



## Wayne Swan MP MEMBER FOR LILLEY

Grant Hehir  
Auditor-General of Australia  
GPO Box 707  
CANBERRA ACT 2601

27 March 2017

### Northern Australia Infrastructure Facility

Dear Mr Hehir

I am writing to you as a former Treasurer to draw your attention to what I regard as unacceptable fiscal risks to the Commonwealth from the Northern Australia Investment Facility (NAIF).

I am requesting that you and your office investigate the NAIF as a matter of urgency to examine the operation of the NAIF, its independence and the quality of the systems and analyses being implemented. I have outlined some grounds for concern below.

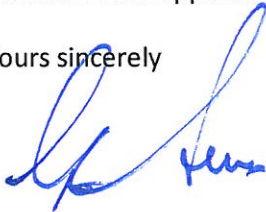
- There are more checks and balances regarding a relatively minor grant of \$100,000 from the Commonwealth to a community group than there is for a \$1 billion provision of finance from the NAIF. As it is currently operating I believe the NAIF presents the opportunity for a domineering Minister to apply pressure to a small agency with limited governance or policy frameworks, effectively misallocating billions of dollars of public money.
- The government has repeatedly promoted a proposed \$1 billion loan to the Adani group, even asserting there is a timeline of mere months for due diligence, despite also claiming the NAIF makes independent investment decisions. Yet the NAIF itself has repeatedly refused to acknowledge that this proposal even exists, citing confidentiality. It has only done so due to the Minister's breach of protocol. NAIF now refuses to say which Adani company has requested the loan, raising concerns it is located in a tax haven.
- Concerns about the capacity of the NAIF to conduct proper due diligence are raised by the paucity around their governance and policies. For example, the Investment Mandate (IM) requires the NAIF Board to offer financing only to projects that can repay the concessional financing and that actually need it to go ahead. But the NAIF has indicated (in response to Freedom of Information requests) that it holds no documentation regarding how the Board will satisfy itself that these conditions are met. It has also indicated it does not have a Risk Appetite Statement – which it is required to have under its mandate. It is unclear how NAIF can be conducting any project assessment while such basic documentation is lacking. Other policies it has refused to release raise concerns about a lack of transparency.

- Further concerns are raised by the fact that the NAIF is a very small agency for such a large amount of public money. At December 2016, when the Minister was promoting the progress of the Adani proposal, the NAIF had just five staff. Efic is supposed to be doing the “grunt work” of project assessment; however at the end of 2016 it had just two staff assisting the NAIF and there was still no contract or formal arrangement in place between NAIF and Efic. At present there are just twelve staff administering five billion dollars (seven at NAIF and five at Efic assisting the NAIF) – a potential average over five years of one billion a year. This compares very poorly with other financing agencies with comparable funds at their disposal. For example, the Clean Energy Finance Corporation, which had 45 staff in its first year and now has 60 and lends over eight million a year, and Efic itself, which has over one hundred staff in total.

I am concerned the real risk of maladministration may lead to significant losses to the Commonwealth in the future and the misallocation of resources due to political pressure and poor governance, resulting in funds failing to be allocated to more worthy purposes.

I welcome the opportunity to discuss this with you at your convenience.

Yours sincerely



**Wayne Swan MP**  
Federal Member for Lilley