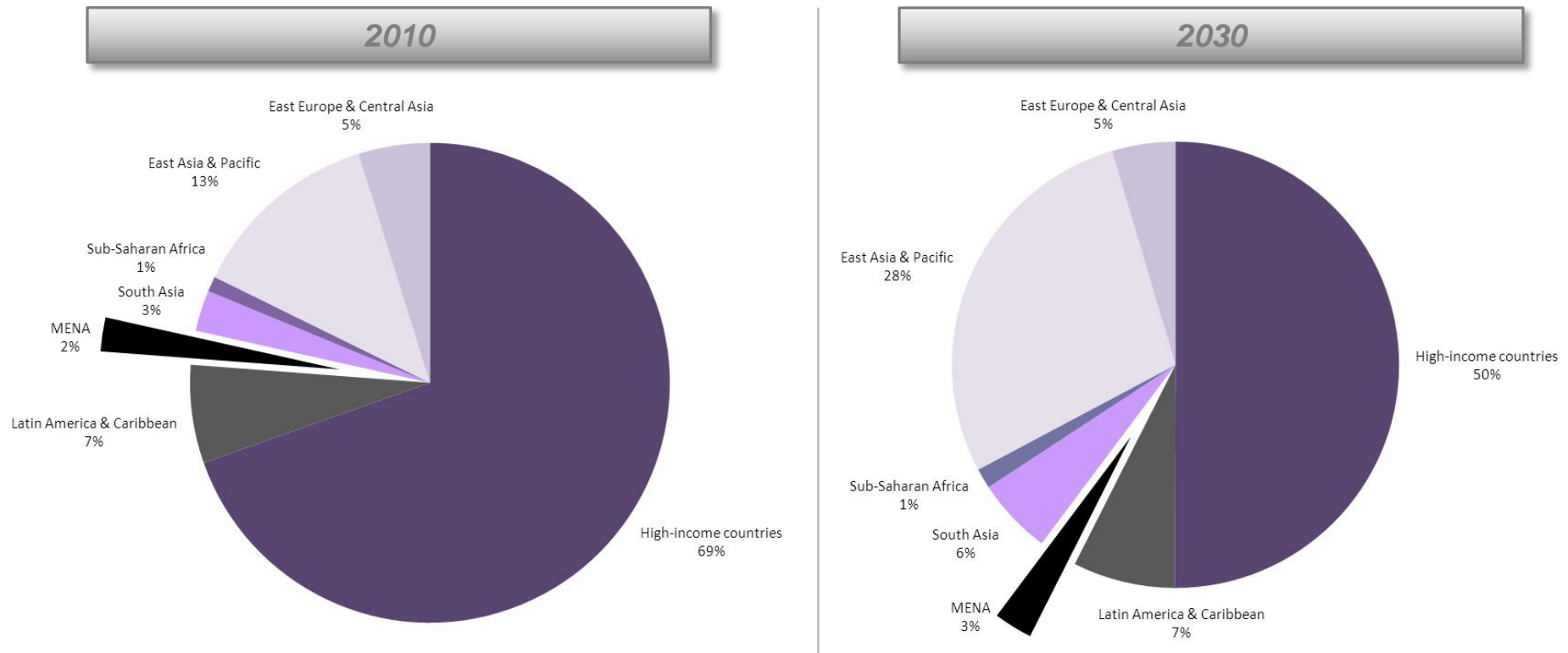
INFRASTRUCTURE INVESTMENT FINANCING MODES – PERIOD TRENDS



Source: The World Bank

GLOBAL CAPITAL STOCK

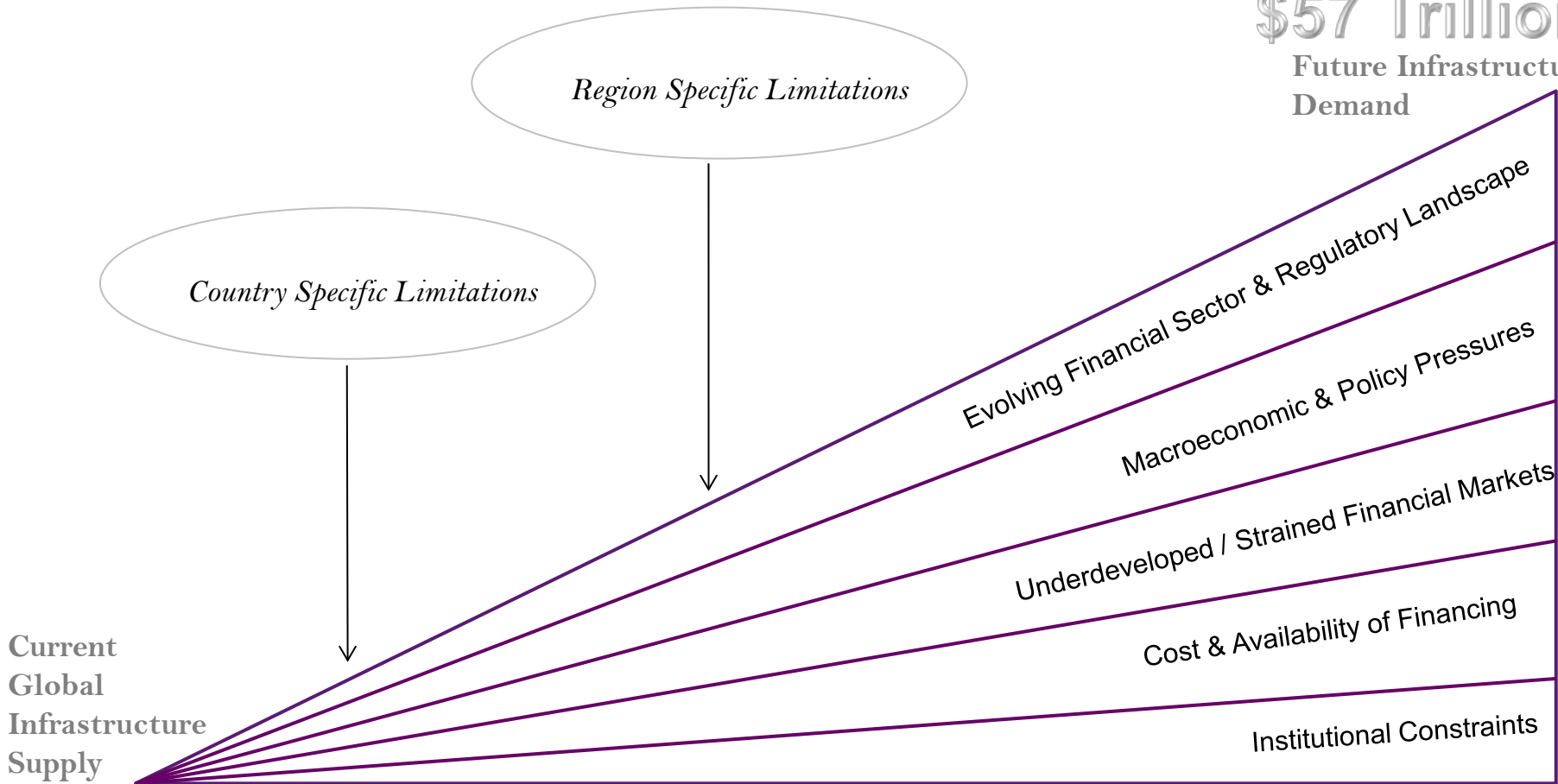
*Developing countries will account for more than half of global capital stocks by 2030**



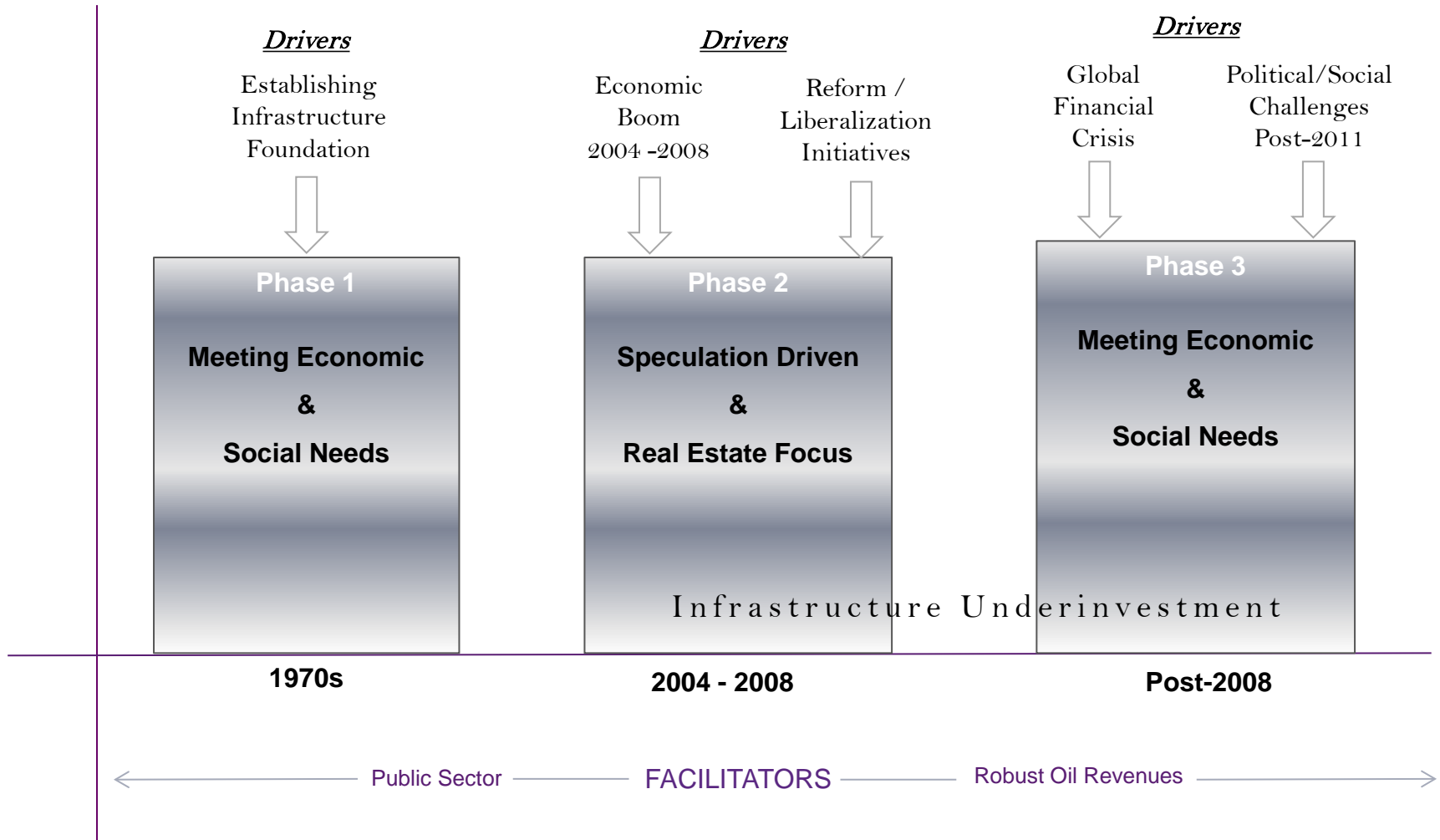
* Based on a conservative estimate of annual world economic growth of 2.6% over the next two decades. The share of developing countries will be even higher under more robust growth assumptions.

GLOBAL IMPEDIMENTS TO INFRASTRUCTURE INVESTMENT

\$57 Trillion
Future Infrastructure
Demand

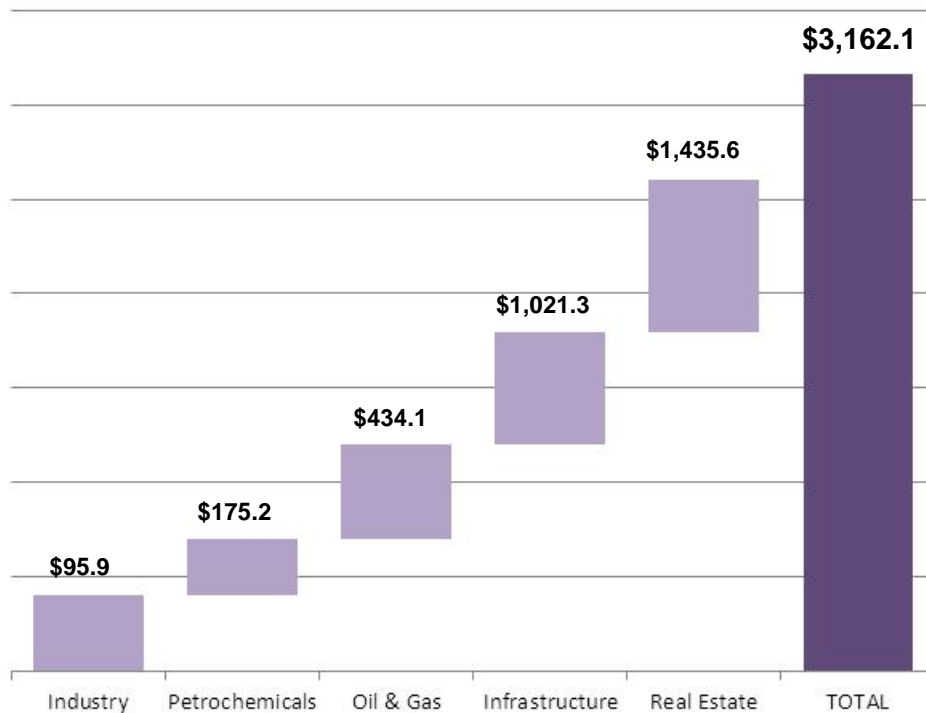


EVOLUTION OF THE GCC INFRASTRUCTURE MARKET

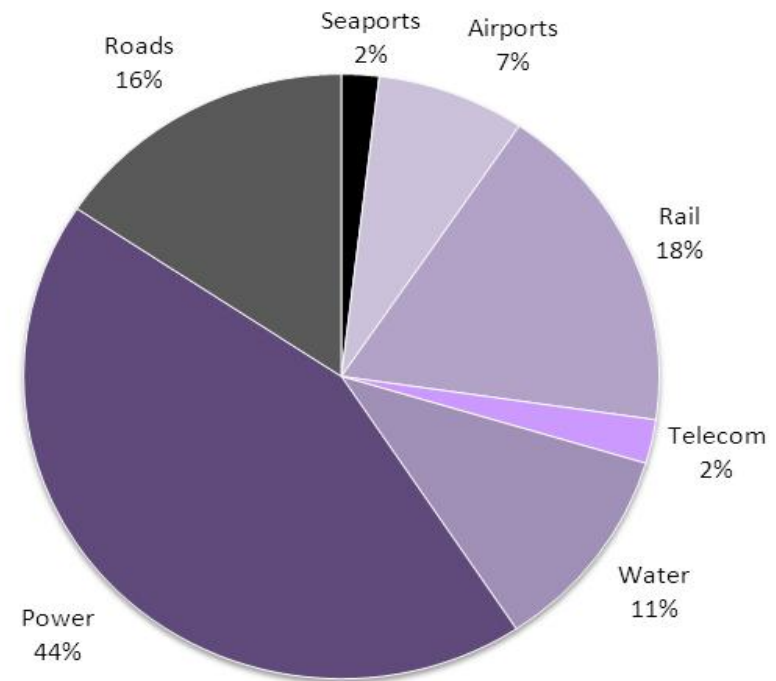


SIZING GCC LONG-TERM INVESTMENT DEMAND (2014 – 2035)

Investment Demand by Sector
(US\$ billion)

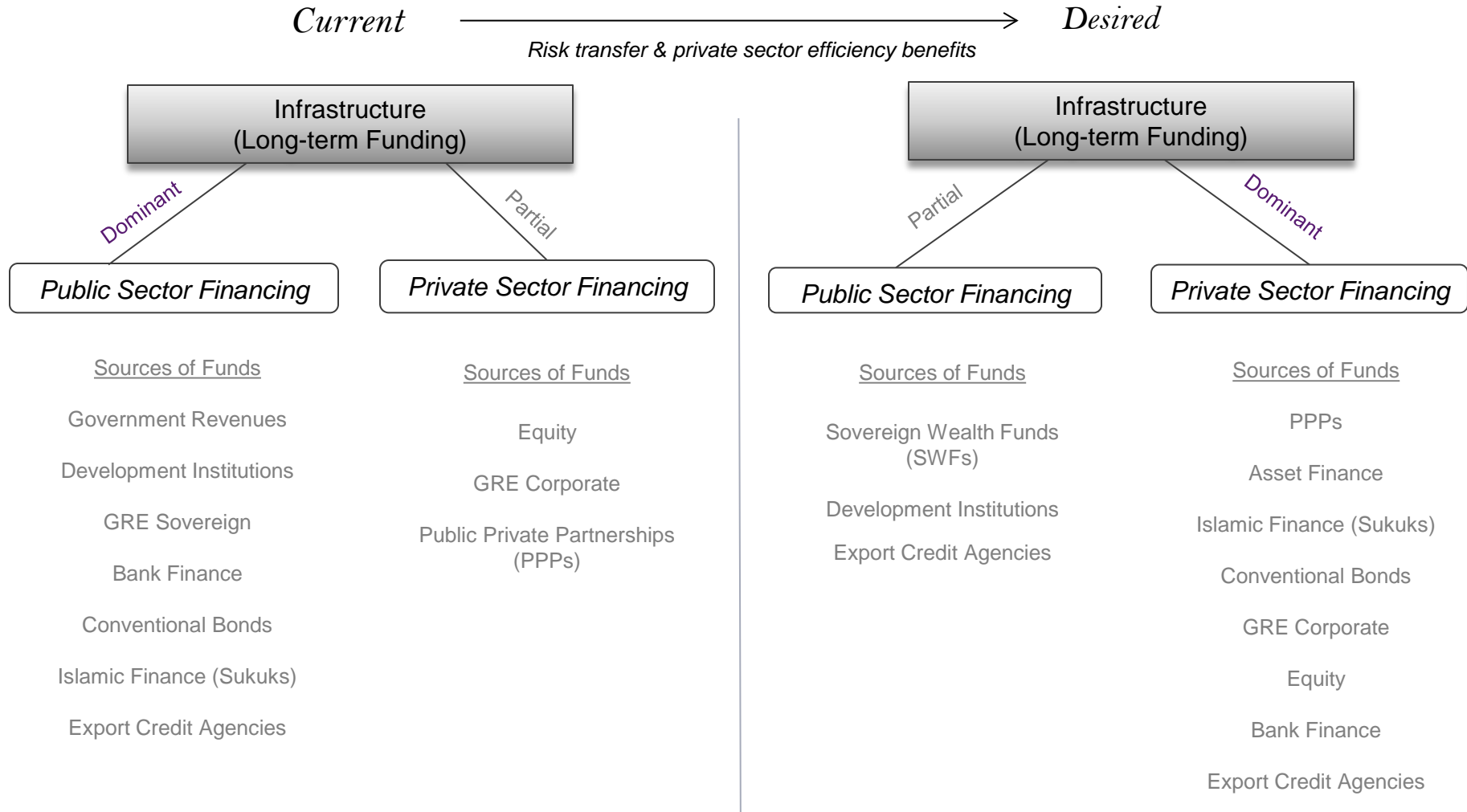


Infrastructure Breakdown
(by sector)



Source: MEED

LONG-TERM FUNDING CHALLENGE: GCC PERSPECTIVE



GCC CHALLENGES IN REACHING THE DESIRED FUNDING STRUCTURE

PROJECT BONDS

Project Bonds can reduce the role of traditional lenders (governments and banks)

Challenges

- Limited base of institutional investors.
- Lack of transparency & governance.
- Lack of standardization.
- No benchmark yield curve.
- Shallow secondary market.
- Need to change mindset.

PUBLIC-PRIVATE PARTNERSHIPS

PPPs play a key role in addressing challenges of efficiency and capacity

Challenges

- Government decisions vs. financial appraisal.
- Risk parameters (public vs. private).
- Long dated projects unfavorable.
- Lack of government commitment.
- Lack of official GCC-specific PPP strategy.

ISLAMIC FINANCE

Sukuks are an excellent fit for financing infrastructure

Challenges

- Islamic finance field still developing.
- High costs.
- Limited cross border market.
- Shallow secondary market.
- Foreign currency sukuks & GCC currency peg.

ASSET SECURITIZATION

Securitization transactions can be used to augment project financing sources

Challenges

- Underdeveloped capital markets.
- Limited base of institutional investors.

SWFs & PRIVATE EQUITY

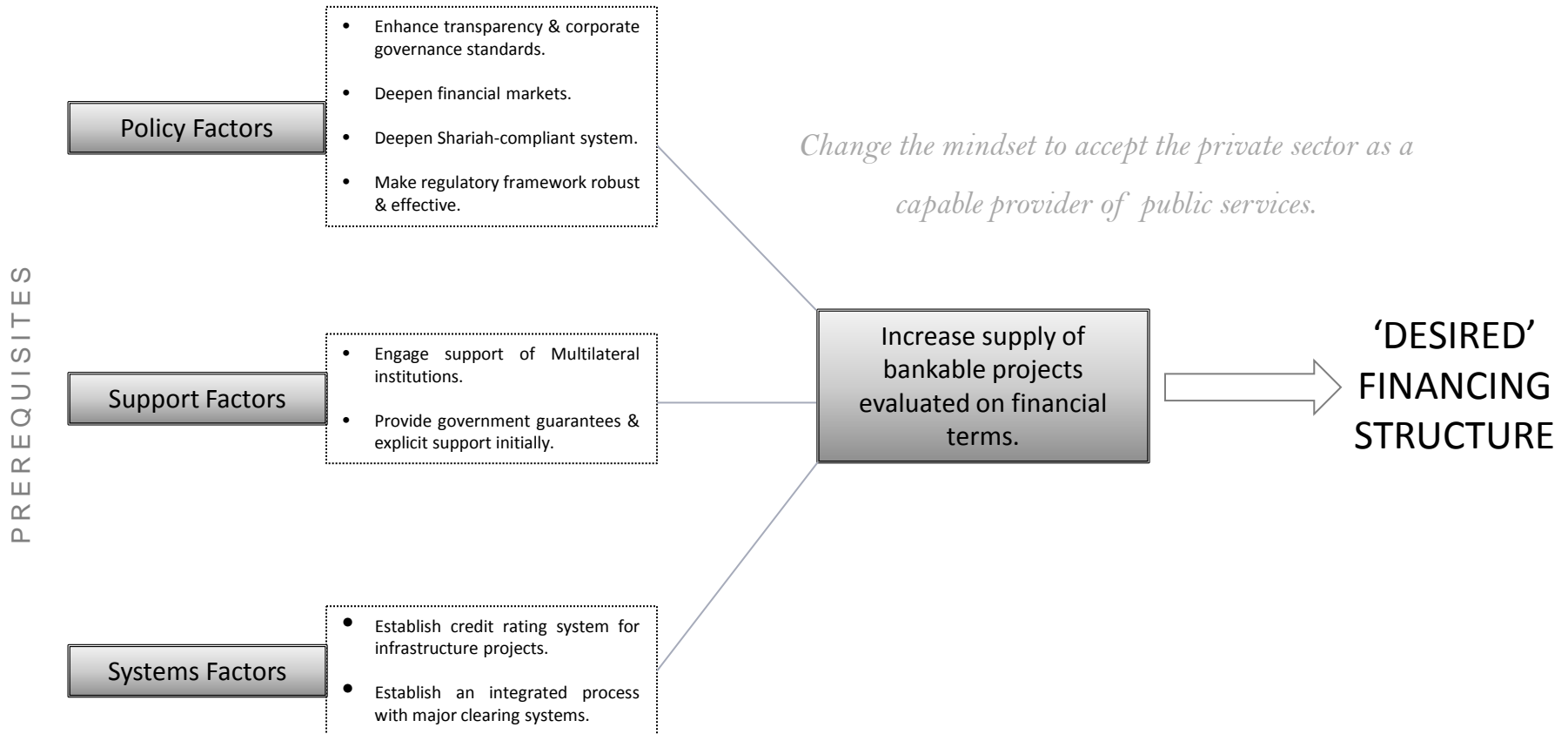
Lower risk and long term horizon of infrastructure investment is a good fit

Challenges

- Need to increase supply of bankable projects with clear costs & revenue streams.

UNLOCKING NEW SOURCES OF LONG-TERM FINANCE: THE WAY FORWARD

How can the GCC bridge the gap between the ‘Current’ and the ‘Desired’ financing structure?



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