



Australian Government

2024 Independent Review of the *Northern Australia Infrastructure Facility Act 2016*

The Hon Warren Snowdon
Prof Peter Yu
Dr Lisa Caffery



Acknowledgement of Country

The Panel acknowledge the Traditional Custodians of Country throughout Australia and acknowledge their continuing connection to land, waters and community. We pay our respects to the people, the cultures and the Elders past and present.

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Glossary

Acronym or term	Definition
Board (NAIF)	The Board of Directors that governs the NAIF.
Capex	Capital expenditure – funds that a company uses to acquire, upgrade and maintain physical assets such as property, plants, buildings, technology or equipment.
Corporate Commonwealth Entity (CCE)	<p>A body corporate that has a separate legal personality from the Commonwealth and can act in its own right, exercising certain legal rights such as entering into contracts and owning property.</p> <p>CCEs are established through legislation or legislative instrument and are subject to the PGPA Act.</p>
Concessionality	<p>Loans may be offered on concessional terms, which can include:</p> <ul style="list-style-type: none"> • loan term • interest rate • extended periods for interest capitalisation beyond construction completion • deferral of loan repayments or other tailored repayment schedules • lower or different fee structures to commercial financiers.
Consolidated Revenue Fund	A fund, established by section 81 of the Constitution, that consists of all revenues and moneys raised or received by the executive government of the Commonwealth.
Cth	The Commonwealth of Australia.
Debt covenants	Conditions that lenders set in lending agreements to regulate the actions of borrowers.
Department	The Australian Government Department of Infrastructure, Transport, Regional Development, Communications and the Arts.
Equity	In this report, a party having ownership interest in an entity or asset.
Ex-officio	Someone who holds a position of importance or relevance in addition to being a member of a body, such as a board, committee or council. In the context of this report, the Secretary's (or delegate's) role on the NAIF Board is referred to as the 'ex-officio' Board member.
FNBGGTB Development Corporation	First Nations Bailai, Gurang, Gooreng Gooreng and Taribelang Bunda People Development Corporation – manages all cultural heritage for the Bundaberg, Gladstone and North Burnett regions in Queensland.
IES/s	Indigenous Engagement Strategy/Strategies.
Investment Decision	A decision made by the NAIF Board to provide finance to a project.
Investment Mandate	<i>The Northern Australia Infrastructure Facility Investment Mandate Direction 2023.</i>
IOT	Indian Ocean Territories, comprised of Christmas Island and the Cocos (Keeling) Islands.

Large enterprise	Defined by Australian Bureau of Statistics as organisations with more than 199 employees.
Limited recourse	A financing arrangement where a creditor's rights against a debtor are limited to specific assets in the event of a default.
Medium enterprise	Defined by Australian Bureau of Statistics as organisations with 20 to 199 employees.
NAIF	Northern Australia Infrastructure Facility.
NAIF Act	<i>Northern Australia Infrastructure Facility Act 2016 (Cth).</i>
NTLJF	Northern Territory Local Jobs Fund.
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013 (Cth).</i>
RIC	Regional Investment Corporation.
SIV	Specialist Investment Vehicle – Commonwealth entities that prudently invest public funds across diverse sectors. These funds are used to finance additional investment in the economy to build a stronger, more resilient and inclusive future for all Australians.
Small enterprise	Defined by Australian Bureau of Statistics as organisations with 5 to 19 employees.
SoE	Statement of Expectations.
Sol	Statement of Intent.
SROI	Social Return on Investment.

Letter to the Minister for Northern Australia

The Hon Madeleine King MP
Minister for Resources
Minister for Northern Australia
Parliament House
CANBERRA ACT 2600

Dear Minister King

We are pleased to provide you with the report on the Independent Review into the *Northern Australia Infrastructure Facility Act 2016* (Cth). The Review has been undertaken by the Independent Expert Panel (the Panel) appointed by you and comprising Professor Peter Yu, Dr Lisa Caffery and the Honourable Warren Snowdon as Chair.

In undertaking this Review, the Panel held 85 meetings with northern Australian stakeholders from all levels of government and various industry sectors, including First Nations organisations, regionally based economic development organisations, research bodies and individuals. The Panel also accepted 40 written submissions to inform this Review.

In response to the Terms of Reference (**Appendix A**), the Panel heard overwhelming support for continuing the Northern Australia Infrastructure Facility (the NAIF) in perpetuity as a key part of the architecture of northern Australia. This Review makes a number of recommendations relating to the NAIF's governance and financial arrangements to align with operation beyond June 2026, while ensuring the NAIF retains independence and accountability for the decisions it makes. The recommendations recognise that the NAIF has matured as an organisation, particularly under the current NAIF Board and Executive Management Group's leadership.

The Panel, as part of this Review, has taken particular interest in First Nations participation in the development of northern Australia, recognising that the NAIF is the only Special Investment Vehicle (SIV) with Indigenous Engagement Strategies (IES) included in its *Northern Australia Infrastructure Facility Investment Mandate Direction 2023*. The Panel commends the NAIF for demonstrating leadership in this space and highlighting opportunities for SIVs across government to embed outcomes for First Nations communities into project delivery. Despite pioneering the IES model, the Panel heard that the NAIF has not yet approved a loan to a First Nations proponent. The Panel makes a number of recommendations to support greater focus in this space.

The Panel believes that First Nations people have a critical and expanding role in the economic sustainability of Australia. This role is particularly important in northern Australia, where the majority of land is now subject to a form of Indigenous legal title. Stakeholders consulted by the Panel agreed that genuine engagement with First Nations interests is 'part of doing business in the north'. First Nations stakeholders were clear that there is growing expectation for this engagement to be more than just consultation, showing significant appetite for commercial partnership, equity and ownership.

The Panel welcomes this shift, while noting there is no policy framework, coordination or economic infrastructure in place to support First Nations economic self-determination. Beyond the Terms of Reference for this Review, the Panel believes that the Australian Government could explore a comprehensive economic agenda for First Nations people and communities in northern Australia.

The Panel recognises the complexities and infrastructure shortfalls that are apparent in so many northern Australian communities. The regional and remote nature of many communities increases the challenges for businesses and limits their access to services and workers. With these issues in mind, the Panel also makes a number of recommendations to support small and medium businesses to access financing through the NAIF in support of sustainable local outcomes.

Yours sincerely

Independent Expert Panel for the 2024 Independent Review of the NAIF Act

12 February 2025

The Honourable Warren Snowdon (Chair)
Professor Peter Yu
Doctor Lisa Caffery

Acknowledgements

The Panel thanks all who participated in and contributed to this Review. We received a significant number of submissions, and stakeholders across northern Australia generously provided their time to discuss their views. This process reflected the NAIF's importance to northern Australia and showed how critical northern Australia is to the entire country. The Panel held consultations in Canberra and across Western Australia, the Northern Territory and Queensland. The Panel acknowledges each of these meetings was held on Aboriginal land and recognises the continued connection of First Nations Custodians to land and waters, environment and community.

We would like to thank the NAIF Board and staff, particularly the executive team, for the transparent and cooperative approach they have taken to this Review. Their cooperation and input have strengthened the findings and recommendations of this Review and the outcomes that can be delivered for northern Australian communities.

The Panel would also like to recognise and thank the officials from the Department of Infrastructure, Transport, Regional Development, Communications and the Arts who formed the independent taskforce team for their friendship, guidance and dynamism. They worked assiduously and without complaint to support the Panel despite the challenges involved.

The Review was ably supported by Noah Bedford, an advisor to Professor Peter Yu, who provided research, guidance and support to the Panel.

The Panel could not reflect all ideas and views raised in this Review. However, the ideas that were shared helped the Panel to develop a thorough understanding of the NAIF Act, the NAIF's operations and its role in supporting northern Australia. Where appropriate, these views have been shared with the department and the NAIF to support the continued development of northern Australia.

Declarations of interest

Each member of the Panel was required to execute a Private Interests Declaration in which they agreed to notify the minister immediately of a conflict, or potential conflict, with any duty that they held to any other person or entity or with their personal interests, financial or otherwise. None of the Panel members were referred to the minister due to an arising conflict.

At the commencement of the Review, the Panel disclosed their respective conflicts. Where any of these conflicts applied during consultations, the respective Panel member either absented themselves or declared their conflict and refrained from actively participating in meetings. Standard question sets were used to frame the discussion and further avoid any potential conflicts.

Executive summary

Northern Australia is home to just 5.1% of Australia's population and comprises more than half of the Australian landmass.¹ Despite its small population, the region contributes significantly to the nation's total economic output, producing a Gross Regional Product significantly above the per capita rates for the rest of the country.² The Panel heard that prolonged underinvestment in critical infrastructure, high costs of delivery, limited available workforce and extreme seasons increase the challenges associated with project delivery in the north. Stakeholders identified thin markets, absence of scalable operations and limited supply chains as contributing to high costs of doing business in the north – notably higher than elsewhere in Australia.

To address these challenges and support the development of economic infrastructure in northern Australia, in 2016 the government established the Northern Australia Infrastructure Facility (NAIF). Since then, the NAIF's concessional loans have been providing crucial financial assistance to infrastructure projects, bridging gaps in commercial financing. The projects the NAIF provides loans to promise significant public benefit and a broad range of economic and social outcomes.

Understanding the north's context is key to supporting a sustainable future for its communities. For this reason, between August and November 2024, the Panel undertook significant consultations across northern Australia, holding 85 targeted meetings and attending 6 site visits to inform their Review. Full details are at **Appendix B**. The Panel heard from a broad range of stakeholders that the NAIF has become a known and trusted entity and is critical to supporting the continued development of the north.

In response to the Review's Terms of Reference (end of **Appendix A**), the Panel has made 21 recommendations to refine the NAIF's governance structure and expand its operational capacity. The Panel also makes 10 observations, reflecting the key themes provided by stakeholders throughout consultation.

The Panel heard that, since the NAIF was established, it has evolved and improved significantly and is now a key part of northern Australia's economy. The momentum that the NAIF has generated in recent years must be maintained to ensure it continues to meet the needs of the region. The Panel's recommendations seek to recognise the evolving maturity of the NAIF and its workforce and further bolster the outcomes it delivers.

The Panel heard, almost unanimously, that the NAIF plays an invaluable role that is not currently replicated by any other institution or financial model. Stakeholders see the NAIF as 'part of the northern Australian ecosystem' and consider it necessary to the north's future prosperity. As a result, the Panel's most significant recommendation is that the NAIF be allowed to make Investment Decisions in perpetuity, consistent with the majority of submissions. A regular review of the operation of the NAIF Act would ensure arrangements remain appropriate, while providing certainty and continuity at a structural level, supporting strategic planning and the development of a long-term pipeline of impactful projects. The Panel further recommends a number of operational and governance changes to support the NAIF's perpetual operations and increase the flexibility and responsiveness of NAIF loans.

¹ Bureau of Communications, Arts and Regional Research (BCARR) analysis of Australian Bureau of Statistics (ABS) (30 June 2023), [Regional population](#), ABS website, 2024.

² BCARR analysis of ABS, *Census of Population and Housing 2021* [TableBuilder], data based on place of work, 2024.

This report further considers the NAIF's independence and governance arrangements, recognising the NAIF's evolving maturity and the scale and breadth of its portfolio. The Panel recommends a number of legislative amendments to align the risks of the NAIF with the responsible parties, protect the independence of the NAIF Board's decision making, and align its products and services to the needs of the north. The amendments would improve timely investment, emphasise the NAIF's independence, support the ongoing partnership between the NAIF and the Department of Infrastructure, Transport, Regional Development, Communications and the Arts, and build confidence in the regions with existing and prospective proponents.

In recognition of the deep connections between First Nations people and northern Australia, the Panel devoted significant consideration to the empowerment of First Nations communities in the northern economy. The Panel recognises the opportunities presented by Indigenous legal title and the resultant accumulated and growing asset base that First Nations people hold. This asset base is currently not realising an economic return or supporting improved social, cultural, physical and emotional wellbeing outcomes aligned to the National Agreement on Closing the Gap.

Submissions indicated there is significant and growing interest in entrepreneurial activity amongst First Nations Australians across the north. It is clear there are many opportunities, for the NAIF and others, to better support First Nations communities to leverage their growing asset base, and their commercial aspirations, for greater socio-economic outcomes.

This report makes a number of recommendations to improve outcomes that the NAIF delivers to northern Australian communities and support the ongoing prosperity of the north's Traditional Owners. The NAIF has been a leader in the Specialist Investment Vehicle portfolio with the introduction of Indigenous Engagement Strategies (IES) for projects. However, the Panel heard that there is still room for improvement. The Panel's recommendations seek to:

- solidify the existing IES framework
- carve off specific NAIF funding and create a targeted small loans program for First Nations projects
- strengthen the Board's connection with First Nations people by establishing a First Nations Economic Reference Group
- improve the NAIF's strategic partnerships.

The Panel heard the northern workforce is broadly impacted by high demand for skilled labour; over-reliance on fly-in fly-out workforces; and severe shortages in available workforce, housing, service amenities and sustainable local employment pipelines. The Panel make recommendations to address these capacity and capability shortfalls so that the NAIF can more directly support and improve the economic landscape of the north.

Finally, the report looks at how accessible NAIF loans are and how effective the NAIF's existing measurement and impact analysis is. The Panel makes a number of recommendations to increase the NAIF's ability to quantify its impact on the north and guide its future investments; and increase the number of the ways in which the NAIF can improve points of entry and connect with proponents.

These recommendations recognise that the NAIF is a transformative force in northern Australia's infrastructure landscape and seek to ensure the NAIF is well positioned to continue delivering significant economic, social benefits and sustainable development for years to come.

List of recommendations

Recommendation 1	The government remove the existing time limit to allow the Northern Australia Infrastructure Facility (NAIF) to make Investment Decisions in perpetuity.
Recommendation 2	The government implement a recycled loan funding model for the NAIF while accepting that there will be a need, at a point in the future, to provide the NAIF with additional capital to ensure its sustainability.
Recommendation 3	The government enable sufficient flexibility for the NAIF to reprice existing loans and refinance existing debt on revised terms without triggering a new loan Investment Decision.
Recommendation 4	The government amend the <i>Northern Australia Infrastructure Facility Act 2016</i> (Cth) (NAIF Act), the <i>Northern Australia Infrastructure Facility Investment Mandate Direction 2023</i> (Investment Mandate) and other governance arrangements to allow for the NAIF to be accountable for and manage its portfolio of loans on its balance sheet.
Recommendation 5	The voting rights of the Secretary of the department or their alternate on the NAIF Board be removed. Representation by the Secretary of the department to the NAIF Board be as an Observer.
Recommendation 6	The government require a statutory review of the operation of the NAIF Act to be carried out within every 5 years in line with the current arrangements in section 43 of the NAIF Act. The first 5-year review should take place by mid-2030.
Recommendation 7	The composition and skill set of the NAIF Board be periodically updated to reflect changes to the NAIF's governance structure, operating environment and broader government priorities.
Recommendation 8	The government amend the NAIF Act to protect NAIF Investment Decisions from legal challenge.
Recommendation 9	The Investment Mandate be amended to improve the quality and standard of Indigenous Engagement Strategies (IES), specifically to: <ul style="list-style-type: none"> a. expand IES objectives to advance First Nations economic empowerment b. define 'local Indigenous people' as including regional representative bodies with cultural authority for the area of project operations c. provide for First Nations impact measurement frameworks in line with recognised principles of First Nations data sovereignty.
Recommendation 10	The government direct the NAIF to notionally set aside a proportion of funds to support: <ul style="list-style-type: none"> a. First Nations-owned and led projects b. projects with significant First Nations financial equity.

Recommendation 11	The NAIF establish a targeted direct small loans program for First Nations enterprises or projects beyond any arrangements made between the NAIF and the state and territory governments.
Recommendation 12	<p>The NAIF establish a First Nations Economic Reference Group under section 3.5 of the NAIF Board Charter to provide independent advice to the NAIF Board on:</p> <ul style="list-style-type: none"> a. projects with significant First Nations ownership b. ongoing performance of projects' IESs c. opportunities with other Specialist Investment Vehicles and other bodies for First Nations economic development.
Recommendation 13	The NAIF consider developing strategic partnerships with relevant First Nations organisations and representative bodies that provide support for First Nations development and enterprise, such as Prescribed Bodies Corporate, National Indigenous Australians Agency, the Indigenous Land and Sea Corporation and Indigenous Businesses Australia, with a view to improving First Nations engagement.
Recommendation 14	The government make amendments to the NAIF's legislative framework to permit the NAIF to offer loans for general corporate purposes.
Recommendation 15	The government resolve the issues preventing the NAIF from providing direct lending and making equity investments.
Recommendation 16	The government undertake targeted activities to build the capability of northern Australian businesses and entrepreneurs, facilitating access to grants and business support for businesses to navigate the project development, feasibility and delivery stages.
Recommendation 17	The NAIF redefine its public benefit criteria and expand its current assessment and evaluation methodology to better encompass social, environmental and cultural project value.
Recommendation 18	The NAIF introduce loan terms or debt covenants that set conditions to incentivise proponents to meet or exceed community benefit targets and enforce penalties for noncompliance.
Recommendation 19	The NAIF tailor its due diligence processes to the size and risk profile of the loan application under assessment.
Recommendation 20	The NAIF continue to work with the state governments of Western Australia and Queensland to establish small loans programs.
Recommendation 21	The NAIF directly fund loans, including small loans, to proponents in the Indian Ocean Territories.

List of observations

Observation 1	The NAIF's contribution to industry in the north has grown exponentially over time and will continue to produce benefits for northern Australia.
Observation 2	The current model for delivering the NAIF's appropriation has a negative effect on the department, the NAIF, the relevant jurisdictions and proponents.
Observation 3	The Panel notes the apparent success of the existing Board and executive team's leadership. The Panel believes that consideration needs to be given to appropriate succession planning to ensure the ongoing success of the NAIF.
Observation 4	The ministerial veto is an appropriate mechanism to ensure the NAIF's Investment Decisions are consistent with the priorities of the government.
Observation 5	First Nations people across northern Australia have accumulated a significant land asset base through Native Title, Aboriginal land rights, and private holdings. First Nations communities and organisations also have a growing commercial and entrepreneurial intent and an appetite for economic self-determination. The NAIF provides an opportunity to improve the activation, leveraging and monetisation of these assets, including First Nations intellectual property, which can enable First Nations contributions to the local, regional and national economies.
Observation 6	There is a lack of an adequate policy framework for the coordination of economic infrastructure to support First Nations economic empowerment.
Observation 7	Datasets regarding First Nations people and their participation in economic activity may be influenced by self-reporting and a lack of granularity in jobs and procurement figures. While noting the latter point is not unique to First Nations data, the Panel suggests care should be taken when interpreting and relying on data in the First Nations space.
Observation 8	There is a gap in wrap-around services and capacity building for businesses in northern Australia, especially First Nations and remote businesses. This gap may prevent some worthy projects from reaching the level of maturity necessary to be brought to a financier such as the NAIF.
Observation 9	The Panel was unable to identify an existing entity taking responsibility for coordination and research across sectors and regions in the north, limiting the delivery of outcomes and prohibiting strategic planning, policy development and investment.
Observation 10	There is high demand for small loans programs across northern Australia.

Introduction

Review conduct and approach

The Northern Australia Infrastructure Facility's (NAIF's) current investment window will end on 30 June 2026.

Under section 43 of the *Northern Australia Infrastructure Facility Act 2016* (Cth) (NAIF Act), a review of the NAIF Act must be conducted as soon as possible after 30 June 2024. On 19 August 2024 the Minister for Northern Australia, the Hon Madeleine King MP, announced the appointment of an Independent Expert Panel (the Panel) to conduct the review.

The NAIF Act states that, at a minimum, the Review must:

- consider whether the NAIF's time limit of 30 June 2026 for making decisions to provide financial assistance should be extended
- consider appropriate governance arrangements for the NAIF after that date.

As part of the Review, the Panel also considered:

- the need for, and effectiveness of, the NAIF in facilitating and supporting the development of economic infrastructure across northern Australia
- the appropriateness of the NAIF's legislative framework, including the *Northern Australia Infrastructure Facility Investment Mandate Direction 2023* (Investment Mandate) and rules made under the NAIF Act and eligibility criteria
- the suitability and effectiveness of the NAIF's products, services and finance delivery mechanisms beyond 30 June 2026
- whether the NAIF's administrative, governance and operating arrangements are fit for purpose
- the appropriateness of the NAIF portfolio diversity to maximise growth in the north
- opportunities to support greater engagement and inclusion of First Nations people and organisations in NAIF projects, including procurement and employment, and as project proponents.

On 28 August 2024 the Panel released a Discussion Paper setting out the issues it would seek to address in the Review. The paper was intended to guide targeted consultation sessions and written submissions. The Discussion Paper is at the end of **Appendix A** and includes the Review's Terms of Reference. The Panel received a total of 40 written submissions. Full details are at **Appendix C**.

Between August and November 2024, the Panel undertook significant consultation across northern Australia. It made 6 site visits and held 85 targeted meetings with 83 different entities: 41 non-government entities and 42 government departments and agencies at the federal, state and local levels. A minimum of 2 Panel members, as well as a taskforce representative, were present for all consultation meetings. Full details are at **Appendix B**.

An independent taskforce team, supported by departmental officials, was established to provide secretariat, administrative, logistics, stakeholder management, analysis and research support to the Panel. The Taskforce Lead worked to the Panel Chair for the duration of the Review.

Northern Australia context

Northern Australia comprises more than half of the Australian landmass and is home to almost 1.5 million people – 5.1% of Australia’s population (**Figure 1** below).³ Northern Australia contributes significantly to the nation’s total economic output. It supports more than 100,000 businesses and employs over 639,000 individuals, and its Gross Regional Product is much greater than the per capita rates for the rest of the country.⁴

The Panel heard there were challenges in delivering projects in the north, such as:

- prolonged underinvestment in critical infrastructure
- high costs of delivery
- limited available workforce
- extreme seasons.

Stakeholders said that the costs of doing business in the north are much higher than elsewhere in Australia, partly because of thin markets, absence of scalable operations and limited supply chains.

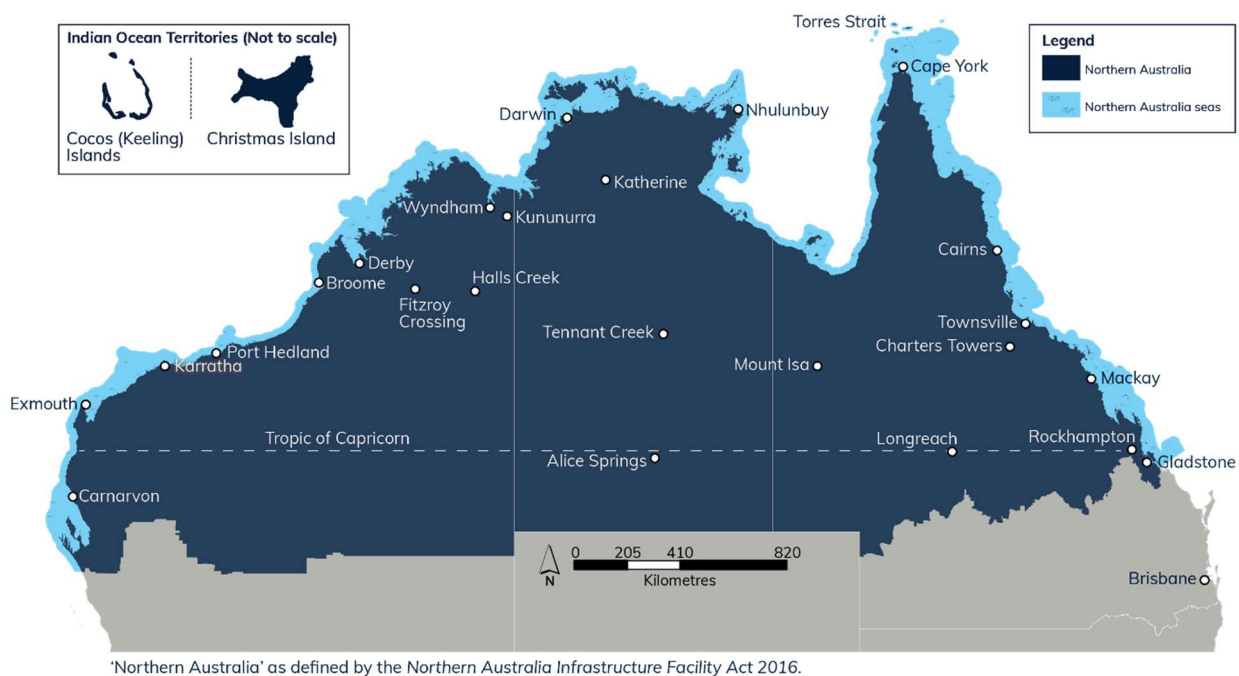


Figure 1 – Map of northern Australia as defined by the NAIF Act

³ BCARR analysis of ABS, [Regional population](#).

⁴ BCARR analysis of ABS, *Census of Population and Housing 2021*.

The Panel heard that there are challenges for the northern Australian workforce because of:

- high demand for skilled labour
- over-reliance on fly-in fly-out workforces
- severe shortages in available workforce, housing, service amenities and sustainable local employment pipelines.

These challenges were particularly pronounced for First Nations organisations, businesses and communities.

First Nations people make up 17.4% of northern Australia's population.⁵ There is clear evidence that the historical dispossession of First Nations people continues to have impacts. The Panel noted that, for many First Nations stakeholders, their ability to use their land assets for economic transformation must be balanced with managing complex land tenure arrangements under Native Title and land rights. This report makes a number of recommendations to improve outcomes that the NAIF delivers to First Nations people in northern Australia.

The NAIF was established to support the development of economic infrastructure in northern Australia given the unique challenges that businesses in the north face. Since the NAIF started to operate, its concessional loans have given crucial financial assistance to infrastructure projects, bridging gaps in commercial financing.

The NAIF has committed more than \$4.4 billion to support 32 projects across northern Australia. Those projects are forecast to generate more than \$38.2 billion in public benefit and more than 19,500 jobs across the area.⁶ They will result in significant public benefit and produce many positive economic and social outcomes. The NAIF's pre-investment pipeline demonstrates that interest in NAIF finance remains strong.

To ensure a sustainable future for northern Australian communities, it was important for the Review to understand the north's context. The Panel heard from a broad range of stakeholders that the NAIF has become a known and trusted entity that is critical to supporting the continued development of the north.

In response to the Review's Terms of Reference (end of **Appendix A**), the Panel makes a number of recommendations to refine the NAIF's governance structure and expand its operational capacity. Notably, the Panel recommends that the NAIF's operations be extended in perpetuity. The Panel also makes recommendations to improve the outcomes for First Nations communities and increase access to the NAIF for small and medium enterprises.

These recommendations recognise that the NAIF is a transformative force in northern Australia's infrastructure landscape. They will ensure the NAIF is well positioned to continue to deliver significant economic, social benefits and sustainable development for years to come.

A number of key themes emerged during the Panel's engagements with the NAIF's key stakeholders. These are presented as observations throughout the report.

⁵ BCARR analysis of ABS (30 June 2021), [Estimates of Aboriginal and Torres Strait Islander Australians](#), ABS website, 2023. Analysis based on Statistical Areas Level 2 for the mainland and Local Government Areas for Christmas Island and Cocos (Keeling) Islands.

⁶ Data as at 31 December 2024.

The NAIF’s purpose in northern Australia

During the Panel’s consultation, stakeholders strongly agreed that the NAIF plays an invaluable role as a ‘gap financier’ to support job creation and foster economic development. The vast potential of the north is largely untapped, and the NAIF is well positioned to play a key role in the future of northern Australia’s economy and generate local, regional and national economic benefits.

Over time, the NAIF’s portfolio has evolved to address a broad range of government policy priorities in the north. The Investment Mandate requires investment to focus on 5 government policy priority areas (**Figure 2** below).



Figure 2 – **Schedule 2 of the Investment Mandate**

The NAIF currently invests in projects that support economic development, drive community outcomes and span a broad range of sectors, including agriculture and water, energy, resources, social infrastructure, and transport and logistics. The NAIF’s investment in these projects is forecast to generate \$38.2 billion in public benefit for the north and create more than 19,500 jobs.⁷

The Australian Government utilises the NAIF to address key issues that affect northern communities. In recognition of the significant impact housing shortages are having on the north, in 2023 the Investment Mandate was updated to ensure that the NAIF supports projects that would increase the supply of affordable housing. This priority was added as part of Priority 1: ‘Sustainable and resilient economic development and the alleviation of economic or social disadvantage’.

In August 2024 the NAIF announced a partnership with Housing Australia and the Queensland Government for a loan amount up to \$140 million to Community Housing Ltd and Tetris Capital for the Cairns Seniors Community Housing Project. The project will deliver 490 social, affordable and specialist disability accommodation dwellings, helping to alleviate housing pressures in Cairns and deliver \$140.8 million in public benefit and create 322 jobs (during construction and operation).⁸

⁷ Data as at 31 December 2024.
⁸ Northern Australia Infrastructure Fund (NAIF), [Cairns Seniors Community Housing Project](#), NAIF website, 2024.

Many stakeholders informed the Panel that there is further opportunity for the NAIF to better deliver on Priority 5: 'Materially improving the lives of Indigenous people and communities'. The NAIF reported that it has supported over 1,255 First Nations jobs and approximately \$87.1 million in First Nations procurement linked to the Indigenous Engagement Strategy (IES) outcomes for projects. However, to date the NAIF has not invested directly in any First Nations projects.⁹ The Panel notes there are challenges in collecting data that accurately represent First Nations communities, so these figures may not adequately show the extent of the NAIF's engagement with First Nations people. This is explored further in Chapter 4.

The Review Panel heard this lack of connection with First Nations proponents is due to a number of complex factors – for example:

- The NAIF is proponent-led, which can create barriers for entry for proponents who may not be aware of the NAIF's products or services.
- The NAIF requires proponents to go through significant due diligence and approval processes. These processes have significant financial and time costs for proponents, and there is no guarantee of a return.
- A suite of wrap-around services is needed to assist in business planning and mentoring through the due diligence and approval process.
- The NAIF primarily focuses on providing loans above \$10 million. Many small to medium enterprises, including First Nations organisations, do not need or cannot take on a loan of that size.

It is clear that the NAIF can meaningfully support large-scale economic infrastructure initiatives in the north, and the NAIF has become a key vehicle for driving economic prosperity across the region. However, several submissions pointed out that small to medium enterprises are also important for long-term resilience and sustainability in rural and remote communities.

The NAIF's legislative framework and governance arrangements

The NAIF's operations are enabled and managed through its legislative framework – primarily the NAIF Act and the Investment Mandate. The legislation sets out the government's expectations on the nature of investments made, risk appetite, Board governance and administration, reporting and alignment with broader objectives and policy priorities. The NAIF must comply with all directions in the NAIF Act, the Investment Mandate and the *Public Governance, Performance and Accountability Act 2013* (Cth) (PGPA Act).

The Minister for Northern Australia and the Minister for Finance are the responsible ministers for the NAIF. The responsible ministers can establish additional governance measures the NAIF must comply with through the Statement of Expectations (SoE). Alongside the legislative framework, discussed below, the NAIF, like all Specialist Investment Vehicles (SIVs), is supported by the SIV Resource Management Guide 127.

⁹ Data as at 31 December 2024.

Northern Australia Infrastructure Facility Act 2016

Parliament passed the NAIF Act in 2016 to establish the NAIF as a Corporate Commonwealth Entity. The NAIF Act tasks the NAIF with financing social and economic infrastructure that addresses the specific needs of First Nations communities.

The NAIF Act sets out the NAIF's funding allocation, responsibilities, staffing and Board composition; and details the review process and ministerial powers. It also gives guidance on considerations for the Investment Mandate. Amendments previously made to the NAIF Act are set out in **Figure 3** below and include:

- extending the NAIF's operations for a further 5 years to 30 June 2026. This amendment was made in 2021. It also enabled the NAIF to make loans and equity investments directly to entities, rather than only through states and territories
- broadening the definition of 'northern Australia' to include the Indian Ocean Territories (IOT) and increasing the NAIF's available funds by \$2 billion to \$7 billion. These amendments were made in 2023.

The NAIF Act currently states that a review of the operation of the NAIF Act must commence as soon as possible after 30 June 2024. The NAIF Act does not detail an ongoing review process.

Northern Australia Infrastructure Facility Investment Mandate Direction 2023

Section 9(1) of the NAIF Act states that the responsible ministers direct the Board on how to perform the NAIF's functions through the Investment Mandate. This legislative instrument sets mandatory criteria that potential projects must satisfy before the Board makes an Investment Decision. The Investment Mandate has been renewed every 2–3 years to ensure the NAIF remains in line with government priorities (**Figure 3** below).

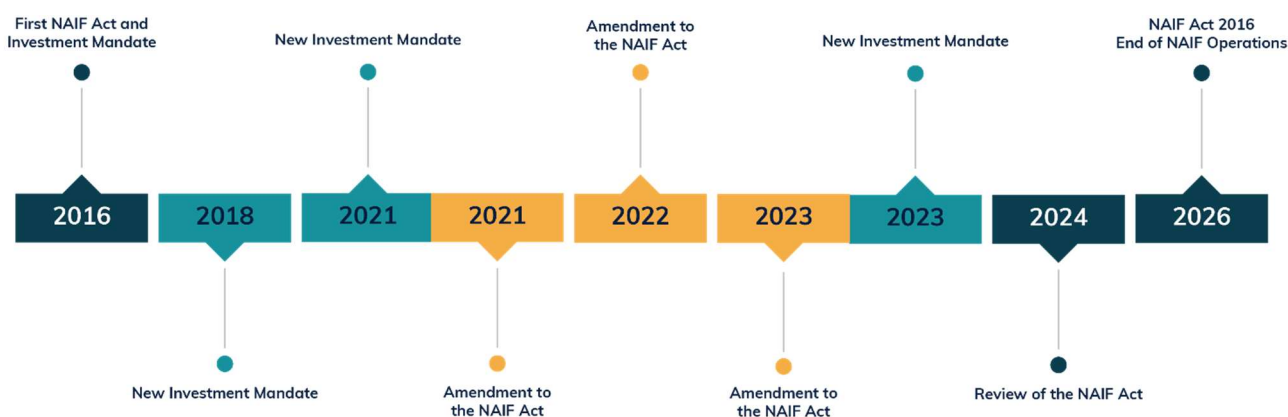


Figure 3 – Timeline of changes to the NAIF's legislative framework

For a proponent to be eligible for financial assistance, the NAIF must be satisfied that the project meets all applicable mandatory criteria under Schedule 1 of the Investment Mandate:

1. The project involves development or enhancement of northern Australia economic infrastructure.
2. The project will be of public benefit.
3. The project is located in, or will have a significant benefit for, northern Australia.
4. For financial assistance in the form of loans – the loan will be able to be repaid or refinanced.
5. Indigenous Engagement Strategy – for projects not solely in the Indian Ocean Territories, the project proponent must provide an Indigenous Engagement Strategy.
6. If an alternative financing mechanism is provided in the form of equity or equity-like investment, this will generate a return to government.

The NAIF Board

An independent, skills-based Board governs the NAIF and actively makes Investment Decisions. The responsible minister appoints Board members, on a part-time basis, for a period of up to 3 years. The NAIF Board charter defines the Board's role and functions,¹⁰ including:

- deciding the strategies and policies to be followed by the NAIF (within the scope of the Investment Mandate)
- ensuring that the NAIF's functions are performed properly, efficiently and effectively
- any other functions conferred on the Board by the NAIF Act.

The NAIF Act requires the Board to include a Chair, between 4 and 6 members, and the Secretary of the Department of Infrastructure, Transport, Regional Development, Communications and the Arts. The Secretary was made a member of the NAIF Board with full voting rights to facilitate information sharing between the department, the NAIF and the NAIF Board; and to ensure that decisions the NAIF Board makes are consistent with government policies and priorities. Currently, the Secretary delegates this role to senior officials from the department as enabled by section 22(a) of the NAIF Act.

Statement of Expectations and Statement of Intent

The SoE is another way for the responsible ministers to provide strategic direction to the NAIF Board on the governance and performance of the NAIF. In response to the SoE, the NAIF Board provide the ministers with the Statement of Intent (Sol). Together, these statements express and formalise the ministers' expectations of the NAIF and the Board's intention to meet these expectations.

The 2022 SoE sets out how the NAIF's operating framework should address the economic and social environment of the north and outlines the NAIF Board's requirements under the PGPA Act. It also details the ministers' expectations of the NAIF to work collaboratively with the department and the state and territory governments.

In the 2023 Sol the NAIF Board responded to each area of the 2022 SoE, acknowledging and agreeing to follow the directions of the responsible ministers.

¹⁰ NAIF, *NAIF Board Charter*, 2023.

The department's role in supporting the NAIF

In addition to the department's role on the NAIF Board, the department oversees each Investment Decision the NAIF makes, manages the NAIF's appropriation and administers the drawdown process for loans.

Before the NAIF Board makes an Investment Decision, the department coordinates a consultation process with other Commonwealth agencies and departments to ensure the Board has all relevant government policies and priorities that may affect the potential project. After each Investment Decision is made, the department supports the Minister for Northern Australia in exercising their delegations under the NAIF Act, including the ministerial veto.

The NAIF's portfolio of investments is recorded on the department's balance sheets (including losses, troubled and impaired loans, and any interest and principal transactions). The NAIF's operating budget and appropriation figures are also published in the department's Portfolio Budget Statements. This creates accountable authority obligations for the department under the PGPA Act, so the department must undertake due diligence processes before any payments are made. This duplicates processes the NAIF already undertakes. The process the department undertakes is set out in **Figure 4**.

In addition to duplicating processes, the unique structure of this relationship means that the Commonwealth and the department have financial responsibility for risks beyond their level of acceptance. The Investment Mandate empowers the NAIF to accept high investment risks in support of the delivery of government's objectives. However, consistent with Commonwealth policies, the department has a low appetite for risk. The department is not the decision maker for these investments, but it holds ultimate responsibility for managing the NAIF's appropriation, any losses made on troubled loans and financial reporting for NAIF projects.

This process also means that, when NAIF investments are repaid, they are returned to the Consolidated Revenue Fund through the department. The NAIF cannot use them to reinvest in new loans or cover operating costs.

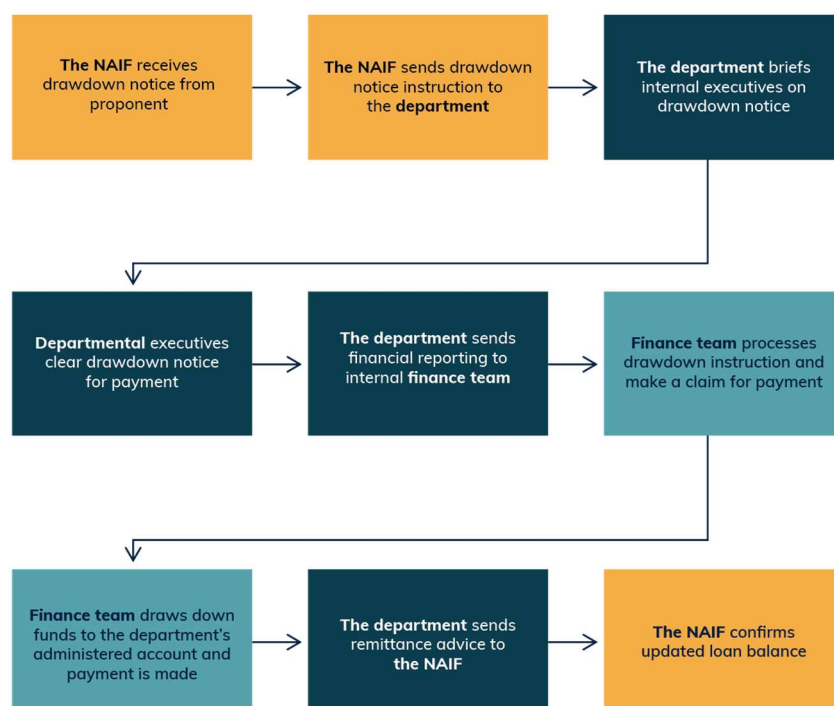


Figure 4 – Departmental process for payment of NAIF projects

Chapter 1 – Ensuring certainty and continuity

Since its establishment in 2016, the NAIF has committed more than \$4.4 billion to support 32 projects across northern Australia (**Figure 5** below). It has made investments in agriculture and water, energy, resources, social infrastructure, and transport and logistics. The NAIF's investment in these projects is forecast to generate \$38.2 billion in public benefit for the north – more than an 8-fold return on the original investment. These projects also support the creation of more than 19,500 jobs, including more than 1,200 jobs for First Nations people.¹¹

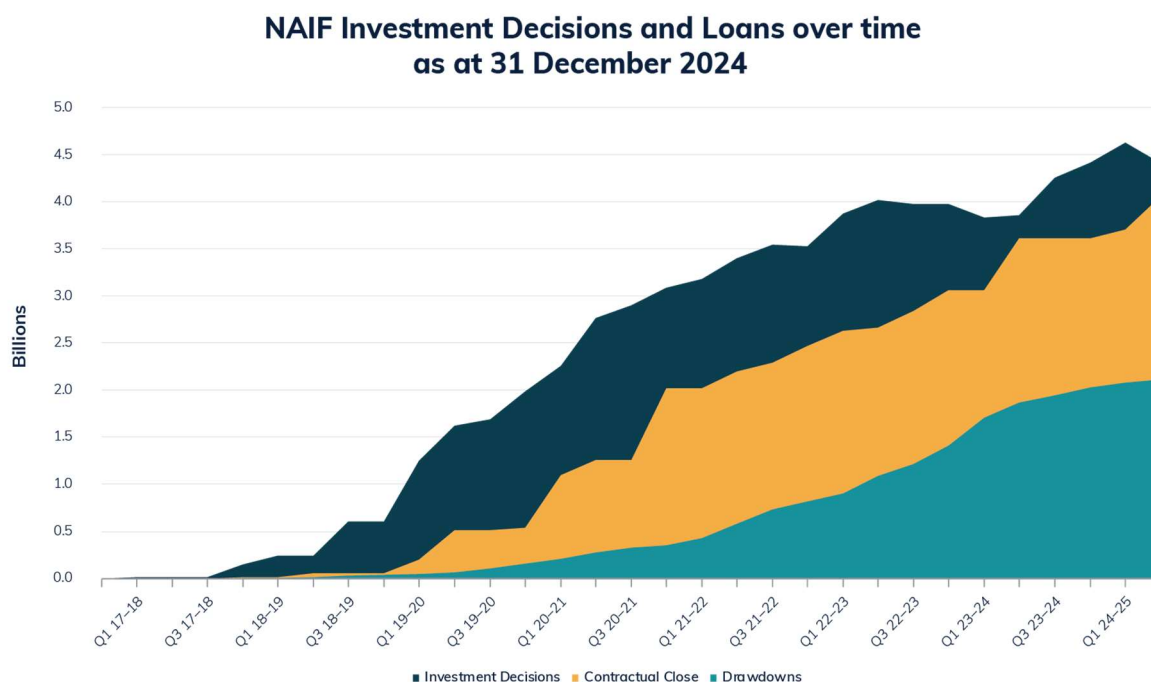


Figure 5 – NAIF Investment Decisions and loans over time

The Panel heard that most stakeholders strongly support the NAIF's, and the ongoing need for its role, in developing northern Australia. A key theme throughout consultation was the question, 'if not the NAIF, then who?', emphasising the unique and critical role that the NAIF plays in the north's future prosperity.

Observation 1

The NAIF's contribution to industry in the north has grown exponentially over time and will continue to produce benefits for northern Australia.

¹¹ Data as at 31 December 2024.

Under section 8 of the NAIF Act, the NAIF's current investment window will end on 30 June 2026. After this date, the NAIF will be unable to make Investment Decisions to support any additional projects. The Panel recommends that the NAIF be allowed to make Investment Decisions in perpetuity. Most submissions and feedback the Panel received throughout consultation were that the NAIF plays an invaluable role in the north. The NAIF is a unique entity that offers services that are not currently replicated by any other institution or financial model. Continuing the NAIF in perpetuity would provide certainty and continuity at a structural level, supporting strategic planning and the development of a long-term pipeline of impactful projects.

This recommendation should be safeguarded by legislating regular statutory reviews (**Recommendation 6**). The Panel notes the need for further economic modelling to understand the impact of this recommendation.

Recommendation 1

The government remove the existing time limit to allow the Northern Australia Infrastructure Facility (NAIF) to make Investment Decisions in perpetuity.

Currently, NAIF loan repayments are paid into the Australian Government's Consolidated Revenue Fund. If the NAIF were able to reinvest loan repayments and establish a recycled loan funding model, the NAIF's sustainability and independence, and its ability to support development in northern Australia, would be enhanced. This model would allow the NAIF, in the main, to fund its own operations and loan portfolio rather than relying on government Budget decisions or a NAIF appropriation.

The Panel saw significant evidence to demonstrate that the NAIF has the capacity, capability and maturity required to manage this work, and both the NAIF and the department support this model. Other SIVs have recycled loan funding models in place, and the 2024 Review of the Operation of the *Regional Investment Corporation Act 2018* (Cth) made a similar recommendation. Government stakeholders informed the Panel that further consideration would need to be given to issues such as the legality of purposes for funding from the Special Account, annual budget/profiling of funding and financial liability.

NAIF loans are long-term in nature. This may present initial challenges because of the relatively slow return on investment and the higher risk nature of troubled and defaulted loans. If a recycled funding model is adopted, the NAIF would most likely need injections of capital from government through its life cycle to ensure it continues to operate effectively.

Based on its current Investment Mandate and an estimate of annual Investment Decisions, the NAIF forecast the existing \$7 billion appropriation will be exhausted by March 2028. Even if the NAIF were authorised to recycle loan inflows from July 2026, the NAIF would not be able to continue to make Investment Decisions at the current annual level beyond June 2028. Therefore, the Panel recommends the Australian Government ensure the ongoing funding for the NAIF by 2027–28.

Currently, NAIF forecasts show that Investment Decisions could continue at the current annual estimated level of investment and risk appetite until December 2035 if their special appropriation was increased from \$7 billion to \$10 billion by 2027–28 and they were able to recycle inflows from July 2026.

Recommendation 2

The government implement a recycled loan funding model for the NAIF while accepting that there will be a need, at a point in the future, to provide the NAIF with additional capital to ensure its sustainability.

Through Review submissions and consultation, it was apparent that the NAIF will need to start to shift its focus from loan delivery to ongoing management of its portfolio. In its submission to the Review, the NAIF advised that loans are currently offered on a fixed interest basis. There is no mechanism under its legislative framework to reprice base interest rates, customer margins or concessional terms. This can stall or eliminate funding opportunities and risks long-term loans becoming uneconomical for both the NAIF and its proponents.

The Panel heard from the NAIF that, if it could offer variable loan conditions, it would have greater control and flexibility to manage its loan portfolio and support the financial success of the NAIF and its proponents. Also, if the NAIF could align loans with current interest rates, it would have additional levers to influence proponent performance, allowing the NAIF to operate consistently with the commercial market.

Recommendation 3

The government enable sufficient flexibility for the NAIF to reprice existing loans and refinance existing debt on revised terms without triggering a new loan Investment Decision.

Chapter 2 – Providing independence

Both the NAIF and the department informed the Panel that there was a significant misalignment of risk appetite between the two entities. The NAIF, with a clear mandate to invest in high risk projects, reported challenges due to its loans being represented on the department's balance sheet. While it is appropriate that the 2 entities have different risk appetites and tolerance levels, it means the NAIF is limited in its ability to operate independently, and administrative workloads are increased. The following recommendations aim to increase the independence of the NAIF's operations and decision making, recognising the NAIF's maturity and the scale and breadth of its portfolio.

Observation 2

The current model for delivering the NAIF's appropriation has a negative effect on the department, the NAIF, the relevant jurisdictions and proponents.

As the NAIF's portfolio has expanded to include smaller projects and loans, its internal governance processes have adapted and matured. However, its overarching legislative and governance frameworks have not evolved to reflect this.

The NAIF is currently funded by special appropriation through the NAIF Act. Its loan portfolio is accounted for on the department's balance sheet, with the Secretary of the department as the accountable authority. Loan drawdowns and repayments are facilitated through the department (resulting in an additional layer of administration) and loan impairments directly impact on the department's financial statements. Loan repayments are returned to consolidated revenue. The duplicative processes and involvement of multiple parties has limited the NAIF's ability to respond quickly to project needs, resulting in barriers to timely investment.

Both the NAIF and the department reported that these arrangements create a significant misalignment of risk and increase administrative workloads. The NAIF's Board is required to operate independently of government to make Investment Decisions, but the department's Secretary is the accountable authority for the NAIF. The Panel recommends the NAIF be given the authority to manage its own balance sheet and portfolio of loans, ensuring that accountability sits with the NAIF Board. This will reduce the duplication of responsibilities between the department and the NAIF and address the disparity between their risk tolerances. The tension between these 2 risk profiles cannot be further controlled or mitigated if the department continues to manage and administer the NAIF's loan portfolio.

The Panel heard that the NAIF is a mature CCE, with the processes in place to manage its own portfolio. The Panel believes that the NAIF has the ability to manage its own financial statements, consistent with arrangements for other CCEs and SIVs. If the NAIF's reliance on the department were removed, the NAIF Board's independence would be reinforced and there would be no need for the department to oversee loan disbursements. Importantly, the Panel's findings in this regard are consistent with the recent Review of the Operation of the *Regional Investment Corporation Act 2018*. To address similar issues, that review recommended the government consider having the Regional Investment Corporation's (RIC) loan funding sit on the RIC's balance sheet rather than that of the Department of Agriculture, Fisheries and Forestry.

The Panel recognises that the mechanism for implementing this recommendation is a matter for government. However, the Panel believes that the model used for the Clean Energy Finance Corporation and the National Reconstruction Fund Corporation, which make provision for a degree of financial independence, would be suitable for the future NAIF.

Recommendation 4

The government amend the *Northern Australia Infrastructure Facility Act 2016* (Cth) (NAIF Act), the *Northern Australia Infrastructure Facility Investment Mandate Direction 2023* (Investment Mandate) and other governance arrangements to allow for the NAIF to be accountable for and manage its portfolio of loans on its balance sheet.

In 2021, the NAIF Act was amended to include the department's Secretary, or their delegate, as a member of the NAIF Board with full voting rights so that:

- the NAIF could remain aligned with government's strategic direction and policy priorities
- opportunities for cooperation between the NAIF and the broader agenda for developing northern Australia could be identified.

Although ex-officio guidance has been developed to support identification and management of conflicts of interest, these voting rights limit the NAIF's independence and have created actual, perceived or potential conflicts of interest.

The NAIF and the department both recognise the importance of the Secretary's role in providing context and sharing information with the NAIF on government policy. However, the Panel considers the same result can be achieved by having a departmental delegate attend Board meetings in an 'observer' capacity, without voting rights. This will also emphasise the NAIF's independence and support the ongoing partnership between the NAIF and the department. The Panel notes the *Housing Australia Act 2018* (Cth) provides a precedent for this approach.¹²

The Panel notes that this recommendation is contingent upon government accepting Recommendation 4 to allow the NAIF to be accountable for and manage its portfolio of loans on its balance sheet. If the government does not accept Recommendation 4, it should further consider the role of the department on the NAIF Board to ensure appropriate oversight of the expenditure of public funds that the department's Secretary is the accountable authority for.

Recommendation 5

The voting rights of the Secretary of the department or their alternate on the NAIF Board be removed. Representation by the Secretary of the department to the NAIF Board be as an Observer.

¹² *Housing Australia Act 2018* (Cth), section 27.

Chapter 3 – Improving governance

The Panel identified a number of opportunities to tailor the NAIF's governance to improve operations and establish the frameworks for these arrangements to continue to evolve over time. The current NAIF Act has established a strong foundation to deliver positive outcomes in northern communities. However, during consultations the Panel heard that there is opportunity for the NAIF to be more responsive to the needs of communities. The recommendations in this chapter build on the recommendations in Chapter 1 and seek to ensure that, once it is able to make investment decisions in perpetuity, the NAIF can continue to respond and adapt to emerging issues.

The Panel recommends a review of the NAIF Act and the NAIF's governance be legislated to occur within a 5-year cycle to support the NAIF's ongoing operations. A regular review cycle supports diligent expenditure of public funds and ensures the NAIF is adapting to address government policy priorities and the evolving needs of the north. Legislating this review to occur within 5-year increments will afford flexibility to conduct reviews as they are required.

During its consultations, including with government stakeholders, the Panel heard that the NAIF is pioneering many initiatives. This review cycle will exemplify best practice and ensure the NAIF continues its stewardship of governance and accountability in the SIV portfolio, enabling government and other SIVs to implement any lessons learned. The next review should occur by mid-2030 to account for any changes to the NAIF's legislative framework from the recommendations and findings of this Review.

Recommendation 6

The government require a statutory review of the operation of the NAIF Act to be carried out within every 5 years in line with the current arrangements in section 43 of the NAIF Act. The first 5-year review should take place by mid-2030.

Under section 15(4) of the NAIF Act, Board members must have experience or expertise in at least one or more of the following fields:

- banking and finance
- private equity
- economics
- infrastructure planning and financing
- engineering
- financial accounting and auditing
- law
- economic development for First Nations communities.

It is also essential for NAIF Board members to have lived experience in the north and have critical expertise in the northern Australian economic landscape.

As the NAIF continues to evolve, so do its products and services. The Panel heard that the current NAIF Board and leadership have been effective in introducing thorough due diligence processes before making any Investment Decisions. The NAIF Board advised that the NAIF's role has evolved to fill gaps in the market that currently sit outside its legislative responsibility.

Observation 3

The Panel notes the apparent success of the existing Board and executive team's leadership. The Panel believes that consideration needs to be given to appropriate succession planning to ensure the ongoing success of the NAIF.

The mandatory skills and expertise of the NAIF Board members should be regularly reviewed to ensure the skills of the Board are aligned with the emerging needs of northern Australia and the evolving diversity of the NAIF portfolio. In alignment with the SIV Resource Management Guide 127, the skills matrix should be reviewed at least annually following performance evaluations.¹³

The Panel recommends that the government consider the NAIF's current role in northern Australia and whether there should be additions to the NAIF Board members' mandated experience or expertise under section 15(4) of the NAIF Act. The government could consider introducing subordinate legislation in the form of a regulatory framework so that the NAIF Board's composition can be updated regularly.

Recommendation 7

The composition and skill set of the NAIF Board be periodically updated to reflect changes to the NAIF's governance structure, operating environment and broader government priorities.

Currently, the NAIF Act does not protect members of the NAIF Board from legal challenge if an approved project is found to not fit the Investment Mandate's Mandatory Criteria. The NAIF Act could be amended to ensure that, in practice, if the Board's judgement is that mandatory criteria have been applied and a third party challenges this judgement in court, the Board has legal protection. The Panel heard that currently the current NAIF Act would see Investment Decisions would be made invalid if they were found not to comply. This may present a risk to the NAIF's reputation and existing investment decisions. An amendment to protect members of the Board would be consistent with protections provided to other SIVs.¹⁴

Recommendation 8

The government amend the NAIF Act to protect NAIF Investment Decisions from legal challenge.

¹³ Department of Finance, [Board and corporate governance](#), Department of Finance website, 2024.

¹⁴ *National Reconstruction Fund Corporation Act 2023* (Cth), section 74(5); *Clean Energy Finance Corporation Act 2012* (Cth), section 67(5).

Part 4 of the NAIF Act empowers the Minister for Northern Australia to veto any Investment Decisions made by the NAIF Board where the project is considered to:

- a. be inconsistent with the objectives and policies of the Commonwealth Government
- b. have adverse implications for Australia's national or domestic security
- c. have an adverse impact on Australia's international reputation or foreign relations.

In practice, ministerial veto further safeguards the NAIF's Investment Decisions, as the NAIF may offer concessional loans with long tenors. On balance, the Panel found that it is appropriate to retain the ministerial veto as a further mechanism to ensure the NAIF's Investment Decisions are consistent with and support government policy priorities and national security interests.

Observation 4

The ministerial veto is an appropriate mechanism to ensure the NAIF's Investment Decisions are consistent with the priorities of the government.

Chapter 4 – Supporting First Nations economic empowerment

First Nations people in northern Australia, their knowledge and culture, and their land assets have an increasingly important role in the economy. This Review therefore placed a particular focus on opportunities for the NAIF, both directly and indirectly, to enhance socioeconomic outcomes for First Nations Australians.

It is well understood that the northern economy was founded on the dispossession and exploitation of First Nations groups. During consultations the Panel heard that the consequences of this history continue to be felt across the region. Despite this history, First Nations people have sought to reclaim a position of strength in the social and economic life of northern Australia. They now have a growing expectation of genuine and expanding engagement and commercial partnership, rather than tokenistic ‘targets for targets’ sake’. The Panel notes First Nations communities’ general frustration with social welfare deficit models and a growing appetite for rights-based economic empowerment, independence and self-determination. Despite this, the NAIF is yet to approve a loan to a majority-controlled First Nations proponent.

A number of observations and recommendations the Panel makes in this chapter align with those made by the parliamentary Joint Standing Committee on Aboriginal and Torres Strait Islander Affairs in its 2024 inquiry into economic self-determination and opportunities for First Nations Australians.¹⁵ The Panel’s recommendations and observations in this chapter are intended to support a greater focus on First Nations outcomes, both through the NAIF and more broadly.

The Panel believes the NAIF has obligations under the National Agreement on Closing the Gap (Closing the Gap). In particular, the NAIF contributes to Outcome 8, which aims to increase the proportion of Aboriginal and Torres Strait Islander people aged 25–64 who are employed to 62% by 2031.¹⁶ Like all government entities, the NAIF is also expected to contribute to Closing the Gap’s Priority Reforms and is uniquely positioned to contribute to all 4 of these.¹⁷

Currently, all NAIF projects must have an agreed IES, a unique requirement amongst all SIVs. It is encouraging that proponents must have an IES in order to secure a NAIF loan. However, the Panel heard that the IES is a limited mechanism and there are opportunities for improvement.

The Panel notes that IESs are agreements between proponents and external ‘local Indigenous people’. This limits the NAIF’s role to the facilitation of these non-binding documents, rather than actively participating in their development. Because the NAIF has no active role in negotiating an IES, its ability to form genuine partnerships with First Nations communities is also limited. These partnerships would be beneficial to future proactive investment endeavours. The Panel also questions the enforceability of the IES because, while the IES forms part of the loan documentation, the NAIF is not a party to it.

¹⁵ Joint Standing Committee on Aboriginal and Torres Strait Islander Affairs, Parliament of Australia, [Inquiry into economic self-determination and opportunities for First Nations Australians](#), Australian Government, 2024.

¹⁶ Closing the Gap, [7B. Table B: Outcome 8](#), Closing the Gap website, n.d.

¹⁷ Closing the Gap, [Priority reforms](#), Closing the Gap website, n.d.

Around 28% of Australia's First Nations population and 50% of First Nations-owned businesses are based in northern Australia.¹⁸ This means there is a significant opportunity for the IES to be more meaningful. The Panel recommends the government amend the mandatory criteria of the Investment Mandate to improve the quality and standard of the IES to increase benefits to First Nations people, businesses and communities, by:

- adding 'equity, wealth and ownership' to the IES objectives
- adding a requirement that each stated objective must have targets that can only be excluded where all reasonable efforts are exhausted
- prioritising benefits for First Nations communities local to the region of the project.

Case study – Aldoga Wind Farm Partnership, Gladstone Qld

The First Nations Chamber of Commerce and Industry informed the Panel about a strategic partnership between the First Nations Bailai, Gurang, Gooreng Gooreng and Taribelang Bunda People Development Corporation (FNBGGGTB Development Corporation) and European Energy Australia.

In 2024 FNBGGGTB Development Corporation, the operational arm of the FNBGGGTB PBC Corporation, entered into a strategic partnership with European Energy Australia with a common goal of First Nations self-determination as well as shared prosperity, early engagement and capability development.¹⁹ At the instigation of the FNBGGGTB Development Corporation, this partnership led to an exercise to identify potential energy projects in the PBC's territory. As a result, in December 2024 the partnership's first project was announced: the Aldoga Wind Farm.

The Aldoga Wind Farm is not a NAIF-funded project. However, the project and the partnership with the FNBGGGTB Development Corporation show the value in engaging with First Nations stakeholders early in a project's development phase.²⁰ Early engagement can result in project completion, smooth approvals processes and legal agreements; and unlock greater potential for First Nations equity and self-determination. It also typically leads to better performance against First Nations employment and procurement targets, as more time is taken to identify suitable individuals, businesses and training opportunities.

¹⁸ Office of the Registrar of Indigenous Corporations (ORIC), [Aboriginal and Torres Strait Islander corporations](#), ORIC website, n.d.

¹⁹ European Energy, ['FNBGGGTB Development Corporation and European Energy Australia announce first project in renewables energy partnership at FNCCI Summit '24' \[media release\]](#), European Energy website, 29 November 2024.

²⁰ First Nations Chamber of Commerce and Industry, ['Aldoga Wind Farm Partnership' \[video\]](#), *First Nations Chamber of Commerce and Industry*, YouTube, 27 November 2024.

Further, the Investment Mandate should define 'local Indigenous peoples' as being 'recognised Indigenous representative organisations, Prescribed Bodies Corporate, Traditional Owner Representative Institutions, or other local representative groups with appropriate standing, for the relevant locality'. This will ensure that the IES, and the commitments made in it, have the appropriate standing within First Nations communities and maximise the potential benefits by involving all relevant parties.

The Panel believes that targets and commitments need to be measured and evaluated for their effectiveness and in a way that is most meaningful to local First Nations communities. Required data points, bespoke to each project's IES, should be co-designed with the First Nations groups that are involved in developing the IES and consistent with the principles of First Nations data sovereignty, the Productivity Commission's Indigenous Evaluation Strategy,²¹ and Australia's Measuring What Matters Framework.²²

Recommendation 9

The Investment Mandate be amended to improve the quality and standard of Indigenous Engagement Strategies (IES), specifically to:

- a. expand IES objectives to advance First Nations economic empowerment
- b. define 'local Indigenous people' as including regional representative bodies with cultural authority for the area of project operations
- c. provide for First Nations impact measurement frameworks in line with recognised principles of First Nations data sovereignty.

Approximately 78% of northern Australia is subject to a form of First Nations legal title.²³ The Panel heard that in some areas, like the Kimberley, that figure is closer to 95%.²⁴ This highlights a significant and growing asset base for First Nations people that at the moment is not realising economic equity; is limiting opportunities for social, cultural, physical and emotional wellbeing; and is not building confidence for ownership of current and future risk.

The number of First Nations-owned businesses (i.e. those with at least 50% First Nations ownership) actively trading in Australia grew at around 11.3% for sole trader businesses and 5.8% for partnerships in the 10 years to 2022.²⁵ The Panel heard that First Nations Australians in the north have a significant and growing interest in entrepreneurial activity. Opportunities exist, for the NAIF and others, to better support First Nations communities to leverage their growing asset base, and their commercial desires, for greater socio-economic benefits.

²¹ Productivity Commission (PC), [Final Strategy – Indigenous Evaluation Strategy](#), PC website, 2020.

²² The Treasury, [Measuring What Matters Framework](#), The Treasury website, 2024.

²³ J Turnour, *Indigenous economic development and sustainable livelihoods for Northern Australia*, James Cook University, 2022.

²⁴ Kimberley Land Council, [Native Title overview](#), Kimberley Land Council website, 2024.

²⁵ M Evans, C Polidano, S Dahmann, Y Kalera, M Ruiz, J Moschion and M Blackman, *Indigenous business and corporation snapshot study 3.0*, The University of Melbourne (Dilin Duwa Centre for Indigenous Business Leadership), 2024, p 7.

Although First Nations interests are included in the Investment Mandate, at the time of the Review the NAIF had not provided any loans to majority-controlled First Nations projects. The Panel heard a number of reasons for this:

- The NAIF is proponent-led. If First Nations proponents are not aware of the NAIF or its specific offerings, they will not access them. The NAIF should continue to engage and inform stakeholders proactively.
- To apply for a NAIF loan, proponents must complete complex due diligence and approval processes that require specialist expertise and involve significant financial and time outlays. The Panel heard that First Nations proponents are unlikely to have reached the level of maturity and commercial size required to undertake this process and often have limited access to capital.
- The NAIF has typically focused on providing loans above \$10 million. This level of loan often exceeds the appetite of First Nations proponents, most of whom are small and medium enterprises.
- Lack of a suite of wrap-around services to facilitate business planning and mentoring through the due diligence and approval process.

The Panel believes these obstructions should not remain permanent barriers to greater First Nations participation with the NAIF. The observations and recommendations in this chapter are intended to address these structural impediments to improved financing for First Nations proponents into the future.

Observation 5

First Nations people across northern Australia have accumulated a significant land asset base through Native Title, Aboriginal land rights and private holdings. First Nations communities and organisations also have a growing commercial and entrepreneurial intent and an appetite for economic self-determination. The NAIF provides an opportunity to improve the activation, leveraging and monetisation of these assets, including First Nations intellectual property, which can enable First Nations contributions to the local, regional and national economies.

The Panel recommends the government direct the NAIF to notionally set aside a proportion of funds for First Nations proponents and projects with significant First Nations equity. This would prioritise Investment Decisions for First Nations proponents and incentivise First Nations businesses to seek NAIF funding. The Panel notes that section 9 of the Investment Mandate provides an instructive precedent for this recommendation in relation to critical minerals. Having this funding set aside for First Nations proponents should not mean that First Nations proponents cannot access other government financial assistance.

This recommendation coincides with the government's recent announcement of proposed reforms via the Future Made in Australia (Production Tax Credit and Other Measures) Bill 2024 to allow Indigenous Business Australia (IBA) to access and leverage private capital.²⁶

Recommendation 10

The government direct the NAIF to notionally set aside a proportion of funds to support:

- a.** First Nations-owned and led projects
- b.** projects with significant First Nations financial equity.

The Panel heard that a small loans program is critical to increasing First Nations engagement with the NAIF. A First Nations direct small loans program should exist outside current arrangements with states and territories, relying on the NAIF's statutory powers to directly lend to First Nations entities. Section 13 of the NAIF Act states that the NAIF may choose to provide financial assistance directly as a 'last resort'. The Panel believes the use of this legislative power is justified given the NAIF has not made any investment decisions for First Nations projects. The Panel understands this may otherwise be enabled through section 51(xxvi) of the Constitution.

Recommendation 11

The NAIF establish a targeted direct small loans program for First Nations enterprises or projects beyond any arrangements made between the NAIF and the state and territory governments.

During consultation many stakeholders said there was a lack of coordination and overarching policy from government for First Nations economic participation and self-determination. The need for proactive identification and consideration of an ongoing pipeline of projects across the north was evident to the Panel, as was the need for early engagement with organisations like IBA and the Indigenous Land and Sea Corporation.

The Panel notes legislation was recently introduced to expand the financial capability of IBA to meet the increasing demand of First Nations people for home ownership, business enterprise and investment in sound commercial ventures for the success of their community.²⁷ The Panel believes there are opportunities for the NAIF to engage closely with the IBA as its role expands.

²⁶ Senator the Hon M McCarthy, '[Legislative reform to support First Nations economic empowerment](#)' [media release], Department of Prime Minister and Cabinet website, Australian Government, 25 November 2024.

²⁷ Indigenous Business Australia (IBA), '[Empowering prosperity: increased capital for Indigenous economic growth and opportunity](#)' [media release], IBA website, 27 November 2024.

The Panel welcomes the announcement at the Mid-Year Economic and Fiscal Outlook 2024–25 of funding to support development of a First Nations Economic Framework and establish a First Nations Economic Partnership.²⁸ The Panel views this as a significant and important first step, and notes that a continuing lack of coordination and leadership will impede the delivery of Closing the Gap targets.

Observation 6

There is a lack of an adequate policy framework for the coordination of economic infrastructure to support First Nations economic empowerment.

The Panel recommends the NAIF establish a First Nations Economic Reference Group as a subcommittee of the NAIF Board, composed of at least a majority of First Nations members, including First Nations NAIF Board members. The Panel believes this reference group will help to:

- accelerate and improve First Nations socio-economic outcomes
- assist the NAIF to understanding First Nations experiences and commercial aspirations
- further engage with the First Nations business community.

The proposed reference group should be involved in peer reviewing, assessing and monitoring IESs. Also, it should be outward facing and have the capacity to connect First Nations proponents to other SIVs and government agencies as appropriate.

Recommendation 12

The NAIF establish a First Nations Economic Reference Group under section 3.5 of the NAIF Board Charter to provide independent advice to the NAIF Board on:

- a. projects with significant First Nations ownership
- b. ongoing performance of projects' IESs
- c. opportunities with other Specialist Investment Vehicles and other bodies for First Nations economic development.

The Panel heard there is a critical need for wrap-around support services and mentoring for First Nations small and medium enterprises throughout the loan process. The government, the NAIF and its partner organisations must coordinate to ensure current and prospective First Nations proponents can attract and access existing grant programs and be assisted to enhance their investment proposals. The Panel encourages the NAIF to draw on strategic partnerships across government and with Indigenous sector organisations with complimentary networks and skill sets – for example, the Indigenous Land and Sea Corporation, IBA, the National Indigenous Australians Agency, and state and territory Indigenous affairs agencies. These partnerships should seek to leverage collective capacity, capability and infrastructure to support emerging First Nations businesses and enterprises.

²⁸ Australian Government, [Mid-Year Economic and Fiscal Outlook 2024–25](#), Treasury website, 2024.

It may seem convenient to use the existing agency architecture, but the Panel considers that institutional and structural reform is needed to deliver efficiency, productivity and return on investment.

Recommendation 13

The NAIF consider developing strategic partnerships with relevant First Nations organisations and representative bodies that provide support for First Nations development and enterprise, such as Prescribed Bodies Corporate, National Indigenous Australians Agency, the Indigenous Land and Sea Corporation and Indigenous Businesses Australia, with a view to improving First Nations engagement.

The Panel notes it is important to acknowledge issues with the level of accuracy of the data referenced in this chapter. The Australian Bureau of Statistics recognises a national undercount of the First Nations population in the Census in both 2016 and 2021 of approximately 17.5%.²⁹ The Panel believes this undercount is significantly higher in many areas of northern Australia. The limitations of this data reflect the challenges in developing and maintaining data that accurately reflects First Nations people and businesses. The Panel notes that figures reported to the NAIF by proponents for their contribution to First Nations procurement and jobs make no distinction for full-time, part-time and casual employment, or ongoing or temporary jobs, and construction or operational jobs. A lack of detail on the size and meaningfulness of contracts awarded to majority-controlled First Nations enterprises is a further limitation of this dataset.

Observation 7

Datasets regarding First Nations people and their participation in economic activity may be influenced by self-reporting and a lack of granularity in jobs and procurement figures. While noting the latter point is not unique to First Nations data, the Panel suggests care should be taken when interpreting and relying on data in the First Nations space.

²⁹ ABS, [2021 Census overcount and undercount](#), ABS website, 2022.

Chapter 5 – Building capacity and capability

The Panel's consultation indicated that the number of local businesses with the capacity and capability to meet the NAIF's loan approval requirements is limited. The Panel met with a number of small and medium organisations across the north. They said that the NAIF's due diligence requirements were beyond what they had the capacity to deliver. Of the projects that are able to reach the due diligence stage of the NAIF loan approval process, only 35% have progressed or are currently expected to reach financial close.³⁰

One of the challenges faced by those doing business in the north is a shortage of capable, available workforce. This workforce shortage affects project delivery and back-of-house skills such as financial services and administration. One stakeholder in a remote area of the Northern Territory reported that small, local businesses lack the staffing and expertise to make a loan application, especially given the NAIF's rigorous requirements for passing the pre-approval stage. The Panel notes that the parliamentary Joint Select Committee on Northern Australia's 2024 inquiry into northern Australia workforce development explored these issues in depth.³¹

Observation 8

There is a gap in wrap-around services and capacity building for businesses in northern Australia, especially First Nations and remote businesses. This gap may prevent some worthy projects from reaching the level of maturity necessary to be brought to a financier such as the NAIF.

Currently, under the NAIF Act and Investment Mandate, loans must be allocated to specific physical works and/or assets. These loans have defined availability periods for accessing project funding within the Investment Decision. This means that funds can only be drawn as proponents spend money on the project. In practice, proponents are limited to seeking funding for capital expenditure (capex) projects. This arrangement is appropriate for the majority of single, limited recourse projects seeking NAIF finance. However, there are situations where a borrower may have a number of smaller discrete works within one project.

Loans for 'general corporate purposes' enable more flexible project finance and are commonplace in commercial markets. Safeguards that would protect the NAIF's Investment Decisions are well tested and could be easily implemented. Safeguards could include requirements to pay back any unspent drawdowns and/or any drawdowns that were not spent on approved infrastructure assets.

³⁰ Data as at 31 December 2024.

³¹ Joint Select Committee on Northern Australia, Parliament of Australia, [Northern Australia workforce development: final report](#), Australian Government, 2024.

Case study – North Queensland Airports

The NAIF provided North Queensland Airports (NQA) with a loan of up to \$155 million and a tenor of 10 years to deliver a program of works consisting of 5 defined sub-projects. Each sub-project has a specified funding limit, based on costings provided by NQA. To access NAIF funding, NQA must submit an initial quantity surveyor report to the NAIF to confirm project costs before commencing works.

If the NAIF were able to offer loans for general corporate purposes, in this case, NQA would have been able to draw funding when needed and deliver a dollar-equivalent amount of infrastructure over time. They would not be required to identify the specific projects up front but, rather, commit to delivering a minimum amount of infrastructure over a defined time period.

This would have potentially allowed NQA to prioritise projects based on current conditions without needing to apply for a formal amendment with the NAIF. Further, this arrangement would allow NQA to draw funds from other sources, reducing delays between the drawdown of NAIF funds and the funding of project works.

To safeguard the NAIF's Investment Decisions and incentivise timely completion of agreed works, commitment fees on any undrawn loan amount are able to be charged. A repayment event would be triggered if a proponent failed to substantially complete each project to an example of at least 90% of project budget within an agreed availability period, requiring repayment of the principal debt plus repayment of interest concession up to market rate.

This matter was explored in the 2020 Statutory Review under Recommendation 19, which stated that the NAIF Act and Investment Mandate should be amended to remove the requirement that NAIF finance be limited to construction of physical infrastructure. The government accepted Recommendation 19 in the 2020 Statutory Review, but the legislative changes have not yet come into effect.

The current legislation therefore reduces proponents' ability to delay individual capital expenditure items, which limits their flexibility to allocate capital to project components and their ability to meet changing market conditions. The Panel recommends making any necessary amendments to the NAIF's legislative framework to permit loans for general corporate purposes so that the NAIF and proponents have greater flexibility. The Panel notes that these loans should still require proponents to deliver an equivalent value of eligible infrastructure works.

Recommendation 14

The government make amendments to the NAIF's legislative framework to permit the NAIF to offer loans for general corporate purposes.

The NAIF's primary method of providing financial assistance has historically been through a state or territory. In 2021, sections 7(1A) and 7(1B) were added to the NAIF Act. These amendments allowed the NAIF to provide direct financial assistance to proponents and to provide financial assistance in the form of equity investments.

Section 10(1) of the Investment Mandate states that loans are to be the NAIF's primary form of financial assistance. Further, the 2022 SoE states that direct lending or direct equity should only be used if it supports the timely delivery of a project by avoiding negotiations with a state or territory.

The NAIF Act explicitly permits direct lending. However, the December 2023 amendments to the Investment Mandate contradict the NAIF Act – section 13(4) completely restricts direct lending. It states that the NAIF must not provide direct assistance in relation to a project in one or more states on a concessional basis.

As a result, the NAIF has been largely unable to make any direct lending or equity investments. In its submission to the Review, the NAIF advised that its ability to lend directly and make equity investments has been limited by associated legal and financial risks. While legal opinions conflict in this area, the Panel believes it is possible for the NAIF to provide direct lending to proponents in the Northern Territory and the IOT, as well as First Nations proponents across all jurisdictions.

Across the north, stakeholders stated they wanted the NAIF to be able to meaningfully offer equity investments. One stakeholder advised that a Commonwealth entity holding equity in a project can serve as a government 'stamp of approval' and increase the project's ability to attract commercial investment. The Panel heard that this support could represent the difference between success and failure for many projects or start-up businesses.

The NAIF noted that proponents and key stakeholders still seek direct lending, specifically for small loans, First Nations projects and collaboration with other key agencies. The Panel heard that legislative references to services the NAIF is unable to provide creates tension between the NAIF, the department, the responsible ministers and prospective proponents and impacts negatively on the NAIF's reputation. To enable economic development, build public trust in the NAIF and maintain the NAIF's reputation as a gap financier in the north, it is vital that these issues be resolved and direct lending and equity investment be meaningfully offered.

Additionally, the Panel heard that the NAIF's administrative requirements cause considerable delays between project approval and funding delivery. Many stakeholders said that the financial and time costs to meet the administrative requirements for loan approval can be a barrier for potential projects. Under the current delivery arrangements through the state and territory governments, the jurisdictions require additional due diligence, which increases the administrative burden. The NAIF should be empowered to provide direct lending to proponents, as this could reduce the time taken to make disbursements and reduce administrative processes for the NAIF, proponents and jurisdictions.

Recommendation 15

The government resolve the issues preventing the NAIF from providing direct lending and making equity investments.

Feasibility studies, business cases and strategic planning are essential for evaluating project viability and attracting further investment in northern Australia. However, there is limited funding available to support these processes. This lack of support was also identified in the 2020 Statutory Review, particularly in the context of First Nations organisations. The Panel found that this issue persists and was raised consistently throughout consultation. Many proponents struggle to secure funding to produce early-stage documents due to the challenges they face in doing business in the north.

In its submission to the Review, the Northern Regional Development Australia Alliance noted that many proponents, particularly First Nations businesses, struggle to secure funding for feasibility studies, business cases and strategic planning. The Northern Regional Development Australia Alliance advised that this can be attributed to the remoteness and other challenges inherent in doing business in the north, which results in reduced project viability and inability to attract further investment. One Queensland stakeholder reported that the NAIF's significant in-house analysis expertise is of great benefit to key northern Australia stakeholders and improves the quality of both successful and unsuccessful projects. To help create a stronger pipeline of viable infrastructure projects and attract both NAIF loans and private sector investment, it is important to fund early-stage project development.

Further, the Panel consistently heard the NAIF appears to be focused on the upper end of the business sector in northern Australia. The Panel understands that most businesses in northern Australia are small and medium enterprises that are not in a finance-ready position. To address this, the Australian Government has made a number of funding sources available to smaller businesses in the north – for example, business loans of up to \$5 million through IBA.³² Stakeholders reported that this support is often fragmented and poorly coordinated, meaning that small enterprises must access a number of funding sources. The NAIF is not designed as a grants body; however, the Panel suggests the NAIF offer support for proponents at all stages of maturity by connecting proponents to existing grants programs and assisting them through the grant application process.

The Panel acknowledges the NAIF plays a vital role in providing investment to support the development of northern Australia. It is also aware that other SIVs have a role providing finance to transformative projects nationally. The Panel believes the existence of the NAIF should not prevent other SIVs from investing in the north, and the NAIF should further consider co-investment opportunities. Sharing knowledge, best practices and insights can facilitate the exchange of expertise and foster innovation to develop strategies that address common challenges faced in northern Australia.

Recommendation 16

The government undertake targeted activities to build the capability of northern Australian businesses and entrepreneurs, facilitating access to grants and business support for businesses to navigate the project development, feasibility and delivery stages.

³² IBA, [Business loan](#), IBA website, 2021.

The Panel found that there is not enough coordination across sectors and regions. It could not identify an existing entity responsible for cross-sector research or policy development in the north, even though a number of entities are capable of doing so. One submission from a Queensland stakeholder noted there is an opportunity for the government to drive innovation and address regional challenges by identifying research needs and facilitating partnerships between research organisations and industry. This would bridge the capability gap and encourage a longer term, more strategic view of investment opportunities. Through consultation, the Panel found that, by supporting linkages between projects with common strategic infrastructure challenges, the government has an opportunity to develop capacity and improve strategic planning across the north. The existing capability gap leads to a piecemeal approach to investment that limits the delivery of outcomes and prohibits the strategic planning and investment approaches that are required to support the efficient delivery of common infrastructure and shared solutions. For example, this lack of coordination was particularly evident in the Kimberley, where the lack of common user infrastructure and a first port of entry significantly increases operating costs.

The Panel welcomes the Australian Government's announcement approving expanded international services at the ports of Ashburton, Dampier and Wyndham.³³ The new services will help to drive down the costs of doing business throughout the area and improve supply chains. These approvals will assist port authorities to work with border agencies on the specific requirements for proposed expanded international operations at these ports. The announcement is expected to have a particularly positive impact on the Kununurra Cotton Gin, which the NAIF has provided funding to and which the Panel attended as a site visit.

The Panel believes that the NAIF should have a role in providing feedback to the government on industry and community demand for services. This feedback will support policy development and inform a pipeline of works. The NAIF is not the only way to make connections between projects, but the Panel believes the NAIF does have a role in informing the Australian Government and relevant development actors (e.g. Regional Development Australia committees) about gaps and providing advice on how they can be addressed.

Observation 9

The Panel was unable to identify an existing entity taking responsibility for coordination and research across sectors and regions in the north, limiting the delivery of outcomes and prohibiting strategic planning, policy development and investment.

³³ The Hon A Albanese MP, Prime Minister of Australia, '[Albanese Government building future of WA](#)' [media release], Prime Minister of Australia website, 9 January 2025.

Chapter 6 – Enhancing impact and measurement

The NAIF plays a vital role in identifying and evaluating the public benefits of the infrastructure projects they fund by assessing the socio-economic advantages that projects bring to the region and its community. The NAIF follows structured guidelines to ensure its investments offer meaningful and measurable public benefits. Recently, it added post-project evaluations to strengthen the impact assessment process. Although the NAIF has introduced effective measurement controls and reporting to enhance performance, the Panel believes there are still opportunities to refine the NAIF's assessment and project evaluation methods.

The current assessment process leans heavily towards economic impacts. This can mean initiatives with substantial community or social advantages are given less attention. It is essential to recognise that public benefit also includes social, environmental and cultural measures that improve community wellbeing and prosperity. The Panel recognises that measuring socio-economic impact is complex and there is currently no standardised approach. There are a range of social impact principles and standards that the NAIF may choose to investigate and implement, as illustrated in **Figure 6** below.

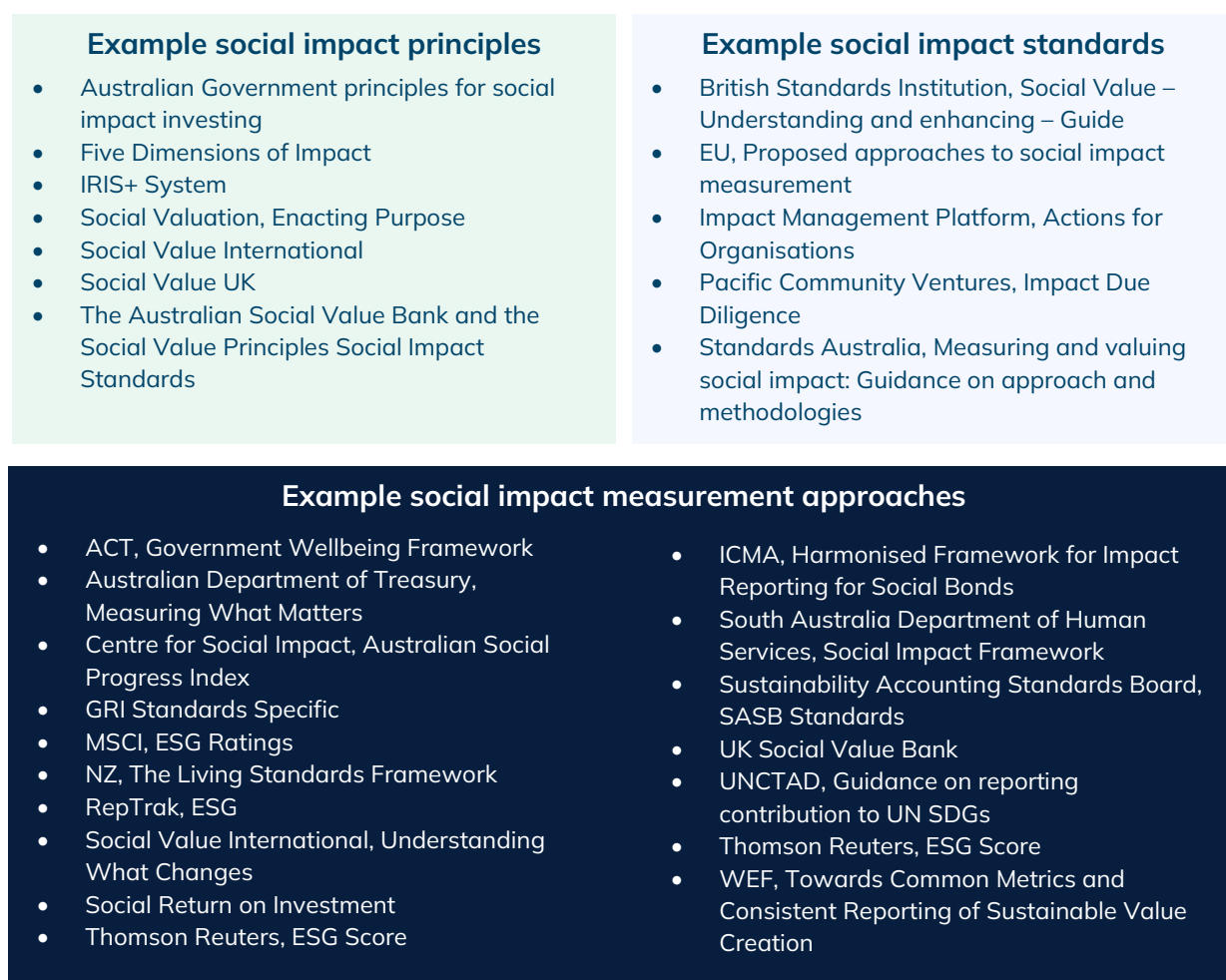


Figure 6 – Examples of potential social impact principles and standards

Social Return on Investment (SROI) is a cost-benefit analysis that considers the social, environmental, cultural, and economic outcomes of a program and the costs of creating them. It assigns monetary values to these outcomes to produce an SROI ratio that compares the calculated socio-economic value with the initial investment cost. It can therefore give a broader understanding of an investment's full value and capture the positive changes it creates for people, communities and the environment. Reporting measures such as SROI offer a more comprehensive view of project value, improve decision-making, enhance transparency and accountability, and promote innovative solutions.

The NAIF can further enhance the delivery of public benefits by proactively prioritising projects that:

- align with regional development priorities
- strengthen engagement with local stakeholders
- implement continuous improvement practices
- enhance transparency in public benefit reporting
- adopt advanced data analytics.

Recommendation 17

The NAIF redefine its public benefit criteria and expand its current assessment and evaluation methodology to better encompass social, environmental and cultural project value.

When establishing a loan, the NAIF can set debt covenants into its financial agreements so that project proponents remain accountable for achieving community benefit targets. These conditions, also known as banking or financial covenants, ensure that borrowers operate within predefined guidelines that align with the lender's interests and mitigate potential risks. By monitoring and enforcing the covenants, lenders protect their investments while proactively encouraging proponents to fulfil their agreed social obligations.

Once NAIF loans have been approved and funds have been transferred to the proponent's account, the NAIF closely monitors the delivery of the project and compliance with any financing conditions, such as financial, environmental and IES performance. However, currently proponents do not need to perform beyond a 'pass' – they need only meet their established key performance indicators and IES targets. A number of stakeholders suggested proponents should be incentivised to achieve outcomes beyond a 'pass', as this will lead to increased community benefit.

If the NAIF were able to strategically revise and apply debt covenants after the initial Investment Decision, it would be able to better guide project proponents to deliver community benefits. The Panel recommends incentivising proponents to perform by offering more favourable loan terms such as:

- lower interest rates
- extended periods for interest capitalisation
- deferral of loan repayments and other tailored repayment schedules
- lower or different fee structures.

The NAIF can use these levers to increase its influence and drive projects towards greater social and economic value.

The NAIF could also impose penalties for noncompliance. This would ensure accountability and reinforce the commitment to community benefits. The NAIF should also consider increasing the number of loans to First Nations businesses by giving greater concessionality for projects where First Nations people, businesses and communities own or participate in the project consortium.

By prudently using loan terms and debt covenants, the NAIF can guide projects to ensure that they contribute to the development of northern Australia while protecting the interests of all stakeholders involved. The Panel notes that this recommendation may be contingent on government accepting other recommendations of this Review.

Recommendation 18

The NAIF introduce loan terms or debt covenants that set conditions to incentivise proponents to meet or exceed community benefit targets and enforce penalties for noncompliance.

Chapter 7 – Increasing the accessibility of NAIF loans and loan sizes

It is impossible to identify the number of potential proponents that have not considered NAIF financing. However, the NAIF has had a focus on loans over \$10 million, and this has meant a large proportion of Australian businesses have not been able to access NAIF finance. To date, the NAIF's lowest value loan came to \$7.18 million – one of only 4 NAIF loans valued under \$20 million.³⁴

Consultation, submissions and the NAIF's stakeholder engagement survey indicate that there is high demand for more small loan gap financing in northern Australia. Previous reforms to the NAIF sought to increase its ability to deliver small loans through partnerships with regional financiers, leading to the establishment of the Northern Territory Government's Local Jobs Fund.

Case study – Small loans partnership with the Northern Territory

The NAIF is working with the Northern Territory Government by contributing up to \$50 million to the Northern Territory Local Jobs Fund (NTLJF). This investment gives eligible small and medium businesses in the Northern Territory access to loans of up to \$10 million through the NTLJF's Territory Infrastructure Loans program.

NTLJF's objective is to support the development and expansion of enabling infrastructure, employment and economic growth; and improve First Nations outcomes across the Northern Territory through the distribution of concessional loans.

The program is a co-funding arrangement between NTLJF and the NAIF on a 25%/75% respective contribution basis.

The NTLJF assesses loan applications using its existing policies and processes, while observing NAIF criteria, requirements and risk appetite. For an application to be approved, the NTLJF Investment Committee must support it. The NAIF will not be liable for funding a loan if the terms approved by the Northern Territory Government are inconsistent with the recommendation of the NTLJF Investment Committee and the NAIF's requirements.

To date there have been 8 project consultation briefs shared with the NAIF, with 7 of these proceeding to formal applications. One of these projects is expected to be fully approved in January 2025. A further 5 projects are currently developing briefs.

³⁴ Data as at 31 December 2024.

The Panel found that small and medium enterprises are critical to establishing resilient and sustainable supply chains and to the north's economic environment more broadly. The Australian Taxation Office defines 'small businesses' as those with a turnover of \$10 million or less.³⁵ According to the Australian Small Business and Family Enterprise Ombudsman, in June 2023, 97% of all Australian businesses are small businesses.³⁶ Small business added nearly \$590 billion of industry value in 2022–23, which is one-third of Australia's total gross domestic product.³⁷ Most stakeholders informed the Panel that small business plays a similar role in the northern Australian economy.

Observation 10

There is high demand for small loans programs across northern Australia.

The NAIF's assessment process and due diligence requirements are broadly aligned with the processes a proponent would work through with commercial banks or other private sector financiers (**Figure 7** below).

However, multiple stakeholders said that the loan approval process can be time consuming and costly, and therefore especially difficult for small and medium-sized enterprises and First Nations organisations seeking finance. Stakeholders said the requirements can inhibit or slow the NAIF's ability to operate in an agile and commercial manner and should be streamlined, particularly for smaller loan amounts or comparatively low-risk projects. The NAIF's submission to the Review agreed that due diligence and project data requirements should be scaled for small loans to improve the support provided to small and medium enterprises.



Figure 7 – NAIF loan approval stages³⁸

As highlighted in the Regional Development Australia Kimberley's submission to the Review, proponents in the Kimberly advised that 'the NAIF application and due diligence process is lengthy, cost prohibitive, and requires a scale or "shovel readiness" that sits at odds with the greenfield nature of many development opportunities in the region'.

³⁵ ATO, [Small business entity](#), ATO website, 2024.

³⁶ Australian Small Business and Family Enterprise Ombudsman (ASBFEO), [Number of small businesses in Australia](#), ABS Counts of Australian Business, Table 13a, August 2023 and ASBFEO calculation data, 2023.

³⁷ ASBFEO, [Contribution to Australian gross domestic product](#), ASBFEO website, 2024.

³⁸ NAIF, [Investment process](#), NAIF website, n.d.

As part of the assessment process, the NAIF should consider applying a higher weighting for remote and very remote projects because projects in this area have an increased risk profile. They struggle to meet commercial finance criteria, but they have the potential to bring transformational change and build economic resilience in their regions, particularly in remote First Nations communities.

The Panel recommends that the NAIF tailor its due diligence processes and implement a tiered assessment process based on the size and risk profile of the loan application under assessment. The government should also consider amendments to the legislative framework so that the NAIF has greater operational and financial flexibility to improve assessment processes and support smaller projects.

Recommendation 19

The NAIF tailor its due diligence processes to the size and risk profile of the loan application under assessment.

The NAIF advised that it typically focuses on providing loans above \$10 million because of the level of work required to carry out due diligence, assess public benefit, complete documentation and review IESs. Investment Decisions below this amount have been made on a case-by-case basis, but the required processes make it untenable for some proponents to seek NAIF financing.

Stakeholders overwhelmingly supported the continuation and improvement of small loans programs in the NAIF product suite. One Northern Territory stakeholder informed the Panel that small loans programs are 'better placed to enable grass roots, local, sustainable economic and social development opportunities' than the NAIF's larger loan program.

One Western Australian stakeholder's submission said there was a major funding gap for businesses in the Kimberley region. This stakeholder noted that small loans would play a critical role, as the 'lack of access to institutional lending continues to be a major inhibitor to private investment and business growth in the region'. Most stakeholders supported the existing program in the Northern Territory and said it was important to offer small loan programs in Western Australia and Queensland as well to support development in the north.

The NAIF has undertaken an initial assessment of the changes required to support small loans programs. It concluded that any costs are likely able to be addressed within the current operating budget. The NAIF has progressed discussions with the Western Australian and Queensland governments to establish these programs. The Panel considers that the NAIF should put a high priority on continuing these efforts. If agreement cannot be reached with these jurisdictions, the Panel recommends the NAIF and government explore other ways to provide small loans to these jurisdictions. Small loan programs would support a broader range of projects, stimulating local economies and generating employment outcomes.

Recommendation 20

The NAIF continue to work with the state governments of Western Australia and Queensland to establish small loans programs.

The Australian Government administers the external territories of Christmas Island and the Cocos (Keeling) Islands, collectively known as the Indian Ocean Territories (IOT). The government is therefore responsible for delivering services to these territories that would normally be expected from a state government – for example, health care, education, infrastructure development and public administration, which play a crucial role in the local economy.

There are inherent challenges to doing business in the IOT, similar to other locations within the north. The Panel heard that businesses in the IOT are small in scale and lack economic infrastructure. Despite these challenges, the IOT have an abundance of natural, cultural and geographical features that offer opportunities for the development of new industries that would provide sustainable benefits to local communities.

As highlighted in the submission of a stakeholder doing business in the IOT, 'access to investment capital is very difficult'. It was proposed to the Panel that 'more flexible NAIF investment financing arrangements for very remote communities such as the IOT' should be considered as part of the Review. These arrangements, which extend beyond the role of the NAIF, could include:

- more flexible investment loans to a lower minimum than the current \$10 million
- a ministerial and agency working group that can provide a whole-of-government mindset to economic development in the IOT
- economic development grants for small to medium businesses in the feasibility stage to improve proponents' ability to attract NAIF finance.

In July 2023 the NAIF Act was amended to enable the NAIF to provide financial assistance to projects in the IOT. The Panel recognises the proactive approach the NAIF has taken to engaging with potential proponents on the IOT – NAIF officers have visited the IOT to engage with local businesses, local government and the community. However, there is only one IOT project in the NAIF investment pipeline,³⁹ even though the Investment Mandate allows the NAIF to make direct loans to IOT proponents.

The Panel heard that the IOT, particularly Christmas Island, will undergo a significant economic restructure over the next decade as the mining of phosphate, which has been the main source of economic activity on Christmas Island, comes to an end. Work has begun to plan for the diversification of the island's economy into new areas such as research, education, tourism and agriculture. However, this process will take time.

To address these changes, one government agency's submission advised that the existing arrangements need to be changed so that the lower limit for the value of projects considered for NAIF financing is significantly reduced. There has been interest from proponents in accessing NAIF loans in the IOT, but the Panel heard that the greatest hurdle has been developing projects on a large enough scale for the NAIF Board to consider them for financing. This stakeholder suggested that, if the threshold for financing from the NAIF could be lowered to as little as \$100,000, it would significantly increase amount of economic activity in the IOT.

³⁹ Data as at 31 December 2024.

The Panel recommends that the NAIF continue to actively explore opportunities for direct lending to proponents in the IOT. The new economic activity and infrastructure generated through small NAIF loans is expected to generate substantial community returns on government investment and lead to further development as confidence and wealth grow within the community. The Panel notes that the department is currently exploring funding mechanisms through existing agreements with the Western Australian Government.

Recommendation 21

The NAIF directly fund loans, including small loans, to proponents in the Indian Ocean Territories.

Conclusion

This Review highlights the NAIF's indispensable role in addressing the distinct challenges faced by northern Australian communities. Through comprehensive stakeholder engagement and a detailed evaluation of the north's economic and social landscape, the Panel has articulated a strong case for the NAIF's continued evolution as a driving force in regional development and economic prosperity.

However, the report identifies critical areas for improvement. The Panel's recommendations represent strategic advice designed to enhance the NAIF's governance and operational efficiency. The existing framework has been successful in many ways, but it has limitations that hinder its capacity to serve all potential proponents effectively. The Panel's recommended enhanced governance structures will align the NAIF's risk management with accountability frameworks, bolstering transparency and efficiency to support better investment outcomes.

One of the most significant recommendations is to allow the NAIF to make Investment Decisions in perpetuity to ensure certainty and continuity. This recommendation reflects the consensus among stakeholders on the NAIF's critical role. It aims to facilitate long-term planning and consistent project delivery, ensuring that the NAIF's contributions remain impactful over time. Coupled with the establishment of a regular review cycle, this approach will help the NAIF remain agile and responsive to the evolving needs of its stakeholders and the economic landscape.

The Panel found that the informal \$10 million minimum loan threshold acts as a significant barrier for smaller enterprises and First Nations groups. Many of these businesses lack the necessary financial resources and expertise to engage with the NAIF effectively. To maximise the NAIF's impact, the Panel recommends that the NAIF expand its lending criteria and offer more flexible financing options tailored to the diverse needs of northern Australian communities. This change would open the door for a wider array of projects and proponents, fostering a more inclusive economic environment. The Panel's recommendations on adjusting the due diligence processes will make the NAIF more accessible and relevant to smaller projects and will be instrumental in achieving these goals.

Furthermore, the proposed legislative amendments are essential to provide independence to the NAIF. By enabling the NAIF to manage its own balance sheet and operations without the constraints of departmental control, it can make timely decisions that align with the unique risk profiles of northern projects. This autonomy is vital for streamlining operations, enhancing the NAIF's credibility and building trust among project proponents. The report emphasises the importance of aligning the NAIF's risk management with accountability frameworks, which will bolster transparency and efficiency in its operations, thus supporting better investment outcomes.

A major focus of the Review is the commitment to supporting First Nations economic empowerment. The Panel acknowledges the hard work of the NAIF to establish the IES requirement and build engagement between projects and local First Nations people. However, stakeholders had significant concerns about the lack of meaningful engagement with First Nations communities and projects. To rectify this, the Review recommends strengthening IES and establishing a First Nations Economic Reference Group. This group would ensure that the opinions and needs of First Nations communities are prioritised, fostering genuine partnerships that can unlock their economic potential and drive meaningful socio-economic outcomes.

The report also emphasises the critical need for wrap-around support services for remote and First Nations enterprises. Without adequate assistance in navigating the complexities of loan applications and project development, many worthy initiatives risk being overlooked or sidelined. A collaborative approach involving the government, the NAIF and community organisations will be essential in building the capacity of local businesses to effectively engage with the NAIF. It will ensure that communities can leverage the financial support available to them. The Panel further notes the importance of supporting pipeline infrastructure for local employment, reducing reliance on transient labour and enhancing access to skill development initiatives.

The NAIF's current assessment process leans heavily towards economic impacts, which can sideline initiatives with substantial community or social advantages. The Panel recommends that the NAIF expand their assessment process to consider the social, environmental and cultural measures that improve community wellbeing and prosperity. The call for a refined impact measurement framework will enable the NAIF to better quantify its social and economic contributions. Enhanced metrics will guide future investments and ensure continued alignment with regional needs.

The recommendations laid out in this report are designed to position the NAIF as a resilient and adaptive entity capable of overcoming regional challenges and maximising economic, social and cultural dividends for northern Australia. By implementing these strategies, the NAIF can solidify its status as a catalyst for sustainable and inclusive growth, ensuring the enduring prosperity of northern communities. The future of northern Australia depends on a proactive and strategic approach, with the NAIF positioned to lead this charge. This report presents a compelling case for the NAIF's continued evolution as a cornerstone of northern Australia's economic landscape. The Panel looks forward to the government's consideration and implementation of these recommendations, ensuring the NAIF can effectively address key gaps that remain in northern Australia and unlock the region's potential for success in the years to come.

Appendix A – Discussion Paper

Overview

The *Northern Australia Infrastructure Facility Act 2016* (the Act) stipulates that the current investment window of the Northern Australia Infrastructure Facility (NAIF) will end on 30 June 2026. Section 43 of the Act states that a review of the operation of the Act must be undertaken as soon as possible after 30 June 2024.

The Minister for Northern Australia, the Hon Madeleine King MP, announced an Independent Expert Panel (the Panel) on 19 August 2024 to conduct the review of the NAIF Act (the Review). The Panel is comprised of The Hon Warren Snowdon (Chair), Professor Peter Yu, and Dr Lisa Caffery.

The Act outlines the Review, at a minimum must:

- consider whether the time limit of 30 June 2026 for making decisions to provide financial assistance should be extended
- consider appropriate governance arrangements for the facility after that date.

As part of the Review, the Panel is also considering:

- the need for, and effectiveness of, the NAIF in facilitating and supporting the development of economic infrastructure across northern Australia
- the appropriateness of NAIF's legislative framework, including the *Northern Australia Infrastructure Facility Investment Mandate Direction 2023* and rules made under the NAIF Act and eligibility criteria
- the suitability and effectiveness of NAIF's products and services and finance delivery mechanisms beyond 30 June 2026
- whether NAIF's administrative, governance and operating arrangements are fit for purpose
- the appropriateness of the NAIF portfolio diversity to maximise growth in the north
- opportunities to support greater engagement and inclusion of First Nations people and organisations in NAIF projects, including procurement and employment, and as project proponents.

The full Terms of Reference for the Review are included.

The Panel will provide a written report to the Minister for Northern Australia and the Minister for Finance by December 2024.

Have your say

The Panel is seeking submissions from interested stakeholders to inform the Review. Your input is extremely valuable to ensure the recommendations to the Australian Government are relevant to your region and industry.

This discussion paper provides background on the NAIF, an outline of key topics of interest for the Review and invites submissions on any of these matters to inform NAIF future investment activities and mandate and governance arrangements.

Your submission will be considered no matter how many questions you respond to. If you wish to only provide general comments, please refer to the last question on this paper.

Written submissions can be submitted via the department's [Have Your Say page](#) for the 2024 Independent Review of the Northern Australia Infrastructure Facility Act 2016. Submissions will be published to the have your say page and treated as non-confidential unless the submission is expressly stated to be confidential or is inappropriate for publication. Confidential submissions will only be disclosed in specified circumstances as set out in Privacy Collection Notice on the department's Northern Australia Investment Facility Act 2016 Review have your say page.

Any personal information which is provided in a submission will be handled in accordance with the [Privacy Policy](#) of the Department of Infrastructure, Transport, Regional Development, Communications and the Arts and the Australian Privacy Principles. For more detail about the department's handling of information provided in a submission, please refer to the [Privacy Collection Notice](#).

If you would like to discuss your submission, please contact the NAIF Act Review Secretariat at NAIFActReview@infrastructure.gov.au.

Alongside the public submission process, the Panel will undertake targeted consultation with key stakeholders, including industry bodies; Australian, state and territory government agencies; and the NAIF itself. For more information please visit infrastructure.gov.au/NAIFActReview.

Introduction

The Northern Australia Infrastructure Facility (NAIF) was established in 2016, as a core component of the *Our North, Our Future: White Paper on Developing Northern Australia*. The NAIF is now a \$7 billion government Specialist Investment Vehicle designed to meet the unique needs of the north and drive economic growth in northern Australia by providing concessional financing to infrastructure projects.

Since its establishment, the NAIF has committed more than \$4.4 billion to support 32 projects with a total project value of approximately \$18.5 billion across northern Australia. This includes investments in regional airports, university student accommodation, energy and renewables, agriculture and water, transport and logistics, critical minerals, fertilisers, and other resources. NAIF's investment in these projects, on behalf of the Australian Government, is forecast to generate \$33.3 billion in public benefit for the north and create more than 18,300 jobs⁴⁰.

NAIF's operations are governed by the *Northern Australia Infrastructure Facility Act 2016* (the Act) and the *Northern Australia Infrastructure Facility Investment Mandate Direction 2023* (Investment Mandate). NAIF Investment Decisions are made by an independent, skills-based Board, and are informed by the project's alignment with the mandatory criteria and NAIF's own investment requirements. In addition, all projects funded by NAIF must have an Indigenous Engagement Strategy, which sets out objectives for First Nations participation, procurement, training and employment to improve outcomes for the First Nations population in the region of the proposed project.

⁴⁰ Data as at 31 July 2024.

Topics for discussion

The Panel is seeking views on a range of topics to inform the Review and inform the future of the NAIF.

NAIF’s role and effectiveness in infrastructure investment across northern Australia

Northern Australia has historically faced challenges in accessing capital from commercial markets, in part due to distance, remoteness and climate. The NAIF was established to help grow investment, create jobs and support development across the north by helping to de-risk investment and encourage private sector investment. To achieve this, the NAIF provides concessional financing to infrastructure projects with a proven financing gap that would not have otherwise gone ahead.

NAIF financing supports various industries with a goal to make the north more diverse and boost the economy. So far, NAIF has made investments in regional airports, university student accommodation, energy and renewables, agriculture and water, transport and logistics, critical minerals, fertilisers, and other resources.



Figure 1 – NAIF investments as at 31 July 2024

Discussion Area 1: How does government support, such as the NAIF, address the challenges experienced by projects in the north in securing commercially viable financing, and how might this support be improved or adapted?

Legislative framework and eligibility criteria

NAIF's operations are enabled and managed through its legislative framework (the Act and the Investment Mandate).

Northern Australia Infrastructure Facility Act 2016

The main objective of the Act is to establish the NAIF as a Corporate Commonwealth Entity which provides financial assistance for the development of northern Australia economic infrastructure.

Recent key amendments to the Act:

- In 2021, the Act was amended to extend the NAIF's operations for a further five years to 30 June 2026. It was also amended to allow the NAIF to provide loans and equity investments directly to entities, in addition to providing loans through the States and Territories.
- In 2023, the Act was amended to include the Indian Ocean Territories in the definition of northern Australia and to provide an additional \$2 billion to the NAIF, taking the total financing available to \$7 billion.

Northern Australia Infrastructure Facility Investment Mandate Direction 2023

The Investment Mandate provides direction to the NAIF Board about the performance of the NAIF's functions and outlines the mandatory criteria that projects must satisfy. The current Investment Mandate commenced on 15 December 2023.

The Investment Mandate ensures the NAIF's investments focus on 5 government policy priority areas, namely:

1. Sustainable and resilient economic development and the alleviation of economic or social disadvantage in northern Australia.
2. Working with jurisdictions to deliver key infrastructure projects in northern Australia.
3. Sustainability, climate change and circular economy principles and solutions in northern Australia.
4. Realising the Critical Minerals Strategy 2023–2030.
5. Materially improving the lives of Indigenous people and communities.

To be eligible for financial assistance, the NAIF must be satisfied that the project meets all applicable mandatory criteria:

- the project involves development or enhancement of northern Australia economic infrastructure
- the project will be of public benefit
- the project is located in, or will have a significant benefit for, northern Australia
- for financial assistance in the form of loans—the loan will be able to be repaid, or refinanced
- Indigenous Engagement Strategy – For Projects not solely in the Indian Ocean Territories, the Project Proponent must provide an Indigenous Engagement Strategy
- if an Alternative Financing Mechanism is provided in the form of equity or equity-like investment, this will generate a return to Government.

Statement of Expectations

In December 2022 and 7 July 2023 respectively, the responsible Ministers issued a Statement of Expectations and an addendum to the Statement of Expectations to the NAIF Board. This document provides strategic direction to the NAIF Board on the governance and performance of the NAIF. In response, the NAIF Board provided the Ministers with a Statement of Intent and an addendum to the Statement of Intent.

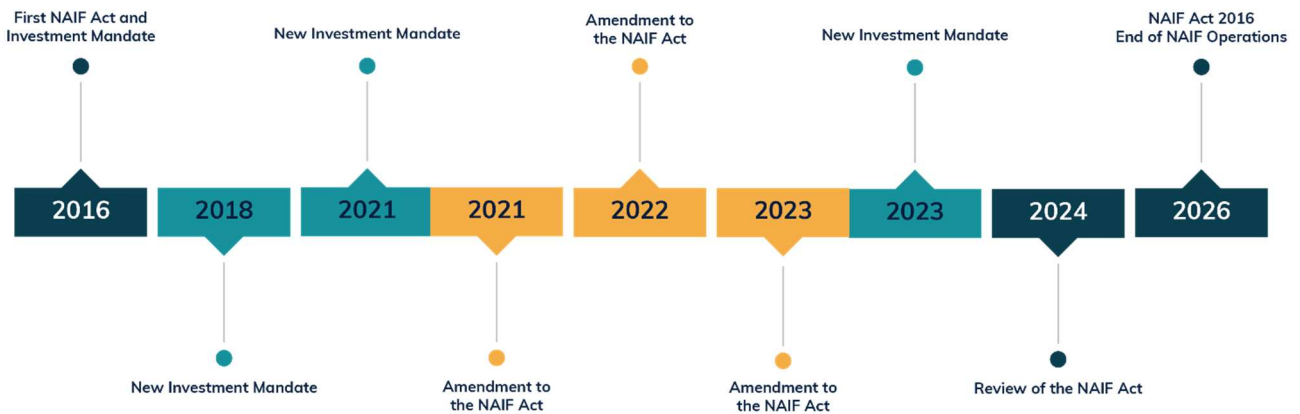


Figure 2 – Timeline of changes to NAIF's legislative framework

Governance

The NAIF is governed by a skills based Board and under certain circumstances the Minister for Northern Australia has the right of veto on all investment decisions made by the Board. NAIF funding is appropriated through the Department of Infrastructure, Transport, Regional Development, Communications and the Arts and loan repayment by proponents must be returned to consolidated revenue.

Discussion Area 2: Does the current NAIF legislative framework enable it to support project types and scale anticipated to best deliver sustainable social and economic growth into the future?

Discussion Area 3: Are the governance arrangements, including the current approach to appropriate the NAIF through the Department, and administer all loan payments and repayments (and associated balance sheet assets and impairments) through the Department's accounts, appropriate to manage NAIF and Government investment risks?

Products and services

The financial assistance offered by NAIF primarily takes the form of loans, but can include other financial mechanisms, such as equity, which are explored below. Projects seeking NAIF finance must undergo and satisfy rigorous due diligence and project assessment based on eligibility criteria. If projects are found to be eligible, financial solutions are tailored by NAIF to meet the specific needs of each project. NAIF does not provide grants, and all NAIF loans must be repaid in accordance with the loan terms.

Project finance loans

NAIF loans are provided predominantly through the States and Territories, but may be direct to project proponents.

Loans may be offered on concessional terms, which can include:

- loan term
- interest rate
- extended periods for interest capitalisation beyond construction completion
- deferral of loan repayments or other repayment schedules
- lower or different fee structures.

Alternative financing mechanisms

NAIF may only offer an alternative financing mechanism (rather than a loan) for a project if NAIF is satisfied that, unless an alternative financing mechanism is used, the project would either:

- d. not proceed; or
- e. would proceed, but the public benefits able to be achieved would be considerably lower than could be achieved with the alternative financing mechanism.

Equity Investments

NAIF may provide financial assistance in the form of equity investments, however, this instrument has not yet been utilised. The Investment Mandate 2023 states in Section 10(1) that loans are to be the primary form of financial assistance considered by the Facility for all Investment Proposals and the Statement of Expectations (SoE) 2022 states that direct lending or direct equity should be called upon only in circumstances where protracted negotiations with a State or Territory on provision of financial assistance are putting at risk timely delivery of a project that would otherwise proceed with direct financing. This is in the context of the requirement (Investment Mandate 2023 and SoE 2022) that NAIF provide financial assistance through a State or Territory as the primary method of providing assistance.

Any equity investments made by NAIF must be between \$5 million and \$50 million per project, and it must not make more than \$500 million in equity investments overall. Equity investments made by NAIF must also not result in the NAIF or the Commonwealth taking a majority or controlling interest in a project.

Letters of credit, guarantees and similar instruments

Other financial assistance offered by NAIF may include letters of credit, the purchase of primary-issue bonds, debentures and other debt-like instruments. These have not yet been utilised by the NAIF and the current appropriation model may constrain their use.

Discussion Area 4: Are the current concessional financing products and services provided by the NAIF meeting the needs and interests of northern Australia?

Discussion Area 5: Are there other roles for NAIF other than as a provider of concessional finance?

Project assessment process

When making investment decisions, the NAIF conducts an initial high-level evaluation to ensure project eligibility against the mandatory criteria. If a project is found to meet the mandatory criteria, NAIF will then undertake a strategic assessment. The strategic assessment considers factors including the project business case, financial modelling, offtake agreements, relevant approvals and the project's potential to meet public benefit and Indigenous Engagement Strategy guidelines.

NAIF will also undertake the following due diligence assessments:

- credit risk analyses
- environmental and social impact
- compliance with the Australian Industry Participation Plan
- work health and safety accreditation.

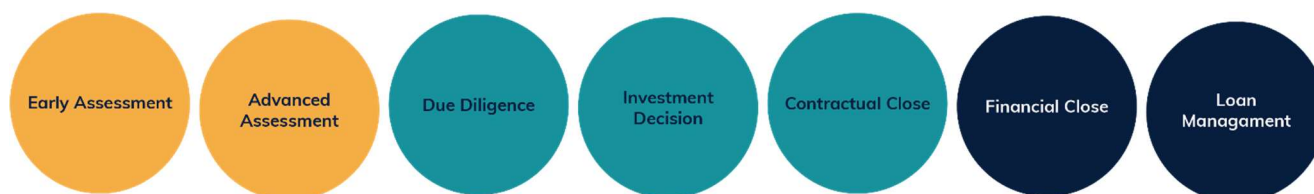


Figure 3 – NAIF's project assessment stages

Eligibility and project size

NAIF's feedback data (stakeholder engagement survey and project enquiries) indicate demand in the market for more small loan gap financing in northern Australia. Previous reforms to NAIF sought to increase its ability to deliver small loans through partnerships with regional financiers – leading to the establishment of the Northern Territory Government's Local Jobs Fund (see below).

Small loans partnership with the Northern Territory

NAIF is working with the Northern Territory Government by contributing up to \$50 million to the Northern Territory Local Jobs Fund (NTLJF). This investment gives eligible small and medium sized businesses in the Northern Territory access to loans of up to \$5 million (and up to \$10 million in some instances) through the NTLJF's Territory Infrastructure Loans program.

Over time NAIF's average loan has grown. Its average loan size for Investment Decision's made in its first 4 years was approximately \$92 million – and in the second 4 years it was \$141 million. While NAIF's lowest value loan is \$7.18 million, only 4 loans are currently less than \$20 million in value.

NAIF's website states that *"because of the high level of work required to carry out due diligence, assess public benefit, complete all documentation, and develop Indigenous Engagement Strategies, we primarily focus on providing loans above \$10 million."* These obligations may in practice enforce a floor for loan size under which it becomes untenable for proponents to seek NAIF financing. The NTLJ has different due diligence processes and a clear mandate to make small loans, but the low demand to date has meant no small loan agreements have yet (as at 31 July 2024) been entered into.

Discussion Area 6: Does the NAIF legislative framework or processes preclude small to medium enterprises from securing support for projects that will create economic and community development benefits?

Discussion Area 7: Is there an ongoing role for NAIF in small loans? In what circumstances?

Delivering economic and community outcomes

Supporting economic and community benefits

The NAIF is intended to support projects that demonstrate a tangible economic and community benefit to northern Australian communities.

Under the Investment Mandate, the NAIF must be satisfied the proposed project will produce benefits⁴¹ to the broader northern Australia economy and community beyond an economic return to the project. Such benefit could include, but it is not limited to:

- providing a basis for economic growth in the region or community such as by providing local employment opportunities (including employment opportunities for First Nations peoples), growing regional income, increasing sovereign capability, providing local procurement opportunities (including Indigenous procurement opportunities), or increasing business for local suppliers; or
- stimulating population growth by improving regional or community access to social infrastructure, for example social or affordable housing, or by increasing regional or community liveability or living standards.

To assess this, the NAIF requires proponents to undertake a public benefit assessment including quantitative forecasts on Direct Jobs and Indirect Jobs during life of the project and beyond. The expected value of the public benefit attributable to the north, must exceed the estimated value of any concessions offered.

Within 2 years of the project completion, NAIF is required to conduct a review of project performance and outcomes against the forecast at Investment Decision stage.

Discussion Area 8: Does the NAIF public benefit assessment process prioritise economic benefits over community development benefits? Should alternative methods be used to capture community benefits?

Supporting First Nations communities

First Nations people have a major presence in northern Australia, representing 17.4% of the total population in northern Australia, compared to 3.8% nationally.⁴² In addition, 78% of northern Australia is subject to some form of First Nations legal right or interest, most commonly Aboriginal Land Rights or Native Title.⁴³ Improving First Nations outcomes is key to the future economic development of northern Australia.

⁴¹ Source: NAIF Public Benefit Guideline March 2024

⁴² Bureau of Communications, Arts and Regional Research (BCARR) analysis of Australian Bureau of Statistics (ABS), Estimates of Aboriginal and Torres Strait Islander Australians, 30 June 2021 data, ABS website, 2023. Analysis based on Statistical Areas Level 2 for the mainland and Local Government Areas for Christmas Island and Cocos (Keeling) Islands

⁴³ Source: NAIF [website](#), accessed 19.08.2024

As at 31 July 2024, NAIF financing has created employment for more than 1,000 First Nations people, and NAIF funded projects have reported approximately \$70 million spent on First Nations procurement.⁴⁴ To support First Nations inclusion, the Investment Mandate requires projects to have an Indigenous Engagement Strategy (IES) in their proposals. Materially improving the lives of Indigenous people and communities is also an identified Government Policy Priority under the Investment Mandate.

The IES sets objectives for First Nations participation, procurement, training and employment to improve outcomes for the First Nations population in the region of the proposed project. The Investment Mandate states that these objectives should be designed in partnership with local First Nations people where possible and contain plans demonstrating a commitment to First Nations communities.

Project proponents must report regularly on achievements against the IES objectives to show their commitment to First Nations people throughout the project lifecycle. The Investment Mandate also requires NAIF to publish a summary of the proponent's IES within 30 days of an Investment Decision, and report annually on the non-financial outcomes of its Investment Decisions, including First Nations employment and procurement opportunities.

While NAIF has a performance target (2023-24) of supporting at least 2 projects annually with significant indigenous ownership, this target was not met in 2023-24 nor in 2022-23 (noting one such project in this year did progress to due diligence stage).

Discussion Area 9: How can NAIF best support the needs and interests of First Nations businesses, communities and First Nations capacity building through its investments?

Discussion Area 10: Is the Indigenous Engagement Strategy approach sufficient to support First Nations procurement and employment? How might this approach be improved or adapted?

Discussion Area 11: What are the impediments in First Nations led projects in meeting the requirements for NAIF concessional finance?

Other relevant matters

The Panel invites any additional insights or comments stakeholders would like to provide to inform the review and shape the future of the NAIF.

Discussion Area 12: Are there additional insights or comments you would like to offer as part of this review process?

⁴⁴ Source: NAIF [website](#), accessed 19.08.2024

Terms of Reference for the 2024 Northern Australia Infrastructure Facility Statutory Review

The *Northern Australia Infrastructure Facility Act 2016* (the NAIF Act) established the Northern Australia Infrastructure Facility (NAIF). The NAIF Act was previously reviewed in 2019-20, and subsequently amended 27 May 2021 extending the NAIF investment window to 30 June 2026. The NAIF Act was again amended on 4 July 2023, providing an additional \$2 billion to the NAIF – taking the total financing available to \$7 billion. The NAIF Act broadly creates opportunities for the NAIF to meet current and future challenges by supporting and/or aligning with broader Australian Government policy priorities, such as the Critical Minerals Strategy, Net Zero Policy and a Future Made in Australia Agenda.

Without limiting the matters to be covered by the review of the NAIF Act (the Review), section 43(2) of the NAIF Act stipulates the Review must consider the following in relation to the NAIF:

- whether the time limit of 30 June 2026 set out in section 8 of the NAIF Act for making decisions to provide financial assistance should be extended; and
- the appropriate governance arrangements for the NAIF after 30 June 2026.

In addressing the above matters, the Review should consider:

- the need for, and effectiveness of, the NAIF in facilitating and supporting the development of economic infrastructure across northern Australia;
 - including its value in supporting industry growth in northern Australia with publicly funded concessional finance, including assessing and determining the optimal level of concessionality;
- the appropriateness of NAIF's legislative framework, including the *Northern Australia Infrastructure Facility Investment Mandate Direction 2023* and rules made under the NAIF Act and eligibility criteria;
- the suitability and effectiveness of NAIF's products and services and finance delivery mechanisms beyond 30 June 2026;
- whether NAIF's administrative, governance (including legislative) and operating arrangements are fit for purpose, including reference to:
 - screening, due diligence, credit and risk assessment processes and management;
 - skills matrix for the Board and senior management;
 - joint ministerial roles and responsibilities;
 - appropriate structure and management of appropriation;
 - management (including risk management) and reporting of NAIF loan assets and associated impairments;
 - opportunities to improve the efficiency and effectiveness of loan delivery and management, including with reference to other Commonwealth Specialist Investment Vehicles; and
 - Australian Government policy and guidelines applicable to Specialist Investment Vehicles.
 - other learnings from, and collaboration and complementarities with, other Commonwealth Specialist Investment Vehicles.
- the appropriateness of the NAIF portfolio diversity to maximise growth in the north;
- opportunities to support greater engagement and inclusion of First Nations people and organisations in NAIF projects, including procurement and employment, and as project proponents; and
- other matters relevant to the operation of the NAIF Act.

An Independent Expert Panel (the Panel) will be established to undertake stakeholder consultation for the Review and prepare the final report.

The Panel members will be selected for expertise in regional development, public policy and infrastructure, which will enable them to make assessments based on a thorough understanding of the economic challenges faced by communities in northern Australia.

The final report should include recommendations on the NAIF Activities and governance arrangements of the NAIF after 30 June 2026.

Timing

The Review is to be finalised and a written report provided to the Minister for Northern Australia and the Minister for Finance on, or before, 15 December 2024.

Appendix B – Consultation summary

The Panel held 85 targeted meetings and attended 6 site visits between August and November 2024. The Panel visited Brisbane, Gladstone, Mt Isa, Townsville and Cairns in Queensland; Perth, Broome and Kununurra in Western Australia; and Darwin, Nhulunbuy and Alice Springs in the Northern Territory. Virtual meetings were also held where stakeholders were not able to meet in person.

Sector	Organisation
Commonwealth Government	Department of Infrastructure, Transport, Regional Development Communication and the Arts (DITRDCA) – Secretary
	DITRDCA – Regions, Cities and Territories Group
	DITRDCA – Finance, Budget and Governance Group
	DITRDCA – First Nations Partnerships Group
	DITRDCA – Legal, Legislation and Privacy Group
	DITRDCA – Office of Northern Australia
	Department of the Prime Minister and Cabinet – Infrastructure, Energy and Regional Branch
	Department of Finance – Secretary
	Department of Finance – Commercial and Investment Division
	Treasury – Secretary
	Treasury – Labour Market, Environment and Infrastructure Division
	Department of Industry, Science and Resources (DISR) – Secretary
	DISR – Minerals and Resources
	DISR – Sovereign Capability and Supply Chains
	DISR – AusIndustry
	Export Finance Australia
	Department of Climate Change, Energy, the Environment and Water (DCCEEW) – First Nations and Clean Energy Facilitation Branch
	DCCEEW – National Water Grid Branch
	National Indigenous Australians Agency (NIAA) – Eastern Group
	NIAA – West and South Group
	NIAA – Central Group

	Indigenous Land and Sea Corporation
	Infrastructure Australia
	Indigenous Businesses Australia
	Joint Select Committee on Northern Australia
NAIF	NAIF Board
	Executive Management Group
State/Territory Governments	Queensland Department of Regional Development, Manufacturing and Water
	Queensland Department of State Development and Infrastructure
	Queensland Department of Treaty, Aboriginal Affairs and Torres Strait Islander Partnerships, Communication and the Arts
	Queensland Department of Resources
	Queensland Department of Treasury
	Western Australia Department of Premier and Cabinet
	Western Australia Department of Treasury
	Western Australia Department of Jobs, Tourism, Science and Innovation
	Western Australia Department of Primary Industries and Development
	Western Australia Development Commissions
	Northern Territory Department of Chief Minister and Cabinet
	Northern Territory Department of Treasury and Finance
	Northern Territory Department of Trade, Business and Asian Relations
	Northern Territory Department of Mining and Energy
	Northern Territory Department of Planning and Logistics
	Northern Territory Developing East Arnhem Land

First Nations Organisations	Palm Island Aboriginal Shire Council
	On Common Country
	First Nations Chamber of Commerce
	Queensland Indigenous Business Network
	Karrajarrri Traditional Lands Association
	Kimberley Institute
	KRED Enterprises
	Kimberley Land Council
	Tiwi Land Council
	Arnhem Land Progress Aboriginal Corporation
	Gumatj Corporation
	North East Arnhem Land Aboriginal Corporation
	Central Land Council
	Anindilyakwa Land Council
	Centrecorp Aboriginal Corporation
	Centrefarm Aboriginal Horticulture
	Australian Venture Consultants
	Northern Australia Indigenous Reference Group
Local Governments	Cairns Regional Council
	Gladstone Regional Council
	Shire of Derby/West Kimberley
	East Kimberley Chamber of Commerce and Industry
	Shire of Wyndham/East Kimberley
Agriculture	Queensland Farmers Federation
	Kimberley Cotton Gin
	Humpty Doo Barramundi Farm
Education	James Cook University
	Charles Darwin University
Health	Marine Biomedical Facility
	Mater Health

Regional Development	Mount Isa to Townsville Economic Development Zone (MITEZ)
	Cooperative Research Centre for Developing Northern Australia
	Advance Cairns
	Gladstone Engineering Alliance
	Gladstone Industry Leadership Group
	Regional Development Australia - Kimberley
	Broome Chamber of Commerce
	Wunan Foundation
	NT Chamber of Commerce
Resources	Phosphate Resources Group
	Chamber of Minerals and Energy Western Australia
	Kimberley Mineral Sands
	Verdant Minerals
	Mineral Councils of Australia
	Rio Tinto
	Alpha HPA
Other	Airport Development Group
	Indian Ocean Territories Administrator
	Kirsty Moore
	NQ Spark

Appendix C – Submissions received

The Review received 40 submissions as part of its consultation process.

14 submissions were either provided on a confidential basis or did not meet the department's requirements for publication and are therefore not listed in this appendix.

Eligible submissions will be published on the department's [Have Your Say webpage](#).

1. Aboriginal Investment NT
2. Administrator for Christmas Island and Cocos Keeling Island
3. Advance Cairns
4. Australian Conservation Foundation
5. Australian Workers' Union
6. Chamber of Minerals and Energy Western Australia
7. Clean Energy Investor Group
8. Cooperative Research Centre for Developing Northern Australia
9. David Donohue
10. Environmental Justice Australia
11. Indigenous Land and Sea Corporation
12. Indigenous Reference Group
13. James Cook University
14. Joseph O'Brien
15. Kimberley Land Council
16. McKinlay Shire Council
17. Michael Dillon – ANU
18. NAIF
19. National Native Title Council
20. Northern Regional Development Australia Alliance
21. NT Government
22. Office of Township Leasing
23. PRL Group
24. Regional Development Alliance Kimberley
25. Selectability
26. Shire of Broome