



Australian Government

NAIF

Northern Australia Infrastructure Facility

Public Benefit Guideline

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1. Purpose of this Guideline

Under Mandatory Criteria 2 of the NAIF Investment Mandate, only projects that will produce benefits to the broader economy and community beyond an economic return to the Project Proponent, can be considered.

This Guideline aims to:

- detail NAIF's Public Benefit criteria;
- assist Project Proponents in providing appropriate evidence for NAIF's Board consideration to support meeting NAIF's Public Benefit criteria; and
- outline ongoing reporting requirements if an Investment Decision is made.

Guidance on Mandatory Criteria 5 of the Investment Mandate in relation to Indigenous Engagement Strategy is provided in the NAIF Indigenous Engagement Strategy Guideline which can be found on NAIF's website. There are certain elements of an Indigenous Engagement Strategy that are also considered in public benefit, including those that relate to Indigenous jobs and procurement from Indigenous suppliers.

2. Definitions

Economic Impact Assessment means a quantitative study of the effect of an event on the economy in a specified area (includes input / output, computer equilibrium modelling methodologies).

Full Time Equivalent (FTE) means the measurement used to measure jobs generated and should be estimated using 8 hours a day and five days a week or a total of 40 hours a week. Two part-time jobs, one that is two days a week, and another that is three days a week would be reported as one FTE.

Generated means benefits or jobs directly generated by the Project which would not have existed had the Project not gone ahead.

Greenhouse Gases (GHG) Emissions means the seven gases mandated under the Kyoto Protocol and to be included in national inventories under the United Nations Framework Convention on Climate Change and should be measured as kilotonnes of carbon dioxide equivalents (CO₂-e).

Indigenous means Aboriginal and Torres Strait Islander peoples of Australia.

Investment Decision means a decision by the NAIF Board to offer finance to a Project.

Investment Mandate means the *Northern Australia Infrastructure Facility Investment Mandate Direction 2023*.

Investment Proposal means an application for financial assistance submitted by the Project Proponent to NAIF.

Local means local to the Project and within NAIF's legislative Northern Australia area.

Mandatory Criteria 2 means the mandatory criteria 2 in Schedule 1 of the Investment Mandate, as provided in section 3 below..

Mandatory Criteria means the mandatory criteria in Schedule 1 of the Investment Mandate.

NAIF means the Northern Australia Infrastructure Facility.

NAIF Act means the *Northern Australia Infrastructure Facility Act 2016 (Cth)*.

Northern Australia, as defined in section 5 of the NAIF Act, means the area that broadly covers the Northern Territory, and those parts of Queensland and Western Australia above the Tropic of Capricorn. It

also covers the regional centres of Gladstone, the Gladstone Hinterland, Carnarvon, Exmouth, and the Local Government Areas of Meekatharra and Wiluna in Western Australia, as well as the Indian Ocean Territories of Christmas Island and Cocos (Keeling) Islands.

Northern Australian Suppliers means a person, company or organisation that sells or supplies goods or services to the Project from a business or premise located in Northern Australia.

Project means a project the subject of an Investment Proposal or an Investment Decision.

Project Proponent means the entity responsible for a Project.

Public Benefit means the net benefits (enabled by a Project) to the broader economy and community, beyond an economic return to the Project Proponent.

Public Benefit Assessment refers to a report commissioned by the Project Proponent from an independent economics consultant that assesses the net benefits of the Project in line with NAIF's requirements.

3. Mandatory Criteria 2

Before making an Investment Decision, the NAIF Board must be satisfied that the applicable Investment Proposal has met all relevant Mandatory Criteria. Mandatory Criterion 2 relates to Public Benefit and states:

The Facility must be satisfied the Project will produce benefits to the broader economy and community beyond an economic return to the Project Proponent. Such benefit could include, but it is not limited to:

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

The expected value of the public benefit must exceed the estimated value of any concessions offered.

4. Methodology

4.1 General

- **Independent economics consultant will be required.** A consultant will prepare a Public Benefit Assessment and quantify impact to local economy and assess other expected outcomes. This consultant will be at the cost of the Project Proponent.
- **Geography.** A Northern Australia focus is required.
- **Economic return to the Project Proponent is not considered Public Benefit.** Economic return will, however, be considered in financial due diligence (Mandatory Criteria 4). In quantifying the public benefit of the Project, only those benefits outside of economic return to the Project Proponent should be estimated.
- **Future Public Benefits should be appropriately discounted.** Future benefits are quantified in present value terms at a 7% discount rate.
- **Qualitative assessments are important where quantification is not possible.** Not all benefits or costs of a Project can be quantified. In these circumstances, qualitative assessments may be used to outline expected outcomes using verifiable data where available.

- **Jobs must be quantified.** All projects are required to forecast the number of FTE that will be Generated or supported by the Project. Indirect jobs that are stimulated by the Project going ahead should be separated from direct jobs. All jobs that would not exist, but for the Project going ahead can be included.

4.2 Requirements

The table below is a guide to the type of reporting required, aligned to the size of financial assistance requested.

NAIF retains the right to vary these requirements in circumstances where it is determined that a different approach would be better suited to satisfy the Public Benefit mandatory criteria.

Size of NAIF financial assistance	Assessment method
< \$250m	An independent economic consultant quantifies the impact to the Northern Australian economy using an Economic Impact Assessment methodology. In addition, the consultant, provides a qualitative assessment of the impact to the regional economy of those outcomes that cannot be quantified. This should include an assessment of the relevant types of impacts outlined in section 4.3 below.
>\$250m	As above, however, in addition the public benefit assessment report will be provided to Infrastructure Australia for consultation. The Project Proponent and independent expert must consider any feedback provided by Infrastructure Australia and update the assessment as appropriate.

4.3 Other impacts to be considered

The Investment Mandate specifically calls for analysis of local employment opportunities, growing regional income, increasing sovereign capability, local supplier opportunities and the extent to which a Project contributes to improving infrastructure in a region. In addition, the below impacts should be considered and analysed where applicable.

Type of Impact	Analysis
National	
Sovereign capability	An analysis of the Project's contribution to Australia's capability in areas that currently are not developed or available domestically.
Sector impacts	An analysis of the impact of this Project to competition in the specific sector of the Project, both in Northern Australia and more broadly.
Reliability / Resilience impacts	Where a Project may result in improvement in reliability for Australian business or improved economic resilience to adverse events.
Regional	

Regional Income	The impact of the Project on Gross Regional Product should be quantified through an Economic Impact Assessment.
Local procurement opportunities	An analysis of opportunities for local suppliers and strategies to increase local content in Project.
Local jobs opportunities	An analysis of local job opportunities and strategies to engage local residents or encourage employees to live locally.
Alleviation of economic or social disadvantage	An analysis of the Project's contribution to skills expansion and development in regional communities, including through long-term career pathways.
Improving infrastructure in the region	The extent to which the Project contributes to the material improvement of the infrastructure of a region.
Liveability improvements	Increasing regional or community liveability which may encourage population growth.
Improving regional access to social infrastructure	For example, the extent to which the Project would increase the supply of social or affordable housing.
Environmental	
Environmental Impacts	An analysis of the change to the natural environment, whether adverse or beneficial resulting from the Project's development, product or services.
Climate change	An analysis of the Projects alignment with the Australian Government Net Zero 2050 Strategy, as well as the associated transition and other climate related risks and opportunities. For Projects that may generate or abate material emissions, the cost should be quantified.

4.4 Assumptions

The Public Benefit Assessment should outline the following assumptions:

- **Base case vs Project case** – in most instances the Project case encompasses the benefits of the whole Project which is enabled as a result of NAIF financing.
- **Construction life / Operational life** – the length of construction and operational life assessed should be outlined. Assumptions should be justified with supporting evidence, sensitivities over different lengths of operational life may be useful in some instances. NAIF rarely assesses an operational life beyond 20 years.
- **Area of Northern Australian measured** – NAIF is focused on the benefit to its Northern Australia region, however if a Project is forecast to have a material impact outside NAIF's region this should also be assessed for information purposes.
- **Multiplier impacts** – initial stimulus and first round impacts (production induced flow on, industry support impacts, household consumption impacts) unless agreed otherwise.
- **Discounting** – the impact to Gross Regional Product during the Project's operational life should be discounted to year of construction commencement.
- **Best current data available** – the inputs used should align with the base case financial model.

- **Construction jobs** – annual FTE added together over construction period to give total FTE generated (may include direct and indirect jobs).
- **Operational jobs** – average annual FTEs stimulated, can be measured either at the point the project reaches full operational capacity or annual average FTE over the operational life (may include direct and indirect jobs).
- **All key assumptions documented** with the rationale for the assumption, sensitivities should be provided for key assumptions that have a high/low range.

4.5 Quantitative Output

The Public Benefit Assessment should include the following quantitative forecasts including assumptions made to derive the outcome and sensitivities where applicable:

Construction period:
Direct jobs (FTEs)
Indirect jobs (where available) (FTEs)
Impact to GRP (\$)

Ongoing Operational period:
Direct jobs (FTEs)
Indirect jobs (where available) (FTEs)
Impact to GRP (discounted) (\$)

Other Quantified Impacts (where applicable)
Royalties (\$)
Traditional Owner payments (\$)
GHG Emissions (abated or generated) in kilotonnes of carbon dioxide equivalents (CO ₂ -e) (\$)
Regional/local procurement (\$)

Given the unique nature of each project, there may be additional quantification requirements specific to the project requesting finance. NAIF will outline these additional requirements when the project enters the due diligence phase.

4.6 Publishing public benefit outcomes

Following an Investment Decision, NAIF will work with the Project Proponent to publish information regarding the forecast Public Benefit of the Project. As the Project progresses, the Investment Mandate requires NAIF to monitor and annually report on Public Benefit that is realised (see section 5.1 below). In addition, within two years post Project completion there will be a more fulsome review of Project progress and outcomes versus initial expectations (see section 5.2 below).

5. Ongoing Public Benefit Reporting Requirements

As NAIF is a corporate Commonwealth entity, there is increased focus on realised benefits derived from Commonwealth funding. NAIF is required to adhere to certain reporting requirements and publish information regarding the benefits derived from NAIF funding for each Project that has commenced drawing on its NAIF facility. There are annual reporting requirements, some of which will be published in NAIF's Annual Report each year. In addition to the Annual Reporting requirements, and before two years post construction completion of the Project, NAIF is required to conduct a thorough project evaluation.

5.1 Annual Reporting Requirements (each financial year (1 July – 30 June))

Category	Requirement
Jobs - direct	Number of FTE jobs generated by the Project during the financial year (see example below on calculating)
Jobs - Indigenous	Number of Indigenous FTE generated by the Project during the financial year (see NAIF's Indigenous Engagement Strategy Guideline)
Northern Australian Suppliers	Number of Northern Australian Suppliers used by the Project during the financial year
Northern Australian Indigenous Suppliers	Number of Indigenous Northern Australian Suppliers used by the Project during the financial year (see NAIF's Indigenous Engagement Strategy Guideline)
Total spend with Northern Australian Suppliers	Total amount spent with Northern Australian Suppliers by the Project during the financial year
Total spend with Northern Australian Indigenous Suppliers	Total amount spent with Indigenous Northern Australian Suppliers by the Project during the financial year (see NAIF's Indigenous Engagement Strategy Guideline)
Financed emissions	Total amount of GHG Emissions during the financial year

Example calculation for reporting jobs:

During the financial year, there was construction activity over 9 months, with 10,200 hours billed by sub-contractors and 8 full time jobs dedicated to the project at head office for the 9 month period.

Sub contractors (10,200 hrs / 40hrs) / 52 weeks = 4.9 FTE

Dedicated jobs 8 jobs * $\frac{3}{4}$ year = 6 FTE's

Total FTE's generated by the Project for the financial year 4.9 + 6 = 10.9 FTE's

5.2 Two Year Post Completion Review

Within two years of the Project completion, NAIF is required to conduct a review of Project performance and outcomes versus initial expectations. This review will require input from the Project Proponent, the details of which are currently being determined. Once finalised, an updated Public Benefit Guideline will be issued with guidance on requirements.



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