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Minister for Finance

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Minister for Northern Australia

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). The NAIF is accountable to the Parliament and must comply with all applicable legislation including the NAIF Act, the NAIF Investment Mandate and the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

We expect the NAIF to adhere to the highest standards of governance, performance, transparency and accountability. Any and all investments made by the NAIF must have a clear legislative basis and align with the Government's key priorities, including but not limited to those priorities articulated in this Statement of Expectations.

Operating framework

The Government is committed to driving economic development in Northern Australia. Key to this development is investment in economic infrastructure.

The NAIF is central to these efforts, delivering financing for infrastructure projects that support economic growth. This aligns with the Government's broader priorities, including creating jobs and supporting industries across the north, and growing exports from Northern Australia.

We expect the NAIF to provide financial assistance through a State or Territory as the primary method of providing assistance, consistent with the NAIF Investment Mandate. Direct lending or direct equity should be called upon only in circumstances where protracted negotiations with a State or Territory on provision of financial assistance are putting at risk timely delivery of a project that could otherwise proceed with direct financing.

We expect the NAIF to effectively mitigate the risks to the Government from its investments (including but not limited to financial and legal risks), and in particular where direct lending and equity tools are deployed. A strong business case must be provided supporting the use of these tools and the NAIF must obtain advice from the Australian Government Solicitor, in consultation with the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (the Department) prior to making an investment decision for the provision of direct financing to an entity other than a State or Territory.

This approach aligns with the Government's priority of working cooperatively with States and Territories to materially advance living standards in Australia.

The economic and social environment in which the NAIF operates

The Government 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.

To support the Northern Australia economy and address disadvantage, the NAIF is expected to provide support across all industries in the north and maintain a balanced geographic spread across the States and Territories that comprise Northern Australia. The NAIF is expected to materially improve the infrastructure of Northern Australia and provide benefits beyond an economic return to the project proponent, such that the quantifiable value of the public benefit exceeds the value of any concessions offered.

The Government has also committed to a number of relevant key priorities, including but not limited to:

- Materially improving the lives of First Nations people;
- Transitioning Australia's energy sector to net zero by 2050 and the reduction of Australia's emissions by 43 per cent by 2030;
- Transforming Australia into a renewable energy superpower, through the adoption of renewable energy and supporting the related industries such as critical minerals, hydrogen and battery production;
- Fixing and enhancing Australia's electricity transmission system;
- Enhancing communications infrastructure;
- Supporting job creating projects that will contribute to secure working opportunities and economic growth in Australia's regional communities;
- Working with the States and Territories in delivering key infrastructure; and
- Supporting the required ancillary industries and businesses to support current and future key infrastructure developments.

The NAIF has a key role in contributing to these priorities in Northern Australia. We expect the NAIF to give its full support to us, the Government and our departments to ensure the above are prioritised in delivering financial assistance.

The Government will also soon establish the National Reconstruction Fund. Together with other key Specialist Investment Vehicles (SIVs) such as the Clean Energy Finance Corporation, Export Finance Australia and the Regional Investment Corporation, we expect the NAIF to enhance collaboration and synergies where possible, including leveraging the back-office functions of other SIVs. We acknowledge that the NAIF has signed an MOU with National Indigenous Australians Agency, Indigenous Business Australia and the Indigenous Land and Sea Corporation, and we encourage greater collaboration with these organisations in developing projects that materially improve the lives of First Nations people.

Consistent with the 2020 Statutory Review and the above Government priorities, signing collaborative agreements with other relevant Australian Government entities will help serve the purpose of maximising outcomes for the region and supporting the delivery of the Government's broader objectives.

Transparency, governance and accountability

The NAIF Board is accountable to the Minister for Northern Australia and the Minister for Finance as the responsible Ministers under the NAIF Act. The NAIF Board includes the Secretary of the Department, who contributes a Commonwealth perspective to the NAIF

Board. We expect the NAIF Board to respect the dual role that the Secretary, or nominated alternate, plays in this regard and to put in place necessary policies and procedures to effectively manage any real or perceived conflicts of interest that may arise.

The NAIF CEO is responsible for the day-to-day administration of the NAIF. We expect the NAIF CEO will assist the NAIF Board in delivering on the NAIF Board's accountabilities outlined below.

The NAIF Board is accountable for:

1. **Performance of the NAIF**, including but not limited to, promoting the:
 - a. achievement of the objectives and purposes of the NAIF; and
 - b. proper use and management of public resources, including ensuring compliance with PGPA Act accountability, management and performance requirements and that financial resources provided for the NAIF's operations (such as for staffing, hospitality and travel) are utilised for the purpose for which they have been provided.
2. **Setting strategic direction, organisational leadership and establishing and maintaining a culture** that meets the high standards expected by the public in relation to, but not limited to:
 - a. efficient, effective, economical and ethical expenditure of relevant money;
 - b. proactive and open disclosure of information that is in the public interest;
 - c. following best practice principles and guidelines that go beyond legal obligations (e.g. probity and value for money);
 - d. fostering an engaged, results-orientated staff culture that minimises unplanned turnover;
 - e. developing managerial and entrepreneurial talent within the NAIF, with a workforce predominately based in Northern Australia;
 - f. setting an appropriate remuneration structure which balances reasonable reward for meeting clearly defined objectives and outcomes within a statutory corporation framework and is consistent with that of the Australian Government sector; and
 - g. procurement policies and practices that use enterprises in Northern Australia.
3. **Internal governance of the NAIF**, including but not limited to, establishing and maintaining the following:
 - a. a Risk Appetite Statement to guide its Investment Decisions (as required by the NAIF Investment Mandate), reviewed annually in consultation with the responsible Ministers;
 - b. a Risk Management Framework for an appropriate internal system of risk oversight and management in accordance with section 16 of the PGPA Act; and
 - c. a system of internal controls, such as meeting registers for NAIF Board members, conflict of interest declarations, and a record of transparent decision-making processes.
4. **Delivering timely, accurate and transparent information**, including but not limited to the:
 - a. obligation to keep the responsible Ministers (and their departments) informed with the provision of timely and accurate information (as required by the NAIF Investment Mandate and the PGPA Act);
 - b. provision of information and data to the relevant Ministers for budgetary and parliamentary purposes; and
 - c. provision of all required information to the Senate and appearance before Senate Committees in accordance with the *Government Guidelines for Official Witnesses*

before Parliamentary Committees and Related Matters (Parliamentary Witness Guide).

5. **Satisfying the Minister for Northern Australia for each Investment Decision** that all applicable requirements have been met, including compliance with legislation and mandatory criteria in the NAIF Investment Mandate and consistency with Government policies.

Collaborating on delivering economic development with State and Territory governments

We expect the NAIF to actively consult on projects at the earliest possible stage, with key government agencies related to infrastructure provision (both federal and jurisdictional), as well as with northern jurisdictional governments, to maximise the opportunity for strategic alignment with economic development priorities. This will help inform the NAIF Board's decision-making and align it to whole-of-government consideration of the benefits and risks of proposals, as well as national and strategic interests. This is consistent with requirements under the NAIF Act, Investment Mandate and section 17 of the PGPA Act.

We expect the NAIF to work cooperatively with the Queensland, Western Australian and Northern Territory governments, relevant local governments and Regional Development Australia organisations where appropriate, to maximise the opportunity for project contribution and streamlining of project approvals. The NAIF will put in place documented procedures with each jurisdiction to ensure relationships are regularised, evaluated and continuously improved. This expectation is consistent with the NAIF Investment Mandate.

Increasing private sector investment

The NAIF has a high tolerance for financial or investment risk without putting proponents at serious risk of defaulting on their financial commitments. The NAIF must not be the sole holder of financial risk in a project. Consistent with the NAIF Investment Mandate and Risk Appetite Statement, the NAIF will have a high risk tolerance to factors that are unique to investing in Northern Australia economic infrastructure.

We expect the NAIF to engage actively with proponents, and other relevant stakeholders, to assist with crowding-in private sector investment and fill financing gaps and help to distribute financial risk exposure.

The NAIF will publicly share information on its processes, investment pipeline and investment decisions, taking into account any commercial implications of such publication, to support investor confidence in Northern Australia. Collaboration with appropriate SIVs will also further crowd-in private sector investment and support the Government's broader policies and priorities.

Maximising public benefit and Indigenous outcomes

The NAIF will demonstrate its positive economic impact on the Northern Australia economy. The NAIF will collect and publish information – over the project lifecycle – to show the public benefit of its financing. This will include contribution to the Northern Australia economy, return on investment and the number of actual jobs created. The NAIF will conduct project evaluations, within two years from project completion, which include a comparison of actual project outcomes against the forecasts, and will provide this detail in its annual reports and to the Department upon request.

The NAIF will enhance the productivity of the financial assistance made available to proponents by prioritising the timely use of the financial assistance. This includes expediting the finalisation of contractual processes following an Investment Decision and minimising the time available to the proponent to utilise the financial assistance.

We expect the NAIF to demonstrate its actual contribution to Indigenous engagement outcomes – participation, procurement and employment. The NAIF will collect and publish information on actual Indigenous engagement outcomes. We expect the NAIF to improve the data submitted by Proponents in Indigenous engagement outcomes statements to include with greater certainty the number of new indigenous jobs forecast to be created. This expectation is consistent with the NAIF Investment Mandate.

Relationship with the Department of Infrastructure, Transport, Regional Development, Communications and the Arts

Consistent with the NAIF Board's duty under section 17 of the PGPA Act, we expect the NAIF to work collaboratively with the Department, including in establishing and implementing protocols related to engagement and consultation with stakeholders; necessary legal, financial and administrative arrangements; and exchange of information.



Katy Gallagher
Minister for Finance



Madeleine King
Minister for Northern Australia