



**Australian Government**  
**Department of Agriculture  
and Water Resources**

# National Water Infrastructure Loan Facility

## Investment Guidelines

Applications received by 3pm AEDT 16 March 2017 will be assessed prior to 1 July 2017.

Applications received after this time and date but before 3pm AEST 17 August 2017 will be assessed prior to 1 November 2017.

The Department of Agriculture and Water Resources may alter the above dates for this application process at its absolute discretion. Future Assessment Dates will be notified via the Website. State and territory governments will be informed of any changes or additions to the Assessment Dates.

### **FOR MORE INFORMATION**

Telephone            1800 900 090  
Email                 [waterinfrastructure@agriculture.gov.au](mailto:waterinfrastructure@agriculture.gov.au)  
Website              [www.agriculture.gov.au/water/national/nwif](http://www.agriculture.gov.au/water/national/nwif)  
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# National Water Infrastructure Loan Facility

## Investment Guidelines

### PART 1 – PRELIMINARY

#### 1 Overview

The Australian Government has committed \$2.5 billion to assist states and territories in the construction of major Water Infrastructure.

The Government will provide<sup>1</sup>:

- \$2 billion in concessional loan funding for the **National Water Infrastructure Loan Facility**.
- \$440 million in capital funding for the **National Water Infrastructure Development Fund – Capital Component**, including \$170 million for Water Infrastructure in northern Australia.

Proponents seeking funding from both the National Water Infrastructure Loan Facility and the National Water Infrastructure Development Fund, should:

- (1) Read these Investment Guidelines and the *National Water Infrastructure Development Fund – Capital Component Guidelines*.
- (2) Complete an application on the expression of interest form for the National Water Infrastructure Loan Facility. Proponents do not need to submit two separate applications.

**These Investment Guidelines may be changed at any time by the Australian Government.**

#### 2 Definitions

In these Investment Guidelines:

**Assessment Date** means the date specified by the Department by which Investment Proposals will be assessed.

**Decision Maker** means the Minister for Agriculture and Water Resources, who is responsible for giving financial approvals for the Loan Facility and the National Water Infrastructure Development Fund.

**Department** means the Department of Agriculture and Water Resources.

**Funding** means the amount requested or offered in relation to an Investment Proposal.

**Investment Decision** means a decision to offer, or not to offer, Funding under the Loan Facility or the National Water Infrastructure Development Fund.

**Investment Guidelines** means these guidelines for applying for Funding under the Loan Facility.

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<sup>1</sup> The Australian Government has committed funding of \$59.5 million for 39 studies under the feasibility component of the National Water Infrastructure Development Fund. For more information, visit [www.agriculture.gov.au/water/national/national-water-infrastructure-development-fund/nwidf-feasibility-study](http://www.agriculture.gov.au/water/national/national-water-infrastructure-development-fund/nwidf-feasibility-study)

**Investment Priorities** means the Water Infrastructure priorities for the Loan Facility and the National Water Infrastructure Development Fund as set out below:

Funding will be prioritised towards Water Infrastructure that, if developed, will provide affordable and secure water supplies to support the growth of regional economies and communities and focus on Water Infrastructure that:

- is economically viable over its proposed operational life
- aligns with the Objectives
- is consistent with relevant Australian Government policies
- has all relevant Commonwealth and state regulatory and planning approvals in place
- has at least a 51 per cent funding commitment approved by the state
- represents value-for-money for Australian Government funds
- is supported by a clear and credible business case.

Preference will be given to water storage infrastructure, including the construction of dams and weirs that delivers broad Public Benefits, including through increasing regional water availability and security for water users.

**Investment Proposal** means the expression of interest submitted by a Proponent.

**Loan Agreement** means the agreement between the Commonwealth and the Recipient for a Project approved under the Loan Facility. Proponents may request a copy of the standard Loan Agreement from the Department via [waterinfrastructure@agriculture.gov.au](mailto:waterinfrastructure@agriculture.gov.au).

**Loan Facility** means the National Water Infrastructure Loan Facility.

**Objectives** means the objectives of the Loan Facility and the National Water Infrastructure Development Fund as set out below:

The Australian Government will work in partnership with the states and their private sector partners 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.

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

**Outcomes** means the intended outcomes of the Loan Facility and the National Water Infrastructure Development Fund as set out below:

- the construction of economically viable Water Infrastructure
- the provision of access to secure and affordable water to underpin regional economic growth, including irrigated agriculture and industry.

**Public Benefit** means the outcomes of the Project that provide value to the general community (rather than individuals or groups).

**Project** means the Water Infrastructure activity that is the subject of the Proponent's Investment Proposal.

**Proponent** means the state or territory responsible submitting the Investment Proposal and delivering the Project. Only states and territories may be Proponents.

**Recipient** means a Proponent of a successful Investment Proposal.

**Water Infrastructure** includes but is not limited to:

- dams, weirs and pipelines
- managed groundwater (aquifer) recharge
- water treatment and reuse

**Website** means the website for the Loan Facility [www.agriculture.gov.au/water/national/nwilf](http://www.agriculture.gov.au/water/national/nwilf).

## **PART 2 – INVESTMENT DECISIONS**

### **3 Making Investment Decisions**

- (1) Investment Proposals will be assessed by the Department and a panel of independent experts against the Priorities and the mandatory assessment criteria at Schedule 2 (the assessment process).
- (2) As part of the assessment process, the Department will:
  - a. consult with external agencies (see clause 8);
  - b. provide all advice received to the Decision Maker; and
  - c. make recommendations to the Decision Maker based on advice received.
- (3) Investment Decisions will be made by the Decision Maker as soon as practicable after the assessment process has been completed.
- (4) The Decision Maker will make decisions for both the Loan Facility and the National Water Infrastructure Development Fund.
- (5) The Department will notify the Proponent of Investment Decisions as soon as practicable after those Investment Decisions have been made.

### **4 Matters to be considered when making Investment Decisions**

- (1) The Decision Maker will not offer a loan unless satisfied that the Project would not otherwise have received sufficient financing from other financiers.
- (2) Before making an Investment Decision, the Decision Maker must be satisfied that:
  - a. the Proponent and the Project have met all the eligibility criteria in Schedule 1 to these Investment Guidelines;
  - b. the Investment Proposal has satisfactorily addressed all mandatory assessment criteria in Schedule 2 to these Investment Guidelines;
  - c. the Project is ready to commence construction or will commence construction within 12 months of Funding being agreed;
  - d. the Project has obtained or will obtain all relevant regulatory and environmental approvals within 12 months of Funding being agreed;

- e. the Project is consistent with other priority Australian Government policies, such as the Reef 2050 plan;
- f. the Commonwealth will be repaid the full amount of the loan and any interest incurred; and
- g. any return will cover at least the Loan Facility's administrative costs, and the Commonwealth's costs of borrowing.

(3) In making an Investment Decision, the Decision Maker will have regard to:

- a. the Public Benefit of the Project;
- b. the degree to which the Investment Proposal is consistent with the Investment Priorities, Objectives and Outcomes;
- c. the Proponent's response to the mandatory assessment criteria in Schedule 2 to these Investment Guidelines; and
- d. the necessity of the investment to encourage private sector participation in financing a Project.

## **5 Discretion**

(1) The Decision Maker maintains the discretion to:

- a. decline to offer Funding for an Investment Proposal;
- b. offer reduced Funding for an Investment Proposal;
- c. negotiate the scope of an Investment Proposal;
- d. impose conditions on a Project that must be met before Funding is provided; and
- e. withdraw and reassign an offer of Funding to another national project of their choice if imposed conditions are not satisfactorily met within the specified timeframes.

(2) Funding amounts offered, including any split between the Loan Facility and the National Water Infrastructure Development Fund, are final and will not be negotiated.

## **6 Resubmission of Investment Proposals**

(1) There is no appeal mechanism if the Decision Maker declines to offer Funding for an Investment Proposal.

(2) Where the Decision Maker has declined to offer Funding for an Investment Proposal:

- a. Proponents may contact the Department for feedback on the unsuccessful Investment Proposal.
- b. Proponents may resubmit the Investment Proposal, ensuring revisions address the Department's feedback, for consideration at a later Assessment Date. Submitting a revised Investment Proposal does not guarantee an offer of Funding.

- (3) Investment Proposals may only be resubmitted where the Decision Maker has declined to offer any Funding. Proponents may not resubmit an Investment Proposal where they are dissatisfied with a Funding offer.

## **7 Regulatory and environmental approvals**

- (1) The Decision Maker may consider and approve Investment Proposals conditional upon the Proponent obtaining all relevant regulatory, environmental and Native Title approvals and arrangements as required by the relevant jurisdiction within 12 months of Funding being agreed.
- (2) Funding will not be provided until all relevant regulatory, environmental and Native Title approvals have been obtained.

## **8 Relationship with other entities**

- (1) Where an Investment Decision is greater than \$100 million, Infrastructure Australia will assess the Investment Proposal.
- (2) The Department will seek advice on Investment Proposals from relevant experts as required.
- (3) As appropriate, the Department will consult with relevant government stakeholders including Commonwealth departments.
- (4) The information provided in Investment Proposals will be used for the purposes outlined in 8(1) to 8(3).

## **PART 3 – FUNDING CONDITIONS**

### **9 Loan terms**

- (1) The minimum Commonwealth loan amount is \$50 million. There is no upper limit; however Funding is subject to availability.
- (2) Loan Funding is available from 2016–17 to 30 June 2026 but must be fully repaid within 15 years of the loan being taken (latest possible repayment year is 2040–41).
- (3) Loans can be taken for a maximum of up to 15 years, structured as:
  - a. a maximum of up to five years construction period, where repayments can be interest-only; and
  - b. a further maximum of up to 10 years to repay the loan principal and additional interest.
- (4) A variable interest rate, based on an average of the daily 10 year Commonwealth bond rate over a specified six month period and the cost of administering water loans, will apply to the Loan Facility. The following apply to the interest rate:
  - a. Advice on the interest rate will be available to Proponents on request to the Department via [waterinfrastructure@agriculture.gov.au](mailto:waterinfrastructure@agriculture.gov.au).

- b. The interest rate will be reviewed every six months in accordance with the Loan Agreement.
- c. The Department will give notice of changes to the interest rate in writing to Recipients. Any interest rate change will be effective from the date specified in the notice.
- d. All other details in regard to the concessional interest rate are contained in the Loan Agreement.

## **10 Funding contributions**

- (1) Proponents must provide a cash contribution of at least 51 per cent of the total Project cost.
- (2) Commonwealth contributions from all sources will not exceed 49 per cent of the total Project cost.
- (3) Non-Commonwealth cash contributions may be sourced from Proponents, their partners and/or private investors.
- (4) In-kind contributions cannot form part of the non-Commonwealth contribution.

## **11 Loan Agreements**

- (1) A Loan Agreement must be signed by the relevant Recipient before payments are made. Separate Loan Agreements will be required for each Project.
- (2) Loan Agreements will establish the terms and conditions attached to a loan, including payment milestones and any conditions that must be met before payments will be made.
- (3) Recipients will be responsible for managing the Project within agreed timelines, including submitting progress reports to the Department.
- (4) Loans will be reviewed on an ongoing basis and at least annually by the Department to monitor compliance and the Recipient's ongoing capacity to meet the terms and conditions of the Loan Agreement.
- (5) Proponents should ensure they read the standard Loan Agreement before submitting an Investment Proposal. It is expected that successful Proponents will enter into a Loan Agreement with the Commonwealth that is substantially in the form of this standard Loan Agreement.

## **12 Funding under the National Water Infrastructure Development Fund**

- (1) Funding from the National Water Infrastructure Development Fund will be managed by the Department under the *National Partnership Agreement for the National Water Infrastructure Development Fund – Capital Component*.
- (2) Further information can be found in the *National Water Infrastructure Development Fund – Capital Component Guidelines*.

### **13 Novation**

- (1) The Australian Government intends to establish the Regional Investment Corporation to deliver a range of concessional loans administered by the Department.
- (2) It is the intention of the Australian Government to transfer administration and operation of the Loan Facility to the Regional Investment Corporation once it is established, including but not limited to the Commonwealth's rights and obligations under Loan Agreements.
- (3) By submitting an Investment Proposal, Proponents acknowledge that management of their Project and any Loan Agreement may be novated to the Regional Investment Corporation on and in accordance with written notice from the Commonwealth.
- (4) On novation, funding under the National Water Infrastructure Development Fund will continue to be managed by the Department.

### **14 Media and other public announcements in relation to Investment Proposals**

- (1) Departmental officials may contact Proponents to seek information for the purpose of media and public announcements.
- (2) By submitting an Investment Proposal, Proponents acknowledge that, if they receive Funding, they will be required to:
  - a. acknowledge the Funding support provided to the Project by the Commonwealth; and
  - b. notify the Department in relation to, and prior to, any planned media event relating to the Project.

### **15 Publication of information about successful Projects**

- (1) The Loan Agreement, and any variations to the Loan Agreement, will be laid before each House of Parliament within 15 sitting days of that House after the day on which the Loan Agreement or variation is made.
- (2) The Australian Government may publish and use the following information in a variety of media about successful Projects:
  - a. the state receiving the Funding, along with the Project's title and purpose;
  - b. anticipated outcomes and benefits of the infrastructure;
  - c. amount of Funding received;
  - d. term of the Funding;
  - e. Funding location; and
  - f. information on progress as reported to the Department.
- (1) By submitting an Investment Proposal, Proponents consent to information as listed in 15(1) and 15(2) being publicly shared if they receive Funding.



## **SCHEDULE 1 – ELIGIBILITY CRITERIA**

### **1 Who can apply**

- (1) Only states and territories may be Proponents. Proponents may act in partnership with other organisations.
- (2) Only Water Infrastructure Projects ready to progress to construction are eligible for Funding.
- (3) Investment Proposals must be able to provide evidence of the written support of the state minister responsible for water infrastructure.
- (4) Proponents must implement water management in the catchment(s) where the Project is proposed consistent with the National Water Initiative principles available at [www.agriculture.gov.au/water/national/national-water-infrastructure-development-fund/guide-notes-nwi-requirements](http://www.agriculture.gov.au/water/national/national-water-infrastructure-development-fund/guide-notes-nwi-requirements).

### **2 Eligible activities**

Eligible activities include construction or enhancement of major Water Infrastructure.

### **3 Ineligible activities**

Examples of activities ineligible for Funding include:

- a. retrospective activities (activities that have already been conducted);
- b. pre-feasibility and feasibility activities;
- c. activities undertaken for safety upgrade purposes / dam safety upgrades;
- d. infrastructure maintenance and replacement costs;
- e. Water Infrastructure primarily for recreational and/or social purpose;
- f. Water Infrastructure primarily for urban and potable use;
- g. private on-farm water storage and supply systems including irrigation systems;
- h. on-farm reconfiguration, including distribution and reticulation systems;
- i. infrastructure that is related or associated but is not chiefly Water Infrastructure, including but not limited to roads, rail, energy and communication networks;
- j. activities funded / intended to be funded using another Commonwealth source;
- k. debt restructuring / re-financing of existing debt;
- l. ongoing operational and maintenance costs;
- m. purchase of land;

- n. 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;
- o. marketing or promotional materials and activities with the primary purpose of attracting investment in the Project and associated economic development activities; and
- p. anything deemed by the Decision Maker to be contrary to the Objectives, Outcomes, and/or Priorities.

**SCHEDULE 2 – MANDATORY ASSESSMENT CRITERIA**

Proposed Projects must address all the mandatory assessment criteria outlined in Table 1.

These criteria also apply for Proponents seeking funding under both the National Water Infrastructure Loan Facility and the National Water Infrastructure Development Fund.

Proponents should also refer to the *National Water Infrastructure Development Fund – Capital Component Guidelines* when developing responses.

**Table 1: Mandatory assessment criteria**

<b>Mandatory criteria no. (weighting)</b>	<b>Description</b>
1. The proposed Project involves construction of Water Infrastructure (5%)	<p>Proponents must demonstrate that there is a clear need for the infrastructure, and that the infrastructure is significant and in the national interest.</p> <p>The Project must bring new capacity online, either through the construction of new infrastructure or by materially enhancing existing infrastructure.</p>
2. The proposed Project will be managed in accordance with the National Water Initiative principles (15%)	Proponents must demonstrate that the anticipated Project and the water resources for the Project are managed in accordance with the principles of the National Water Initiative.
3. The proposed Project will be of Public Benefit (10%)	<p>Proponents must demonstrate the public and private benefits expected to be delivered from the Project.</p> <p>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.</p> <p>In considering Public Benefit, preference will be given to those Projects that will:</p> <ul style="list-style-type: none"> <li>• supply water or have the capacity to supply water to multiple users</li> <li>• produce benefits to the broader economy, community and environment</li> </ul>
4. The proposed 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%)	Proponents must demonstrate that financial assistance is necessary to enable the Project to proceed, or to proceed much earlier than it would otherwise.
5. The proposed Project has received or will receive the required regulatory and administrative approvals required to proceed to construction (15%)	<p>Evidence of regulatory and planning approvals is required, including but not limited to:</p> <ul style="list-style-type: none"> <li>• Environmental Impact Assessment</li> <li>• State development approvals</li> </ul>
6. Overall business case (35%)	<p>Proponents should provide advice on the various components the Australian Government requires, including:</p> <ul style="list-style-type: none"> <li>• Cost benefit analysis</li> <li>• Demand forecasting and price modelling</li> </ul>

Mandatory criteria no. (weighting)	Description
	<ul style="list-style-type: none"> <li>• Regulatory, planning, environmental, legal and other approvals (e.g. Environmental Impact Statement)</li> <li>• Consistency with relevant Australian Government and Commonwealth policy (e.g. Reef 2050 Plan)</li> <li>• Project planning, construction and risk management, including whole-of-life operation and maintenance</li> <li>• Benefits realisation</li> </ul>
7. Co-funding is greater than 51 per cent of the total Project cost and the loan will be repaid (10%)	<p>Proponents must show that the finance from all Commonwealth sources (including but not limited to 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:</p> <ul style="list-style-type: none"> <li>• other contributions, especially from the private sector, are guaranteed</li> <li>• the Investment Proposal represents value-for-money for Commonwealth funds</li> <li>• all contributions are auditable</li> </ul> <p>Proponents must demonstrate their ability to repay the loan within the proposed loan period, including:</p> <ul style="list-style-type: none"> <li>• detail on how the loan will be financed and repaid</li> </ul>
8. Stakeholder and Indigenous engagement (5%)	<p>Proponents must provide a clear and credible plan to properly and fully engage and consult with affected stakeholders and communities.</p> <p>Proponents 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>
9. The proposed project is located in, or will have a significant benefit for, northern Australia	<p><b>This criterion applies only to the \$40 million northern component of the National Water Infrastructure Development Fund.</b></p> <p>Northern Australia, for the purposes of the National Water Infrastructure Development Fund, is all of the Northern Territory and those parts of Western Australia and Queensland above the Tropic of Capricorn.</p>