Part 5: Statement of risks

The forward estimates of revenue and expenses in the 2020-21 Mid-Year Economic and Fiscal Outlook (MYEFO) incorporate assumptions and judgments based on the best information available at the time of publication, together with a range of economic assumptions and other forecasts and projections.

Events that could affect fiscal outcomes include:

- changes in economic and other parameters, particularly global economic developments, the evolution of the COVID-19 pandemic and the speed of the economic recovery in Australia and overseas
- matters not included in the fiscal forecasts because of uncertainty about their timing, magnitude or likelihood
- the realisation of contingent liabilities or assets.

Risks to the Budget — Overview

The revenue and expense estimates and projections published in the 2020-21 MYEFO are based on a range of economic and other parameters. These parameters have been updated to reflect the most recent information on the outlook for the domestic and international economies as detailed in *Part 2: Economic Outlook*. This outlook has been greatly affected by the course of the COVID-19 pandemic in Australia and overseas. While the economic recovery in Australia is well underway, there are still significant international and domestic risks, including those associated with the pandemic, and the outlook remains highly uncertain. The range of possible outcomes for GDP and unemployment in particular is wider than normal. This translates into a higher-than-usual degree of uncertainty for the fiscal estimates.

A significant portion of government expenditure is for demand-driven programs. Outcomes for these programs could differ from the estimates and projections due to changes in economic forecasts. For example, differing levels of unemployment will mean expenditure for related social services payments, including allowances, will continue to vary.

In addition, revenue forecasting relies heavily on the observed historical relationships between the economy, tax bases and tax revenues. Such relationships may shift over time as the economy changes, particularly following a once-in-a-century shock, presenting a further risk to the estimates. For example, the ability of entities to utilise tax losses to offset future profits is expected to continue to pose a challenge when estimating the profile for tax receipts over the next few years. Revenue forecasts also incorporate costings for new policies that typically involve a degree of uncertainty.

The estimates and projections of revenue are also subject to a number of general risks that can affect taxation collections. These general pressures include failure of the tax system to keep pace with changes in the business environment, tax avoidance, court decisions and Australian Taxation Office rulings, and the outcome of compliance programs. These pressures may result in a shift in the composition of taxation collected from the various tax bases and/or a change in the size of the tax base.

The Budget is subject to a number of contingent liabilities. A large number of these contingent liabilities reflect indemnities, including those relating to the Department of Defence, the Future Fund Management Agency and Future Fund Board of Guardians, and the Reserve Bank of Australia.

The Australian Government has also issued a number of guarantees, such as those relating to guarantee schemes for the banking and financial sector, payments by Export Finance Australia and the superannuation liabilities of the Commonwealth Bank prior to its sale to the private sector.

Other significant contingent liabilities relate to uncalled capital subscriptions and credit facilities to international financial institutions, and legal cases concerning the Australian Government. The Government has robust and conservative strategies in place to reduce its potential exposure to these contingent liabilities.

The forward estimates in the MYEFO include the impact of all policy decisions, including those that remain unlegislated. Where legislation is not passed in time to enable commencement of the measure at the anticipated commencement date, the legislation is passed with amendments to the original decision, or is rejected, there is a risk of a variation to the fiscal position outlined in the MYEFO.

Full details of fiscal risks, contingent liabilities and contingent assets were provided in Budget Paper No.1 Statement 9: *Statement of Risks* in the 2020-21 Budget. The following Statement updates fiscal risks, contingent liabilities and contingent assets that have materially changed since the 2020-21 Budget.

There have been several changes to both the quantifiable and unquantifiable risks since the 2020-21 Budget, including a number of new risk items that have arisen since the Budget and some that have been removed.

Details of fiscal risks, contingent liabilities and contingent assets

New or revised fiscal risks, contingent liabilities and contingent assets with a possible impact on the forward estimates greater than $20 million in any one year, or $50 million over the forward estimates period, that have arisen or changed since the 2020-21 Budget are described below and summarised in Table 5.1.

Information on both contingent liabilities and contingent assets is also provided in the annual financial statements of departments, entities and non-budget entities.

Changes in economic parameters represent a material risk to the estimates included in the Budget, particularly in the current circumstances. This risk is discussed in *Part 2: Economic Outlook*. Budget Paper No.1 Statement 8: *Forecasting Performance and Scenario Analysis* in the 2020-21 Budget examined the impact on receipts and payments of altering some of the key economic assumptions underlying the Budget estimates. This information has not materially changed since the Budget.

Table 5.1: Summary of material changes to the Statement of Risks since the 2020-21 Budget[(a)]

Fiscal risks	Status
Foreign Affairs and Trade	
Export Finance Australia — National Interest Account (NIA)	Modified
Infrastructure, Transport, Regional Development and Communications	
Inland Rail — Delivery	Modified
Social Services	
Income Compliance Program Litigation	Removed
COVID-19 Social Welfare Debt Pause	Modified
Significant but remote contingencies	**Status**
Industry, Science, Energy and Resources	
Operations and Maintenance of the Northern Endeavour and Associated Infrastructure	Modified
Infrastructure, Transport, Regional Development and Communications	
NBN Co Limited — Equity Agreement	Modified
Optus Financial Guarantee	Modified
Treasury	
Guarantee for the National Housing Finance and Investment Corporation	Modified
Guarantees under the *Commonwealth Bank Sale Act 1995*	Modified
Contingent liabilities — unquantifiable	**Status**
Agriculture, Water and the Environment	
Emergency pest and disease response arrangements	Modified
Attorney-General's	
Prospective investor-State claim against Australia	New
Defence	
Non-remote contingent liabilities	Modified
Foreign Affairs and Trade	
Commitment to assist the Pacific, Timor-Leste and Southeast Asia with accessing COVID-19 vaccines	Removed
Health	
Advance Purchasing Agreements for COVID-19 vaccine candidates	Modified
Medical Indemnity Exceptional Claims Scheme	Modified
Infrastructure, Transport, Regional Development and Communications	
Indemnity provided to the New South Wales Rural Fire Fighting Service in relation to the Jervis Bay Territory	Modified
Aviation rescue and firefighting potential per- and poly-fluoroalkyl substances contamination	Modified

Table 5.1: Summary of material changes to the Statement of Risks since the 2020-21 Budget [a] (continued)

Contingent liabilities — unquantifiable (continued)	Status
Prime Minister and Cabinet	
Basil Dawson & Ors v Commonwealth of Australia (Community Development Program Class Action)	New
Contingent assets — unquantifiable	**Status**
Home Affairs	
Civil penalty proceedings in the Federal Court against the Westpac Banking Corporation	Removed
Contingent liabilities — quantifiable	**Status**
Foreign Affairs and Trade	
Export Finance Australia	Modified
Treasury	
Australian Taxation Office — tax disputes	Modified
International financial institutions — uncalled capital subscriptions	Modified
International Monetary Fund	Modified
International Monetary Fund — Poverty Reduction and Growth Trust	Modified

(a) Detailed descriptions of these items are in the following text. Risks appearing in Budget Paper No.1 Statement 9: *Statement of Risks* in the 2020-21 Budget but not listed in the table above are substantially unchanged.

Fiscal risks

Fiscal risks comprise general developments or specific events that may affect the fiscal outlook. Some developments or events raise the possibility of a fiscal impact. In other cases, the likelihood of a fiscal impact may be reasonably certain, but will not be included in the forward estimates because the timing or magnitude is not known.

There are measures which impact on the Budget aggregates that remain subject to the legislative process. If legislation is not passed by Parliament as proposed, this may affect the estimates and projections of the Budget.

Many agencies dependent on external revenue have seen reduced revenue as a result of outcomes from the COVID-19 pandemic (such as for activities funded through charging arrangements associated with international movement of passengers and goods). Estimates included in the MYEFO update for these agencies reflect the best currently available information. However, outcomes will continue to be dependent on the speed of recovery from the economic downturn, relaxation of restrictions within Australia and internationally and behavioural changes in response to the pandemic, some of which may persist. These risks cannot be readily quantified at this stage.

There is also a risk that further Government expenditure may be required to respond to the impacts of the pandemic. The need for, and scale of, this potential expenditure would depend on the nature of further possible outbreaks and how effectively they are contained.

There are also a number of Royal Commissions expected to report over the forward estimates period in relation to Violence, Abuse, Neglect and Exploitation of People with Disability and Aged Care Quality and Safety. Additional Government funding may be required to address the recommendations of these Commissions.

Specific fiscal risks to the Budget and forward estimates are detailed below.

Foreign Affairs and Trade

Export Finance Australia — National Interest Account (NIA)

There are three financing facilities under the NIA:

The Australian Infrastructure Financing Facility for the Pacific (AIFFP) became operational on 1 July 2019. The AIFFP will provide up to $1.5 billion in loans and up to $500 million in grants to support high priority infrastructure development in Pacific countries and Timor-Leste. To date, the Government has agreed to provide loans and grants to support the development of three infrastructure projects in Palau and the Solomon Islands. As at 31 October 2020, funding was yet to be drawn down and the facility will have no financial implications until drawn on.

The Defence Export Facility (DEF) was established to grow Australia's defence exports by helping overcome difficulties in accessing private sector finance. The DEF has a maximum aggregate exposure of US$3.0 billion. As at 31 October 2020, three loans under the DEF had been agreed for a total maximum value of $213 million, of which $104.2 million had been drawn down. These three loans are reflected in the Budget estimates.

The COVID-19 Export Capital Facility (COVID-19 Facility) was announced on 15 April 2020, with a maximum aggregate exposure of $500 million. As at 31 October 2020, the COVID-19 Facility has agreed to provide finance for a total maximum value of $42.3 million, of which $37.0 million had been drawn down. These loans are reflected in the Budget estimates.

Infrastructure, Transport, Regional Development and Communications

Inland Rail — Delivery

The Australian Government has committed up to $14.5 billion in equity for the Australian Rail Track Corporation (ARTC), enabling ARTC to deliver the Inland Rail project which provides a direct, high-performance freight rail corridor between Melbourne and Brisbane, as well as a new freight corridor between Brisbane and Perth (via Parkes).

The ARTC will finance Inland Rail with a combination of Commonwealth equity investment, private debt and internal cash flows. A Public Private Partnership will be established to design, build, finance and maintain the complex Toowoomba to Kagaru (Brisbane) section of the project, including major tunnelling works.

Project risks include securing jurisdictional support, construction delays, cost pressures and realising revenues. These pressures are being mitigated through close management of the delivery program and engagement with key stakeholders and jurisdictions. Project costs will be settled through the completion of procurements for all sections of Inland Rail following all final design, planning and environmental approvals.

Social Services

COVID-19 Social Welfare Debt Pause

The Government announced a temporary pause for an initial period of six months on certain social welfare debt raising and recovery activities from 3 April 2020 in response to the COVID-19 pandemic.

The debt pause may reduce the value of debts raised and the amount of funds recovered by Services Australia in 2020-21. The lifting of the debt pause from 2 November 2020 will reduce this risk.

Contingent liabilities and assets

Contingent liabilities and contingent assets of the Australian Government are listed below by portfolio. These contingent liabilities and assets are a specific category of fiscal risks. Broadly, they represent possible costs or gains to the Australian Government arising from past events or decisions which will be confirmed or otherwise by the outcome of future events that are not within the Government's control.

Contingencies reported in this Statement include loan guarantees, non-loan guarantees, warranties, indemnities, uncalled capital and letters of comfort, together with those contingencies considered remote. These contingencies are in addition to the liabilities and assets already recognised in the consolidated financial statements of the Australian Government general government sector in *Part 6: Budget Financial Statements*.

In general, information on contingent liabilities and assets is based on information provided by Australian Government departments and entities and is current to 31 October 2020. In some cases, other dates are used and those are noted in the relevant section.

Significant but remote contingencies

Industry, Science, Energy and Resources

Operations and Maintenance of the Northern Endeavour and Associated Infrastructure

The Government has engaged Upstream Production Solutions (Upstream PS) as Operator of the Northern Endeavour Floating Production Storage and Offtake facility (FPSO). As part of the contract the Government has provided Upstream PS with indemnities against loss of or damage to personnel or property. The Government has also provided indemnity against any damage to the associated subsea and subsurface infrastructure or any oil spill related to the FPSO. This liability is unlimited.

The Government has obtained Protection and Indemnity, Facility Damage and Control of Well Insurance and also taken out membership with oil spill response agencies. These will limit the Government's risk and financial exposure.

The risk of an incident is remote as the FPSO is being maintained in 'lighthouse' mode with safety critical maintenance carried out, limited oil in storage and no further oil production taking place.

The secured creditor of Timor Sea Oil & Gas Australia Pty Limited (TSOGA) and Northern Oil & Gas Australia Pty Limited (NOGA), Castleton Commodities Merchant Asia Co. Pte. Ltd., has commenced legal proceedings in the Supreme Court of New South Wales (NSW) against the Commonwealth, TSOGA and NOGA seeking orders for the delivery of the FPSO, the appointment of a receiver to realise the value of the property and a declaration that it is entitled to a first charge over the proceeds.

Infrastructure, Transport, Regional Development and Communications

NBN Co Limited — Equity Agreement

The Australian Government has entered into an Equity Funding Agreement with NBN Co Limited (NBN Co). Whilst this agreement ended in June 2019, the Commonwealth retains obligations to meet NBN Co's costs arising from a termination of the roll-out. As at 31 October 2020, NBN Co's termination liabilities were estimated at $16.3 billion.

Optus Financial Guarantee

The Australian Government has provided a guarantee in respect of NBN Co's financial obligations to Optus Networks Pty Ltd, Optus Internet Pty Limited, Optus Vision Media Pty Limited and SingTel Optus Pty Ltd (collectively, Optus) under the Optus HFC Subscriber Agreement (the Agreement). An amended version of the Agreement came into effect on 22 January 2019. The Guarantee continues to apply to that Agreement. The Agreement extends for the period of the National Broadband Network roll-out in Optus Hybrid Fibre Coaxial (HFC) areas. The Australian Government is only liable in the event NBN Co does not pay an amount when due under the Optus Agreement. As at 31 October 2020, NBN Co had generated liabilities covered by the Optus Agreement which are estimated at an amount less than $260.0 million. There is a low risk that a claim would be made under the Guarantee. The Guarantee will terminate in 2021.

Treasury

Guarantee for the National Housing Finance and Investment Corporation

The Australian Government guarantees the due payment of money payable by the National Housing Finance and Investment Corporation (NHFIC) to anybody other than the Government.

The NHFIC Board must not allow NHFIC to enter into a transaction that would result in the total guaranteed liabilities of the NHFIC, and any outstanding amount which NHFIC has borrowed from the Government, to exceed $3 billion unless approved by the Government.

Guarantees under the *Commonwealth Bank Sale Act 1995*

Under the terms of the *Commonwealth Bank Sale Act 1995*, the Australian Government has guaranteed various superannuation and other liabilities: $139.6 million is attributable to liabilities of the Commonwealth Bank of Australia as at 30 September 2020; and $4.7 billion is attributable to liabilities of the Commonwealth Bank Officers' Superannuation Corporation as at 30 September 2020.

Contingent liabilities — unquantifiable

Agriculture, Water and the Environment

Emergency pest and disease response arrangements

National emergency response arrangements for animal, plant and environmental pest and disease incursions are largely funded through cost-sharing agreements between Australian governments and, where relevant, agricultural industry bodies. Under the terms of the emergency response agreements, the Australian Government is typically liable for 50 per cent of the total government funding for a nationally agreed response to a disease or pest incursion. Funding is provided in the forward estimates for the Australian Government's contribution under the emergency response agreements, which is paid to the relevant state or territory government.

Recent concurrent incursions have placed considerable pressure on this funding which may be insufficient to meet the costs of any additional large-scale pest or disease responses. There are currently 15 national cost-shared emergency responses and, until 2026–27, more than half of this funding is allocated to an eradication program for red imported fire ants in Queensland.

Governments have agreed to an Aquatic Emergency Animal Disease deed covering aquatic emergency animal diseases and exotic production weeds and will shortly begin final consultation with prospective industry signatories. When these negotiations are finalised, potential liabilities for the Australian Government will be increased.

The Australian Government may provide financial assistance to an industry party by funding its share of an emergency response. These contributions are recovered from the industry over a period of up to 10 years, usually through an emergency response levy. The Australian Government may also contribute bilaterally in situations where an incursion is not covered by a cost-sharing agreement or where the affected industry body/bodies are not party to an emergency response agreement, depending on the circumstances of the incursion.

Attorney-General's

Prospective investor-State claim against Australia

The Commonwealth has received requests for consultation in relation to a dispute pertaining to the *Iron Ore Processing (Mineralogy Pty Ltd) Agreement Amendment Act 2020 (WA)* (2020 Amendment Act). These consultations are a pre-condition to the formal commencement of investor-State dispute settlement proceedings.

If proceedings are commenced and Australia is unsuccessful, Australia would be liable for any compensation found to be payable to the claimant. Any such potential liability cannot be quantified at this stage.

Defence

Non-remote contingent liabilities

The Department of Defence (Defence) has three instances of unquantifiable non-remote contingent liabilities. There is potential for claims to arise from legacy contamination at various Defence locations.

Health

Advance Purchasing Agreements for COVID-19 vaccine candidates

The Australian Government has provided indemnities to the suppliers of potential COVID-19 vaccine candidates, for which the Australian Government has entered into Advanced Purchasing Agreements, covering certain liabilities that could result from the use of the vaccine. This comprises the University of Oxford vaccine candidate, which is sponsored by AstraZeneca, the Pfizer vaccine candidate, and the Novavax vaccine candidate. An indemnity was also provided for the University of Queensland vaccine candidate, sponsored by Seqirus, which will no longer proceed to phase three clinical trials.

The Australian Government has also entered into the Gavi-led COVAX Facility and has made an upfront payment towards Australia's purchase of future COVID-19 vaccine doses through the Facility, part of which will be returned through a risk sharing arrangement should vaccine candidates not be successful.

The Australian Government has also entered into risk sharing arrangements with the Pfizer and Novavax candidates to limit financial exposure to the Commonwealth.

Medical Indemnity Exceptional Claims Scheme

Under the Medical Indemnity Exceptional Claims Scheme, the Australian Government assumes liability for 100 per cent of any damages payable against practitioners practising in a medical profession that exceeds a specified level of cover provided by the practitioner's medical indemnity insurer (currently $20 million). In 2019, the Government agreed to expand eligibility of the Scheme through an amendment to the Midwife Professional Indemnity (Commonwealth Contribution) Scheme Rules 2010

(MPIS) to provide cover for employed private practising midwives who are not eligible for cover under the MPIS. These arrangements apply to payouts either related to a single large claim or to multiple claims that in aggregate exceed the cover provided by the practitioner's medical indemnity insurer, and would apply to claims notified under contract-based cover since 2003. From 1 July 2020, the *Medical and Midwife Indemnity Legislation Amendment Act 2019* provides transferred eligibility for this cohort of midwives and allied health professionals (including registered only midwives) into the Allied Health High Cost Claims Scheme and Allied Health Exceptional Claims Scheme within the *Medical Indemnity Act 2002*.

Infrastructure, Transport, Regional Development and Communications

Indemnity provided to the New South Wales Rural Fire Fighting Service in relation to the Jervis Bay Territory

The Department of Infrastructure, Transport, Regional Development and Communications (the Department) engages the New South Wales Rural Fire Service (NSW RFS) to provide fire management in the Jervis Bay Territory (JBT). To provide these services, the NSW RFS requires the Australian Government to provide an uncapped indemnity against any actions or claims resulting from the actions of the NSW RFS while providing fire management services in the JBT. The indemnity covers the same period of time for which NSW RFS is engaged to provide the fire management services. The likelihood of an event occurring that may result in a liability for the Australian Government is assessed as remote. The risk of a liability is mitigated through a range of risk management measures, including the Jervis Bay Territory Rural Fires Ordinance 2014, the establishment of a JBT Emergency Management Committee (EMC), a fire management plan prepared and implemented by the EMC, NSW RFS staff training and professional qualifications, and the Department actively managing the Service Level Agreement with the NSW RFS.

Aviation rescue and firefighting potential per- and poly-fluoroalkyl substances contamination

The Department of Infrastructure, Transport, Regional Development and Communications (the Department) has identified a number of sites in Australia potentially contaminated with per- and poly-fluoroalkyl substances (PFAS) previously contained in firefighting foams.

The identified contaminants do not naturally break down in the environment and have been listed on the Stockholm Convention as persistent contaminants. Australian health and environmental agencies have set a range of standards for environmental protection and precautionary health measures.

Up to 37 airport sites are potentially contaminated with PFAS (20 federally leased airports and 17 regional airports) relating to the Commonwealth provision of fire-fighting services. Airservices Australia (Airservices) is implementing a national PFAS management program, which includes PFAS investigations at 20 airport sites. The costs of potential long-term management options cannot be quantified at this time.

For federally leased airports, Airport Lessee Companies (ALCs) are responsible for environmental management of their airport sites. Airport leases indemnify the Commonwealth in relation to damages or injury to the environment. Liability has not yet been established for costs arising from PFAS contamination. The Commonwealth has agreed to a settlement for three class actions over the use of historical PFAS-containing firefighting foam by the Department of Defence at Williamtown, Oakey and Katherine (Tindal).

A second class action was launched in April 2020 in the Federal Court of Australia by more than 40,000 residents of Wagga Wagga and Richmond in NSW, Wodonga in Victoria, Darwin in the Northern Territory, Townsville in Queensland, Edinburgh in South Australia and Bullsbrook in Western Australia.

Moorabbin and Canberra ALCs have formally requested the Airport Environment Officer issue remediation orders to Airservices for PFAS contamination under the Airports (Environment Protection) Regulations. Brisbane Airport Corporation has also commenced legal proceedings in the Queensland Supreme Court against Airservices in relation to legacy PFAS contamination from Airservices' firefighting activities at the airport.

Prime Minister and Cabinet

Basil Dawson & Ors v Commonwealth of Australia (Community Development Program Class Action)

Aspects of the Community Development Program are part of a class action that is before the Federal Court of Australia. Costs associated with this litigation (if any) and any potential related future litigation are not quantifiable until the matter is determined by the Court or otherwise resolved.

Contingent assets — unquantifiable

There are no modified or new unquantifiable contingent assets.

Contingent liabilities — quantifiable

Foreign Affairs and Trade

Export Finance Australia

The Australian Government guarantees the due payment of money that is, or may at any time, become payable by Export Finance Australia to anybody other than the Government. In 2019, the Government increased Export Finance Australia's callable capital by $1.0 billion to $1.2 billion and granted it a new overseas infrastructure financing power. The callable capital is available to Export Finance Australia, on request, to cover liabilities, losses and claims. As at 31 October 2020, the Government's total contingent liability was $3.7 billion. The $3.7 billion contingent liability comprises Export Finance Australia's liabilities to third parties ($3.4 billion) and Export Finance

Australia's overseas investment insurance, contracts of insurance and guarantees ($0.3 billion). Of the total contingent liability, $2.8 billion relates to Export Finance Australia's Commercial Account and $0.9 billion relates to the National Interest Account.

Treasury

Australian Taxation Office — tax disputes

At any point in time the Australian Taxation Office is involved in a range of dispute resolution processes, including litigation, relating to tax disputes.

Details of the outcome of dispute resolution processes are uncertain until a court ruling is made and/or an agreement is reached with the taxpayer. As a result, in most cases it is not possible to estimate with any reliability the likely financial impact of current disputes. The estimated aggregate value of tax in dispute as at 31 October 2020, for which a provision has not been made, is $5.8 billion.

Outcomes of dispute resolution processes are included in the Commissioner of Taxation's Annual Report each year. This may include disputes resolved through objections, settlements and court and tribunal decisions. It may also include amounts owed by taxpayers that are subject to dispute but not finalised.

International financial institutions — uncalled capital subscriptions

The Australian Government has held an uncalled capital subscription in the International Bank for Reconstruction and Development (IBRD) since 1947. In November 2020, Australia's uncalled capital subscription increased by US$0.8 billion bringing the total to approximately US$4.4 billion.

The Australian Government has also held an uncalled capital subscription in the European Bank for Reconstruction and Development (EBRD) since 1991. Australia's uncalled capital subscription to the EBRD totals around EUR237.5 million (estimated value A$393.9 million as at 31 October 2020).

The Australian Government has further held an uncalled capital subscription in the Asian Development Bank (ADB) since 1966. Australia's uncalled capital subscription to the ADB totals around US$7.0 billion (estimated value A$9.9 billion as at 31 October 2020).

The Australian Government has further held an uncalled capital subscription in the Multilateral Investment Guarantee Agency of US$26.5 million (estimated value A$37.6 million as at 31 October 2020).

The Asian Infrastructure Investment Bank (AIIB) was established on 25 December 2015. The Australian Government has subscribed to shares in the AIIB, which includes an uncalled capital subscription. Australia's uncalled capital subscription to the AIIB totals around US$3.0 billion (estimated value A$4.3 billion as at 31 October 2020).

None of these international financial institutions has ever drawn on Australia's uncalled capital subscriptions.

International Monetary Fund

Australia has made a line of credit available to the International Monetary Fund (IMF) under its New Arrangements to Borrow (NAB) since 1998. This is a contingent loan to help ensure that the IMF has the resources available to maintain stability in the global economy. The value of Australia's NAB credit arrangement now stands at Special Drawing Rights (SDR, the IMF's unit of account) of around SDR2.2 billion (estimated value A$4.4 billion at 31 October 2020). On 4 November 2016, the IMF Executive Board agreed to renew the NAB for an additional five-year period to 16 November 2022.

Subsequently, on 26 January 2020 the IMF Executive Board approved amendments to the NAB decision including increasing the credit arrangements of all participants. Under the new NAB, Australia's credit arrangement doubles to SDR4.44 billion (estimated value A$8.9 billion at 31 October 2020) and extends from 1 January 2021 to 31 December 2025. The new NAB will only come into effect once all participants who have had their credit arrangements changed consent to the changes. On 8 October 2020, the Treasurer advised the IMF that Australia consented to the new NAB Decision and credit arrangements.

In addition, Australia has made available a SDR4.61 billion (approximately A$9.2 billion at 31 October 2020) contingent bilateral loan to the IMF, known as a Bilateral Borrowing Agreement (BBA). This contingent bilateral loan is on terms consistent with other bilateral loans and note purchase agreements between the IMF and other contributing countries. The contingent bilateral loan will be drawn upon by the IMF only if needed to supplement the IMF's quota and NAB resources and any drawings on loans would be repaid in full with interest. On 24 July 2019, the Treasurer agreed to a one-year extension of Australia's contingent loan to the IMF through to 31 December 2020.

On 29 October 2020, Australia entered into a new BBA agreement with the IMF for SDR4.61 billion (approximately A$9.2 billion at 31 October 2020). The new BBA will take effect from 1 January 2021, with the Loan amount automatically reduced to the equivalent of SDR1.99 billion (approximately A$4.0 billion at 31 October 2020) once the renewed and amended NAB comes into effect.

International Monetary Fund — Poverty Reduction and Growth Trust

In the Economic and Fiscal Update — July 2020, the Government announced it would make a line of credit available to the International Monetary Fund (IMF) under the Poverty Reduction and Growth Trust (PRGT) through to 31 December 2029. The PRGT provides concessional financial support to low income countries to help them achieve, maintain, or restore a stable and sustainable macroeconomic position. PRGT funds are drawn upon by the IMF as needed and will be repaid in full with interest.

Effective 26 October 2020, the Government made available up to SDR500 million (approximately A$1 billion at 31 October 2020) to loan to the IMF under the PRGT. This contribution has not yet been drawn.

Government loans

Loans are recorded as financial assets and accordingly the amounts advanced and repaid do not normally affect the budget aggregates of fiscal balance and underlying cash balance. Loans that are concessional (lower than market interest rate) or are agreed to be written off, result in an impact on fiscal balance.

The Government makes loans for policy purposes. All loans contain some element of credit risk that they will not be repaid in full, although in many cases this risk is small. Table 5.2 summarises Government loans estimated to exceed $200 million at 30 June 2020.

Table 5.2: Summary of Australian Government loans exceeding $200 million

Entity	Loan amount [a] ($m)	Borrower	Interest rate	Term	Status[b]
Department of Education, Skills and Employment					
Higher Education Loan Program and VET Student Loans Program	52,332	Eligible tertiary education students	Consumer Price Index (CPI) growth	9.3 years*	Modified
Clean Energy Finance Corporation					
Clean Energy Finance Corporation	2,442	Approved entities undertaking clean energy technology projects	4.4 per cent weighted average	5-15 years	Modified
Department of the Treasury					
Loan Agreement between the Government of Australia and the Government of Indonesia	1,500	Government of Indonesia	Commonwealth cost of Borrowing plus 0.5 per cent	15 years	New
Loan to the Government of Papua New Guinea	558	Government of Papua New Guinea	Commonwealth cost of Borrowing plus 0.5 per cent	15 years	New
International Monetary Fund — New Arrangements to Borrow	191	International Monetary Fund	0.1 per cent	10 years	Modified
Department of Social Services					
Student Start up Loan	673	Eligible Youth Allowance (student), Austudy and ABSTUDY Living Allowance recipients	CPI growth	Various	Modified
Student Financial Supplement Scheme	373	Eligible recipients of Youth Allowance (student), Austudy and ABSTUDY recipients	CPI growth	Various	Modified
Export Finance Australia					
Papua New Guinea Liquefied Natural Gas	238	Entities associated with the Papua New Guinea Liquefied Natural Gas project	Commercial-in-confidence	Until 2026	Modified
Short-Term Loan to the Government of Papua New Guinea	0.0	The independent state of Papua New Guinea	LIBOR plus 0.5 per cent	Commercial-in-confidence	Removed

Table 5.2: Summary of Australian Government loans exceeding $200 million[(a)] (continued)

Entity	Loan amount [(a)] ($m)	Borrower	Interest rate	Term	Status
Northern Australia Infrastructure Facility					
Northern Australia Infrastructure Facility Loans[(c)]	299	Northern Australia jurisdictions	Various	Various	New

* Average.
(a) Loan amount is the estimated loan program amounts outstanding as at 30 June 2020 in $ million.
(b) Status of loan items are considered ‘unchanged’ unless there are modifications to respective interest rates and/or loan terms.
(c) The Northern Australia Infrastructure Facility is included in the Statement of Risks as a new item as the value of loans outstanding under the facility is now above the threshold for reporting ($200 million)

Higher Education Loan Program and VET Student Loans Program

The Higher Education Loan Program (HELP) and the VET Student Loans (VSL) program are income-contingent loan programs that assist eligible tertiary education students with the cost of their fees. As at 30 June 2020, the fair value of debt outstanding is estimated to be $50.6 billion. The fair value takes into account the concessionality of HELP loans and makes an allowance for debt not expected to be repaid.

Debts outstanding for more than 11 months are indexed annually using the Consumer Price Index. The Australian Taxation Office collects repayment of these debts through the tax system. Repayment of debts commence when an individual debtor's income reaches the repayment threshold.

There were 2,851,725 HELP debtors as at 30 June 2020. The repayment term of a HELP debt can only be determined for people who have fully repaid their debt. As at the end of June 2020, the average time taken to repay HELP debts was 9.3 years.

Clean Energy Finance Corporation

The Clean Energy Finance Corporation (CEFC) has developed a portfolio of loans and investments across the spectrum of clean energy technologies, as required by the *Clean Energy Finance Corporation Act 2012*. This portfolio has an acceptable but not excessive level of risk relative to the sector, as required under the Clean Energy Finance Corporation Investment Mandate Direction 2018.

The CEFC's loan portfolio consists of predominantly senior-ranking, secured loans, and secured project finance facilities, typically secured against energy-generating assets such as wind or solar farms or biogas facilities or energy efficiency assets. The CEFC has predominantly made loans as a co-financier either jointly or in consortiums with private sector financial institutions. Interest rates vary with a current average expected return of approximately 4.4 per cent. Loans have various maturity dates, typically in the range of 5-15 years. As at 30 June 2020, loans contracted and outstanding are expected to total $2.442 billion.

Loan Agreement between the Government of Australia and the Government of Indonesia

On 12 November 2020, Australia entered into a A$1.5 billion loan agreement with Indonesia. This agreement is part of a multilateral action to support Indonesia led by the Asian Development Bank (ADB) and including the Asian Infrastructure Investment Bank, the Japan International Cooperation Agency (JICA) and the German state-owned development bank (KfW).

The funds will be used to support Indonesia's COVID-19 response, including social protection initiatives and health system development.

The loan has a 15-year term with an interest rate set at the 10-year Australian Government bond rate plus 0.5 per cent.

Loan to the Government of Papua New Guinea

On 23 November 2020, the Government entered into a loan agreement for US$400 million (approximately A$558 million) in 2020-21 to the Government of Papua New Guinea. The loan refinances the US$300 million short-term loan made in 2019-20 and a further A$140 million loan for budget support, including PNG's response to COVID-19. The previous short term loan was made to support budget sustainability, assist in the delivery of core government services, support longer term economic reforms and increase the availability of foreign exchange in the country.

The loan has a 15-year term with an interest rate set at the 10-year Australian Government bond rate plus 0.5 per cent.

International Monetary Fund — New Arrangements to Borrow

Australia has made a line of credit available to the International Monetary Fund (IMF) under its New Arrangements to Borrow (NAB) since 1998. Previously, the IMF Executive Board agreed to renew the current NAB for an additional five-year period to 16 November 2022. On 26 January 2020, the IMF Executive Board agreed to a new NAB period from 1 January 2021 to 31 December 2025. The NAB helps ensure that the IMF has the resources available to maintain stability and support recovery in the global economy. NAB funds are drawn upon by the IMF as needed to supplement the IMF's usual quota resources and will be repaid in full with interest. It is expected that the fair value of loans outstanding to Australia was approximately A$191 million as at 31 October 2020.

Student Start-up Loan

The Student Start-up Loan (SSL) is a voluntary income-contingent loan for student payment (Youth Allowance (student), Austudy and ABSTUDY Living Allowance) recipients undertaking higher education. Introduced on 1 January 2016, the SSL is paid a maximum of twice a year and each SSL payment is valued at $1,094 (in 2020). The SSL is repayable under similar arrangements to Higher Education Loan Program (HELP) debts. Students are required to start repaying their SSL once they earn over $46,620 for 2020-21 and only after they have repaid their HELP debt. When it commenced, the SSL was initially for new student payment recipients undertaking higher education. From 1 July 2017, with the closure of the Student Start-up Scholarship, the SSL has become available to all eligible student payment recipients undertaking higher education. As at 30 June 2021, the fair value of the Student Start-up Loan is estimated to be $672.8 million.

Student Financial Supplement Scheme

The Student Financial Supplement Scheme (SFSS) commenced in January 1993 and closed on 31 December 2003. It was a voluntary income-contingent loan scheme for tertiary students (primarily Austudy and ABSTUDY) to help cover their living expenses while studying. Under the scheme, eligible students were able to trade one dollar of income support entitlement for two dollars in loans. Debtors are required to start repaying their SFSS loan once they earn $46,620 for 2020-21. As at 30 June 2021, the fair value of SFSS loans outstanding is estimated to total $372.8 million.

Papua New Guinea Liquefied Natural Gas

The loan in support of the Papua New Guinea Liquefied Natural Gas (PNG LNG) project involves the development, construction, operation and maintenance of a LNG liquefaction plant, gas production and processing facilities, onshore and offshore pipelines, associated ancillary facilities and infrastructure. As at 30 June 2020, the fair value of the loan amount outstanding is estimated to total $238.3 million.

Northern Australia Infrastructure Facility Loans

The Northern Australian Infrastructure Facility (NAIF) is a lending facility established by the Commonwealth Government under the *Northern Australia Infrastructure Facility Act 2016*, and will operate until 30 June 2026. A primary purpose of the NAIF is to provide loans to infrastructure projects and businesses across northern Australia to achieve economic and population growth, and enhance private sector investment in the region.

To be eligible for a loan from the NAIF, including up to 100 per cent of the project's debt, project proponents must meet the mandatory criteria outlined in the NAIF Investment Mandate of 2 May 2018. The Commonwealth Government announced changes to the NAIF on 30 September 2020 to:

- expand the eligibility for NAIF financing to include non-construction activities associated with the development of infrastructure
- enhance the potential to deliver significant public benefit to northern Australia by removing the prohibition against the Commonwealth assuming the majority risk in any project. The new requirement is that the financial risk be acceptable but not excessive.

Further changes were announced in the 2020-21 MYEFO context to simplify the NAIF's use of debt tools other than loans, such as guarantees and the purchase of bonds.

The Commonwealth Government will introduce legislation to give effect to these changes.