

# Submission to the NAIF Review

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## Introduction and Overview

As the Independent Chief Scientist for CRCNA, and as a research specialist in the analysis of complex governance systems associated with the future of northern Australia, I welcome the opportunity to both meet with the Review Panel, and to present this follow up submission to the NAIF Review. This submission should be read in conjunction with the submission separately prepared by CRCNA.

By way of broader background to my input, two specific documents have been developed to inform both the review of the Developing Northern Australia Whitepaper Action Plan, as well as the NAIF Review. The first of these, **Attachment 1**, provides a synthesis of research and other review processes related to the success, or otherwise, of the implementation of the original White Paper Action Plan. This now published paper makes a range of observations and recommendations associated with the NAIF, but also in relation to the need to support the development of a much stronger pipeline of commercially viable investment proposals headed towards NAIF (or indeed other forms of) investment. The second document (**Attachment 2**) delves deeper into the specific need for a place-based backbone institution that could service the development of such a pipeline to the NAIF (and the ONA and Min Forum) to improve its efficiency and impact in the north.

### *Securing the Continuation of the NAIF*

Emerging from the synthesis paper (**Attachment 1**), key points of relevance to the Review include:

- **Recommendation 15** specifically sought to see the Commonwealth “commit to at least multi-decadal permanency for the NAIF, perhaps bolstered and enhanced by handing appropriation of NAIF loan interest earnings back to the NAIF, but also enabling strategic investment into other key steps in the investment pipeline”.
- **Recommendation 14** encouraged the Commonwealth to “continue to encourage innovation and flexibility in the operation of the NAIF to improve jurisdictional cooperation, increased capacity to finance small to medium proposals, and increased capacity to broker across Commonwealth, State and Territory concession loan facilities”; and
- Because of the important role of research funded to underpin economic productivity in the north, **Recommendation 1** encouraged the Commonwealth to “through the Commonwealth Department of Industry, commence the processes to enable a continuing CRC-style investment into foundational research, development, extension and innovation on issues required to underpin a long term private and public sector investment pipeline for at least another ten-year period beyond June 2027. These should continue to include agriculture,

aquaculture, Traditional Owner led development and health services, while extending into tourism, decarbonisation, and the wider social determinants of disadvantage in the north”.

#### *Towards a Place-Based Backbone Institution*

Of particular importance to the increased efficiency and impact of the NAIF as raised in the synthesis paper (**Attachment 1**), I have developed a more specific companion document (**Attachment 2**) which explains that, for the Developing Northern Australia agenda to be achieved and to be effective, much more work needs to be done to build the pipeline of diverse and commercially viable proposals for NAIF (and other forms of) investment. To overcome current NAIF limitations, this would mean a focus on building small and medium sized projects, more Indigenous-led projects and projects better servicing remote and rural communities. Particular attention could also be given to other areas of Commonwealth policy priorities, including the net zero transition and decarbonisation, Future Made in Australia, improved housing and Closing the Gap agenda.

I specifically suggest that improved investment pipeline support efforts need to include:

- Research, development and extension (RD&E);
- Human and institutional capacity building;
- The strengthening of First Nations institutions;
- Place-based partnership building (particularly for supply chain development);
- Land use planning and infrastructure planning;
- Feasibility assessment and improved development assessment;
- Greater finance brokerage and closure (from all investment sectors);
- Public sector investment in major enabling infrastructure; and
- Increased promotion and negotiation of northern Australian trade opportunities, particularly within the Indo Pacific region.

I raise these points as, while the NAIF is increasingly successful, under the current arrangements, the investment tends to mainly benefit large corporates and regional cities. Because so much work is needed to overcome barriers to investment, small to medium enterprises, traditional owners, and rural and remote communities tend to be marginalised from securing investment, while also being less able to take economic advantage of major NAIF-funded proposals. There would be value in doing deeper economic analysis of this key problem, which has now been formally identified through the deep governance system research undertaken through the CRCNA’s derisking investments.

The resolution of these issues, however, is very much able to be resolved, and hence my call in **Recommendation 26** of **Attachment 1** to “as a key initiative in the Refresh Action Plan, commit to CRCNA working together with ONA, NAIF, the jurisdictions, RDAs, Local government, the IRG and industry in designing, developing and establishing a long-term place-based backbone institution that can enable collective impact approaches to problem solving within the investment pipeline. It should be recognised and invested in as a key part of the long term northern Australian investment pipeline architecture and as an additional strategy to achieve the high-level objectives of the *NAIF Act*”.

To create a basis for durable and sustainable investment in this arrangement, my final **Recommendation 27** in **Attachment 1** has suggested that the Commonwealth needs to “ensure durable investment in key non-government institutions of importance to the overall northern investment pipeline (particularly the NAIF and a new place-based backbone institution) by transferring appropriation responsibility for NAIF interest income back to the pipeline”.

Importantly, the legislative foundations for the establishment of such a place-based backbone institution could also be formally recognised through either amendment of the *NAIF Act*, or more simply through the expansion of the existing NAIF mandate, investment categories or operational procedures. This would provide institutional clarity, purpose and longevity for such an institution.

#### *Keeping a Focus on Major Enabling Public Infrastructure*

Also of final importance to the NAIF Review, I wish to ensure that the Developing Northern Australia agenda does not lose its current (non-NAIF funded) focus on major publicly-funded enabling infrastructure in northern Australia (e.g. via the Beef Roads, Strategic Roads and ROSI packages and shared investments in Queensland like the Bruce Highway and Cape York Infrastructure Packages). As a result, in the synthesis report (**Attachment 1**):

- **Recommendation 16** specifically suggests that the Commonwealth “within the outcomes of the Action Plan refresh, commit to CRCNA, Infrastructure Australia (IA), ONA, IRG and the WA, NT and Queensland jurisdictional leads working closely together to develop a No Regrets Enabling Infrastructure Package by December 2024. As per Ministerial Forum discussions, priorities would focus on increasing climate resilience in transport networks, strengthening Indo-Pacific and ASEAN supply chain, and relieving social and economic disadvantage in remote and Indigenous communities”;
- **Recommendation 17** further suggests that “in association with this process, by December 2024, develop the partnership arrangements and longer-term supply chain modelling required to develop a transformational Northern Australian Major Enabling Infrastructure Program by December 2026 that meets Commonwealth, WA, NT and Queensland infrastructure investment priorities and principles; and finally
- **Recommendation 18** recommended that the Commonwealth “extend and expand the Northern Australian Digital Infrastructure Package, including place-based partnership building components, until at least 2026”.

I strongly suggest that the facilitation of cooperation arrangements across northern Australian regions, the jurisdictions and the Commonwealth regarding such large-scale public infrastructure investment programs, while currently being supported by current CRCNA research networks, should be one of the key responsibilities that could eventually be taken on by the proposed place-based backbone institution to be established within the context of an enhanced NAIF mandate.

## **Specific Responses Against the Review Terms of Reference**

The following provides a simple alignment of the above points against the NAIF Review TOR.

*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.*

Yes, the NAIF should be given permanency or longevity, at least to 2050, as the NAIF is delivering substantial and demonstrable benefit to the development of northern Australia.

*The need for, and effectiveness of, the NAIF in facilitating and supporting the development of economic infrastructure across northern Australia*

The NAIF has become an essential part of the governance architecture for the Whitepaper on Developing Northern Australia. More effort, however is needed to invest in precursory activities

across the north to build or service the development of a stronger and a more effective, need-based investment pipeline to NAIF (and/or other sources of development project investment).

*The appropriateness of NAIF's legislative framework or mandate and the appropriate governance arrangements for the NAIF after 30 June 2026.*

No specific changes to the *NAIF Act* are suggested here, though there would be value in broadening the purpose of the Act to better define the Commonwealth's wider role in facilitating northern development consistent with the intent of the Whitepaper.

The mandate of the NAIF (or the rules made under the *NAIF Act* and its eligibility criteria) should be expanded to enable it to support the establishment of a strong place-based backbone organisation, and to devolve funding to that institution that would enable the establishment collective action approaches to identify and resolve priority problems that exist in the current investment pipelines and to establish programs or projects that would service/enhance the resolution of these issues. This should include the appropriation of NAIF interest earning back into the NAIF/investment pipeline.

*The suitability and effectiveness of NAIF's products and services and finance delivery mechanisms beyond 30 June 2026 and appropriateness of the NAIF portfolio diversity to maximise growth.*

While the NAIF already has a strong suite of services and products, more focussed effort is needed to encourage innovation and flexibility in NAIF's operation to:

- Increase capacity to finance small to medium proposals and to fund projects more directly;
- Focus more effort on a wider range of Commonwealth policy areas, but specifically Closing the Gap, Net Zero, Critical Minerals, Future Made in Australian and housing policies;
- NAIF playing a role in increasing trade relations and investment cooperation between Northern Australia and near IndO Pacific should also be considered; and
- Increase the capacity of NAIF to broker project investment across Commonwealth, State and NT concession loan facilities or other special investment vehicles (e.g. CEFC, the RIC, etc).

*Whether NAIF's administrative, governance (including legislative) and operating arrangements are fit for purpose.*

I make no specific recommendations here about the NAIF's administrative operation and governance.

*Opportunities to support greater engagement and inclusion of First Nations people and organisations in NAIF projects.*

The key recommendations suggested elsewhere here are essential to improve the inclusion of First Nations people in the investment pipeline leading up to NAIF investment. More specific investment products and resources also need to be allocated to enhance project opportunities for First Nations.

*Other matters relevant to the operation of the NAIF Act.*

To secure certain types of major enabling infrastructure across the north (e.g. major road networks), there remains an important role for purely public sector (and bilateral or trilateral) investment in infrastructure. NAIF, CRCNA, Infrastructure Australia (IA), ONA, IRG and the WA, NT and Queensland jurisdictional leads need to working closely together to develop a long term and major enabling infrastructure package under some form of Federation Funding arrangements into the future.