



Australian Government

**NAIF**

Northern Australia Infrastructure Facility

# Corporate Plan 2020-2021



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## 1. Introduction

As Chair of the Northern Australia Infrastructure Facility (NAIF), and on behalf of the Board as the accountable authority, I am pleased to present NAIF's 2020-2021 Corporate Plan (Plan) which covers a four year period as required under paragraph 35(1)(b) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act).

The Plan has been prepared on the basis that NAIF's mandate has been extended for another five years, ending 30 June 2026 as announced by NAIF's responsible Minister, the Minister for Resources, Water and Northern Australia on the 17<sup>th</sup> of July 2020.

It is also noted that a broader statutory review of NAIF's operations is currently underway ('Statutory Review') and, subject to any recommendations that arise from this statutory review, this Plan may need to be updated prior to preparation of the 2021-22 Corporate Plan.



**Khory McCormick**  
Chair  
Northern Australia Infrastructure Facility

## 2. About Us

NAIF's mission is to generate transformational growth for northern Australia through being an innovative financing partner. A key focus of any financing is to drive public benefit, economic and population growth and Indigenous involvement in northern Australia.

NAIF is a development financier with a \$5 Billion lending facility provided by the Commonwealth Government to provide loans (which may be on concessional terms) to infrastructure projects and businesses across northern Australia. NAIF does not provide its loans directly and instead all funding is provided via the territory and states of the Northern Territory, Queensland and Western Australia.

### Legislative Framework

NAIF came into existence on 1 July 2016 as a corporate Commonwealth entity under the *Northern Australia Infrastructure Facility Act 2016* (NAIF Act), which was passed with bipartisan support. NAIF's original expiration date was June 2021, however on the 17<sup>th</sup> July 2020 NAIF's Responsible Minister announced NAIF's extension for a further five years to 30 June 2026, which is subject to finalisation of legislation.

NAIF's operations are also governed by other Commonwealth legislation including the *Public Governance and Performance Accountability Act 2013* (PGPA Act).

### Governance & Decision Making

NAIF's Responsible Minister is the Minister for Resources, Water and Northern Australia. The Minister appoints NAIF's independent Board and has given NAIF direction through the *NAIF Investment Mandate Direction 2018* (Investment Mandate) and the *Statement of Expectations*. NAIF's Board is solely responsible for making all Investment Decisions: being decisions to offer or not to offer financial assistance, by way of loan<sup>1</sup>, to infrastructure projects that provide a basis for economic and population growth in northern Australia. Subject to provisions in the NAIF Act and Investment Mandate, the Board's decisions are unfettered.

### NAIF Financing

NAIF can provide up to 100% debt finance for a Project, subject to satisfying the five mandatory criteria in the Investment Mandate which require that the Project must:-

1. Involve the construction or enhancement of infrastructure;
2. Be of public benefit;
3. Be located in, or have significant benefit for northern Australia;
4. Be able to repay or refinance NAIF's debt; and
5. Have an Indigenous engagement strategy.

The infrastructure that NAIF can finance is wide ranging and includes assets that facilitate the establishment or enhancement of business activity or increase economic activity in a region. Examples of the sectors that NAIF can support include, but are not limited to, resources, airports, ports and rail, agriculture, water, energy, social infrastructure (including property, tourism, education and health), manufacturing and telecommunications. Eligible projects must bring new capacity online either through the construction of new infrastructure or by materially enhancing existing infrastructure.

For the purposes of NAIF Act and Investment Mandate, northern Australia includes all of the Northern Territory and those parts of Queensland and Western Australia above and directly below and intersecting with the Tropic of Capricorn. It also includes the regional centres of Gladstone, the Gladstone Hinterland, Carnarvon and Exmouth, as well as the Local Government Areas of

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<sup>1</sup> Alternate Financing Mechanisms may be considered by the NAIF Board where: it may be more appropriate for a specific project; or it is necessary to encourage private sector participation in financing a project. In these cases, the NAIF must seek agreement from the responsible Minister who will seek agreement of the Treasurer and the Minister for Finance and consult with the relevant jurisdiction. Refer to s11 of the Investment Mandate for further detail.

Meekatharra and Wiluna in Western Australia. Territorial seas up to twelve nautical miles offshore adjacent to these areas are also included in the definition.

NAIF can provide up to 100 per cent of debt funding for an eligible project provided there is appropriate risk sharing and subject to the Commonwealth Government not being a majority risk taker for a project. Notwithstanding this, where possible NAIF seeks to “crowd in” other debt and equity financiers to support a Project.

In providing financing to support the development of a project, NAIF seeks to utilise a number of financing tools including longer loan tenor, deferral of interest and principal repayments, security and/or cashflow subordination and concessional pricing. The financing tools provided for a project are determined on a project specific basis. NAIF can accept a higher risk than commercial lenders, particularly where the risk relates to factors that are unique to investing in northern Australia, including distance, remoteness and climate.

NAIF projects must be of public benefit (being broad based and must demonstrate benefits to the broader economy and community), beyond those captured by a project proponent. In offering any concession pricing or terms, NAIF seeks to have regard to the extent of the forecast public benefit.

An Indigenous engagement strategy demonstrating objectives for Indigenous participation, procurement and employment, reflecting the Indigenous population in the region must also be developed by the proponent for each NAIF project.

### 3. Our Purpose and Investment Mandate

NAIF's primary purpose is to accelerate infrastructure development and thereby drive transformational growth in northern Australia by innovative financing that:

- Generates public benefit including that outside of what is captured by the project proponent;
- Encourages longer term growth in the economy and population of northern Australia;
- Encourages private sector participation in the financing of northern Australia's infrastructure needs; and
- Facilitates sustainable Indigenous participation, procurement and employment outcomes.

NAIF is a key participant in the Australian Government's agenda to unlock the potential of northern Australia for the benefit of all Australians. NAIF looks to support projects and businesses in northern Australia to facilitate economic growth and help catalyse private sector investment.

NAIF financing can assist in:

- opening new markets and developing new, more reliable supply chains;
- reducing business costs through improving productivity, creating jobs and encouraging a larger population base by helping to attract and retain workers;
- making better use of existing infrastructure, for example, by improving capacity, safety and usability to overcome seasonal and other supply chain constraints; and
- helping to overcome diseconomies of scale by developing pathways to co-sharing and multi-user access to infrastructure.

The NAIF Act states that the objective of NAIF is to provide financial assistance to States and Territory for the construction of northern Australian economic infrastructure, that is infrastructure that provides a basis for economic growth and stimulates population growth in northern Australia.

NAIF's Investment Mandate sets out the five mandatory eligibility criteria that each project must satisfy which are outlined in section 2.

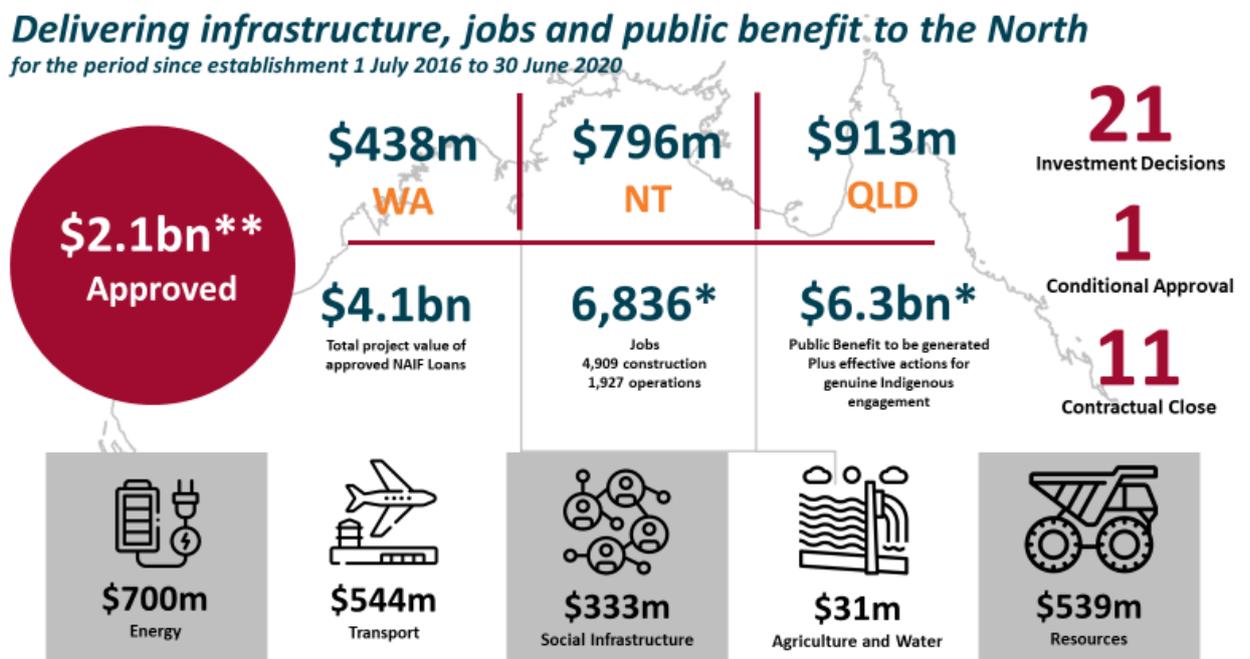
## 4. Investment Portfolio

NAIF has made significant progress over the 2019-20 financial year, with the Board making 11 Investment Decisions to offer loans totalling \$1,382m, to support projects with a total capital value of \$2bn.

The Investment Decisions were for projects spread across northern Australia with \$767m committed for Queensland projects, \$452m committed for Northern Territory projects and \$163m committed for Western Australian projects. The projects are forecast to contribute over \$4bn of public benefit to the northern Australian economy which is a multiplier of 2.8 for every NAIF loan dollar committed. The projects funded by NAIF are forecast to support 3,530 jobs in either the construction or operational phase.

After NAIF's Investment Decision, project has to reach contractual close, after which Proponents can drawdown funds depending on their individual funding requirements. As at 31<sup>st</sup> of August 2020, NAIF had reached contractual close of financings valued at approximately \$900m.

The following graphic illustrated NAIF's key deliverables since inception on 1 July 2016.



\*\*This excludes \$29.5m for 2 projects that were approved by NAIF Board but are no longer proceeding

\*Jobs and Public Benefit for one conditional approval not included at this stage

## 5. Strategy and Capability

NAIF's strategic approach is designed to deliver on its vision for the benefit of all stakeholders.

The following table provides a summary of NAIF's strategic framework detailing key areas of financing focus (in terms of geographies and sectors) as well as key strategic initiatives.

<b>VISION</b>	<b>Transformational growth for northern Australia</b>					
<b>GEOGRAPHIES</b>	<b>Queensland</b>		<b>Northern Territory</b>		<b>Western Australia</b>	
<b>INDUSTRY SECTORS</b>	<b>Resources</b>	<b>Transport, Airports, Ports &amp; Rail</b>	<b>Agriculture &amp; Water</b>	<b>Energy</b>	<b>Social Infrastructure</b>	<b>Emerging Sectors</b>
<b>STRATEGIC INITIATIVES</b>	<b>Investment Growth</b>	<b>Transformational Projects</b>	<b>Financial Sustainability</b>	<b>Impact &amp; Stakeholder Engagement</b>	<b>Operational Effectiveness &amp; Risk</b>	<b>Positive People &amp; Culture</b>
<b>OUR MISSION</b>	<b>To be an innovative financing partner in the growth of northern Australia</b>					

A discussion on each of the key strategic initiatives is detailed further below.

### 5.1 Investment Growth

NAIF's specialised Investment team has developed strategies to better support a wider range of projects for assessment and Investment Decision:

- **Resourcing** – NAIF's Investments team is being restructured in order to effectively support more projects. This will result in sector and regional specialities within the Investments team. Understanding the business drivers and investment opportunities within each sector is critical in being able to identify and support projects which require specialist knowledge. In addition, NAIF is developing product specialities within the team, so that there is expertise readily available to assist Proponents with a variety of product and structuring options.
- **Innovative Financing Tools & Structures** – NAIF seeks to utilise a range of debt financing tools and structures to assist in the development of these projects. The specific nature of the financing tools and structures that are utilised are determined on a project by project basis to assist in supporting the development of the project.
- **Developing Partnerships** – A key areas of focus for NAIF is to work with aligned government and private sector partners across jurisdictions and sectors to assist in identifying and executing various project development opportunities. As an example, in 2020, NAIF entered into a Memorandum of Understanding with Indigenous Business Australia ("IBA") and the Indigenous Land and Sea Corporation ("ILSC") to share information, expertise and potential opportunities on economic infrastructure supporting Indigenous Australians in northern Australia.

## 5.2 Transformational Projects

NAIF are committed to supporting the development of transformational projects. These are projects that that once developed, assisted or financed by NAIF will provide one or more of the following transformational benefits:

- A material increase in population growth or employment to a region in northern Australia;
- Creation or significant development of a new industry in northern Australia;
- A material improvement in living standard for northern Australia (or a region);
- A project which brings significant improvement to the lives of the Indigenous population; and/or
- An enabling piece of infrastructure (road, port, communication link, dam, energy solution etc) that facilitates any of the above.

These projects must be able to demonstrate significant Public Benefit relative to NAIF's financing amount and concessions provided.

Transformational projects generally take a number of years to reach completion and require funding from a number of sources, in addition to NAIF, such as additional funding from a combination of State and Territory and Federal Governments.

NAIF is committed to working with key government, regional and industry stakeholders to identify transformational projects across each of the jurisdictions that we operate in.

The Kidston Pumped Hydro Project is an example of a Transformational Project that NAIF has supported, with NAIF's conditional \$610m financing approval in July 2019 assisting in allowing the Project sponsors to progress other key commercial discussions including equity capital raising, negotiations with key off takers and negotiations with the Queensland Government to bring this project closer to realisation.

## 5.3 Impact & Stakeholder Engagement

NAIF seeks to maximise positive impact for the benefit of northern communities including the Indigenous populations in the region of projects financed by NAIF, and in doing so also for northern Australia and our nation more broadly. NAIF will publish case studies on the impact of each Investment Decision including economic impact and public benefit, forecast jobs and Indigenous Engagement.

NAIF has a refreshed Stakeholder Engagement strategy to ensure that its purpose, operations and value to northern Australia are understood by key stakeholders. NAIF's focus is to be engaged on key parts of policy development and be recognised as an important partner in the development of northern Australia.

NAIF has a broad range of stakeholders who each require a customised engagement approach. This includes:

- **General Public:** As Australians with an interest in the growth and prosperity of our country, the realisation of the aspirations for northern Australia and appropriate use of NAIF's taxpayer funds, NAIF is accountable to the Australian public;
- **Commonwealth Government:** NAIF is an important initiative of the Government's agenda for economic and population growth for northern Australia and the Commonwealth at all levels (political, bureaucratic and agency) who can support NAIF's success (including policy, identification of priorities and progressing cross governmental collaboration, commitment and engagement with NAIF);
- **QLD, WA, & NT Governments:** The states and territory are key beneficiaries of the NAIF framework and are critical to achievement of its objectives. NAIF seeks to partner with the states and territory to ensure appropriate projects are identified and to ensure NAIF finance is invested into their communities as quickly as feasible to optimise the amount of public benefit generated;

- **Indigenous Groups:** The Indigenous estate in northern Australia is significant, with 40 percent of the land mass directly owned or managed by Aboriginal and Torres Strait Islander peoples. The Indigenous population currently averages 15 percent across northern Australia, comprising over 60 percent in some sub-regions and over 25 percent of the Northern Territory (ABS 2016). The Aboriginal and Torres Strait Islander population is projected to increase to over 50% of the permanent population of northern Australia by 2040, further reinforcing the importance of relationships with Indigenous Australians within jurisdictions;
- **Local Governments, RDA and industry bodies:** These groups are well placed to help promote NAIF and the reach of its mandate. By identifying suitable local proponents and key industry leaders and applying their knowledge of project opportunities and risks across the north they can help NAIF clarify project scale, sustainability and success factors;
- **Investors:** It is important that potential sponsors or proponents and project participants and consultants who will need to be involved in moving a project from concept to financial close understand NAIF's mandate and value proposition. NAIF works closely with these constituents including to help them to identify opportunities that match the NAIF criteria and the new model of financing that the NAIF mandate has brought to the Australian market. NAIF also helps to fast track projects where that is possible; and
- **Other interest groups:** Communication plays an extremely important role in the articulation of the benefits and the opportunities afforded by NAIF investment and the expectations for delivery on NAIF's mandate and vision.

## 5.4 Financial Sustainability

While NAIF is primarily driven by public benefit and driving Indigenous outcomes for each of the projects we finance, NAIF must not lend money at less than the Commonwealth cost of borrowing. In addition, over the life of NAIF supported loans (up to 30 years at present) the returns should cover the operating costs of NAIF.

To achieve financial sustainability, NAIF is looking at methods to minimise the time taken from an Investment Decision by the NAIF Board to contractual and financial close. For each project that NAIF seeks to provide finance, NAIF also seeks to tailor the nature of the financing tools provided to the needs of the project, including a prudent assessment of the concessions that are required for a project to proceed.

In addition, NAIF will continue to focus on careful management of costs, and any increase in employee numbers within NAIF will continue to be commensurate with the level of investment activity and a continued focus on operating efficiency.

## 5.5 Operational Effectiveness and Risk Management

In order to achieve its purpose of transforming northern Australia, NAIF will invest in the efficiency of its decision-making and risk management processes and systems, to ensure they are fit for purpose.

As NAIF transforms from a 'start-up' phase to a more established phase with the number of Investment Decisions and projects funded increasing, NAIF continues to focus on ensuring that processes mature in line with the business to ensure the efficiency and effectiveness of operations. NAIF will also strategically manage its access to the resources of Export Finance Australia ("EFA") under its service legal agreement to ensure it meets the needs of NAIF's business.

NAIF will apply its appetite for risk to help build market confidence to invest in the country's most geographically dispersed regions, to leverage the region's unique natural assets, create skilled job opportunities and enhance the liveability of northern Australia.

NAIF's Investment Mandate specifically provides that NAIF may have a high risk tolerance for factors unique to investing in northern Australia such as distance, remoteness and climate. This means that NAIF has tools available to assist projects overcome barriers common to infrastructure investment in this region. For example, NAIF specifically looks to support projects to become scalable to overcome the first mover disadvantage, to reduce productivity inefficiencies and the challenges associated with remoteness, and also has flexibility to deal with seasonal extremes.

NAIF's unique way of applying its financing tools in accordance with risk appetite is central to the NAIF value proposition. NAIF will continue to strive to find innovative ways to apply its risk appetite to support more projects in northern Australia.

## 5.6 Positive People & Culture

The quality of NAIF's people is critical to the effectiveness and efficiency of its operations. NAIF's People & Culture Strategy underpins the development, engagement and alignment of its people to deliver and execute on NAIF's strategy over the next four years and beyond.

To achieve NAIF's purpose of transforming northern Australia, NAIF is committed to developing and maintaining a high performance team and will invest in systems and processes to support high performance including:

- An upgraded **Performance Management Framework** which includes well defined Key Performance Indicators (KPI's) that utilise a combination of performance targets and behaviour expectations individualised for each employee;
- **Reward and Recognition** program that values sustained high performance;
- **Employee Development Program**, providing technical and behavioural development opportunities; and
- **Employee Engagement**, implementation of recommendations arising from a recently completed Culture review and the development of a common set of NAIF values that help guide the Board and all employees.

## 6. Key Performance Indicators

NAIF’s performance criteria have been designed to provide a clear illustration as to the extent to which NAIF is meeting expectations and fulfilling its purpose.

Following the announcement by the Minister for Resources, Water and Northern Australia on the 17<sup>th</sup> of July 2020 that NAIF would be extended (beyond its original five year term ending June 2021) until June 2026, NAIF has developed key performance indicators (KPIs) for the four years to 2023-24.

The KPI’s have been prepared on the basis that NAIF’s total capital available for Investment Decisions remains unchanged and as a result contractual close is capped at \$5 Billion as per the current NAIF Act. The Investment Decision and contractual close forecasts assume that \$2.1 billion of Investment Decisions have already been made as at 30 June 2020.

Once NAIF has received direction post the statutory review, it is intended that NAIF will revisit the strategy and performance criteria as set out in this plan and make revisions if appropriate.

**Table 1: Our performance criteria**

Strategic vision / Performance criteria	Measure	2020-21	2021-22	2022-23	2023-24
Driving Impact					
Public benefit	<i>Net public benefit for each NAIF Investment Decision<sup>2</sup></i>	<p>For each Investment Decision in the period, public benefit is forecast in accordance with the NAIF Public Benefit Guideline.<sup>3</sup></p> <p>At a portfolio level (of all Investment Decisions in the period) quantified forecast public benefit &gt; cost of concessions.</p> <p>For each Investment Decision in the period, publish case studies outlining examples of forecast public benefit.</p> <p>For each Investment Decision that has commenced drawdown, publish numerical data on project construction and operational jobs generated or supported by the project as reported annually by the Proponent.</p> <p>Value of quantified public benefit to value of Investment Decisions &gt;2 (over the portfolio of Investment Decisions in a financial year)</p>			
Indigenous engagement	<i>Sustainable Indigenous participation, procurement and employment</i>	<p>For each Investment Decision in the period, there is an Indigenous engagement strategy.<sup>4</sup></p> <p>For each Investment Decision in the period publish case studies outlining examples of proposed Indigenous engagement strategies.</p>			

<sup>2</sup> In this Table1 reference to ‘Investment Decision’ means decisions to offer NAIF financial assistance

<sup>3</sup> NAIF Public Benefit Guideline can be viewed [here](#)

<sup>4</sup> NAIF Indigenous Engagement Strategy Guideline can be viewed [here](#)

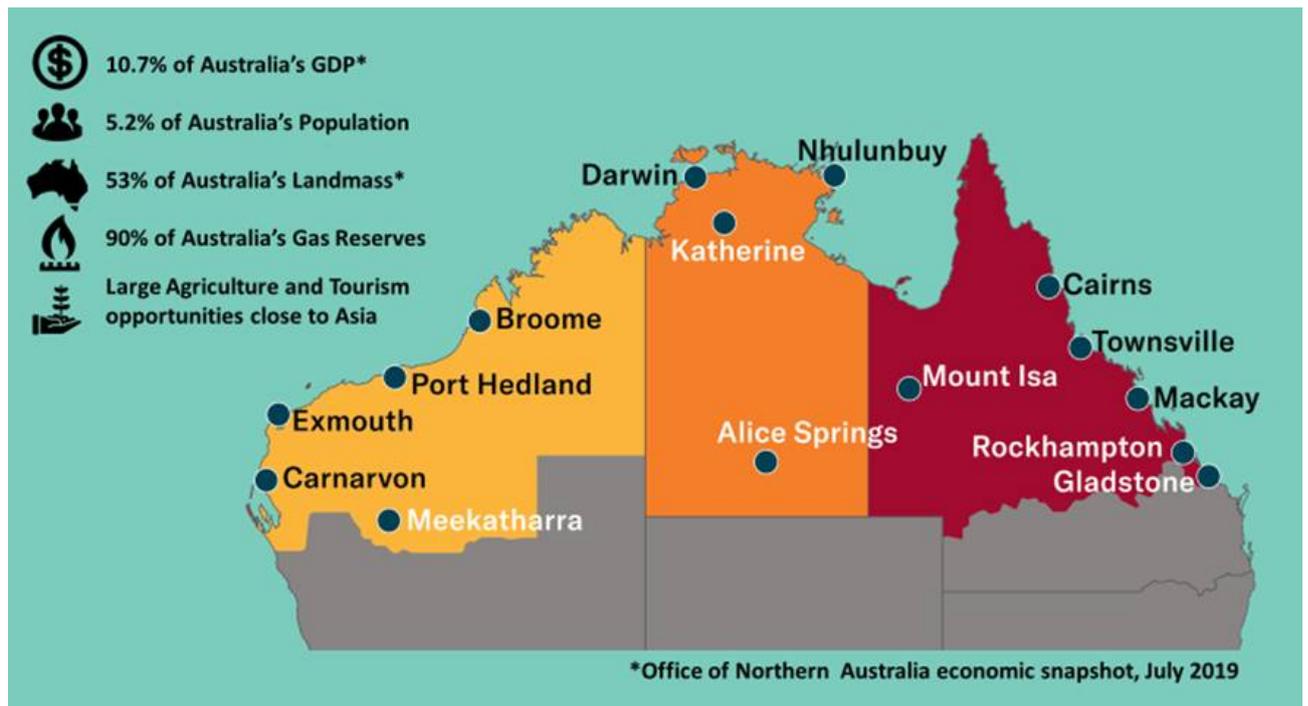
Strategic Vision / Performance criteria	Measure	2020-21	2021-22	2022-23	2023-24	
<b>Investment Growth</b>						
Investment Decisions by NAIF Board	<i>Number of Investment Decisions per annum</i>	7 – 10	7 - 10	5 - 7	5 - 7	
	<i>Dollar value of NAIF Investment Decisions per annum</i>	\$1 - \$1.25bn	\$1 - \$1.25bn	\$ .5 - \$.75bn	\$.25-.5bn	
	<i>Total capital value of projects supported per annum</i>	\$1.5 - \$2bn	\$1.5 - \$2bn	\$.75 - \$1bn	\$.38 - \$.75bn	
	<i>Contractual close per annum</i>	\$.75 - \$.85bn	\$.8 - \$1bn	\$.8 - \$1bn	\$.4 - \$.5bn	
	<i>Over portfolio of Investment Decisions to date demonstrate diversification across geography and sector</i>	Portfolio of Investment Decisions to date demonstrate diversification across geography and sector				
	<i>Support for transformational projects that provide significant public benefit</i>	Evidence of supporting transformational projects that provide significant public benefit				
<b>Operational Effectiveness and Risk</b>						
Effective risk management	<i>Demonstrated active management within the Risk Framework and Risk Appetite Statement</i>	Demonstrate active management within Risk Framework and Risk Appetite Statement				
	<i>Compliance with NAIF Act and NAIF Investment Mandate</i>	No instances identified of non compliance with NAIF Act and NAIF Investment Mandate				
<b>Stakeholder Management &amp; Communications</b>						
Active stakeholder management	<i>Level of communication and stakeholder engagement activity</i>	<p>At least one Board Meeting held in each of the northern Australia jurisdictions per annum</p> <p>Regional industry events</p> <p>Regular external communications via newsletters, social and other media</p> <p>Refreshed website highlighting key investment activities and impact</p>				
<b>Financial Sustainability</b>						
Drive towards financial sustainability	<i>Operating expenditure is within the departmental appropriation budget</i>	Operating expenses per annum are within budget				
	<i>At an Investment Decision portfolio level, over the life of the NAIF supported loans - transaction loan revenue exceeds NAIF accumulated operating costs</i>	By 2023-24 transaction loan revenues exceed NAIF accumulated operating costs				

## 7. Operating Environment

There are a number of key external factors that, directly or indirectly, influence NAIF's operating environment and its ability to finance infrastructure projects, and therefore deliver on its purpose.

As illustrated in Table 2 below, NAIF's focus is solely on northern Australia, which includes the Northern Territory, and those parts of Queensland and Western Australia above, and directly below or intersecting, the Tropic of Capricorn.

Table 2: Our environment



**Table 3: A summary of factors that may impact NAIF’s level of reported activity in a given year**

Environmental factor	Why	Impact
<p><b>Government policy</b></p>	<p>NAIF operates under the NAIF Act and Investment Mandate, issued by the responsible Minister.</p> <p>The responsible Minister may veto a transaction if it is inconsistent with Commonwealth objectives, may have adverse implications for Australia’s security, or have an adverse impact on Australia’s international reputation and relations.</p> <p>NAIF cannot invest in a project if the relevant State or Territory jurisdiction notifies NAIF in writing that it should not provide financial assistance, or as the lender of record, does not enter into the financing arrangements consistent with NAIF Investment Decisions.</p> <p>Most projects are also dependent on government support and a number of government approvals to proceed.</p>	<p>Any changes to the NAIF Act or Investment Mandate may impact the number of projects eligible for NAIF’s assistance.</p> <p>The NAIF Act outlines that the responsible Minister must cause a review of the operation of the Act to be undertaken as soon as possible after the period of three years beginning when the Act commenced. This review commenced in FY19-20.</p> <p>Any changes to regulatory settings or government priorities (State/Territory and Commonwealth) may impact the number of infrastructure projects in northern Australia.</p> <p>At the project level, the ability to gain the appropriate government approvals (e.g. environmental approvals) could impact a project’s viability and/or timeline, and therefore the requirement for NAIF financing.</p>
<p><b>Project timelines</b></p>	<p>A wide range of expenditure and active, expert project development management is required to bring a project to the point where it is ready to finance. Activities include:</p> <ul style="list-style-type: none"> <li>▪ overall business planning and feasibility;</li> <li>▪ financial analysis;</li> <li>▪ engineering and permitting;</li> <li>▪ environmental approvals;</li> <li>▪ commercial development including contracts;</li> <li>▪ legal, accounting and taxation analysis; and</li> <li>▪ land identification and acquisition.</li> </ul> <p>Based on data for previous Government procured infrastructure projects, the period between a project’s conception to financial close can be up to three years,</p>	<p>Most of the projects that NAIF expects to make Investment Decisions on in FY20-21 have been in development phase for over 12 months.</p> <p>NAIF indicates to project proponents, as early as possible, its willingness to support a viable project, so that contractual and financial close can be achieved as quickly as possible. For example, it may issue a financing discussion paper, indicative term sheet and/or seek conditional approval, which provides a degree of comfort and support to the proponent as its project is developed.</p> <p>Before a project can be considered for an Investment</p>

<p><b>Project timelines (cont'd)</b></p>	<p>and even longer for proponent managed or higher risk projects.</p> <p>This timeline can be shorter for upgrades to existing infrastructure or businesses or projects requiring fewer approvals.</p>	<p>Decision by the NAIF Board, the proponent must deliver a formal application for NAIF financial assistance, which it does by delivering an Investment Proposal. This is a comprehensive information package which will include a developed business case and financing assumptions. The development of that information is largely in the control of the proponent as the project progresses through due diligence. To reach that point, there will have been significant planning and development by the proponent taking the project concept from idea to an investment ready proposal.</p>
<p><b>Construction timetable and requirement for drawdowns</b></p>	<p>Consistent with the typical operation of project loans, proponents draw funds as required for construction activity.</p>	<p>Drawdown profiles are aligned to the construction needs of each project and the timing of drawdown of other project funding sources (such as grants, equity and other sources of debt financing).</p> <p>Construction drawdown profiles can also be impacted by northern Australian climate/seasonality impacts, with construction becoming more challenging during the wet season.</p> <p>Once a loan is approved and financial close has occurred, construction can generally take between 2 and 3 years.</p>
<p><b>Level of investment activity</b></p>	<p>NAIF's role is to support project proponents, sponsors and investors, who wish to develop infrastructure projects and businesses that have a public benefit for northern Australia.</p> <p>Factors that may impact the level of infrastructure investment in northern Australia include:</p> <ul style="list-style-type: none"> <li>▪ the level of economic activity;</li> <li>▪ government policy;</li> <li>▪ general business climate and the level of investment in other associated industries; and</li> <li>▪ availability of alternative investment options.</li> </ul>	<p>NAIF's ability to deploy funds depends on a pipeline of eligible infrastructure projects that are developed and investment ready.</p>

<p><b>Availability of alternative debt or other capital sources</b></p>	<p>NAIF does not compete with other debt financiers, rather it works with them to encourage their participation alongside NAIF in the financing of infrastructure projects to benefit northern Australia.</p> <p>Under the NAIF Investment Mandate, it must have regard to the potential of its investment to encourage private sector participation in the infrastructure financing market for northern Australia, by providing financing for projects that produce benefits to the region. A project may seek NAIF funding, but it may ultimately be fully funded without NAIF finance.</p> <p>NAIF cannot be the sole holder of financial risk in each project, and the Commonwealth overall, must not have the majority financial risk in a project. NAIF is unable to offer financial assistance in the form of equity.</p>	<p>While NAIF can provide up to 100% debt funding of a Project, other sources of capital are generally required to fully fund a project including other debt financiers and equity investors.</p> <p>If finance from other sources becomes available for a project, this will reduce NAIF's level of reported activity. A result where NAIF has assisted to 'crowd in' the private sector, and no NAIF debt is required, this is regarded as a win for NAIF, as well as for stakeholders, as the project has gone ahead without the need for Commonwealth funds.</p> <p>Similarly, a project will not proceed if equity is insufficient or the Commonwealth has the majority financial risk in a project.</p>
<p><b>COVID 19 Impacts</b></p>	<p>The impact of COVID 19 is far reaching, including:</p> <ul style="list-style-type: none"> <li>▪ Direct impacts on the performance and/or economic outlook of various sectors.</li> <li>▪ Impacts on debt and equity capital markets and, in particular the availability of this capital to fund projects in northern Australia.</li> <li>▪ Travel restrictions within Australia potentially impacting investment origination, stakeholder management and communication activities.</li> <li>▪ Ongoing management of the business impacts under various Work from Home arrangements.</li> </ul>	<p>COVID 19 is expected to continue to create challenges for NAIF over the next 12 to 18 months.</p> <p>COVID 19 has impacted the outlook of our existing financing arrangements, requiring significant work and potential restructuring activities.</p> <p>Investment origination and achieving close is also expected to be more challenging driven by continued uncertainty in various industry outlooks and the ability to source other forms of debt and equity capital.</p>

## Cooperating and collaborating with other organisations

A key factor in the success of NAIF is how it collaborates with other organisations. The key organisations that NAIF must collaborate with are other Federal agencies, the Governments of Queensland, Western Australia and the Northern Territory as well as regional development bodies.

NAIF has established excellent connections with these governments and entities and collaborates with them on a continual basis. NAIF intends to continue to build our capabilities in this area, with the establishment of a dedicated stakeholder relations and communications function and development of dedicated stakeholder relations representatives in each jurisdiction, who will work closely with regional stakeholders and our investment teams to further enhance NAIF's effectiveness.

## COVID 19 response

NAIF will continue to work flexibly with new and existing proponents to ensure it is as effective as possible at providing a COVID 19 response in northern Australian communities.

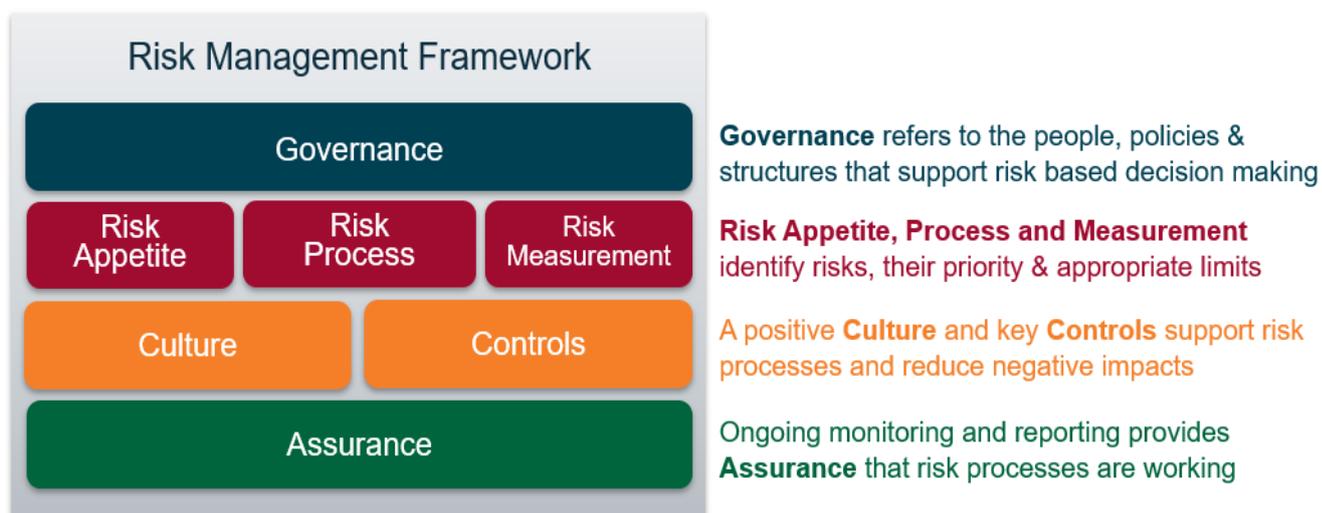
## 8. Risk Management

NAIF's Board recognises that effective, best practice risk management is integral to NAIF's functions and addressing financing challenges unique to NAIF's mandate. The design and implementation of NAIF's internal structures (rules, relationships, operational controls, policies, procedures and systems) enables it to make and implement decisions including Investment Decisions and manage risk prudently.

The Board ensures performance is appropriately balanced against risk taking. NAIF's Board Audit and Risk Committee (BARC) is charged with ensuring NAIF's system of risk management, oversight and internal control remains appropriate for NAIF. The BARC has appointed McGrathNicol as NAIF's internal auditor and they conduct a few audits each year determined by priorities established by the BARC and executive and NAIF's business environment. The BARC has also monitored implementation of the recommendations by Australian National Audit Office (ANAO) Performance Audit.

NAIF's approach to risk management is designed to support NAIF in the achievement of its vision and strategic objectives. The table below illustrates the key elements of NAIF's Risk Management Framework.

**Table 4: NAIF's Risk Management Framework**



NAIF actively promotes a positive risk culture through:

- setting the tone from the top via open discussion, challenge and debate;
- risk awareness activities including risk discussions at team meetings;
- quarterly enterprise risk management forums;
- rewards and sanctions captured via performance reviews; and
- no fault incident reporting that focusses on transparency and resolution.

The Board's Risk Appetite Statement (RAS) guides its Investment Decision making and has enabled each project to proceed efficiently and with appropriate due diligence and assessment of credit and other risks. The RAS is not a public document as it describes in detail the way NAIF's risk appetite and tolerances (qualitative and quantitative) are established and controlled and as such is considered commercially sensitive.

In addition, NAIF manages a comprehensive list of strategic, financial, legal and operational risks maintained in a Risk Register together with key mitigating controls. NAIF regularly reviews its key risks and the effectiveness of key controls with results reported to the BARC. Key risks are represented in Table 5.

**Table 5: Key Enterprise Risks**

NAIF Key Enterprise Risks		
<b>Strategic</b>	<b>Investment Decisions</b>	<b>Governance, Legal &amp; Regulatory</b>
<ul style="list-style-type: none"> <li>• Strategic Planning</li> <li>• Stakeholder Relations</li> <li>• Political Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Project Assessment</li> <li>• Credit</li> <li>• Concentration Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Jurisdictional</li> <li>• Governance</li> <li>• Compliance</li> <li>• Conduct</li> <li>• External Fraud</li> </ul>
<b>Operational</b>		
<ul style="list-style-type: none"> <li>• Information Integrity</li> <li>• Information Security</li> <li>• Outsourcing</li> </ul>	<ul style="list-style-type: none"> <li>• Business Continuity</li> <li>• People</li> </ul>	<ul style="list-style-type: none"> <li>• Health &amp; Safety</li> <li>• Organisational Finance</li> </ul>

NAIF is committed to best practice risk monitoring and reporting and continuous improvement including assessing emerging risks and opportunities. The Board, through the BARC, receives quarterly enterprise risk reports. Risk discussions are robust to achieve effective resolution of identified issues. This approach enables the Board and its BARC to adopt timely and proactive risk management.

NAIF’s risk framework is supported by fit for purpose policies to ensure that NAIF operates in the public interest by balancing its public sector accountabilities with its mandate. NAIF has an ongoing program of review of its core suite of governance charters and policies.

More detail about NAIF’s Risk Management Framework and its governance policies can be found [here](#).

## 9. Contact Details

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