

National Water Infrastructure Loan Facility

Guidelines for financial assistance

July 2018



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Overview

Part 1 Preliminary

These guidelines are designed to help states and territories apply for water infrastructure loans. The guidelines should be read in conjunction with the *Regional Investment Corporation Act 2018* (Cth) and the *Regional Investment Corporation Operating Mandate Direction 2018*. To the extent of any inconsistency, those documents take precedence in that order. This document is not a contract or offer to enter into a contract.

The \$2 billion National Water Infrastructure Loan Facility:

- is available to provide state and territory governments with water infrastructure loans to co-fund the construction of major water infrastructure
- aims to support long-term regional economic growth and development by providing secure and affordable water through investments in economically viable water infrastructure that will be managed in accordance with the principles of the National Water Initiative.

Under the National Water Infrastructure Loan Facility, the Commonwealth will consider funding water infrastructure that, if constructed, will provide:

- affordable and secure water supplies to support the growth of regional economies and communities
- water storage and broad public benefits, including through increased regional water availability and security for water users.

However, ensuring sufficient and appropriately treated water for critical human needs is a core responsibility of states and territories, and as such, water infrastructure primarily for urban and potable use is outside the scope of the National Water Infrastructure Loan Facility.

Any state or territory government interested in applying for a water infrastructure loan from the National Water Infrastructure Loan Facility should:

- 1) Read these guidelines.
- 2) Contact the Regional Investment Corporation to discuss the project, funding criteria and the application process.
- 3) If the application is for a water infrastructure loan for an amount exceeding \$100 million, seek and obtain a review of the relevant project from Infrastructure Australia before submitting an application.
- 4) Complete an [application form](#) for the National Water Infrastructure Loan Facility.
- 5) Submit a completed application to the Regional Investment Corporation via ric@agriculture.gov.au or the Regional Investment Corporation Dropbox for assessment (please contact the RIC for Dropbox instructions).

Part 2 Administration of the National Water Infrastructure Loan Facility

Role of the Regional Investment Corporation and the Commonwealth

The Commonwealth, as represented by the Department of Infrastructure, Regional Development and Cities, is responsible for the broader National Water Infrastructure Loan Facility government policy. At the direction of the RIC, the Department of Infrastructure, Regional Development and Cities will make water infrastructure loan payments to and receive water infrastructure loan repayments from a state or territory recipient.

The Commonwealth as represented by the Department of Agriculture and Water Resources is responsible for administering the *Regional Investment Corporation Act 2018 (Cth)* and providing interim and ongoing support to the RIC and the responsible ministers.

The Regional Investment Corporation is responsible for the administration of the National Water Infrastructure Loan Facility, on behalf of the Commonwealth. The Regional Investment Corporation is a corporate Commonwealth entity established under section 7 of the *Regional Investment Corporation Act 2018 (Cth)*.

The responsibilities of the Regional Investment Corporation include:

- 1) liaising and consulting with stakeholders including Commonwealth departments, state and territory governments and other parties in respect of water infrastructure projects
- 2) assessing applications for loans and providing advice to the responsible Ministers on possible water infrastructure projects
- 3) negotiating and entering into loan agreements on behalf of the Commonwealth
- 4) administering loan agreements on behalf of the Commonwealth and ensuring that the loan funds are used in accordance with the loan agreement.

Anything the Commonwealth may do under these guidelines may be done by the Regional Investment Corporation if consistent with the *Regional Investment Corporation Act 2018 (Cth)* and the Operating Mandate.

The Commonwealth acknowledges that applicants may use the services of third parties to deliver the project. These arrangements with third parties could include outsourcing arrangements, joint ventures or other form of consortiums.

Applicants should include details of arrangements with third parties in their application including clear details of the role and economic interest of each party in the project and the ongoing use of the infrastructure.

Eligibility and assessment criteria

An application for a water infrastructure loan under the National Water Infrastructure Loan Facility must be submitted to the Regional Investment Corporation and:

- 1) satisfy the eligibility requirements set out at Schedule 1
- 2) address the mandatory assessment criteria set out at Schedule 2.

Applications should also include any other information required on the application form, or required by the Regional Investment Corporation.

Assessment process and outcomes

- 1) An application for a water infrastructure loan under the National Water Infrastructure Loan Facility may be made at any time.
- 2) Following receipt of an application, the Regional Investment Corporation will first assess the application against the eligibility requirements at Schedule 1. Applications which satisfy the eligibility requirements will proceed to the next stages of assessment, which will include an assessment of the application against the mandatory assessment criteria at Schedule 2.
- 3) As part of this assessment process, the Regional Investment Corporation will:
 - a) consult with stakeholders, other agencies, the Department of Agriculture and Water Resources and the Department of Infrastructure, Regional Development and Cities and technical experts, as required
 - b) consider any review undertaken by Infrastructure Australia
 - c) if required, request additional information from an applicant
 - d) provide advice to the responsible ministers on a project
 - e) make a recommendation to the responsible ministers on whether a water infrastructure loan application be approved and noting that any such recommendation will depend on whether the Regional Investment Corporation is satisfied of the following:
 - i) that the applicant fulfils the eligibility requirements set out in Schedule 1
 - ii) the project meets and is assessed as suitable against the mandatory assessment criteria as set out in Schedule 2.
- 4) Applicants will be notified of the outcome of their application as soon as practicable.
- 5) Where the responsible ministers direct the Regional Investment Corporation to enter into a loan agreement with an applicant, on behalf of the Commonwealth, steps will be taken to liaise with the relevant applicant as appropriate.
- 6) Any assessment process commenced may be discontinued by the Regional Investment Corporation at the direction of the Commonwealth in its sole discretion for any reason whatsoever at any time prior to a loan agreement being entered into.

Resubmission of applications

There is no appeal mechanism if an application for a water infrastructure loan is not approved. However, applicants may:

- contact the Regional Investment Corporation for feedback on the unsuccessful application
- resubmit a revised application, incorporating the Regional Investment Corporation's feedback, for further consideration at a later date. Resubmitted applications are subject to the same assessment process described in these guidelines. Resubmitting a revised application does not guarantee an offer of a water infrastructure loan.

An application may not be resubmitted in relation to project activities that have already benefited from a loan under the National Water Infrastructure Loan Facility.

Regulatory and environmental approvals

It is an eligibility requirement that the application must demonstrate that the project and project participants have all relevant Commonwealth and State regulatory and planning approvals in place or that such approvals are in an advanced stage of being attained.

In the case of project participants that are foreign entities, these approvals include any required clearances under the *Foreign Acquisitions and Takeovers Act 1975* (Cth).

The applicant must also demonstrate compliance with the *Water Act 2007* and the Murray–Darling Basin Plan, as necessary.

Relationship with other entities

Where an application is for an amount greater than \$100 million, the applicant is required to obtain an economic assessment of the project from Infrastructure Australia before submitting an application to the Regional Investment Corporation for assessment.

As appropriate, the Regional Investment Corporation will consult with relevant government stakeholders including Commonwealth departments and corporate entities and state and territory governments.

Part 3 Water infrastructure loan funding conditions

Loan terms

The minimum value of a water infrastructure loan is \$50 million. There is no upper limit to the value of a water infrastructure loan, however the offer of a water infrastructure loan is subject to availability of funds under the National Water Infrastructure Loan Facility.

Water infrastructure loans are accessible from 2016–17 to 30 June 2026 but must be fully repaid within 15 years of the loan being provided (the latest possible repayment year is 2040–41).

The maximum term of a water infrastructure loan is 15 years, structured as:

- an interest-only period up to a maximum of five years.
- a further term of up to 10 years to repay the loan principal and additional interest.

The Regional Investment Corporation will set a variable interest rate for water infrastructure loans and apply that interest rate to all water infrastructure loans.

The Regional Investment Corporation may only set interest rates across its portfolio of loan agreements on a cost recovery basis sufficient to recover the Regional Investment Corporation's administrative costs to deliver and administer water infrastructure loans and the Commonwealth's borrowing costs, determined on the basis of assumptions agreed by the Commonwealth.

The Regional Investment Corporation will set the interest rate consistently with the Operating Mandate.

In setting the interest rate, the Regional Investment Corporation must apply the methodology in accordance with the Operating Mandate.

Any change in the interest rate will take effect from 1 February or 1 August each year as applicable and the Regional Investment Corporation will notify recipients in writing in advance of any changes to the interest rate.

A loan provided by the Commonwealth in accordance with these guidelines is not a grant or a procurement within the meaning of the *Public Governance, Performance and Accountability Act 2013* (Cth).

Funding co-contributions

Applicants must provide a contribution of at least 51 per cent of the total project cost.

Commonwealth contributions from all sources must not exceed 49 per cent of the total project cost.

Non-Commonwealth cash contributions may be sourced from applicants and private sources.

In-kind contributions cannot form part of the non-Commonwealth contribution.

Loan agreements

A loan agreement must be signed by the relevant recipient before payments are made. The terms of the loan agreement will need to be completed and tailored to the specific project and loan, and taking into account any written direction given by the responsible ministers in accordance with section 12(3) of the *Regional Investment Corporation Act 2018*.

Loan agreements will establish the terms and conditions attached to a loan, including repayment schedules, payment milestones and any conditions that must be met before loan monies will be advanced. The loan agreement will be developed in accordance with the *Regional Investment Corporation Act 2018* and any associated rules.

Recipients will be responsible for managing the project within agreed milestones, including submitting reports to the Regional Investment Corporation.

Loans will be reviewed periodically and at least annually by the Regional Investment Corporation to monitor compliance and the recipient's ongoing capacity to meet the terms and conditions of the loan agreement.

The template loan agreement is available from the Regional Investment Corporation at ric@agriculture.gov.au. The terms of this template will be adjusted as appropriate, where a decision is made to enter into any loan agreement.

Media and other public announcements in relation to applications

The Regional Investment Corporation and the Department of Infrastructure, Regional Development and Cities may contact applicants to seek information for the purpose of media and public announcements.

By submitting an application, applicants acknowledge that, if they enter a loan agreement, they will be required to:

- acknowledge the support provided to the project by the Commonwealth through the National Water Infrastructure Loan Facility and the Regional Investment Corporation
- notify and obtain written consent from the Department of Infrastructure, Regional Development and Cities and the Regional Investment Corporation in relation to, and prior to, any planned media event or other publicity relating to the project.

Publication of information about successful projects

The Regional Investment Corporation and the Department of Infrastructure, Regional Development and Cities, may publish and use the information relating to the project in a variety of media about successful projects including:

- the recipient receiving the water infrastructure loan, along with the project's title and purpose
- anticipated outcomes and benefits of the project
- value of the water infrastructure loan provided and its proportion of total project costs
- term of the water infrastructure loan
- the location of the project
- information on progress of the project as reported to the Department of Infrastructure, Regional Development and Cities.

By submitting an application, applicants acknowledge that the loan agreement is required to be tabled in the Parliament and published on the internet in accordance with the *Regional Investment Corporation Act 2018* and any associated rules if they receive a water infrastructure loan.

Schedule 1 Eligibility requirements and other information

Eligibility requirements

An application will only be considered and be eligible for a loan if it meets all the following eligibility requirements. The application must:

- 1) be made by a state or territory
- 2) have written support of the state or territory minister responsible for water infrastructure
- 3) be seeking an amount that
 - a) does not result in total Commonwealth funded finance for the project exceeding 49 per cent of the total project cost
 - b) is at least \$50 million
- 4) be for the construction of water infrastructure that
 - a) is ready to commence construction or will commence construction within 12 months of the water infrastructure loan being agreed
 - b) has or will have all relevant Commonwealth and state regulatory and planning approvals (including any necessary clearances under the *Foreign Acquisition and Takeovers Act 1975* (Cth) in place within 12 months of the water infrastructure loan being agreed.

Other information to be provided

An application should address the mandatory assessment criteria and:

- 1) provide an indication of the proposed term of any loan agreement, which may be for a period of up to 15 years and limit any interest-only period up to a maximum of five years
- 2) where an amount of \$100 million or more is sought for a water infrastructure loan, include the economic assessment from Infrastructure Australia (and note for the avoidance of doubt, the applicant is responsible for obtaining this assessment prior to the submission of the relevant application)
- 3) demonstrate compliance with the [National Water Initiative Pricing Principles](#)
- 4) demonstrate compatibility with the [National Water Initiative requirements](#)
- 5) include any other information required by the application form or the Regional Investment Corporation.

Schedule 2 Mandatory assessment criteria

An application under the National Water Infrastructure Loan Facility must address all the mandatory assessment criteria outlined in Table 1. The description column in Table 1 is designed to help applicants prepare responses to the mandatory assessment criteria.

Table 1 Mandatory assessment criteria

Mandatory criteria and weighting	Description
1) The proposed water infrastructure project involves the construction of water infrastructure for which there is a clear need, that is significant and in the national interest (5%)	Applicants must demonstrate that there is a clear need for the infrastructure, and that the infrastructure is significant and in the national interest. The project must bring new capacity online, either through the construction of new infrastructure or by materially enhancing existing infrastructure.
2) The proposed water infrastructure project and any related water resources will be managed in accordance with the principles of the National Water Initiative (15%)	Applicants must demonstrate that the anticipated project and the water resources for the project will be managed in accordance with the principles of the National Water Initiative.
3) The proposed water infrastructure project will be of public benefit and support long-term regional economic growth and development with the capacity to supply multiple water users and produce benefits to the broader economy, community and environment (10%)	Applicants must demonstrate the public benefit expected to be delivered from the project. The project should support long-term regional economic growth and development by providing secure and affordable water through investments in economically viable water infrastructure that will be managed in accordance with the principles of the National Water Initiative. The public benefit, is more likely to be served by projects that will: <ul style="list-style-type: none"> • supply water or have the capacity to supply water to multiple users • produce benefits to the broader economy, community and environment.
4) The proposed water infrastructure project is unlikely to proceed, or will only proceed at a much later date, or with a limited scope, without assistance from the Commonwealth (5%)	Applicants must demonstrate that financial assistance is necessary to enable the project to proceed, to proceed much earlier than it would otherwise, or to proceed with a broader scope.
5) The proposed water infrastructure project has received the regulatory and planning approvals required to proceed to construction or evidence is provided demonstrating that such approvals are in the advanced stages of being attained (15%)	Evidence of, or the ability to, obtain all regulatory and administrative planning approvals including but not limited to: <ul style="list-style-type: none"> • environmental impact assessment • state development approvals.
6) The proposed water infrastructure project will be economically viable over its proposed operational life and is supported by an overall business case (35%)	Applicants should provide advice on the various components the Australian Government requires, including: <ul style="list-style-type: none"> • cost-benefit analysis • demand forecasting and price modelling • regulatory, planning, environmental, legal and other approvals (e.g. Environmental Impact Statement)

Mandatory criteria and weighting	Description
	<ul style="list-style-type: none"> • consistency with relevant Australian Government and Commonwealth policy (e.g. Reef 2050 Plan) • project planning, construction and risk management, including whole-of-life operation and maintenance • benefits realisation.
<p>7) The proposed water infrastructure project is sufficiently co-funded such that finance from all Commonwealth Sources will not exceed 49 per cent of the total project cost (10%)</p>	<p>Applicants must show that the finance from all Commonwealth sources (including the Loan Facility, the National Water Infrastructure Development Fund and the Northern Australia Infrastructure Facility) will not exceed 49 per cent of the total cost of the proposed project.</p> <p>Other considerations include whether:</p> <ul style="list-style-type: none"> • other contributions, especially from the private sector, are guaranteed • the application represents value-for-money for Commonwealth funds • all contributions are auditable. <p>Applicants must demonstrate their ability to repay the principal and interest within the proposed loan period, including detail on how the loan will be financed and repaid.</p>
<p>8) The project has a clear and credible plan to fully engage and consult with affected stakeholders and communities. Plan includes an Indigenous engagement strategy that sets out objectives for Indigenous participation, procurement and employment in the project (5%)</p>	<p>Applicants must provide a clear and credible plan to properly and fully engage and consult with affected stakeholders and communities.</p> <p>Applicants must provide an Indigenous engagement strategy which sets out objectives for Indigenous participation, procurement and employment that reflect the Indigenous population in the region of the proposed project.</p> <p>Where individuals are to be identified in supporting information, applicants must ensure these individuals consent to their information being provided and used for this purpose.</p>

Activities out of scope

Examples of activities that are ineligible for funding include:

- retrospective activities (activities that have already been conducted)
- pre-feasibility and feasibility activities
- activities undertaken for safety upgrade purposes/dam safety upgrades
- infrastructure maintenance and replacement costs
- water infrastructure primarily for recreational and/or social purpose
- water infrastructure primarily for urban and potable use
- water infrastructure primarily for generation of hydroelectric power
- private on-farm water storage and supply systems including irrigation systems
- on-farm reconfiguration, including distribution and reticulation systems
- infrastructure that is related or associated but is not chiefly water infrastructure, including but not limited to roads, rail, energy and communication networks

- debt restructuring/re-financing of existing debt
- ongoing operational and maintenance costs
- purchase of land and or water entitlements associated with the water infrastructure
- business-as-usual operation and administration costs of the state, including staffing of the organisation delivering the project. This does not extend to consultants or contractors engaged specifically and solely for the purposes of the project
- marketing or promotional materials and activities with the primary purpose of attracting investment in the project and associated economic development activities.

Glossary

Term	Definition
Applicant	a state or territory which submits an application for a water infrastructure loan.
Application	an application submitted by an applicant for a water infrastructure loan under the National Water Infrastructure Loan Facility.
eligibility requirements	see Schedule 1 .
Infrastructure Australia	the independent statutory body established under the <i>Infrastructure Australia Act 2008</i> (Cth).
loan agreement	an agreement between the Commonwealth and the recipient for a water infrastructure loan.
mandatory assessment criteria	see Schedule 2 .
National Water Initiative	National Water Initiative agreed in 2004 by the Council of Australian Governments, as updated from time to time.
Operating Mandate	the <i>Regional Investment Corporation Operating Mandate Direction 2018</i> made under subsection 11(1) of the <i>Regional Investment Corporation Act 2018</i> .
Project	a project to develop water infrastructure that is subject to a water infrastructure application or loan.
Recipient	a state or territory that has entered into a loan agreement.
responsible ministers	the Minister for Agriculture and Water Resources and the Minister for Finance.
water infrastructure	includes but is not limited to dams, weirs and pipelines; managed groundwater (aquifer) recharge; and wastewater reuse schemes, and for the avoidance of doubt, does not include any ineligible activities listed at Schedule 2 .
water infrastructure loan	a grant of financial assistance to a state or territory administered by the Regional Investment Corporation on behalf of the Commonwealth in relation to water infrastructure projects funded from the National Water Infrastructure Loan Facility.
water infrastructure loan facility	the National Water Infrastructure Loan Facility available to provide state and territory governments with concessional loans to co-fund the construction of water infrastructure, which is to be administered by the Regional Investment Corporation in accordance with the Operating Mandate.
