



Fazian Zainal

Administrator of Christmas Island
Administrator of the Cocos (Keeling) Islands

Submission to the 2024 NAIF Review

In the short period of 16 months that the Indian Ocean Territories (IOT) of Christmas Island and the Cocos (Keeling) Islands have been able to access the NAIF scheme, a number of proponents have reached out to NAIF to discuss their proposals. While none have yet advanced to the investment stage, I am very pleased at the potential opportunities for development that access to the NAIF scheme provides. However, in order for the IOT to really benefit, I request the review panel consider two important changes to the existing arrangements. The first is to extend the deadline for investment decisions beyond the current legislated date, and secondly to significantly reduce the lower limit for the value of projects considered for NAIF financing.

Both of the Indian Ocean Territories, but particularly Christmas Island, will undergo a significant economic restructure over the next decade as the mining of phosphate, which has for decades been the main source of economic activity on Christmas Island, comes to an end. Work has already 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 many years. If the current time limit of 30 June 2026 for investment decisions could be extended by a period of 5 or more years, it would provide an opportunity for new projects to be developed and implemented throughout this transition period.

While there has been interest from proponents in accessing NAIF loans in the IOT, the greatest hurdle has been developing projects on a large enough scale (exceeding the current \$10 million threshold) for consideration by the NAIF investment board for financing. A number of the proponents that have expressed an interest to NAIF had proposals that don't meet this threshold and so are unable to benefit from the scheme. The current expectations are that the economic activity generated by the phosphate mine on Christmas Island will not be replaced by a single industry or development, but rather by a number of smaller scale operators working across a broader range of industries. These operators will be crucial to the future economy of the IOT, but without concessional financing on a scale that matches the size of the projects, there is a very real risk that these projects won't get off the ground.

There are inherent challenges to doing business in the IOT, including the remote location, tropical climate, challenging supply chain and relatively thin markets. As a result, acquiring finance through commercial markets can be very difficult and in some cases impossible. Despite the challenges, the IOT have an abundance of natural, cultural and geographic benefits that offer ripe opportunities for the successful development of new industries that would provide long lasting benefits to the communities and to Australia. If the threshold for NAIF financing could be lowered to as little as \$100,000, I expect that it would have a significant impact on the amount of economic activity in the IOT. New economic activity and infrastructure financed by concessional NAIF loans is likely to lead to further development as confidence and wealth grow within the community. Without the initial impetus that access to small scale loans would provide, I fear that the economic diversification of Christmas Island, away from mining, will be far more challenging and uncertain.



The engagement to date by NAIF officials with the community, project proponents and myself has been very positive. I am grateful for their work and hope the two modifications to the current scheme that I have proposed can be enacted so that we can continue working together to encourage and enable new developments that will provide benefit to the IOT community.

Thank you for the opportunity to provide a submission to this review.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Farzian Zainal', is positioned below the closing 'Yours sincerely,'.

Farzian Zainal
Administrator of Christmas Island
and Cocos (Keeling) Islands

11 October 2024