

# Northern Territory Government Submission

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

# Contents

Northern Territory Government Submission .....	1
Summary of Recommendations made by the NT .....	3
Executive Summary .....	5
Response to Review Discussion Paper and Terms of Reference .....	6
<b>1. NAIF's Role and effectiveness in infrastructure investment across northern Australia .....</b>	<b>6</b>
1.1. 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? .....	6
<b>2. Legislative Framework and Eligibility Criteria .....</b>	<b>7</b>
2.1. 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? .....	7
2.2. 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? 8	
<b>3. Products and Services .....</b>	<b>9</b>
3.1. Are the current concessional financing products and services provided by the NAIF meeting the needs and interests of northern Australia? .....	9
3.2. Are there other roles for NAIF other than as a provider of concessional finance? .....	10
3.3. 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? .....	11
3.4. Is there an ongoing role for NAIF in small loans? In what circumstances? .....	11
<b>4. Delivering economic and community outcomes .....</b>	<b>11</b>
4.1. Does the NAIF public benefit assessment process prioritise economic benefits over community development benefits? Should alternative methods be used to capture community benefits? .....	11
4.2. How can NAIF best support the needs and interests of First Nations businesses, communities and First Nations capacity building through its investments? .....	12
4.3. Is the Indigenous Engagement Strategy approach sufficient to support First Nations procurement and employment? How might this approach be improved or adapted? .....	13
4.4. What are the impediments in First Nations led projects in meeting the requirements for NAIF concessional finance? .....	13
<b>5. Other relevant matters .....</b>	<b>13</b>
5.1. Are there additional insights or comments you would like to offer as part of this review process? .....	13

## Summary of Recommendations made by the NT

The table below provides a summary of recommendations made by the Northern Territory (NT) to questions contained in the Discussion Paper for the 2024 Independent Review of the *Northern Australia Infrastructure Facility Act 2016* (NAIF Act).

No.	Recommendation(s) made under Discussion Paper questions
<a href="#">1.1</a>	<ul style="list-style-type: none"> <li>The Northern Australia Infrastructure Facility (NAIF) investment time limit for making decisions to provide financial assistance should be removed from the NAIF Act to make it an ongoing funded program or, at a minimum, extended for a time period well beyond 30 June 2026.</li> </ul>
<a href="#">2.1</a>	<ul style="list-style-type: none"> <li>The NAIF should apply a higher risk tolerance to its decision making to ensure it meets its policy intent to stimulate economic growth and foster infrastructure development, including by assisting projects to overcome barriers common to infrastructure investment in northern Australia, such as project context and remoteness. To ensure the NAIF legislative framework remains contemporary and responsive to financing challenges in northern Australia, the NT recommends amending the NAIF Investment Mandate:               <ul style="list-style-type: none"> <li>to allow refinancing in certain circumstances, such as where a business can demonstrate it has actively sought alternative sources of refinance and/or where the cost of that finance would impact the commercial feasibility of the project.</li> <li>to provide flexibility for the negotiation of security positions to best support project viability where the first registered security position is not available, including with respect to Territory Infrastructure Loans.</li> <li>to provide the ability to recycle returns on its investments which would increase certainty with respect to its ongoing operations, and would enhance market confidence in the investment vehicles being offered.</li> <li>to provide the ability to support mineral exploration, noting exploration is often the most challenging phase of the mining and downstream processing life cycle. Targeted NAIF support would have positive outcomes and act to crowd-in commercial finance.</li> </ul> </li> </ul>
<a href="#">2.2</a>	<ul style="list-style-type: none"> <li>The NAIF's powers should be expanded to enable it to lend directly to proponents to enable timely provision of finance.</li> <li>The NAIF should consider options to reduce timeframes on investment decisions, including through streamlining assessment processes.</li> </ul>
<a href="#">3.1</a>	<ul style="list-style-type: none"> <li>The NAIF's products and services should be expanded as follows:               <ul style="list-style-type: none"> <li>Alternative financing mechanisms – the NAIF should fully utilise its available range of alternative finance mechanisms (e.g. equity investments, letters of credit, guarantees, purchase of primary-issue bonds, debentures), which have not, to date, been used. The NT notes that while NAIF's Investment Mandate allows it to provide financial assistance in the form of equity investments, it has not made any to date. The NT is of the view that a clearer process is required to unlock access to NAIF equity investment.</li> <li>Funding for remote and very remote projects – as part of the assessment process consideration should be given to applying a higher weighting for remote and very remote projects to account for the higher risk profile of projects in these areas.</li> <li>Funding for early-stage mining projects – consideration should be given to expanding the NAIF's powers to allow it to provide targeted support for early-stage mining projects including design, development and exploration activities such as pre-feasibility studies,</li> </ul> </li> </ul>

No.	Recommendation(s) made under Discussion Paper questions
	<p>feasibility studies/business cases and design, and offering more bespoke concessional financing products.</p> <ul style="list-style-type: none"> <li>○ Housing – there is an opportunity to explore a more proactive role for the NAIF in the financing and delivery of housing across northern Australia, including coordination of specialist investment vehicle investments.</li> </ul>
<a href="#">3.2</a>	<ul style="list-style-type: none"> <li>• The NAIF should consider how it can better support businesses, including Indigenous-led businesses and projects, through the provision of commercial advisory services or assistance to engage suitably qualified resources to meet NAIF application requirements.</li> </ul>
<a href="#">3.3</a>	<ul style="list-style-type: none"> <li>• The application requirements should be amended, particularly for small to medium sized businesses, to reduce the cost barrier and administrative burden that may deter these businesses from applying for funding.</li> <li>• The NAIF risk tolerance criteria should be reviewed for projects that demonstrate a high level of social, public and community co benefits. This could be implemented by NAIF managing risk across its portfolio rather than at the project level.</li> </ul>
<a href="#">3.4</a>	<ul style="list-style-type: none"> <li>• A small loans program (such as the Territory Infrastructure Loans (TIL) program) should continue to be made available and enhanced as part of the NAIF product suite, noting the TIL is better placed to enable grass roots, local, sustainable economic and social development opportunities.</li> </ul>
<a href="#">4.1</a>	<ul style="list-style-type: none"> <li>• To make NAIF finance more accessible to small and medium sized businesses, consideration should be given to creating further funding tiers for projects seeking \$250 million or less, with application and reporting requirements to be commensurate with the scale of assistance sought.</li> </ul>
<a href="#">4.2</a>	<ul style="list-style-type: none"> <li>• More targeted/tailored concessional finance products should be made available to support projects, particularly early-stage projects and those in remote and very remote areas, including through collaboration with Indigenous organisations such as Aboriginal Investment NT.</li> </ul>
<a href="#">4.3</a>	<ul style="list-style-type: none"> <li>• The NT supports the Indigenous Engagement Strategy approach as an ongoing requirement to drive positive outcomes for Indigenous people living in northern Australia.</li> </ul>
<a href="#">4.4</a>	<ul style="list-style-type: none"> <li>• The NAIF should undertake a review of Indigenous-led project funding applications and assessment processes with the objective to provide insights into the challenges these projects face, and identify options to allow NAIF to provide more tailored support for Indigenous-led projects.</li> </ul>

## Executive Summary

The Northern Territory (NT) Government welcomes the opportunity to make a submission to assist the Independent Expert Panel with its review of the NAIF Act.

The NT Government acknowledges the important role the NAIF is playing in financing projects in the NT that would otherwise be delayed or not proceed, particularly where access to traditional finance is limited and/or involves expensive bridging finance. The NT Government also recognises the important role the NAIF can play in enabling economic growth and employment opportunities in the NT.

The recently released *Northern Australia Action Plan 2024-29* (Action Plan) identifies the “north is experiencing certain challenges, such as a cost of living crisis, housing availability and affordability, skilled workforce shortages and the increasing impacts of climate change. These challenges are exacerbated by a small, sparse and transient population, long distances, harsh climatic conditions and historical underinvestment in infrastructure and services. Thin markets, absence of scale, and underdeveloped and vulnerable supply chains all contribute to a higher cost of living and a riskier business environment.”

The NT Government strongly advocates that ongoing government investment and funding is required to develop strategically important social and economic infrastructure in northern Australia. A deeper and more connected infrastructure base, complemented by project-specific finance assistance, will provide certainty and opportunity for NT businesses and other investors to deliver new projects with significant economic and social benefits, and underpin prospects for improved living standards for residents in regional and remote areas, and notably Indigenous people living in these regions.

Certainty is a key element of project planning and development, and the NT recommends the NAIF investment time limit for making decisions be extended for a time period well beyond 30 June 2026 or, ideally, not have a sunset. The unique issues of investing in northern Australia (identified in the Action Plan) can't be addressed through a five- or ten-year program. A long-term funding commitment and ongoing government investment is required. This will provide an opportunity for investors to apply for support for major infrastructure projects across the NT which are currently at various stages of development, but their delivery will provide significant economic and community benefits.

A small loans program, such as the Territory Infrastructure Loans program, should continue to be a product in NAIF's product suite, to enable grass roots, local, sustainable economic and social development opportunities. The NT's recommendations identify opportunities to fine tune this important small loan initiative, and the NT is keen to work with NAIF to shape and implement any reforms to this product, and more broadly.

The NT Government is committed to working collaboratively with the NAIF to ensure its legislative framework and policy settings support investment in projects that create jobs and support economic and social development across northern Australia.

## Response to Review Discussion Paper and Terms of Reference

### 1. NAIF's Role and effectiveness in infrastructure investment across northern Australia

#### *1.1. 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?*

The NT has historically faced challenges attracting capital from commercial markets, primarily due to remoteness and associated limited infrastructure, workforce challenges and the relatively nascent nature of some of its industries. Support offered by NAIF is critical to de-risking project investment in the NT and helping to crowd-in and attract much needed commercial finance.

To date the NAIF has committed over \$947 million in loans for projects in the NT, supporting over 3,900 jobs as follows:

- \$126.5 million for construction of Charles Darwin University's Education and Community Precinct;
- \$300 million for the Darwin Ship Lift and Marine Infrastructure Project;
- \$200 million for the Nolans Rare Earths Project, 135 km north of Alice Springs;
- \$150 million for infrastructure and upgrades to Darwin, Tennant Creek and Alice Springs airports;
- \$37 million for the Hudson Creek Power Station and Batchelor Solar Farm;
- \$31.4 million for the expansion at Humpty Doo Barramundi;
- \$27.5 million to upgrade accommodation and Connellan Airport at Yulara; and
- \$50 million for the Local Jobs Fund Territory Infrastructure Loans (TIL) Program.

The NT's experience is that different investor classes are seeking different scaling and packaging of opportunities and may not qualify for funding with a high minimum financial threshold. A small loans program, such as Territory Infrastructure Loans (TIL), provides greater capacity for NAIF funding to support a broader range and scale of infrastructure projects.

Through the launch of the TIL program, in partnership with the NT Government's Local Jobs Fund, the NAIF is providing greater opportunities for small businesses to access concessional loans up to \$10 million for the development and expansion of infrastructure-led projects in the NT. Under this partnership NAIF has contributed \$50 million in funding with a further \$16.7 million committed by the NT Government. Investment through the NAIF and TIL signals sovereign confidence in business growth potential that proponents can leverage to secure private investment.

Additional support is required to increase the current funding pool to ensure there is sufficient capacity to support high quality early-stage projects which are critical to sustain the resilience of northern economies, including for businesses operating in mineral and downstream processing industries.

Certainty is a key element of project planning and development, and the NT recommends the NAIF investment time limit for making decisions to provide financial assistance be removed from the NAIF Act or, at a minimum, extended for a time period well beyond 30 June 2026. The unique issues of investing in northern Australia, including, but not limited to, distance, remoteness, limited infrastructure and climate, can't be addressed through a five or ten year program – a long term funding commitment and ongoing government investment is required to develop strategically important social and economic infrastructure in

northern Australia. This will provide an opportunity for NT businesses to apply for support for major infrastructure projects across the NT which are currently at various stages of development, but their delivery will provide significant economic and community benefits.

#### Recommendation(s)

The Northern Australia Infrastructure Facility (NAIF) investment time limit for making decisions to provide financial assistance should be removed from the NAIF Act to make it an ongoing funded program or, at a minimum, extended for a time period well beyond 30 June 2026.

## 2. Legislative Framework and Eligibility Criteria

### 2.1. *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?*

The NT welcomes the opportunity for the Review Panel to consider options to ensure the NAIF Investment Mandate allows the Facility to be an effective and contemporary specialist investment vehicle. An agile Facility will have the capacity to respond to businesses' infrastructure needs, and to enhance northern Australia's attractiveness as a destination for private sector investment.

The NAIF's Investment Mandate specifically provides that the NAIF's Risk Appetite Statement "must have a high-risk tolerance in relation to factors unique to investing in northern Australia economic infrastructure, including distance, remoteness and climate". The NT recommends the NAIF apply a higher risk tolerance to its decision making to ensure it meets its policy intent to stimulate economic growth and foster infrastructure development, including by assisting projects to overcome barriers common to infrastructure investment in northern Australia, such as project context and remoteness. For example, mining projects inherently have a high risk profile, and this risk increases with the remoteness of projects and associated limited access to economic infrastructure.

To ensure the NAIF legislative framework remains contemporary and responsive to financing challenges in northern Australia, the NT recommends amending the NAIF Investment Mandate as follows:

#### Refinancing

The current Investment Mandate and policies prohibit refinancing, a restriction that extends to the TIL program. However, where access to traditional finance is limited, as can be the case in regional and remote locations of the NT, the inability to refinance through the NAIF or TIL (in part or full) and/or dependence on expensive bridging finance can adversely affect a business's ability to deliver infrastructure projects and establish or grow their presence in the NT.

The NT recommends amending the NAIF Investment Mandate to allow refinancing in certain circumstances, such as where a business can demonstrate it has actively sought alternative sources of refinance and/or where the cost of that finance would impact the commercial feasibility of the project.

#### First Registered Security Position

NAIF policies currently require it to hold the first security registered position over assets it finances and, by extension, the NT Government is required to hold the first registered security position over assets being financed through TIL. However, in most cases, other funders, including senior debt providers, traditional financiers or other specialist investment vehicles, have the same requirement. In cases where a TIL is being sought to provide gap funding to allow a project to proceed, alternative creditors may already be in place, with the first registered security position established.



As a first principle, the NT agrees that every effort should be made to hold the first registered security position with respect to TIL. However, the NT recommends that this policy requirement be amended to provide the flexibility for the negotiation of security positions to best support project viability. The establishment of special purpose vehicles to isolate the revenues required to repay the TIL can be structured in some cases, but isolating a physical security cannot be generally achieved. Having the ability to be flexible in the application of this policy principle would improve the effectiveness of the NAIF (and TIL) to meet its policy objectives, and for project development in northern Australia.

### Recycling Funds

Unlike the National Reconstruction Fund, the NAIF doesn't currently have the ability to recycle returns on its investments, including interest earned, to its balance sheet. The NT is of the view that, if the NAIF had this ability, it would increase certainty with respect to its ongoing operations, and would enhance market confidence in the investment vehicles being offered.

### Mineral Exploration

The International Energy Agency projects that demand for critical minerals needed for clean technologies could double or even quadruple by 2040. Mineral exploration is a necessary precursor to the success of Australia's sovereign capability in mineral extraction and downstream processing. To capitalise on this emerging demand there is an urgent need for new high-quality mineral discoveries. The NAIF's Investment Mandate does not support mineral exploration. As exploration is often the most challenging phase of the mining and downstream processing life cycle, targeted NAIF support in this area would have positive outcomes, particularly in helping to crowd-in commercial finance.

#### **Recommendation(s)**

The NAIF should apply a higher risk tolerance to its decision making to ensure it meets its policy intent to stimulate economic growth and foster infrastructure development, including by assisting projects to overcome barriers common to infrastructure investment in northern Australia, such as project context and remoteness. To ensure the NAIF legislative framework remains contemporary and responsive to financing challenges in northern Australia, the NT recommends amending the NAIF Investment Mandate:

- to allow refinancing in certain circumstances, such as where a business can demonstrate it has actively sought alternative sources of refinance and/or where the cost of that finance would impact the commercial feasibility of the project.
- to provide flexibility for the negotiation of security positions to best support project viability where the first registered security position is not available, including with respect to Territory Infrastructure Loans.
- to provide the ability to recycle returns on its investments which would increase certainty with respect to its ongoing operations, and would enhance market confidence in the investment vehicles being offered.
- to provide the ability to support mineral exploration, noting exploration is often the most challenging phase of the mining and downstream processing life cycle. Targeted NAIF support would have positive outcomes and act to crowd-in commercial finance.

**2.2. 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?**



The current legislative framework establishes that all NAIF loans are provided to proponents through grants of financial assistance to the states and territories. Consideration could be given to expanding the NAIF's powers to enable it to lend to proponents directly to enable more timely provision of finance.

The NAIF should consider options to reduce timeframes on investment decisions, including through streamlining assessment processes.

#### Recommendation(s)

- The NAIF's powers should be expanded to enable it to lend directly to proponents to enable timely provision of finance.
- The NAIF should consider options to reduce timeframes on investment decisions, including through streamlining assessment processes.

## 3. Products and Services

### 3.1. *Are the current concessional financing products and services provided by the NAIF meeting the needs and interests of northern Australia?*

The NT recommends that consideration be given to expanding the NAIF's products and services as follows:

- Alternative financing mechanisms - the NAIF should fully utilise its available range of alternative finance mechanisms (e.g. equity investments, letters of credit, guarantees, purchase of primary-issue bonds, debentures), which have not, to date, been used. Consideration should be given to simplifying processes and criteria to access alternative financing mechanisms to make it easier for NAIF to offer other forms of finance apart from loans.

The NT notes that while NAIF's Investment Mandate allows it to provide financial assistance in the form of equity investments, it has not made any to date. The NT is of the view that a clearer process is required to unlock access to NAIF equity investment.

- Funding for remote and very remote projects – as part of the assessment process consideration should be given to applying a higher weighting/higher level of importance for supporting remote and very remote projects to account for the higher risk profile of projects in these areas. Projects in remote and very remote locations struggle to meet commercial finance criteria but have potential to bring transformational change and build economic resilience, particularly in remote Indigenous communities.
- Funding for early-stage mining projects – the NAIF's powers should be expanded to allow it to provide targeted support for early stage mining projects including design, development and exploration activities. This could include:
  - expanding NAIF's lending criteria to allow it to provide funding to support the development of mining pre-feasibility and feasibility studies and business cases. By expanding this targeted funding, the NAIF could develop a pipeline of future projects with robust feasibility studies that may subsequently be eligible to seek financing through the NAIF, with funding for the feasibility study/business case consolidated into the loan amount, if successful. It is noted that feasibility studies can also assist in crowding-in private finance.
  - designing and offering more bespoke concessional financing products.
- Housing – there's an opportunity to explore a more proactive role for the NAIF in the financing and delivery of housing across northern Australia, including coordination of specialist investment vehicle investments. It is noted that housing-related infrastructure investments are likely to require consideration of requirements in relation to registered security positions, as outlined in Section 2.1.

- Re-pricing loans during the term of the loan – the pricing of loans is based on the tenor of the loan and is fixed for that term. The ability to price and re-price loan in line with review dates or agreed milestones would ensure the commercial terms (for both the NAIF and the recipient) remain reflective of economic conditions and the project profile. This could also be used to incentivise or penalise proponents with respect to the delivery of their committed Indigenous Engagement Strategy and stated public benefit.

#### Recommendation(s)

The NAIF's products and services should be expanded as follows:

- Alternative financing mechanisms – the NAIF should fully utilise its available range of alternative finance mechanisms (e.g. equity investments, letters of credit, guarantees, purchase of primary-issue bonds, debentures), which have not, to date, been used. The NT notes that while NAIF's Investment Mandate allows it to provide financial assistance in the form of equity investments, it has not made any to date. The NT is of the view that a clearer process is required to unlock access to NAIF equity investment.
- Funding for remote and very remote projects – as part of the assessment process consideration should be given to applying a higher weighting for remote and very remote projects to account for the higher risk profile of projects in these areas.
- Funding for early-stage mining projects – consideration should be given to expanding the NAIF's powers to allow it to provide targeted support for early-stage mining projects including design, development and exploration activities such as pre-feasibility studies, feasibility studies/business cases and design, and offering more bespoke concessional financing products.
- Housing – there is an opportunity to explore a more proactive role for the NAIF in the financing and delivery of housing across northern Australia, including coordination of specialist investment vehicle investments.

### 3.2. *Are there other roles for NAIF other than as a provider of concessional finance?*

The NT is of the view that it would be beneficial for the NAIF to be more proactive in supporting early stage projects to facilitate crowding-in of private sector investment. NAIF support for a project at an early stage can provide the confidence and certainty to encourage private debt and equity investors to support a project.

In accordance with NAIF and TIL requirements, funding applications must be supported by a detailed business case and financial model. However, a business's ability to develop these can be impeded by workforce constraints in the NT and/or limited access to funding to engage suitably qualified consultants. These constraints are further amplified in remote communities, and for Indigenous-led projects.

The Local Jobs Fund team works with potential applicants to ensure business cases and financial models address application criteria. The NT recommends the NAIF consider how it can better support businesses, including Indigenous-led businesses and projects, through the provision of commercial advisory services or assistance to engage suitably qualified resources to meet application requirements. Funding could be provided to businesses to engage the services of a third party to assist with preparing applications for finance and, if the application for finance is successful, the loan could include any initial funding that was provided.

#### Recommendation(s)

The NAIF should consider how it can better support businesses, including Indigenous-led businesses and projects, through the provision of commercial advisory services or assistance to engage suitably qualified resources to meet NAIF application requirements.

### 3.3. *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?*

There is a high level of interest and demand for smaller infrastructure funding as evidenced through the TIL program. To date there have been 8 project consultation briefs shared with the NAIF with 7 of these proceeding to formal applications. A further 3 projects are currently developing briefs with an expectation that these will be sent to the NAIF for review in Quarter 4 2024.

Small and medium sized businesses in the NT play an important role in delivering sustainable social and economic development opportunities and have an in-depth understanding of local risks and opportunities. Feedback from NT businesses suggests the NAIF is too risk averse with certain sectors or types of projects, and its processes to assess risk creates a cost barrier for smaller value projects seeking NAIF finance, including, but not limited to, Indigenous-led projects.

Given the current resource intensive application process, the NT recommends the NAIF amend the application requirements, particularly for small to medium sized businesses, to ensure potential applicants aren't disheartened by the administrative processes required to apply for NAIF funding.

The NAIF should also consider approaches to increase the accessibility of finance through partnerships with other commercial bodies.

The NT recommends the NAIF review its risk tolerance criteria for projects that demonstrate a high level of social, public and community co-benefits. This could be implemented by NAIF managing risk across its portfolio rather than at the project level.

Amendments to the legislative framework should also be considered to provide greater operational and financial flexibility to improve assessment processes and better support smaller projects.

#### Recommendation(s)

- A small loans program (such as the TIL program) should continue to be made available and enhanced as part of the NAIF product suite, noting the TIL is better placed to enable grass roots, local, sustainable economic and social development opportunities.

### 3.4. *Is there an ongoing role for NAIF in small loans? In what circumstances?*

The ability to offer a different scale of financing is important in the NT, and particularly in regional and remote locations, which face greater challenges with respect to access to infrastructure, supply chains and workforce needed to attract large-scale, and even small- to medium-scale infrastructure investment.

There is a demand to continue and enhance a small loans program (such as TIL) in the NAIF product suite to support grass roots, local, sustainable economic and social development opportunities.

#### Recommendation(s)

A small loans program (such as the TIL) should continue to be made available and enhanced, as part of the NAIF product suite, to support grass roots, local, sustainable economic and social development opportunities.

## 4. Delivering economic and community outcomes

### 4.1. *Does the NAIF public benefit assessment process prioritise economic benefits over community development benefits? Should alternative methods be used to capture community benefits?*

The NAIF public benefit assessment considers community benefit in the context of economic development, with economic growth and population growth the key focus areas. Community benefits should also be considered in their own right, including the standalone consideration of improvements to regional or community access to infrastructure which increases regional living standards. This would provide further alignment with the Investment Mandate’s public benefit assessment criteria which prioritises improving the lives of Indigenous people and communities.

The NT supports the requirement for proponents to undertake a public benefit assessment, including quantitative forecasts of direct and indirect jobs and other benefits. However, the NAIF requires an independent economic consultant to prepare a Public Benefit Assessment for all projects seeking \$250 million or less. To make NAIF finance more accessible to small and medium sized businesses, consideration should be given to creating further tiers within this funding range, with reporting requirements to be commensurate with the scale of financial assistance requested.

The NT notes that the TIL program does not require the preparation of a Public Benefit Assessment. TIL applicants are required to prepare an Indigenous Engagement Strategy and Territory Benefit Plan, the requirements for which are reflective of a small loans program.

#### Recommendation(s)

To make NAIF finance more accessible to small and medium sized businesses, consideration should be given to creating further funding tiers for projects seeking \$250 million or less, with application and reporting requirements to be commensurate with the scale of assistance sought.

#### 4.2. *How can NAIF best support the needs and interests of First Nations businesses, communities and First Nations capacity building through its investments?*

The NAIF can drive positive outcomes for Indigenous people living in northern Australia by working with enterprises to finance Indigenous-led projects, and projects in regional and remote areas that deliver significant employment and other benefits to First Nations people.

There is significant opportunity for more targeted/tailored concessional finance products to support projects, particularly early-stage projects and those in remote and very remote areas, including through collaboration and partnerships with Indigenous organisations such as Aboriginal Investment NT and the Northern Territory Indigenous Business Network.

There are also opportunities for the NAIF to work more closely with the NT Government and Indigenous investment organisations and business networks to identify potential investments and/or opportunities to support the development of First Nations-led projects across the NT.

#### Recommendation(s)

More targeted/tailored concessional finance products should be made available to support projects, particularly early-stage projects and those in remote and very remote areas, including through collaboration with Indigenous organisations such as Aboriginal Investment NT.

#### 4.3. *Is the Indigenous Engagement Strategy approach sufficient to support First Nations procurement and employment? How might this approach be improved or adapted?*

The NT supports the Indigenous Engagement Strategy (IES) approach as an ongoing requirement to drive positive outcomes for Indigenous people living in northern Australia.

It is a requirement for all TIL applications to be supported by an IES and successful applicants are required to report progress in delivering commitments under the IES on a quarterly basis.

##### Recommendation(s)

The NT supports the Indigenous Engagement Strategy approach as an ongoing requirement to drive positive outcomes for Indigenous people living in northern Australia.

#### 4.4. *What are the impediments in First Nations led projects in meeting the requirements for NAIF concessional finance?*

While NAIF has a performance target of supporting at least 2 projects annually with significant Indigenous ownership, this target was not met in 2022-23 and 2023-24.

A review of the Indigenous-led project funding applications and assessment processes could provide insights into the challenges these projects face, and identify options that, if implemented, could assist NAIF to provide more tailored support for Indigenous-led projects.

Many Indigenous businesses in the NT are small, with limited capacity to meet all NAIF loan application criteria. Challenges faced by Indigenous businesses are often more pronounced than for the broader business community, and can be exacerbated in regional and remote locations, including having the right skills and support systems, and access to funding to grow sustainably. Expanding NAIF's service offering to include commercial advisory services would assist in addressing these challenges.

##### Recommendation(s)

A review of the Indigenous-led project funding applications and assessment processes could provide insights into the challenges these projects face, and identify options that, if implemented, could assist NAIF to provide more tailored support for Indigenous-led projects.

## 5. Other relevant matters

#### 5.1. *Are there additional insights or comments you would like to offer as part of this review process?*

The NT is of the view the NAIF's design needs to embrace a higher risk tolerance to factors that are unique to investing in northern Australia.

The NT recommends the NAIF investment time limit be removed from the legislative framework or, at the very least extended well beyond 30 June 2026, to allow NAIF to continue to fill the identified gap in financing for projects in northern Australia, and to build on the momentum it has developed to date.