



Australian Government



Northern Australia Infrastructure Facility

# Corporate Plan 2017-2018

[www.naif.gov.au](http://www.naif.gov.au)

**Vision:**  
Contribute to transformation of northern  
Australia through financing infrastructure  
development

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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 our 2017-2018 Corporate Plan (Plan).

NAIF has an extremely important mandate, which is to help achieve transformation of northern Australia through financing infrastructure development that will generate public benefit, growth in its economy and population, and new private sector investment, while at the same time seeking to achieve sustainable change for Indigenous populations of northern Australia. Given the dynamics of our region, and the rapidly growing Asian middle class, this is the time to take advantage of the generational opportunities that this presents, and for which northern Australia is uniquely placed to respond.

NAIF's objective is to help create commerce and economic growth – but its role is also to support and improve the way of life and social amenity of the north. We want to encourage people to live, work and holiday in northern Australia – and so we need to help make it more attractive for those living here, and those visiting. NAIF looks to do that through helping to develop more reliable and affordable energy, water and communications solutions. It is about making it easier to travel between regions. It is also about better access to healthcare and services, education and jobs.

Infrastructure is core to developing life in the north, a key enabler, a building block. We have a team of specialists to work with stakeholders to bring forward development of projects which, but for NAIF, would be unlikely to proceed or would only proceed at a much later date, or with a more limited scope.

You will see in the pages ahead that we have made tremendous progress in NAIF's first year of operation, and are well-placed to deliver on NAIF's vision for northern Australia over the next four years.

It is a fantastic opportunity and a big challenge, and is something about which everyone at NAIF is extremely passionate. We are here to make a difference for the people of northern Australia and our nation. We are focused on achieving that objective.

**Sharon Warburton**

Chair

Northern Australia Infrastructure Facility

## 2. About us

The Northern Australia Infrastructure Facility (NAIF) came into effect 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 operations are governed by other Commonwealth legislation including the *Public Governance and Performance Accountability Act 2013* (PGPA Act).

NAIF's responsible minister is the Minister for Resources and Northern Australia, who also appointed NAIF's independent commercial Board, and has given NAIF direction through its Investment Mandate. NAIF's Board is solely responsible for making all investment decisions and, subject to provisions in the NAIF Act and Investment Mandate, its decisions are unfettered.

NAIF is an integral part of the Commonwealth Government's strategy to develop northern Australia, which was articulated in the *Our North, Our Future: White Paper on Developing Northern Australia* that was released in June 2015.

**NAIF is a \$5 billion lending facility to provide financial assistance to infrastructure projects (by way of loans or alternative financing mechanisms) via the governments of the Northern Territory, Queensland and Western Australia, to encourage and complement private sector investment in the development of northern Australian infrastructure.**

This infrastructure is to meet the needs of the existing communities of northern Australia. It is also to enable transformational growth in the economy and population of northern Australia. Having the right economic and social infrastructure in place will be critical to achieving that ambition.

Northern Australia is the gateway to Asia, which by 2030 is expected to be home to two thirds of the world's middle class. By 2050, 50 per cent of global growth in demand for agricultural products will come from China<sup>1</sup>.

The rapidly growing middle class in those markets is driving demand for commodities, food, goods and services, including better health and education. Northern Australia needs infrastructure to take advantage of these opportunities and service that growth – if it doesn't, others will.

Infrastructure Australia's 2015 Northern Australia Infrastructure Audit (NAIA) identified critical economic infrastructure gaps and requirements to meet projected northern Australian population and economic growth through to 2031.

Those gaps/failures, which NAIF is looking to close, are:

- **Service gaps:** where the level of infrastructure has fallen below acceptable standards around reliability, resilience, safety and quantity.
- **Cost gaps:** where the cost of providing infrastructure is higher than in other locations.
- **Demand gaps:** where future demand for infrastructure likely exceeds current capacity.
- **Opportunity gaps:** where providing infrastructure could generate demand that is not currently present.

NAIF's backing will be instrumental in supporting projects that will help to close these infrastructure gaps, and encourage further private sector investment in northern Australia.

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<sup>1</sup> See generally page 56 'Our North, Our Future: White Paper on Developing Northern Australia'

### 3. Our purpose

NAIF’s primary purpose is to transform northern Australia by financing infrastructure development that generates:








- public benefit outside of what is captured by the project proponent;
- longer-term growth in the population and economy of northern Australia;
- greater private sector participation in the financing of northern Australia’s infrastructure needs; and
- sustainable Indigenous participation, procurement and employment.

NAIF financing aims to assist in:

- opening new markets and assist the development of new, more reliable supply chains;
- reducing cost for business 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.

This infrastructure includes airports, pipelines, ports and roads, as well as communication, energy, rail and water infrastructure (see Table 1). It also includes health and educational services, and training facilities. These are the types of infrastructure that are needed to support growth in sectors like agribusiness, live cattle and meat export, tourism, resources, medical and other industries in northern Australia, and to deliver public benefit for Australia.

**Table 1: Northern Australia Infrastructure needs by Sector**

Type of Infrastructure		Northern Australia infrastructure needs				
		Industry Needs				
		Agriculture	Livestock	Tourism	Education	Resources
	Roads / Rail	✓	✓	✓	✓	✓
	Ports / Marinas	✓	✓	✓	✗	✓
	Airports	✓	✓	✓	✓	✓
	Energy	✓	✓	✓	✓	✓
	Water	✓	✓	✓	✓	✓
	Communications	✓	✓	✓	✓	✓
	Social eg. Hospitals, training facilities & accommodation	✓	✓	✓	✓	✓

**Our focus on public benefit and growth, and encouraging private sector and Indigenous involvement in northern Australia, are key differentiators from other lenders.**

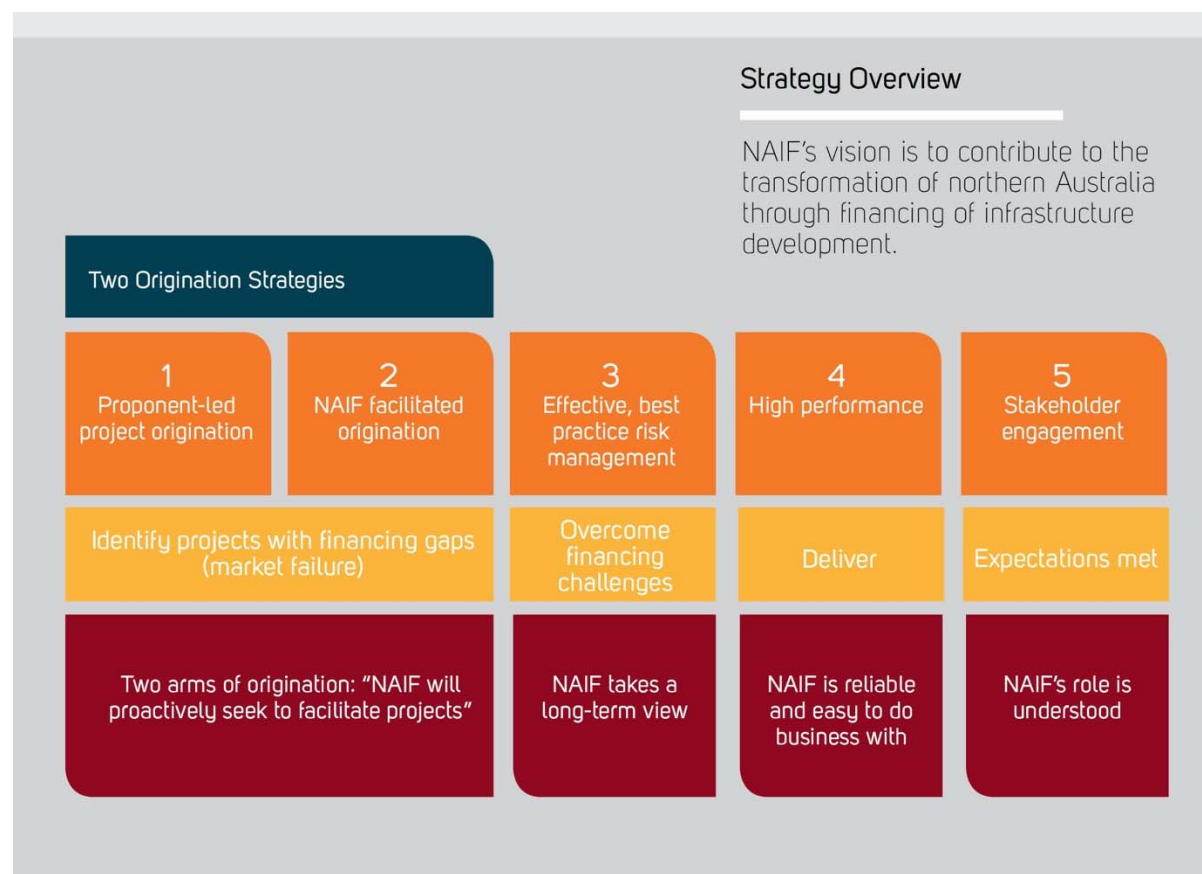
NAIF is also a 'market gap' financier, which means it must partner with other lenders for at least 50 per cent of a project's infrastructure debt.

To maximise NAIF funds, NAIF is mandated to only contribute the minimum amount of debt finance or concessional terms for a project to proceed. It was created to fill gaps in the infrastructure financing market for northern Australia. This means that NAIF can finance projects that are viable in the long term but which, without NAIF, would be unlikely to proceed, or would only proceed at a much later date or with a more limited scope.

NAIF therefore is designed to accelerate development to help unlock economic and growth opportunities for northern Australia, and more broadly.

## 4. Strategy and capability

**Table 2: A clear and transparent strategy**



### 4.1 Infrastructure project origination – Proponent-led

To meet northern Australia's infrastructure needs, NAIF is focusing on all potential projects that fit its Investment Mandate, which include new developments or substantial upgrades of:

- standalone infrastructure, such as ports, airports, rail, pipelines, communications cables; and
- infrastructure embedded in a broader project, for example, road, communications and water infrastructure required to develop a large-scale agriculture project. That is, projects that have infrastructure and non-infrastructure components.

NAIF's experienced infrastructure financiers are working with project sponsors, proponents, contractors, suppliers, financiers, advisers and government agencies across northern Australia and globally on projects in which NAIF can play a role, to ensure that eligible projects that generate long-term public benefit can proceed.

NAIF's origination team is educating the market on what NAIF can offer, and how it can deliver, through face-to-face meetings, and presentations at events and workshops. NAIF is widening its referral channels through developing relationships with equity investors (superannuation and other funds, corporates and individuals), lending organisations (domestic and international banks, bondholders and alternate financiers), financial advisers, building and other contracting bodies, consultants and industry associations.

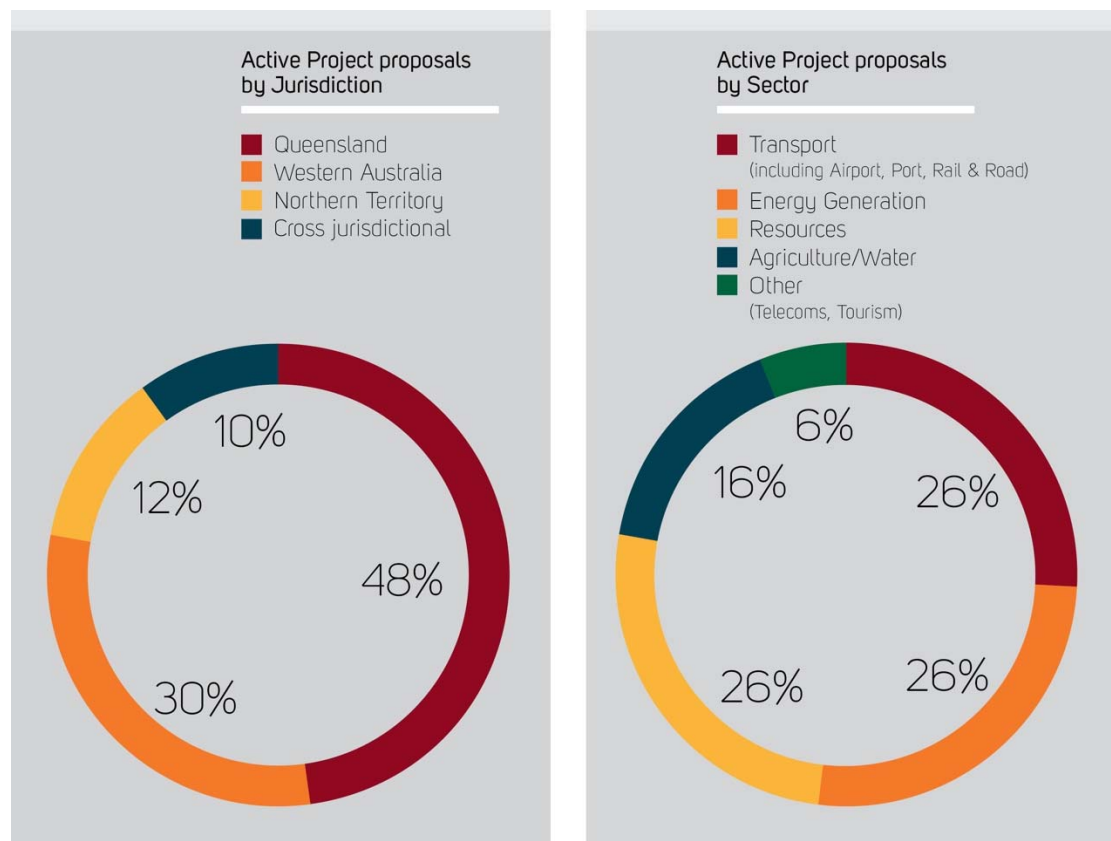


## Progress

As at 30 June 2017, NAIF had received 131 enquiries for possible infrastructure projects. Of these, 57 are active, with 5 having progressed to a formal due diligence stage. Financial close of NAIF's first transaction is targeted for end of September 2017. This level of enquiry indicates strong demand for NAIF's services. NAIF's pipeline of projects has been steadily growing, as project participants become more aware of NAIF's ability to help overcome financing challenges.

The active potential projects are spread across all infrastructure types, including airports, roads, rail, energy, telecommunications, ports, pipelines and water. These projects are also spread across all three northern State and Territory jurisdictions, as shown in Table 3 below.

**Table 3: Pipeline of Active Project proposals at 30 June 2017**



## 4.2 Infrastructure project origination - NAIF facilitated

NAIF has also identified a need for it to help facilitate the origination of projects that are unlikely to be brought forward solely through the existing proponent-led process. There will be projects that are likely to need early support to develop suitable structures for NAIF to participate in, particularly given the need for NAIF's loan to be repaid. In this context, NAIF's industry specialists will focus on the water and communications sectors, which is consistent with discussions with key stakeholders in northern Australia, and the findings of the NAIA audit. Note that this audit also identified the energy sector as a major infrastructure gap. Given 26 per cent of NAIF's active (proponent-led) pipeline is already focused on that sector (see Table 3), and that around 37.5 per cent (by number) of NAIF's projects that have progressed to due diligence are in the energy sector, NAIF expects to contribute to that sector through proponent-led origination.

NAIF facilitated origination will commence with the water sector and then communications. We are currently undertaking a needs analysis and prioritisation exercise, and taking into account the public benefit aspect of potential water projects. From this, we will identify those projects that are within NAIF's scope, have potential

to attract interest from experienced and high quality proponents, and are bankable. The water sector supports a number of industries, however in particular we expect NAIF's work in this area to also generate growth in agriculture, which will be very important in meeting demand from Asia.

Our industry specialists will review past research and planning, and investigate any infrastructure concepts that may not have proceeded in the past, but could be viable with NAIF's assistance. NAIF is engaging initially with government stakeholders to identify these types of opportunities and we are confident that we can develop infrastructure that has traditionally relied on government support to achieve the scale required by some of those projects.

## Progress

NAIF has recently appointed a water infrastructure expert to work closely with one of NAIF's origination executives who has strong expertise in structuring major infrastructure projects. We expect that the full impact of this water infrastructure strategy will occur from 2019-20 onwards, which reflects the time it will take for infrastructure projects to move from project inception to financial close.

## 4.3 NAIF thinks strategically about risk: effective best practice risk management

NAIF's mandate is to encourage infrastructure investment in northern Australia while, at the same time, being disciplined with taxpayers' money. This money is only there to fill market gaps (see 3 above) and as such, NAIF's loans cannot be the majority source of debt finance. NAIF must not provide funding unless the Board is satisfied that the project would not otherwise have received sufficient funding from other financiers. The Board must have an expectation that these funds will be repaid or refinanced.

NAIF can provide finance on concessional terms, however in granting concessions, the cost of these concessions will be calibrated against a project's estimated public benefit.

Relative to other lenders, NAIF's financing terms may:

- have longer tenors (up to 30 years under current Commonwealth borrowing conditions);
- have lower interest rates (not below the Commonwealth bond rate);
- be more patient (for example, an extended period for interest capitalisation beyond the construction period or deferral of loan repayments with extended interest only periods);
- have different fee structures; and
- be subordinated in cashflow or security.

There are two other important aspects of NAIF's mandate:

- (i) It may have a high risk tolerance for factors unique to investing in northern Australia such as distance, remoteness and climate.
- (ii) It is required to have regard to the necessity of a NAIF investment to encourage private sector participation in financing an eligible project.

## Progress

The Board's Risk Management Framework (RMF), which includes its Risk Appetite Statement (RAS), has been designed to balance all of the parameters outlined in 4.3 above. NAIF's value proposition is that it will use its risk appetite to encourage and, if necessary, complement but not compete with other financiers. Consistent with its mandate, NAIF is able to view and analyse risk differently to other lenders, bringing many different options on how to finance projects.

NAIF has identified a number of scenarios in which it can assist by leveraging its risk appetite:

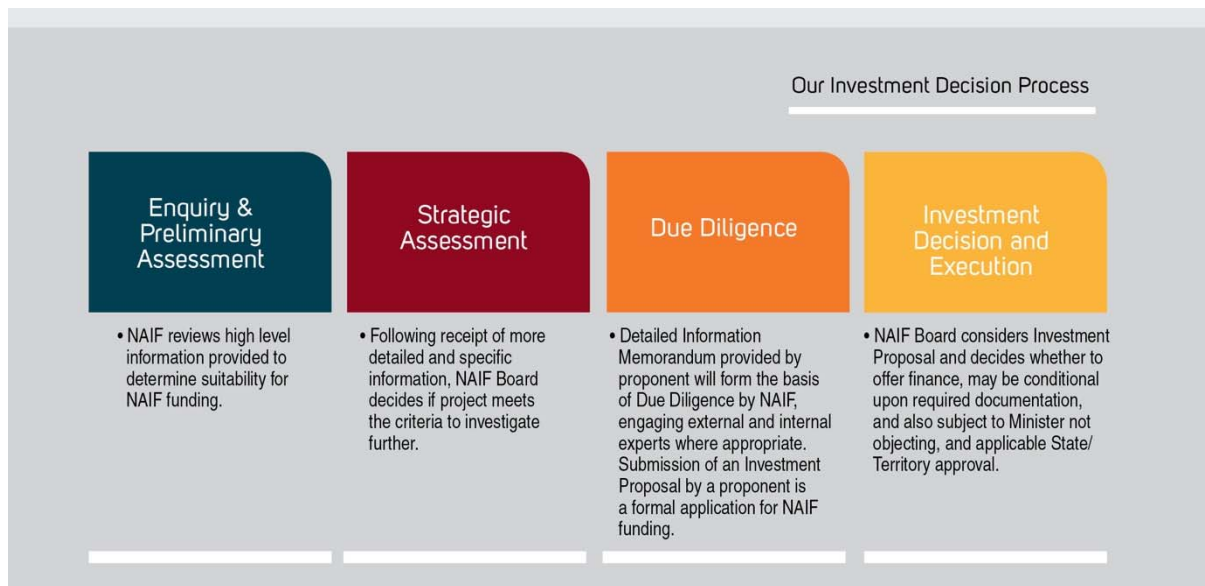
- **ramp up risks:** For projects moving onto new supply chains or markets, there may be extended periods of revenue 'ramp up' while the new venture is established. NAIF is able to take a longer-term view of a project's economic life than the private sector and can use interest-only periods or interest capitalisation to better match NAIF's loan to the asset lifecycle;

- **uncontracted revenue risk:** NAIF's 'patient capital' can be used to look beyond the period of contracted revenue streams that private sector lenders require and initially take merchant risk, as NAIF has a longer tenor to recover its principal and interest;
- **multi-user enhancements:** To encourage projects that meet the future needs of northern Australia and to overcome the challenges of scale and first-mover disadvantage for developers, NAIF can use its risk appetite to achieve its preference for multi-user infrastructure by funding projects that, at inception, may have only limited customers; and
- **liquidity gaps:** Gaps in private sector lending may arise in relation to projects that are tapping into new or (unfamiliar) markets, have emerging asset classes or commodities, or where there are concentration limit issues constraining private market financiers. NAIF can then look to fill those liquidity gaps.

There is no one size fits all. NAIF will use its expertise to tailor how it deploys its risk appetite for each project, and to ensure risk is always managed and shared effectively within the RAS limits and tolerances. NAIF can leverage its risk management strategy to help overcome financing challenges, so that an eligible project can proceed, or proceed much earlier than it would otherwise. NAIF will use its strategic approach to risk to 'crowd-in' private sector capital and that of other financiers.

The Board has also determined that, on a case-by-case basis, it can contribute NAIF financing to support the development of transformative projects that have a mix of infrastructure and non-infrastructure, and take risk on the whole project by taking all project cashflows into account.

**Table 4: Our investment decision process**



NAIF's process is initially very informal and conceptual, to allow NAIF's team to critique an enquiry with a potential proponent. In the Strategic Assessment Phase, information available is very preliminary, and so is noted largely at face value based on what is provided by a potential proponent, and without external or other verification. The process allows the Board to be consulted to determine if the project is one to which NAIF resources (people and expenses) should be allocated to undertake extensive due diligence.

That phase will involve a detailed assessment by NAIF of the project, the potential proponent and other project participants, together with its advisors and independent experts and, as necessary, its service provider. NAIF will leverage work undertaken by other financiers and work in conjunction with them to understand the risks that may impact financing and mitigants to enable risks to be assessed. NAIF engages closely with the State and Territory in which a project is located throughout the due diligence phase, and may consult with other Government stakeholders as required.

Only when that process is substantially advanced will an Investment Proposal be submitted to NAIF, which is the formal application for NAIF finance. The Queensland, Northern Territory and Western Australian governments and the responsible Minister have a right of veto over any project but they cannot determine or

direct in any way that a particular project or person be funded. NAIF's Board has the sole ability to decide whether to fund a project. NAIF expects the Board will conditionally approve a number of projects to provide as much certainty to project participants as is feasible. That approval will not constitute an Investment Decision but is designed to create a streamlined process.

#### 4.4 To drive business efficiency – build a high performance organisation

To help achieve its purpose of transforming northern Australia, NAIF invests in its people, processes and systems. NAIF also has access to the resources of the Export Finance and Insurance Corporation (Efic), Australia's export credit agency, under a service level agreement (SLA).

Since its establishment, NAIF has utilised more than half of Efic's approximately 100 personnel in various capacities including the Chief Financial Officer, General Counsel, Board Secretary, Head of Compliance, Head of Human Resources, Project Finance Environment & Technical Review, Credit, and Portfolio Management.

A key benefit of the SLA is the flexibility for NAIF to use Efic's services as and when required, to use its own resources, or to access other specialist resources as considered necessary. This allows NAIF to meet the unique needs of its business, proponents and other stakeholders effectively. The SLA arrangement also ensures an efficient use of existing Commonwealth resources, reducing the duplication of resourcing requirements across government entities.

#### Progress

NAIF has made significant progress in achieving its organisational objectives through:

- establishing an experienced, independent Board with a strong understanding of northern Australia. The Board provides oversight and guidance to NAIF's executive, and plays an active role in driving stakeholder engagement.
- establishing the head office in Cairns and recruiting a talented team that has experience as lenders, and infrastructure financiers and advisors, to generate and convert opportunities. We have also recruited personnel with expertise in government, and have a dedicated General Counsel and a specialist execution team to work with originators to complete rigorous due diligence and analysis of transactions.
- implementing best practice governance frameworks, policies and procedures, which will continue to be independently benchmarked against peers in the public and private sectors. These support NAIF in ensuring compliance with the requirements of the NAIF Act, the PGPA Act and the Investment Mandate, and enable NAIF to meet its strategic objectives.
- working collaboratively with commercial and other financiers, and key Government stakeholders, to ensure projects meet NAIF's important objective and are delivered with commercial acumen in well-managed timelines.

#### 4.5 To develop strong stakeholder relationships

NAIF will continue to execute its stakeholder engagement plan to ensure that its purpose, operations and potential value to northern Australia are understood by key stakeholders including equity investors, lenders, financial advisers, contractors, alternative financiers, consultants, and Government and industry associations.

#### Progress

NAIF's team has travelled extensively throughout Australia to meet with potential proponents, and key public and private sector stakeholders, to present NAIF's strategic vision and the value proposition of its Investment Mandate. NAIF's Board, Chief Executive Officer and staff have collectively met with more than 1,500 interested stakeholders and presented at 15 events, reaching audiences of over 2,000 people (as at 30 June 2017).

NAIF has also developed strong working relationships with the Queensland, Northern Territory and Western Australian governments, Commonwealth departments and agencies, teams from Regional Development

Australia (RDA) and other key regional representatives, with whom NAIF meets regularly to discuss potential opportunities that offer a significant public benefit for northern Australia.

Public awareness and interest in NAIF is building, which is confirmed by the comprehensive schedule of events in which NAIF will participate over the next 12 months, providing further opportunities to engage with key stakeholders and to promote NAIF.

## 5. Our performance

NAIF has a meaningful purpose: *to transform northern Australia by financing infrastructure development.*

It is in this context that NAIF's performance criteria have been designed, so as to provide a clear illustration as to the extent to which NAIF is meeting expectations and fulfilling its purpose.

A realistic approach has been taken when setting NAIF's targets, given it typically takes at least 2-3 years from project concept before a Government-led infrastructure project is ready to be funded. Proponent-led developments and higher risk projects (both of which NAIF is involved) take longer. In addition, there are other significant requirements of the NAIF Act and Investment Mandate that must be satisfied before financing can be approved.

We anticipate that years 2018 – 2019 onwards will be where NAIF will be able to make the biggest difference.

**Table 5: Our performance criteria**

Performance criteria	Measure	2017-18 targets	2018-19 onwards
Generate public benefit	<i>Net public benefit for northern Australia on each project funded</i>	Public benefit demonstrated on all investments in accordance with the NAIF Public Benefit Guideline.	
Indigenous engagement	<i>Sustainable indigenous participation, procurement and employment</i>	Indigenous engagement strategy for all investments.	
Investments in infrastructure projects in northern Australia <sup>2</sup>	<i>Number of transactions per annum</i>	3 - 5	5 - 10
	<i>Dollar value of new investments by NAIF per annum<sup>3</sup></i>	\$300m - \$1bn	\$500m - \$1.5bn
	<i>Total capital value of projects supported per annum</i>	\$750m - \$2.5bn	\$1.25bn - \$3.75bn
Effective risk management	<i>Compliance with Risk Appetite Statement</i>	Independent annual audit confirms compliance with Risk Appetite Statement.	
Encourage private sector contribution to financing projects	<i>Number of projects involving private sector financing</i>	Greater than 50 per cent of projects supported have private sector financing.	
Raise awareness of NAIF value through dissemination of information to industry stakeholders	<i>Level of communication and stakeholder engagement activity</i>	Significant communication and stakeholder engagement activity, including direct engagement and targeted participation in northern Australian and industry events. NAIF website is easy to navigate for stakeholders.	

<sup>2</sup> Signing targets are provided as a range, as it is difficult to predict the number of new commitments that NAIF will achieve in a year. NAIF operates in the 'market gap', so if alternative financing becomes available for a project, NAIF will step back. In addition, to reach financial close, infrastructure projects are reliant on the alignment of a number of factors (see below), which are generally outside of NAIF's control. Infrastructure projects can also be large, so one additional facility has the potential to move the annual value of new loan commitments significantly.

<sup>3</sup> Not to exceed \$5 billion in total.

Building diverse pipeline of potential infrastructure projects	<i>Industry and geographic spread of potential projects in the pipeline</i>	Demonstrate industry and geographic spread of potential projects in the pipeline.
Achieve sound financial performance	<p><i>Operating expenditure is within the overall five-year departmental appropriation budget</i></p> <p><i>NAIF transaction revenue exceeds operating costs and Commonwealth cost of borrowing</i></p>	<p>Operating expenses per annum are within annual budget.</p> <p>NAIF transaction revenue is greater than operating expenditure and Commonwealth cost of borrowing over a four-year time horizon, as reflected in the Department of Industry, Innovation and Science (DIIS) accounts.</p>

## 5. Financials

### Statement of Comprehensive Income

<b>Table 6: Our financial expenditure</b>	<b>Actual 2016/17 \$'000</b>	<b>Budget 2017/18 \$'000</b>	<b>Budget 2018/19 \$'000</b>	<b>Budget 2019/20 \$'000</b>	<b>Budget 2020/21 \$'000</b>
<b>Total expenses</b>	5,713	8,504	9,495	10,329	10,865
<b>Revenue from Government</b>	8,111	8,504	9,495	10,329	10,865
<b>Total comprehensive income attributable to the Australian Government</b>	2,398	0	0	0	0

Expenditure includes expenses relating to services provided by Efic, covering transaction due diligence, credit, loan management, corporate and administrative services, and specialist execution staff engaged under contract. Efic also pay expenses on behalf of NAIF including for dedicated NAIF staff, Board expenses, travel and overhead costs.

Revenue from Government is an appropriation received from the Department of Industry, Innovation and Science. Interest and fees earned on NAIF facilities are reported in the accounts of the Department of Industry, Innovation and Science.

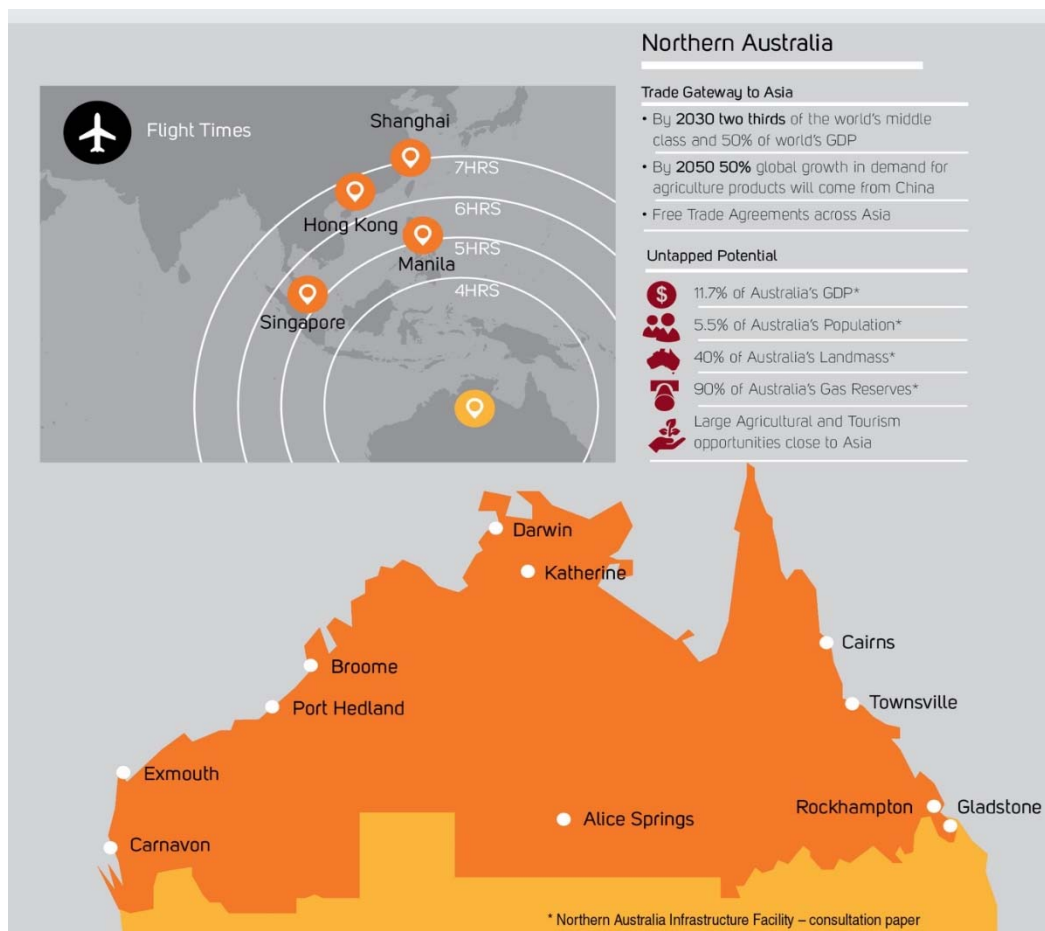


## 6. A unique environment

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.

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 7: Our environment**



NAIF can provide a range of debt capital solutions (from senior debt to quasi equity) to fund eligible infrastructure projects in northern Australia, but does not provide equity capital or grants.

**Table 8: A summary of factors that may impact NAIF’s level of reported activity in a given year**

Environmental factor	Why	Impact
<p><b>Availability of alternative debt capital</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>NAIF’s mandate is to contribute the minimum amount of debt or concessions. A project may seek NAIF funding but, given NAIF’s financing expertise, it may ultimately be fully funded without NAIF finance.</p> <p>NAIF can provide a maximum of 50 per cent of the total infrastructure debt financing for each project. It cannot finance a project on its own.</p>	<p>If finance from other sources becomes available for a project, NAIF can only fund the debt finance gap remaining (if any), which may reduce NAIF’s level of reported activity.</p> <p>A result where NAIF has assisted to ‘crowd in’ the private sector, and no NAIF debt is required, is regarded as a win for NAIF, as well as the market.</p> <p>Similarly, a project will not proceed if other debt financiers are not supportive of a project up to the 50 per cent threshold, regardless of whether NAIF is willing to provide finance.</p>

<p><b>Government policy</b></p>	<p>NAIF operates under the NAIF Act and associated Investment Mandate, as well as in partnership with the Queensland, Western Australian and Northern Territory governments.</p> <p>How NAIF communicates and engages with the States and Territory is integral to fulfilling NAIF's purpose of stimulating economic and population growth in northern Australia. NAIF has developed strong relationships with key government stakeholders in these jurisdictions, meeting regularly.</p> <p>NAIF cannot invest in a project if the relevant State or Territory jurisdiction notifies NAIF that it should not provide financial assistance. In addition, the 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>Most infrastructure 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>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 could impact a project's viability and/or timeline, and therefore the requirement for NAIF financing.</p>
<p><b>Project timelines</b></p>	<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, and even longer for proponent-led or higher risk projects.</p> <p>This timeline can be shorter for upgrades to existing infrastructure.</p>	<p>The projects that NAIF expects to close in 2017-18 were in the enquiry stage prior to NAIF coming into effect on 1 July 2016, which is consistent with these timelines.</p> <p>NAIF will indicate to project proponents, as early as possible, its willingness to support a viable project, so that financial close can be achieved as quickly as possible.</p> <p>The timing of due diligence for proponent-led projects is also largely managed by the</p>

		proponent, with the timeframe for this outside of NAIF's control.
<b>Level of infrastructure investment</b>	<p>NAIF is not a project proponent, rather its role is to support project sponsors and investors who wish to develop infrastructure projects 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</li> <li>▪ availability of alternative investment options.</li> </ul>	NAIF's ability to deploy funds depends on a pipeline of eligible infrastructure projects.

## 7. A prudent approach to risk management

NAIF's Risk Management Framework conforms to the PGPA Act, the Commonwealth Risk Management Policy and the International Standard for Risk Management, AS/NZS ISO31000, and was developed in consultation with leading experts in the risk policy field.

NAIF's approach to risk management is as follows:

- 1. Risk Management Policy.** This sets the principles and objectives that govern NAIF's risk management activities, defines the roles, responsibilities and accountabilities for managing risk, and establishes the basis for the development of NAIF's risk framework, stakeholder communication and risk monitoring.
- 2. Risk Management Framework.** This describes the tools and processes adopted by NAIF to operationalise its Risk Management Policy. This framework consists of the Risk Management Process, Risk Measurement Criteria and Risk Appetite Statement.
- 3. Risk Register.** This provides a day-to-day tool for monitoring and reporting risk.

NAIF has adopted the Three Lines of Defence (3LOD) risk management and assurance model, which is recommended by the Australian Prudential Regulation Authority (APRA). In practice, this means there is:

- clear ownership of risks by NAIF management;
- ongoing monitoring and review of risks and controls by compliance and risk management personnel; and
- periodic testing of risk awareness and adherence to the Risk Management Framework by internal and external audit.

NAIF's Board members are highly skilled and experienced non-executive directors. They are aware of their duties and obligations, particularly around disclosures of conflicts of interest, as required under the PGPA Act and compliance with NAIF's policies, including NAIF's Conflict of Interest policy.

**Independent governance experts have confirmed that NAIF's core governance policies (including NAIF's Confidentiality Policy and Conflicts of Interest Policy) reflect current Australian best practice government governance principles, and current Australian best practice corporate governance for commercial financiers. These experts have confirmed that NAIF's core suite of governance policies is also appropriate, given NAIF's size and function.**

NAIF's commitment to transparency means that we have published 11 governance documents on [our website](#), which matches the level of private sector disclosure and compares favourably to other public sector lenders.

In line with lending institutions involved in similar infrastructure projects, and indications from project proponents and key stakeholders, there are some documents that NAIF does not disclose, such as Board deliberations, key credit governance documents and information regarding proponents for NAIF loans.

This allows our stakeholders and project participants to remain confident in the integrity of NAIF's processes. Any breach of this confidentiality protocol may result in NAIF having less leverage to negotiate favourable terms. Therefore, NAIF may be compromised in its ability to meet its mandated objectives, to the point that an otherwise eligible project may not proceed, or may proceed using more NAIF finance than it otherwise would. That is not in the public interest, particularly if it means less NAIF funds are then available for other worthy projects.

You can find more detail about NAIF's risk management framework and its governance policies [here](#).

## Contact us

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**Australian Government**



Northern Australia Infrastructure Facility