

February 2023

STATEMENT OF INTENT
RESPONSE TO THE STATEMENT OF EXPECTATIONS FOR THE NORTHERN AUSTRALIA
INFRASTRUCTURE FACILITY

The Northern Australia Infrastructure Facility (NAIF) is a Corporate Commonwealth Entity (CCE), established by the *Northern Australia Infrastructure Facility Act 2016 (NAIF Act)*. The NAIF is provided with Ministerial directions on its objectives, strategies and policies through the *Northern Australia Infrastructure Facility Investment Mandate Direction 2021 (NAIF Investment Mandate)*. Additional guidance on Ministerial expectations of NAIF is also customarily provided within a Statement of Expectations (SOE), to which this Statement of Intent responds to.

Operating Framework

NAIF will continue to comply with all applicable legislation including the NAIF Act, the NAIF Investment Mandate and the *Public Governance, Performance and Accountability Act 2013 (PGPA Act)* and it will also adhere to the highest standards of governance, performance, transparency and accountability.

NAIF is committed to driving economic development in Northern Australia through investment in infrastructure projects that support economic growth.

NAIF acknowledges the opportunity to apply diverse financing solutions to accelerate the development of a wide range of infrastructure projects across northern Australia. NAIF's financing approach is primarily focused on working proactively and cooperatively with the jurisdictions to provide financial assistance through the States and Territories. Should a project require bespoke direct financing arrangements NAIF will adhere to sections 11 and 12 of the Investment Mandate.

NAIF will work proactively with the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (Department) in seeking advice from the Australian Government Solicitor (AGS) to mitigate risks (including but not limited to financial and legal) to the Commonwealth. NAIF will manage and mitigate these risks using its broad framework and project origination assessment procedures with adherence to NAIF's Risk Appetite Statement and Purpose. NAIF will also continue to maintain a close relationship with the Department recognising the importance of providing substantive analysis to support the use of its direct financing capabilities.

Economic and social environment

NAIF recognises the importance of Northern Australia's contribution to the national economy and the challenges faced by Northern Australia in terms of its relatively small population, thin markets, climatic challenges, under-developed infrastructure and regions of disadvantage.

NAIF's contribution to Australia is reflected in the public benefit value generated by NAIF funded projects including analysis of the economic impact, employment opportunities, regional income and business for local suppliers. NAIF has set Key Performance Indicators (KPI's) that seek benefits that are multiples greater than both the loan and concession value.

NAIF is a catalyst for the transformation of the northern Australian economy and population and we will continue to assess all projects on their merits consistent with the NAIF Act, Investment Mandate and the SOE and will aim to achieve a balanced geographic spread proportional to the opportunity set.

NAIF acknowledges the Government's priorities and will ensure our strategy, Risk Appetite Statement and governance framework are aligned to contribute to these priorities in northern Australia. Key strategic documents, with associated KPI's, will be developed in 2023 and monitored through Board reporting to track and monitor progress and performance.

NAIF recognises the importance of open and constructive relationships in support of improved risk management, alignment and transparency to meet the unique and targeted policy outcomes of each Government Specialised Investment Vehicle (SIV). We have built strong relationships with many key agencies (including SIVs) and will continue to work closely with these agencies to facilitate collaboration and synergies that will be supported by documented procedures and processes.

Transparency, governance and accountability

NAIF is committed to providing portfolio Ministers with accurate and timely advice on significant issues with a view to the Government being well placed to respond promptly to issues that may arise in those areas.

NAIF will continue providing the Department with accurate, timely advice and information and maintain its close working relationship with the Department. These continued efforts will be further refined in the first half of 2023 with updated procedures and regular liaison meetings to ensure efficient and effective communications.

NAIF will continue its commitment to focus on the efficiency of its operations and ensure that it operates in accordance with relevant legislative and Government requirements.

Collaborating on delivering economic development with State and Territory governments

NAIF is committed to maintaining its established and collegiate working relationships with the jurisdictions, Local Governments and RDA's. NAIF will continue its commitment to focus on the efficiency of its operations and ensure that it operates in accordance with relevant legislative and Government requirements.

NAIF will strive to act in accordance with good practice principles in its decision making, policies, processes and communications with stakeholders to maximise effectiveness, efficiency and transparency. This will occur through continued efforts to further refine procedures, processes and strategies to streamline project approvals. Where appropriate, KPI's will be considered to monitor performance.

Increasing Private Sector Investment

NAIF is committed to investing for impact across the north. NAIF is prepared to accept a higher tolerance than commercial banks for risks on projects that deliver significant public benefits, without putting proponents at serious risk of defaulting on their financial commitments. NAIF will act consistent with the Investment Mandate and Risk Appetite Statement and continue to have a high-risk tolerance to factors that are unique to investing in northern Australia.

NAIF will continue to communicate in a timely manner and be accessible, inclusive, transparent and measurable in our activities. NAIF has currently, and will continue to build on, key relationships and processes with SIV's to ensure the crowding in of private sector investment and fill financing gaps to adequately spread financial risk exposure.

Maximising public benefit and indigenous outcomes

NAIF's Indigenous Outcomes team plays a crucial role in providing guidance to proponents to deliver positive Indigenous outcomes through Indigenous Engagement Strategies (IES), partnering with key stakeholders and advocating for Indigenous economic development. NAIF refines its approach to provide effective support to the proponent in developing and implementing their IES and reporting and communicating outcomes achieved through the IES.

There will be a stronger focus on building proactive strategic partnerships to align and advocate for Indigenous economic development in northern Australia to discuss NAIF pipeline, IES delivery, issues and opportunities.

We will continue to build on our reporting framework, incorporating impact analysis and actual performance to improve our understanding of the economic, social and cultural impacts of NAIF projects and how these impacts generate change. NAIF's project outcomes will be published annually with metrics being captured either as a snapshot at the end of the reporting year or as a cumulative measure.

NAIF is also exploring opportunities to capture metrics on the following possible outcomes:

- Increase in population growth or employment to a region in northern Australia;
- Creation or development of new industries in northern Australia;
- Improvement in living standards for northern Australia (or a region);
- Improvement to the lives of the indigenous population and/or;
- Enabling key infrastructure (road, port, communication links, dams, energy solution etc) that facilitates any of the above.

NAIF will work with proponents on developing more structured reporting mechanisms and the provision of actual data including the process for conducting project evaluations post project completion within two years of project completion. A project evaluation framework will be developed in 2023 to commence this process.

NAIF will also continue its commitment and focus on the efficiency of its operations through relevant KPI's. This will include a focus on streamlined project approvals and increased impact assessments for financial assistance.