



Australian Government



Northern Australia Infrastructure Facility

2024 NORTHERN AUSTRALIA INFRASTRUCTURE FACILITY

Statutory Review Submission

SEPTEMBER 2024



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Message from the NAIF Board



On behalf of the independent Board and as the Accountable Authority of the Northern Australia Infrastructure Facility (NAIF), we welcome the opportunity to provide this submission to the 2024 Northern Australia Infrastructure Facility Statutory Review.

Since commencing operations in 2016, NAIF has supported and delivered a portfolio of ambitious and transformational projects designed to grow the economy of northern Australia for decades to come.

NAIF is playing a crucial role in boosting infrastructure development in northern Australia, through financial assistance that supports the economic and social development of the region.

NAIF supports projects that deliver public benefit to

the north, through new jobs, regional income, business for local suppliers and Indigenous employment, training and procurement opportunities. We help grow economies and populations and encourage private sector investment in all industries including agriculture and water, energy, financing partnerships, social infrastructure, resources, critical minerals and transport and logistics.

The total value of the organisation's committed investment as at 31 August 2024 is ~\$4.7 billion. Projects supported by NAIF are forecast to generate ~\$40 billion in economic impact across the lifetime of the projects and support more than 20,000 jobs. The public benefit to NAIF loan ratio is now at 8:1 which clearly highlights the significant positive impact the NAIF supported projects have for northern Australia.

Unlike other Specialist Investment Vehicles (SIVs), every project partnered with NAIF is required to have a sustainable and achievable Indigenous Engagement Strategy (IES) and we remain committed to furthering the expansion and promotion of Indigenous opportunities and outcomes.

NAIF's proponents report the creation of over 1,100 Indigenous jobs across their various projects in the north. These new jobs will help bring a pathway to economic independence, skill development, positive social outcomes and in many cases, will go beyond entry level roles and into high-quality long-term careers for local families.

Economic and social benefits are also flowing with proponents spending over \$82 million to Indigenous businesses, helping nurture Indigenous entrepreneurship and business growth.

In training and sponsorship, NAIF-supported projects spent a total of ~\$3 million supporting Indigenous Australians with the skills and knowledge necessary to thrive in an evolving economic landscape.

Interest in NAIF's expertise, capabilities and access to finance remains strong, with a pre-investment pipeline representing over \$3 billion in potential future loans. To that end, NAIF recognises that the Independent Review will assist NAIF to further sharpen its focus to align with community expectations, Government's commitment to the north, and NAIF's responsibility as the centrepiece of the Government's northern Australia agenda as recently confirmed within the Northern Australia Action Plan 2024–2029 (Action Plan).

The NAIF Board and Executive team look forward to discussing this submission with the review panel to provide further information as required.

Yours sincerely,

The NAIF Board

Executive Summary

Since NAIF's inception in 2016, NAIF has embarked on a transformative journey focused on enhancing capacity development, refining risk governance frameworks, building governance expertise and advancing project delivery.

With a commitment to maturity and sustainability, NAIF has consistently evolved to meet the demands of complex projects while strengthening its governance and strategic execution capabilities.

NAIF plays a key role in advancing the Commonwealth's broad policy objectives with our investments contributing to building a sustainable and resilient economy, fostering local employment opportunities, improving the lives of Indigenous people and communities, advancing climate change and circular economy principles, investing in renewables and realising the Government's Critical Mineral Strategy.

As the cornerstone of the Government's northern Australia agenda, NAIF also plays a key role in advancing the refreshed policy framework outlined in the Action Plan. The Action Plan's six priority areas align closely with NAIF's mandate, providing a clear strategic direction for future investment in the region. These priority areas include:

- activating the northern economy;
- infrastructure to unlock growth;
- a safe and secure north;
- growing the northern Australia workforce;
- liveability, healthy and resilient communities; and
- protecting the north's environmental and cultural heritage.

The key future drivers for NAIF are to continue to build and expand on its offerings in northern Australia and advance the Action Plan's priority areas.

This submission responds to the 12 Discussion Areas within the 2024 Independent Review of the Northern Australia Infrastructure Facility Act 2016 Discussion Paper (Discussion Paper) and includes recommendations that address these Discussion Areas. These recommendations include:

- remove the time limit for making decisions to provide financial assistance;
- establish a NAIF Special Account, transfer NAIF's appropriation to a NAIF balance sheet and define a recycled loan funding model;
- enable NAIF to fund general corporate purposes;
- enable NAIF to reprice its existing loans and to refinance existing debt without the creation of new capacity;
- strengthen NAIF's ability to provide concessional loans on a direct basis;
- notionally set aside an appropriation amount to support projects with significant Indigenous ownership with tailored risk appetite parameters;
- make equity investments for the development of the Indigenous estate;
- calibrate the Minister for Northern Australia's veto obligations to NAIF loans of greater value; and
- update the Master Facility Agreements with each of the jurisdictions to align with Government's implementation of the review panel's recommendations.

While NAIF is having considerable success with its IES outcomes across its projects, there has been minimal success in providing financial support to Indigenous led businesses and projects. Many of NAIF's recommendations are focused on increasing NAIF's ability to support this important sector into the future.

NAIF's establishment, maturity and effectiveness in infrastructure investment and support across northern Australia

NAIF is a corporate Commonwealth entity that was established under the *Northern Australia Infrastructure Facility 2016 Act* (NAIF Act). NAIF provides a broad range of financial assistance to infrastructure projects in northern Australia across the Northern Territory, parts of Queensland and Western Australia and the Indian Ocean Territories.

NAIF is governed by a Board of Directors with extensive experience and expertise in northern Australia across a range of sectors, including infrastructure, government, finance, construction and law. NAIF has a talented team with extensive experience as lenders and financial advisors in institutional and commercial banks, and team members with specialist legal, stakeholder relations and communications, risk and governance, Indigenous engagement and corporate administration expertise.

NAIF's projects deliver public benefits to northern Australia by improving infrastructure and essential services. These projects enhance the quality of life for residents, provide better access to healthcare, education, transportation, and other public amenities, leading to improved living standards.

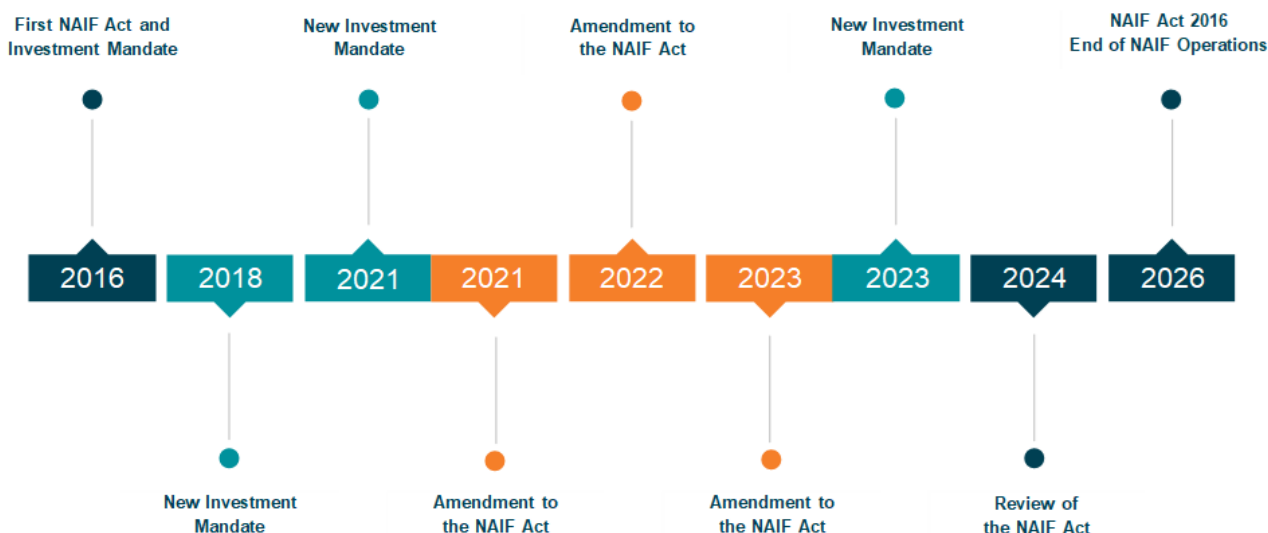
NAIF receives applications for finance from interested proponents. The applications are processed through NAIF's investment gateways involving various stages of assessment, due diligence, and approval by NAIF. These stages are:

- **Early and Advanced Assessment** – NAIF evaluates the proponent's project against the mandatory eligibility criteria and Government's policy priorities, as set out in the *Northern Australia Infrastructure Facility Investment Mandate Direction 2023* (IM). If the project is assessed as having the potential to meet the IM's criteria, NAIF will undertake a strategic assessment and prepare a Strategic Assessment Paper for the Board's consideration to determine if the project should progress to the due diligence stage.
- **Due Diligence** – when endorsed to enter the due diligence stage, NAIF undertakes detailed project due diligence and requires the proponent to submit a Formal Investment Proposal. If all criteria are met, NAIF will prepare an Investment Decision Paper for the Board's consideration.
- **Investment Decision** – should the Board support the project and make an Investment Decision, a Proposal Notice is issued to the Minister for Northern Australia for their consideration which may result in notification that financial assistance should not be provided. The grounds on which such a decision can be made are listed in section 11(5) of the NAIF Act. If the Minister does not make such a decision, the project proceeds to documentation, and once agreed between the respective parties, contractual close.
- **Contractual Close** – all legal, financial and administrative aspects of the project are finalised and documented in formal legally binding agreements.
- **Financial Close** – all financial agreements, contracts and commitments are formalised, conditions precedent are satisfied, and the relevant funds are either transferred or made accessible to the proponent.

NAIF has shown that it is adaptable to change whilst it acknowledges the unique and complex challenges faced by northern Australia, such as lower population density, labour shortages, limited economic diversity and access to finance. Similar challenges also include higher supply costs, challenging geographies and extreme weather patterns limiting access to insurance, and lack of connectivity. NAIF is aware of these challenges and is committed to addressing them through targeted investments in community, social, and infrastructure development.

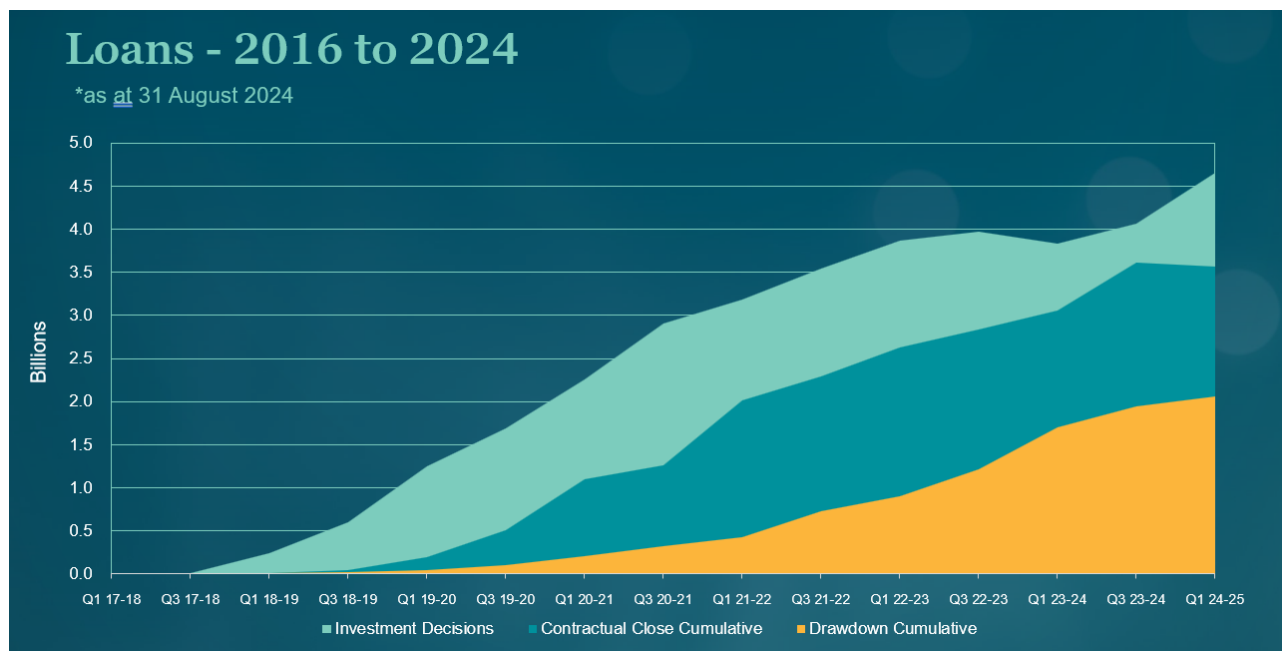
This positions NAIF as a proactive solution to the challenges faced by the region, emphasising its role in providing financial support and facilitating the necessary investments to unlock the north's potential and address its unique circumstances.

Following NAIF's establishment in 2016 and the implementation of recommendations from several external reviews previously undertaken on NAIF's effectiveness and subsequent key legislative changes, NAIF's key role in the development of northern Australia continues to strengthen. The graph below illustrates NAIF's evolution since inception.



Graph 1 – NAIF's evolution since inception.

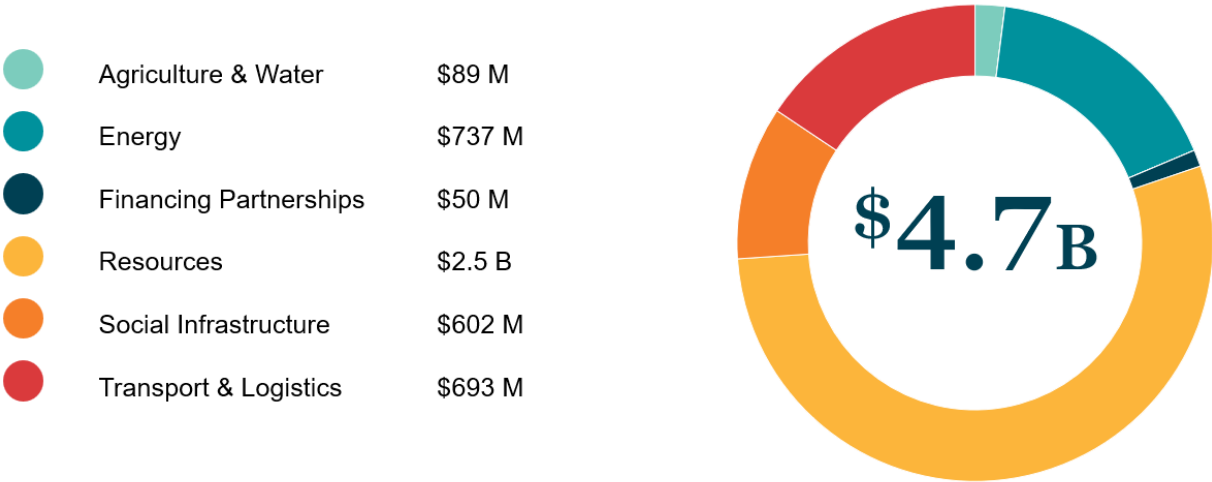
NAIF's effectiveness in supporting an increasingly broad range of infrastructure is illustrated in the graphs below, showing NAIF's Investment Decisions and drawdown of funds has continued to increase over time and supports broad sector diversity. A map of all Investment Decisions made by NAIF since inception is also provided in **Attachment 1**.



Graph 2 - Total NAIF loan value for Investment Decisions, Contractual Close and drawdown of funds since inception.

Support by sector

Total Cumulative as at 31 August 2024



Graph 2 – Total NAIF loan value by sector for Investment Decisions.

Support in expanding NAIF’s total appropriation to \$7 billion, receipt of Ministerial Statements of Expectations (SOE), and renewed guidance on Government Policy Priority Areas as detailed within the IM has assisted NAIF to further refine its processes and mature as a high performing corporate Commonwealth entity. This maturity has been aided by recent changes to the Board, Executive team and a stronger presence of NAIF employees in the north, with NAIF’s head office in Cairns home to over half of all NAIF employees.

After eight years of operation and continuing evolution, the organisation is now well placed to take full advantage of the review process and the benefits that could be realised through this process to deliver continued economic growth across the north.

The employees at NAIF are a dedicated team of professionals with diverse backgrounds and extensive expertise in infrastructure financing, government, project management, investment evaluation, and regional development. Collectively, this brings a unique wealth of knowledge and experience to balance the challenges faced in northern Australia. A significant amount of work has been undertaken internally within NAIF to focus on culture and drive high performance team outcomes. NAIF’s recent (2024) cultural survey results place NAIF within the top 25 percentile of comparable organisations, and similarly, the Board’s recent external review of its effectiveness place this key governance control within a high percentile of comparable organisations. These external validations further demonstrate NAIF’s continued evolution following the most recent Statutory Review by Government in December 2020 (2020 Statutory Review).

NAIF’s strong collaborative values and openness to share its learnings and experience has resulted in strong connections with NAIF’s responsible Ministers, the Minister for Northern Australia and the Finance Minister, and other elected representatives, Government Departments and Agencies (e.g. Clean Energy Finance Corporation (CEFC), Export Finance Australia (EFA), Indigenous Business Australia (IBA), National Indigenous Australians Agency (NIAA), National Reconstruction Fund Corporation, Office of Northern Australia, State and Territory governments and State and Council Committees. NAIF’s strong connections also extend to a broad range of Industry Groups and Associations and Indigenous Associations. This collaborative approach leverages the expertise and resources of multiple stakeholders to create an environment conducive to successful investments.

NAIF recognises the importance of Indigenous engagement in northern Australia. The organisation actively seeks opportunities to collaborate with Indigenous communities, fostering economic and social outcomes that are inclusive and respectful of traditional owners and their cultural heritage.

At the forefront of NAIF's priorities lies the IES, serving as a flagship initiative. NAIF's projects create employment and training opportunities for Indigenous individuals and communities. These initiatives focus on skills development, vocational training, and job creation, contributing to increased Indigenous workforce participation and economic empowerment. This program sets NAIF apart from other SIVs and is dedicated to implementing a holistic strategy aimed at promoting Indigenous involvement, procurement, and employment within infrastructure projects across northern Australia. NAIF is also currently assisting other SIVs in understanding how NAIF's contractual and IES frameworks deliver sustained Indigenous outcomes that are centrally supported by NAIF's strong Indigenous Outcomes team with strong First Nations representation. The total IES outcomes achieved by NAIF supported projects as at 12 September 2024 is provided at **Attachment 2**.

Notwithstanding the success of NAIF's IES processes and outcomes, NAIF's ability to support projects with significant Indigenous ownership is constrained by NAIF's legislative framework. Several recommendations seek to remove these constraints and are focused on increasing NAIF's ability to support this important sector into the future.

The 12 Discussion Areas below cover areas and topics that overlap within NAIF's day to day activities and its future ambitions. NAIF has detailed the key matters and recommendations related to each respective Discussion Area and notes the interconnectivity of the 'NAIF Responses' and 'NAIF Recommendations' across multiple Discussion Areas.



Cairns Seniors Community Housing Project



NAIF CEO and members of NAIF's Indigenous Outcomes Team

1. 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?

1.1. NAIF Response

The challenges experienced by projects in the north securing commercially viable financing are well documented, including within the White Paper on Developing Northern Australia, the Australian Government response to the Senate Select Committee report: *Effectiveness of the Australian Government's Northern Australia Agenda*, and the *Northern Australia Action Plan 2024 – 2029*.

These empirical assessments support NAIF's own 'on the ground' experience and Stakeholder Engagement survey feedback with proponents that stretch from ASX listed entities to family run operations who continue to face challenges in accessing capital from commercial markets, in part due to distance, remoteness and climate. Common across this spectrum are associated challenges with securing insurance, skilled labour and residential accommodation, and supply chain inputs. These combined geographically unique challenges require NAIF's continued assistance to further grow investment, create jobs and support development across the north by leveraging NAIF's extensive experience and networks to de-risk investment opportunities and crowd in private sector investment.

NAIF's early support of projects in the north has assisted many projects to secure further commercial funding, albeit with shorter tenors and cashflow prioritisation, which has assisted commercial lenders to appropriately price within their respective risk appetites.

Notable examples include supporting a port upgrade project in Western Australia to develop their business case to a level that would support their NAIF application, who were then able to use this to obtain finance from the commercial market; and a worker accommodation project (also in WA) where again NAIF's involvement assisting the structuring of the transaction allowed the project to access funding in the commercial market.

The experience of early collaboration with EFA during NAIF's establishment underscored the importance of co-operation and collaboration between SIVs. It also subsequently illustrated the importance of NAIF having its own inhouse origination function, and subsequently its own portfolio management function, and the management of the operating finance function. All of which were required to be tailored to unique mandate requirements and supported by an accommodative risk appetite framework. NAIF has also continued to insource other support functions, initially undertaken by EFA, which has assisted NAIF to more efficiently fund projects outside of EFA's mandate and risk appetite. NAIF continues its strong culture of collaboration across other SIVs and Government Departments, including most recently the National Reconstruction Fund Corporation, the Net Zero Economic Authority, Housing Australia and NAIF's voluntary participation within the Department of Finance's Commonwealth Climate Disclosure Pilot.

Strong relationships with key stakeholders and extensive experience in guiding, assessing and delivering complex infrastructure projects in the north, along with assisting troubled and impaired projects, has enabled NAIF to develop an extensive body of knowledge that is unparalleled. This experience underpins many of NAIF's recommendations within this submission.

NAIF's established risk appetite for loan terms with longer maturities that are often accompanied with concessional interest rates, extended periods for interest capitalisation and deferral of loan repayments or other repayment schedules have required explanation with proponents to contextualise the sunset date within section 8 of the NAIF Act. NAIF's potential legislated closure from 30 June 2026 and its inability to make new Investment Decisions from this date creates uncertainty with proponents progressing through NAIF's pipeline. Particularly noting some proponents take over a year to progress through NAIF's project assessment process to secure a NAIF Investment Decision. Following an Investment Decision, it may take anywhere from a few

months to 18 months (in some instances longer) for the project to secure the required regulatory approvals and other conditions precedent to reach financial close and the disbursement of funds.

Uncertainty is also created within NAIF which results in reluctance to commit to capital investments to support further efficiencies within the business (most notably within NAIF's digital ecosystem) and shortens the runway for strategic planning. Removing the sunset date and perpetually enshrining political support within the NAIF Act, along with providing certainty of its funding arrangements (discussed below in Discussion Area 3) will remove these limitations. This would also provide certainty to strengthen NAIF's employee value proposition and affirm and strengthen NAIF's platform and ability to address the challenges experienced by projects and communities in the north and assist NAIF to adapt to new challenges as they arise.

1.2. NAIF Recommendation

Government to remove the 'time limit for making decisions to provide financial assistance' within section 8 of the *Northern Australia Infrastructure Facility Act 2016*.



Besix Watpac Project Manager with First Nations employee and NAIF Indigenous Outcomes representative at the JCU Engineering and Innovation Place, Townsville, QLD.

2. 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?

2.1. NAIF Response

Since 2016, NAIF's legislative framework has evolved to assist the growing role for NAIF as it supports an increasingly wide range of proponents and sectors, from large scale green field mining operations, to agriculture, social infrastructure and brownfield expansions that generate economic growth and prosperity for their regions.

NAIF's support of 34 projects (representing 39 Investment Decisions as at 31 August 2024) across this diversity demonstrates success from working within NAIF's current legislative framework and that the combination of the NAIF Act, IM and supporting SOEs and the NAIF Board's responses through its Statement of Intent, provides a comprehensive and dynamic framework that guides NAIF in the delivery of its objectives.

NAIF has supported projects with loans between \$7.2 million and \$610 million and loan tenors of just under five years to 24 years. The current legislative framework has not restricted the projects that NAIF can potentially be involved in.

2.2. NAIF Recommendation

Notwithstanding this submission's Responses and Recommendations to amend both the *Northern Australia Infrastructure Facility Act 2016* and the *Northern Australia Infrastructure Facility Investment Mandate Direction 2023*, NAIF's current legislative framework effectively enables NAIF to support a broad range of project types and that is delivering sustainable social and economic growth.

3. 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?

3.1. NAIF Response

The current approach to appropriate NAIF through the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (Department) creates additional governance and oversight arrangements that are unique to NAIF and not replicated with other SIVs. This may have been appropriate at NAIF's inception and for a small number of billion-dollar loans; however, as NAIF's portfolio of projects has demonstrated, smaller projects and smaller loan sizes are also capable of delivering transformational change.

In keeping pace with this evolution, NAIF's internal governance frameworks and controls have adapted and matured and are regularly reviewed (internally and externally) and appropriate to NAIF's organisational footprint. These frameworks and controls also align with NAIF's risk appetite statement which is approved by the Board in consultation with NAIF's responsible Ministers. Key to NAIF's risk appetite statement, and indeed the NAIF Act and IM, is an acceptance for where NAIF operates within the risk curve and acceptance of financial loss without fully pricing the expected credit loss.

Appropriating NAIF through the Department's balance sheet and administering all NAIF loan payments and repayments (and associated balance sheet assets and impairments) through its accounts, creates 'accountable authority' obligations in relation to NAIF's activities for the Department under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). These obligations primarily relate to the proper use and management of public resources, financial sustainability, maintenance of systems relating to risks and control and keeping NAIF's responsible Ministers informed. These obligations equally apply to the NAIF Board as NAIF's 'accountable authority'.

This arrangement results in a misalignment of risks within the Department, in that the Department bears the risk of ownership of these assets (being loan funding and loan receipts), including the risk of loss, with little to no control over decision making regarding the commitment of funds. The duplicate 'accountable authority(s)' creates shared risks between NAIF and the Department that requires significant and ongoing work to manage and ensure the Department is sufficiently informed to discharge its PGPA Act responsibilities.

Tension is also created between the two entities' risk and tolerance levels with NAIF established to operate in a high-risk environment where it is accepted that some investments may not realise their expected returns, in contrast with the Department's lower risk appetite and tolerance for financial risks and monetary loss.

As a corporate Commonwealth entity with a Board independent from Government (noting there is an ex-officio Director from the Department on the NAIF Board), the ownership and management of these assets would ordinarily be NAIF's sole responsibility for which it is appropriately experienced to fulfill and discharge. This would include responsibility to manage financial statements (balance sheet, income statement, profit and loss etc.) and their associated disciplines. Removing the Department's intermediation of NAIF's appropriation would also materially reduce the shared risks between NAIF and the Department, reinforce independence of the NAIF Board, and reduce the requirement for Departmental review and oversight of NAIF loan disbursements, with the advantage of facilitating the recycling of principal and interest receipts for new NAIF Investment Decisions.

NAIF's \$7 billion appropriation is forecast to be committed within the next three years or potentially before. A recycling funding model presents a performance-based alternative funding source to NAIF over the longer term to sustainably invest in northern Australia whilst minimising further appropriations from Government. This model supports alignment between control and responsibility relating to the ownership, risks and rewards of these assets on a NAIF balance sheet. This model has demonstrated successful outcomes with CEFC and IBA and is noted as a recommendation within the recent review of the operation of the *Regional Investment Corporation Act 2018* undertaken by Wendy Craik AM.

NAIF's higher risk appetite for factors unique to northern Australia and its concessional loans, acceptance of credit losses and potential erosion of capital will create financial reporting complexities which we welcome the opportunity to discuss with the review panel.

3.2. NAIF Recommendation

Government to amend the *Northern Australia Infrastructure Facility Act 2016* to:

- a. establish a Special Account and transfer NAIF's appropriation to a NAIF balance sheet; and
- b. define a recycled loan funding model.

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

4.1. NAIF Response

The Department recently undertook a review of the IM and consulted with NAIF on its proposed amendments. NAIF regards the amendments that were subsequently enacted in December 2023 as clarificatory with discussions and assessment on material and impactful changes postponed until the completion of this Statutory Review of NAIF. This Discussion Area details the following key requests that would enhance NAIF's ability to deliver economic impact in northern Australia:

- enable NAIF to fund general corporate purposes on the condition of delivering an agreed capex plan that meets NAIF's mandate;
- reprice NAIF's existing loans and refinance existing NAIF debt without the creation of new capacity;
- strengthen NAIF's ability to provide concessional loans on a direct basis where appropriate to do so based on risk;
- notionally set aside an appropriation amount to support projects with significant Indigenous ownership with tailored risk appetite parameters that support a reasonable expectation of repayment;
- make equity investments for the development of the Indigenous estate¹; and
- calibrate the Minister for Northern Australia's veto power to NAIF loans of greater value.

Enable NAIF to fund general corporate purposes on the condition of delivering an agreed capex plan

As NAIF has grown its visibility and profile across the north, financing requests are received where applicants are able to commit to an overall development envelope of infrastructure, however not able at the time of application and subsequent Investment Decision to provide detailed costs, timing and construction schedules.

Recent amendments to the IM have assisted NAIF to make Investment Decisions prior to the project proponent obtaining all necessary regulatory, environmental and other relevant approvals and arrangements for the project on such conditions as NAIF considers appropriate. This has assisted NAIF to make Investment Decisions which are conditional on the proponent delivering a capex plan upon obtaining all required approvals. However, the IM's Mandatory Criteria 1 precludes NAIF funding a project's general corporate purposes ahead of delivering a physical asset.

Mandatory Criteria 1 currently requires that NAIF funding is connected to the development or enhancement of physical structures, assets (including moveable assets), technology or facilities which underpin, facilitate or are associated with:

- the transport or flow of people, goods, services or information;
- the establishment or enhancement of business activity in a region;
- an increase in economic activity in a region, including efficiency in developing or connecting markets;
- an increase in population; or
- an increase in existing local workforce availability or capability.

'General corporate purposes' is a very common phrase within loan document's 'use of proceeds' clause. A mandatory requirement to connect NAIF loan disbursements with the development or enhancements of physical structures, assets (including moveable assets), technology or facilities is a restriction for proponents that have progressed to advanced discussions with contractors and suppliers but still need to fill a gap in capital to finalise arrangements with these parties and other commercial lenders.

¹ 'Indigenous estate' refers to land or waters that are subject to Traditional Owner interests including rights under Commonwealth and jurisdiction legislations.

Similar issues were considered in the 2020 Statutory Review which recommended at Recommendation 19, that the NAIF Act and IM be amended as necessary to remove the requirement that NAIF finance be limited to the construction of physical infrastructure. To enable the contractual purpose of a NAIF loan to also include 'general corporate purposes' on the condition of delivering an agreed capex plan would expand the opportunities presented to the NAIF Board for a proposed Investment Decision.

Reprice NAIF's existing loans and refinance existing debt without the creation of new capacity

NAIF loans are currently only offered on a fixed interest basis that is calculated at the Commonwealth's cost of borrowing at contractual close. This is due to the IM's requirement at section 8(2)(c) for each Investment Decision to likely cover at least its administrative costs and the Commonwealth's cost of borrowing. Aside from short dated commercial paper, all other Commonwealth bonds, which form the basis of the Commonwealth's cost of borrowing, are issued on a fixed basis.

This has assisted some projects to secure highly concessional long-dated fixed rate loans in recent years at the bottom of the interest rate cycle. However, this is proving problematic as the interest rate cycle turns making NAIF loans uneconomical, especially for long dated funding requests, potentially stalling or eliminating funding opportunities that the commercial market is unwilling to fill.

Connectedly, the IM places a restriction within Mandatory Criteria 1 in relation to refinancing which stipulates that the refinancing of existing debt without the creation of new capacity is ineligible. This is not interpreted to exclude the ability to adjust pricing for the remaining tenor via variation agreement for NAIF's existing portfolio loans. However, NAIF has no procedural mechanism with the Department to facilitate repricing of either the base rate or customer margin, noting these are assets on the Department's balance sheet as discussed above in Discussion Area 3. This limitation restricts NAIF from reviewing its existing Investment Decisions to lower the interest associated with its loans to ensure the project remains financially sustainable throughout the interest rate cycle. As repricing is a common variation provided by other market participants and providers of capital, providing NAIF with similar functionality, for example through transferring NAIF's appropriation from the Department to NAIF as discussed above in Discussion Area 3, is welcomed by NAIF.

Mandatory Criteria 1 also prevents NAIF from making new Investment Decisions to support existing projects where incumbent commercial lenders may be seeking to exit or where the project requires additional capital. This limits NAIF's ability to assist projects in distress that require additional capital to avoid insolvency, but that NAIF see have a future in continuing to deliver economic benefit to northern Australia. Amending this criterion to empower NAIF to refinance existing debt without the creation of new capacity, especially for distressed projects, would assist NAIF to support projects that may otherwise fold. This is consistent with NAIF's purpose to meet the unique needs of the north and drive economic growth in northern Australia by providing concessional financing to infrastructure projects.

Strengthen NAIF's ability to provide concessional loans on a direct basis

NAIF's ability in s7(1A) of the NAIF Act to provide financial assistance to entities other than the States and Territories was inserted into the NAIF Act via the *Northern Australia Infrastructure Facility Amendment (Extension and Other Measures) Bill 2021* (2021 Amendment Bill) that followed the 2020 Statutory Review.

The 2021 Amendment Bill considered the constitutional issues raised by the changes to the NAIF Act, specifically those issues related to section 7(1A) and section 99 of the Constitution. It concluded that clearly linking potential financial assistance to other constitutional heads of power which are now enshrined within subsections 7(1A) (a) – (e) and (g) – (j) of the NAIF Act may operate to mitigate, but not eliminate, the risk that certain forms of financial assistance could be said to breach the prohibition on regional preference imposed by section 99 of the Constitution.

The amendments made to the IM in December 2023 further imposed a limitation on NAIF's 'direct assistance' function which now stipulates at section 13(4) that NAIF must not provide direct assistance in relation to a project in one or more States on a concessional basis. This amendment has effectively neutralized NAIF's ability to provide any direct lending.

Feedback to NAIF from proponents and other key stakeholders has supported a direct funding model in certain circumstances acknowledging the risk and constitutional issues. Key areas that a potential direct funding model would add value are:

- a small loans program where a program via the jurisdiction is not possible;
- for a potential targeted program for Indigenous projects; and
- potential collaboration with other key agencies where NAIF's mandated funding model could provide concessional loans to aid in the delivery of their mandate.

Feedback received also supports that the provision of concessional loans, where applicable and required, on a direct basis would assist proponents that operate across multiple States and/or the Northern Territory and remove the requirement to separately document these arrangements. This would also avoid unnecessary administrative complexities associated with the proponent managing bilateral issues with multiple jurisdictions.

NAIF also welcomes Government's confirmation, similar to that contained within the 2021 Amendment Bill, that NAIF's utilisation of its direct financing power within section 7(1A) of the NAIF Act is within its constitutional risk appetite.

Notionally set aside an appropriation amount to support projects with significant Indigenous ownership with tailored risk appetite parameters that support a reasonable expectation of repayment

The IM's Mandatory Criteria 4 requires that the Board must be satisfied that the loan will be able to be repaid, or refinanced. This requires the proponent to present comprehensive financial modelling to demonstrate the ability of the project to repay the debt in full and on time, or refinance, based on assumptions and a risk profile acceptable to NAIF having regard to its risk appetite statement. To date, this has prevented higher risk Investment Decisions commonly associated with projects with significant Indigenous ownership and achievement of NAIF's own annual performance target of supporting at least two projects with significant Indigenous ownership.

Section 9 of the IM notionally sets aside \$500 million to support projects which materially contribute to realising the Critical Minerals Strategy 2023-2030. In a similar vein, NAIF sees an opportunity to notionally set aside monies to support projects with significant Indigenous ownership that is supported by tailored and heightened risk appetite parameters and a reasonable expectation of repayment.

Progressing this policy objective would assist the Board to assess and potentially make Investment Decisions with a higher risk profile in this key area. This is consistent with the Senate Select Committee on the effectiveness of the Australian Government's Northern Australia agenda's Recommendation 21 to allocate a proportion of NAIF funds specifically for First Nations controlled projects. This recommendation was noted by Government.

Make equity investments for the development of the Indigenous estate

As noted within the Discussion Paper, current legislation allows NAIF to provide financial assistance in the form of equity investments, however, this instrument has not yet been utilised. NAIF management has presented proposed equity Investment Decisions to the Board for consideration which stalled due to the constitutional issues discussed above which equally apply to equity.

Section 7(1A)(b) of the NAIF Act empowers NAIF to provide financial assistance to entities other than the States and Territories for the development of northern Australia economic infrastructure *that is with respect to benefiting Indigenous persons*.

NAIF equity investments must be between \$5 million and \$50 million per project and must also not result in the NAIF or the Commonwealth taking a majority or controlling interest in a project. This instrument is well suited to provide the early capital requested by Indigenous proponents.

Allowing NAIF to utilise an equity offering would materially assist the development of Indigenous commercial interests. NAIF welcomes Government's confirmation, similar to that contained within the 2021 Amendment Bill, that equity investments for the development of the Indigenous estate is within its constitutional risk appetite.

Calibrate the Minister for Northern Australia's veto power to NAIF loans of greater value

Part 4 of the NAIF Act requires the Minister for Northern Australia to consider every Investment Decision made by the NAIF Board. NAIF must not provide financial assistance before the end of the Minister's consideration period, unless the Minister has notified the Facility under subsection (3A) of section 11 of the NAIF Act that the Minister does not intend to exercise the Minister's veto right in relation to the financial assistance; or if the Minister has notified in writing that the financial assistance should not be provided. This is commonly referred to as the Minister's veto power.

The Minister for Northern Australia may exercise this veto power if the Investment Decision and associated financial assistance would:

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

This veto power was considered in detail in the 2020 Statutory Review which at Recommendation 27 stated 'The Ministerial consideration period be retained, with amendment to allow the Minister to take a decision not to reject a proposal at any point during the consideration period'. The veto has only been exercised once by the former Government in May 2021, and is contrasted against all other Investment Decisions where the veto has not been exercised.

No other SIV has a similar veto power with their respective Boards taking sole responsibility and accountability for investment decisions. While possibly well suited for NAIF's inception and its original objective of a small number of billion-dollar loans, NAIF's maturity, its record of Investment Decisions consistent with Government policy and improvements to NAIF's legislative, risk management and governance frameworks support a reassessment of this obligation on the Minister for Northern Australia.

There are now very clear requirements for NAIF to satisfy to enable the NAIF Board to consider a proposed Investment Decision. Notably, this includes detailed consultation requirements with the relevant jurisdiction and Government Departments within sections 16 and 17 of the IM to ensure the Board is presented with all relevant perspectives and guidance on compliance with Government policy and its priorities.

A further control to ensure the NAIF Board appropriately considers Government policy is the Secretary of the Department (or the Secretary's delegate) being a NAIF Board member. This is commonly referred to as an ex-officio Board member. This ex-officio appointment facilitates full and transparent visibility of NAIF's Board deliberations and transaction pipeline with Government and ensures any potential areas of inconsistency with Government policy and its priorities are identified in the earlier stages of NAIF's project assessment and resolved prior to Investment Decision.

The ex-officio appointment also seeks to:

- increase NAIF’s visibility of the Government’s strategic direction and opportunities for cooperation between NAIF and the broader agenda for developing northern Australia;
- take advantage of opportunities for cooperation and strengthen links between NAIF and the Department;
- allow the Board to have a representative with an appropriate security clearance to receive sensitive information on behalf of the Board where a project may have implications for national security; and
- enhance best practice governance principles in the context of the NAIF’s operating environment that requires close collaboration with government and business.

This is supported by a detailed guidance note from the Department that identifies key obligations arising for officials performing the ex-officio role and provides guidance on managing potential points of conflict between the ex-officio role and their day-to-day obligations within the Department.

NAIF has invested considerable efforts to ensure proponents are aware of the Ministerial veto power and the associated timeframes in relation to the Minister’s consideration period which may, if extended by the Minister, total 60 days. Notwithstanding delaying a proponent’s certainty of the Board’s Investment Decision, the veto power may be perceived to politicize a project and is understood by some as ultimately approved by the Minister for Northern Australia, rather than the NAIF Board.

Calibrating the Minister for Northern Australia’s obligation to review, assess and ultimately approve NAIF’s larger Investment Decisions (e.g. above \$50-\$100 million) would respect the original scope of this veto power to large nationally significant projects and place trust in the independence of the NAIF Board. It would also acknowledge and recognise the improvements to NAIF’s legislative and governance frameworks and leverage NAIF’s risk appetite statement that is now approved by the Board in consultation with the Minister.

4.2. NAIF Recommendation

Government to amend the *Northern Australia Infrastructure Facility Act 2016* and/or the *Northern Australia Infrastructure Facility Investment Mandate Direction 2023* to:

- enable NAIF to fund general corporate purposes on the condition of delivering an agreed capex plan;
- reprice NAIF’s existing loans and refinance existing debt without the creation of new capacity;
- strengthen NAIF’s ability to provide concessional loans on a direct basis;
- notionally set aside an appropriation amount to support projects with significant Indigenous ownership with tailored risk appetite parameters that support a reasonable expectation of repayment;
- make equity investments for the development of the Indigenous estate; and
- calibrate the Minister for Northern Australia’s veto obligation to NAIF loans of greater value.



Arafura Nolans Bore Rare Earths Project, Anmatjere, NT

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

5.1. NAIF Response

NAIF's project assessment process requires proponents to be at an advanced stage of project conception, assessment and due diligence to assist NAIF to undertake its initial strategic assessment. This considers factors including the project's business case, financial modelling, offtake agreements, relevant approvals and the project's potential to meet public benefit and IES guidelines. This often requires information not yet available as the proponent has either insufficient equity or access to grant or other funding to undertake prefeasibility/bankability assessments. Whilst NAIF is not currently structured to provide grants, it receives regular and consistent feedback on the demand for prefeasibility funding for projects within northern Australia.

NAIF's extensive experience across the north and detailed knowledge and data insights across its projects provides an efficient, unique and unparalleled platform to assist proponents to better understand potential project complexities and identify mitigation strategies and contingencies. This strongly positions NAIF to assist potential proponents to best present their projects when applying for grants finance and advance to NAIF's strategic assessment stage or potentially apply for finance with other capital providers in the north.

NAIF notes that the 2020 Statutory Review considered grant funding in detail and noted that stakeholders highlighted that many potentially beneficial projects in the north lack the resources and/or capacity to produce the feasibility studies required to establish the viability of a project and secure further funding and/or finance.

It further noted that a grant program which supported proponents to undertake early-stage feasibility studies could assist in building both the expertise and skills pool in the north and build a pipeline of feasible projects. This has been especially highlighted in the Indigenous context. It however concluded that NAIF is not appropriately designed as a grants body, and that it would instead be more efficient for the NAIF to leverage existing Commonwealth and jurisdictional grants programs to develop and support infrastructure projects. Issues associated with NAIF resourcing and the potential cost to Government were also highlighted. Notwithstanding this review's conclusion, NAIF regularly receives feedback that grants remain very difficult to obtain and there is considerable uncertainty around when grants programs will become available.

5.2. NAIF Recommendation

NAIF welcomes strengthened proponent pathways to applicable grant programs that are supported by NAIF's participation in the assessment of grant applications.

6. 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?

6.1. NAIF Response

NAIF has noted acceptance with its legislative framework above in Discussion Area 2 which effectively enables NAIF to support a broad range of project types and deliver sustainable social and economic growth.

NAIF's genesis was to support large transformational projects that delivered significant public benefit and prosperity to regional communities across northern Australia. Accordingly, NAIF's processes which operationalise the legislative requirements within the NAIF Act and IM consequently reflect medium to large projects.

As noted within the Discussion Paper, NAIF's stakeholder engagement survey and project enquiries illustrate market demand for NAIF's gap financing for small to medium size projects. Comparable feedback was also received during NAIF's in person meetings with the Indian Ocean Territories that confirmed a market gap and highlighted their challenges accessing finance. In response to this feedback, NAIF is clear on its website that given the high level of work required to carry out due diligence, assess public benefit, complete all documentation, and develop an IES, NAIF's focus is on providing loans above approximately \$10 million.

This however has not prevented NAIF from assessing and ultimately making Investment Decisions below this amount. NAIF has also actively targeted this market gap in the Northern Territory with the establishment of the Northern Territory Government's Local Jobs Fund which is discussed in more detail below in Discussion Area 7.

Aligning the diligence requirements and project data to loans of between \$5 - \$10 million, similar to those detailed within the Northern Territory Government's Local Jobs Fund or NAIF's formerly proposed Small Loans Program, would assist NAIF to support small to medium enterprises. This would support proper management of public resources, reflect a risk-based approach to lending and lower the application costs for proponents.

6.2. NAIF Recommendation

Government to amend the *Northern Australia Infrastructure Facility Investment Mandate Direction 2023* to recognise the high costs associated with the information required to support applications for NAIF loans and empower NAIF to take a calibrated approach to the information required to satisfy NAIF's Mandatory Criteria for loan sizes of up to \$10 million.

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

7.1. NAIF Response

Engagement with NAIF's stakeholders support the need for a small loan offering in northern Australia which NAIF is well placed to assist given its experience in this area and continued efforts to fill this market gap. NAIF has undertaken a preliminary assessment of the systems, resources and operational change to support a NAIF-originated small loans offering in response to stakeholder feedback.

This assessment concluded that only nominal resources were required, and any operating cost impact would likely fall within NAIF's current operating budget allocation. This excludes expected credit losses.

The successful launch of the Northern Territory Government's Local Jobs Fund's and the growing momentum of loans progressing through to approval, has assisted NAIF's continued discussions with respective State governments to advance comparable offerings in their respective jurisdictions.

This demonstrates NAIF's commitment to this offering and whether through the implementation of NAIF's Recommendations within this submission (e.g. direct financing on a concessional basis), or establishing comparable offerings with respective State governments, NAIF is committed to fulfilling a role in small loans.

7.2. NAIF Recommendation

Implementing NAIF Recommendations 3.2, 4.2(a), 4.2(c), 4.2(f) and 6.2 will materially enhance the ongoing role for NAIF in small loans and remove the current constraints limiting delivery.

8. 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?

8.1. NAIF Response

NAIF believes its current public benefit assessment remains appropriate.

NAIF assesses public benefit in accordance with Mandatory Criteria 2 and is supported by the NAIF Public Benefit Guideline referenced within the Discussion Paper. Analysis of public benefit is focused solely on the benefits/costs to the local economy and community (in so far as they are in northern Australia) of the proposed project going ahead. It does not consider proponent costs/benefits which are assessed through financial due diligence.

Each proponent is required to engage a reputable independent economic consultant to develop a Public Benefit Assessment (PBA) report for the project. The PBA must quantitatively assess the impact to the local economy through Economic Impact Assessment (EIA) modelling. This modelling quantifies the impact to Gross Regional Product (GRP) and the number of direct and indirect jobs forecast to be stimulated in the economy during both the construction and operational life of the project.

In addition to the EIA modelling, other material costs/benefits to the local economy or community are required to be assessed quantitatively where possible, or qualitatively where a reliable quantification is not available.

The types of benefits/costs considered vary widely depending on the type of project and location. See section 4.3 of the Public Benefit Guideline for the types of other impacts that should be considered in the PBA, where they are relevant and likely material for the project being considered.

To date, quantified benefits predominantly consist of GRP benefits to the northern Australian economy and generally community development benefits are considered qualitatively. To insist on valuation of community benefits would make PBA reports more expensive, and in general these benefits do not amount to material monetary values. They are also often difficult to verify.

NAIF's Cairns Seniors Housing Community Housing Investment Decision is an example of where there has been an attempt to value community benefits. This Investment Decision will assist remedying the emerging trend of homelessness and marginal housing amongst elderly populations across Australia, as well as to free up large housing units for families through the delivery of up to 490 new social, affordable, and specialist disability housing units.

A further example of other impacts considered qualitatively with NAIF's FY23-24 Investment Decisions is a resource project which assessed employment diversity for the Pilbara, maximising local content and the resilience of the region, community contributions, social investment and the support for education outcomes.

In respecting the confidentiality of these PBAs, they will be provided to the review panel separately to assist the panel's review.

NAIF supports a broad range of projects, of these, some projects hold predominantly community benefits (Cairns Seniors Community Housing project), and others offer wide ranging economic benefits, not only to northern Australia, but Australia as a whole (Alpha HPA, Perdaman etc.).

If NAIF were to become capital constrained and had to choose between projects to support, it may be necessary to appoint an economist to produce all reports to ensure consistency in the model used in order to enable comparisons. This would challenge NAIF's current approach whereby the proponent funds the appointment of a reputable economist to prepare the PBA.

The quantified benefit number is only one lens of benefit, with social benefits notoriously hard to value, and often when they can be quantified, are often not material; however, they can be compelling projects that transform small communities. The Cairns Seniors Community Housing project is a good example of the small monetary value of quantified public benefit when compared to many of NAIF's other projects, however, deliver a significant social and community impact.

The Board recently committed within its Statement of Intent in response to NAIF's responsible Ministers' 2022 SOE;

"to work with proponents on developing more structured reporting mechanisms and the provision of actual data including the process for conducting project evaluations post project completion within two years of project completion".

NAIF has since updated its Public Benefit Guideline referred to above and developed a Public Evaluation Procedure that leverages a methodology for calculating public benefit and ensures a holistic procedure to measure project performance. This procedure provides a simple and repeatable approach for NAIF to evaluate project actual performance against forecast (at the time of Investment Decision) and details the milestones for deliverables moving forward. This procedure specifically considers public benefit from both a modelling approach and the actual public benefit delivered. NAIF is currently undertaking its post-completion project evaluations, and these learnings will assist NAIF's continual improvement.

8.2. NAIF Recommendation

NAIF believes its current public benefit assessment remains appropriate, and no legislative change is required to either the *Northern Australia Infrastructure Facility Act 2016* or the *Northern Australia Infrastructure Facility Investment Mandate Direction 2023*.



Charles Darwin University Education and Community Precinct

9. 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?

9.1. NAIF Response

NAIF's mandated IES requirement is often referred to as a flagship or signature requirement of the NAIF. NAIF's origin to ensure its investments support the needs and interests of First Nations businesses and communities is a key element to NAIF's culture and is central to NAIF's employee value proposition. NAIF's Indigenous Outcomes team has strong First Nations representation and accounts for approximately 10% of NAIF's employees. This team has deep connections throughout the north, including with Prescribed Bodies Corporate, representative Aboriginal/Torres Strait Islander Body Areas, key Indigenous organisations and traditional owner groups.

These on the ground and community-based relationships are also supported by recent uplifts to NAIF's Indigenous Engagement Strategy Guideline, Indigenous Engagement Reporting Requirements and Indigenous Engagement Strategy Toolkit. Combined, the information suite ensures clear lines of communication and proponent expectations to satisfy NAIF's requirements and ensures that each project's IES is tailored to capitalise on the unique circumstances of the project and its surrounding communities. Details of the project's IES are reviewed by the Board when considering proposed Investment Decisions.

NAIF's recent IES's illustrates how NAIF and First Nation groups have progressed beyond direct and indirect employment opportunities, particularly in areas with low unemployment rates with IES commitments extending to education and training opportunities that focus on increasing engagement, attendance and achievement of school cohorts to build the long-term workforce pool.

Despite these connections and investment in clarity and process, and increasingly project specific IES commitments, NAIF's ability to support significant Indigenous ownership has proven difficult. As discussed above, Mandatory Criteria 4 and its requirement that NAIF must be satisfied that the loan will be able to be repaid, or refinanced, has to date, prevented the Board's consideration of proposed Investment Decisions with significant Indigenous ownership.

Implementing NAIF Recommendation 4.2(d) to notionally allocate a dedicated amount of NAIF's appropriation with tailored risk appetite parameters would materially increase NAIF's ability to provide greater financial support to assist the development of Indigenous commercial interests.

Similarly, NAIF Recommendation 4.2(e) to make equity investments for the development of the Indigenous estate would materially assist the development of commercial interests and to advance from only consenting to land access.

Lastly, NAIF Recommendation 4.2(c) and confirmation that NAIF's utilisation of its direct financing power within section 7(1A) of the NAIF Act is within its constitutional risk appetite would aid delivery of concessional loans to assist other key agencies (such as IBA) and other comparable bodies designed to support the needs and interests of First Nations businesses, communities and First Nations capacity building.

9.2. NAIF Recommendation

Implementing NAIF Recommendations 4.2(c), 4.2(d) and 4.2(e) will materially assist NAIF to support the needs and interests of First Nations businesses, communities and First Nations capacity building through its investments.

10. 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?

10.1. NAIF Response

NAIF is committed to leading and fostering meaningful engagement with Indigenous communities in northern Australia. By promoting meaningful engagement with Indigenous communities, NAIF creates a more inclusive and sustainable development environment that acknowledges inclusivity and support of Indigenous communities is crucial for driving the advancement of northern Australia and the prosperity and wellbeing of its communities.

NAIF requires proponents to provide an Indigenous participation, procurement, and employment strategy tailored to the Indigenous groups in the area or region of the proposed project. This ensures that Indigenous opportunities are comprehensively addressed and integrated into the project plans and throughout project delivery. NAIF's dedicated team then works closely with proponents and Indigenous groups to ensure that the Indigenous opportunities and outcomes outlined in the IES are maximised, sustainable and achievable. This collaborative approach ensures that Indigenous communities actively participate in and benefit from the projects supported by NAIF.

NAIF's collaboration with other government agencies, formalised through Memorandums of Understanding with entities such as the NIAA, IBA, and the Indigenous Land and Sea Corporation, holds uppermost importance. These partnerships facilitate cohesive efforts toward advancing Indigenous economic empowerment, fostering sustainable development, and ensuring culturally sensitive approaches within infrastructure projects across northern Australia. By pooling resources, expertise, and networks, NAIF and its partners collectively address the complex challenges and opportunities faced by Indigenous communities, driving meaningful progress and inclusive growth in the region.

10.2.NAIF Recommendation

NAIF believes the *Northern Australia Infrastructure Facility Investment Mandate Direction 2023* requirement for an Indigenous Engagement Strategy (IES) is sufficient to support First Nations procurement and employment. Notwithstanding, the implementation of NAIF Recommendations throughout this submission (notably NAIF Recommendation 4.2(c), 4.2(d) and 4.2(e)) would provide a broader platform for more detailed IES discussions and implementations associated with the commercial interests attached to the Indigenous estate.



De Grey Mining Hemi Gold Project



Heritage Minerals Mount Morgan Tailings Processing and Rehabilitation Project

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

11.1.NAIF Response

The key impediments to First Nations led projects meeting NAIF's requirements for concessional finance mainly focus on:

- challenges accessing grant or other capital to fund prefeasibility/bankability assessments discussed above in Discussion Area 5; hence NAIF's Recommendation 5.2 for Government to establish a targeted NAIF grants program supported by eligibility criterion and impose sufficient financial rigour on proponents;
- difficulty in obtaining early capital investment to assist the development of their commercial interests and to advance from only consenting to land access; hence NAIF's Recommendation 4(e) for Government to confirm that equity investments for the development of the Indigenous estate is within its constitutional risk appetite;
- lack of appropriate governance frameworks and enabling financial services support that are tailored to the unique circumstances of Indigenous commercial interests and the medium to long tenor governance structures associated with the Indigenous estate; and
- NAIF's risk appetite framework and Mandatory Criteria 4's firm repayment requirements discussed above in Discussion Area 4; hence NAIF's Recommendation 4(d) to notionally set aside an appropriation amount to support projects with significant Indigenous ownership with tailored risk appetite parameters that support a reasonable expectation of repayment.

Whilst not specific to this Discussion Area, NAIF notes these impediments equally apply to many smaller non-First Nations led projects.

11.2. NAIF Recommendation

Implementing NAIF Recommendation 5.2, 4.2(c), 4.2(d), and 4.2(e) will reduce the impediments First Nations led projects encounter in meeting NAIF's requirements for concessional finance.



Kimberley Cotton Co Gin Project



JCU Engineering and Innovation Place

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

12.1. NAIF Response

NAIF has come a long way since inception and has matured to a high performing organisation with strong governance and risk frameworks. This journey has included a change of Government, machinery of government changes with NAIF transitioning to a new responsible department, and a changing risk appetite for constitutional risk. Throughout these challenges, NAIF has remained open minded, collaborative and solution focused.

This has resulted in a stronger relationship with NAIF's key stakeholders and most notably with the States and the Northern Territory which facilitate NAIF loans. These relationships are underpinned by individual Master Facility Agreements (MFA) between the Commonwealth and each state and territory, entered into in 2017.

A key aspect to these MFAs is to prevent NAIF loans having an impact on the jurisdictions' finances via a 'pass-through' accounting treatment, allowing the states and the Northern Territory to recognise NAIF loan assets and liabilities but prevent any impact on their accounts or credit ratings. These agreements require the relevant jurisdiction to be substantially involved in the negotiation of the provision, terms and conditions of financial assistance, and the ongoing management (including, consents, waivers and ultimately pursuing enforcement action) of financial assistance.

While the financial costs of this process and associated external assurances are covered through project costs, there remains an administrative burden that NAIF is actively seeking to minimise. Updating and redocumenting these MFAs would greatly assist this process and help to address situations where a state or territory may be acting in more than one legal capacity (e.g. grant or subsidy provider, equity investor and NAIF's lender of record).

Amendments to the IM following the 2020 Statutory Review and inclusion of NAIF's direct financing power actively responded to that review's recommendation to expand NAIF's powers to include lending directly to proponents where appropriate. NAIF's feedback from the States and the Northern Territory is that NAIF's reliance on its direct financing power remains their preference, notwithstanding the significant investment from all parties to revise assessment and approval processes to accelerate the origination and execution of finance contracts.

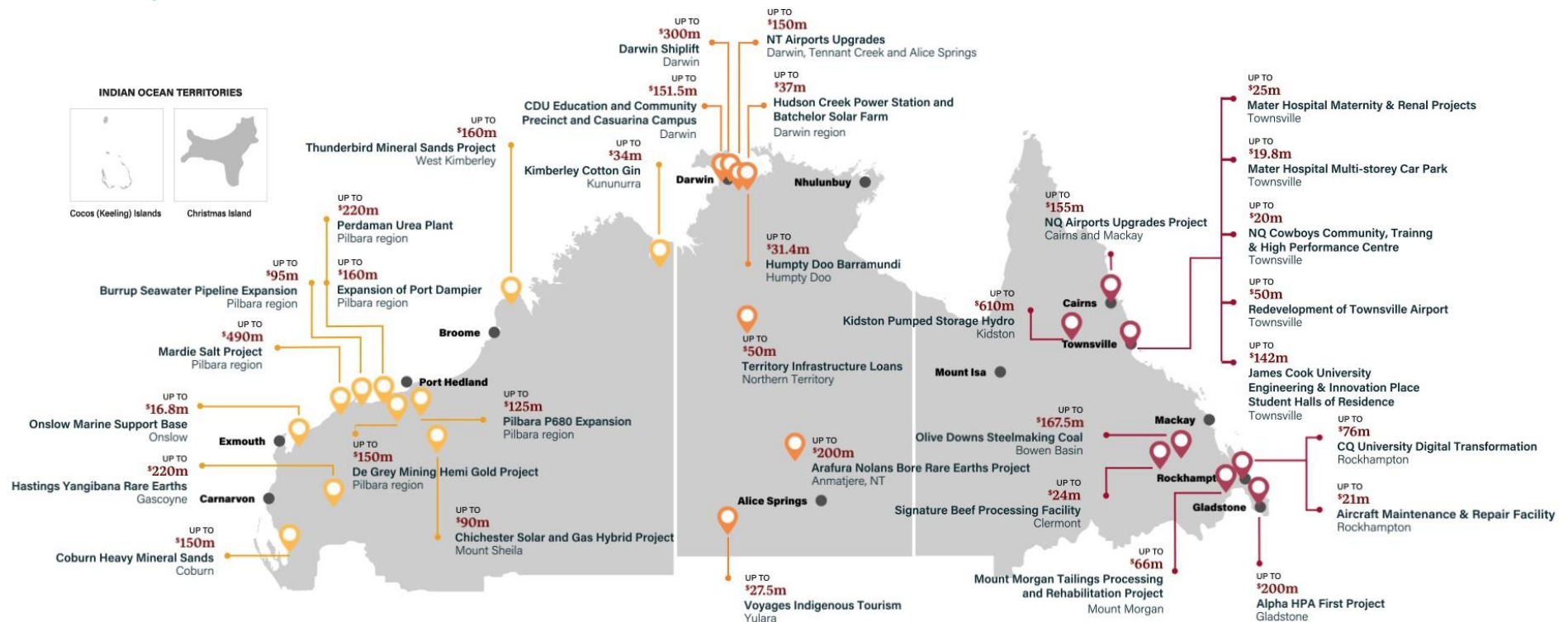
12.2.NAIF Recommendation

Update the Master Facility Agreements between the Commonwealth and each state and territory to align with Government's implementation of the review panel's recommendations.

ATTACHMENT 1 – All NAIF Investment Decisions in northern Australia as at 1 September 2024

Investment Decisions

*as at 1 September 2024



ATTACHMENT 2 – Indigenous Engagement Strategy Outcomes as at 12 September 2024

IES Delivery

*as at 12 September 2024

1,139+

Total Indigenous Jobs Supported

\$81.5m+

Indigenous procurement spend
through NAIF supported
projects



	WA	NT	QLD	Total
Projects	9	6	10	25
Employment (jobs)	101	578	460	1,139
Procurement	\$53,652,223	\$13,075,124	\$14,799,157	\$81,526,504
Indigenous Businesses (#)	57	86	66	209
Sponsorship	\$329,424	\$1,890,023	\$780,347	\$2,999,794



Australian Government

NAIF

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