Australian Government

Australian Government response to the Review of the operation of the *Regional Investment Corporation Act 2018*

Cataloguing data

This publication (and any material sourced from it) should be attributed as: DAFF 2025, ***Australian Government response to the Review of the operation of the Regional Investment Corporation Act 2018***, Department of Agriculture, Fisheries and Forestry, Canberra, December 2025

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Acknowledgement of Country

We acknowledge the continuous connection of First Nations Traditional Owners and Custodians to the lands, seas and waters of Australia. We recognise their care for and cultivation of Country. We pay respect to Elders past and present, and recognise their knowledge and contribution to the productivity, innovation and sustainability of Australia’s agriculture, fisheries and forestry industries.

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Ministerial Foreword

Australia's farmers are the backbone of our regional communities. The Regional Investment Corporation (RIC) plays an important role in supporting farm businesses to manage through hardship and strengthen their long-term financial resilience. Since its establishment, the RIC has provided concessional loans that have helped thousands of farm businesses recover from drought and invest in their future.

I welcome the findings of the 2024 independent Review of the operation of the *Regional Investment Corporation Act 2018* (the Review), undertaken by Dr Wendy Craik AM. The Review provides a clear picture of how the RIC has evolved and opportunities to ensure it continues to deliver effectively. It highlights that RIC loans remain an important mechanism to help farm businesses manage financial risk, particularly as the agriculture sector faces increasing pressure from climate variability, market uncertainty and changing global conditions.

I acknowledge the work of the RIC in strengthening its governance, improving service delivery, and building strong partnerships with stakeholders. These improvements have enhanced the RIC's capacity to deliver timely, targeted financial support. My department and the RIC will continue to work together to implement the government's agreed Review recommendations in full.

Looking ahead, the government remains committed to ensuring the RIC remains fit for purpose and continues to evolve to meet the needs of Australian farm businesses and regional communities. In August 2025, the Prime Minister and I announced $1 billion in new loan funding for the RIC – bringing the total support for the agriculture sector through RIC loans to over $5 billion.

The government has also announced the broadening of the RIC's scope to better support addressing of contemporary challenges and opportunities, including improving climate resilience, boosting sector productivity, and supporting agriculture to be part of Australia's net zero transition.

The release of this government response coincides with the announcement of a new RIC Drought Hardship Loan to strengthen support for farm businesses impacted by drought. In addition, a new loan product will support wild-catch fishers and aquaculture businesses impacted by harmful algal blooms and heatwaves. These initiatives reflect our commitment to ensuring the RIC continues to deliver responsive, contemporary support for Australian businesses.

I thank Dr Craik for undertaking a comprehensive Review, and all who contributed – including industry organisations, farmers and RIC staff- for their insights and commitment to building a strong, sustainable and resilient agricultural sector.

Julie Collins

Julie Collins MP

Executive Summary

The Australian Government response to the Review of the operation of the *Regional Investment Corporation Act 2018* (the Review) addresses the 32 recommendations and 6 findings made by independent reviewer, Dr Wendy Craik AM. The government welcomes the Review's outcomes and has carefully considered the report in its entirety in formulating its response. The government largely agrees with the Review's recommendations. Findings are noted, as they reflect the independent views of the reviewer, based on the consultation, research and analysis undertaken during the Review. The government considers the Review report a valuable resource to guide implementation, in line with the intent and scope of agreed recommendations.

The Review confirmed that, based on the available evidence, concessional loans remain an effective policy tool to support Australia's long term viable agricultural businesses through periods of hardship, particularly during drought. The loans were found to help farmers manage risk and build resilience, for example, by supporting them to make on-farm capital investments that improve productivity, preparedness and profitability. Key eligibility criteria were found to effectively target farm businesses that were viable but in financial need, supporting farmers with sound prospects while seeking to ensure the government was not acting as the lender of last resort.

At the time of the Review, the RIC was funded to issue new loans until 30 June 2026, and to continue to manage its loan portfolio beyond this date. Dr Craik found that the RIC is performing effectively and recommended the government retain it to deliver concessional loans nationally to farm and farm-related businesses. In August 2025, the government committed an additional $1 billion in new loan funding through the RIC, in line with strong stakeholder support to continue the RIC and reaffirming its value to government as a delivery agency. The government has also committed to broadening the scope of the RIC to include assistance for improving climate resilience, boosting sector productivity and supporting agriculture to be part of Australia's net zero transition. The Prime Minister also announced the creation of a new stream of support through the RIC to cover slow-onset significant ecological events like marine heat waves and algal blooms that impact our natural environment, communities and businesses.

The Review affirmed the effectiveness of the RIC and its loan programs, but also identified opportunities for improvement, particularly around data, monitoring, evaluation and reporting. Strengthening these areas will improve transparency, inform future policy development and provide responsible Ministers with better oversight of loan portfolio risks and outcomes. Other recommendations focused on refining loan settings, strengthening governance, considering funding arrangements, and ensuring products remain contemporary and aligned with government priorities.

This response outlines work underway by the Department of Agriculture, Fisheries and Forestry (the department) and the RIC to commence implementing recommendations where this has been possible. The response also sets out expectations for further work to ensure recommendations are effectively addressed in full, focusing on quality implementation. Where necessary and appropriate, the government intends to progress reforms to the *Regional Investment Corporation Act 2018* and associated legislative frameworks to implement agreed recommendations.

Summary of Review recommendations and Australian Government response

Response Snapshot

The Review made:

6 findings

32 recommendations
6 ‘sub-recommendations’

The Government:

- agrees with 21 recommendations and 5 ‘sub-recommendations’
- agrees in principle with 5 recommendations
- agrees in part with 1 ‘sub-recommendation’
- notes 6 recommendations.

The Government Response

- Reflects the government’s decision to continue the RIC and its delivery of new concessional loans beyond 30 June 2026, and to provide an additional $1 billion in loan funding through the RIC.
- Articulates the government’s intention to broaden the RIC’s scope to include assistance for improving climate resilience, boosting sector productivity, supporting agriculture to be part of Australia’s net zero transition, and create a new RIC slow-onset significant ecological event stream to cover certain slow-onset events like marine heat waves and algal blooms.
- Outlines implementation progress to date and sets the direction for further work where relevant.

Commitments and Investments

The Australian Government has committed over **$5 billion** in funding through the RIC

$4.075 billion

In existing funding for concessional loans to support farmers and farm-related small businesses.

$1 billion

In additional loan funding to continue the RIC’s loan program, supporting continued access to concessional loans beyond 30 June 2026.

$3.7+ billion

In loans have been funded by the Australian Government, through the RIC, to date.

At a Glance – Summary of Recommendations and Government Response

Theme	Summary of Recommendations	Government Response
Effectiveness of concessional loans Finding A Recommendations 1-4.3	Concessional loans are an effective policy tool (Finding A)	**Note**
	Retain concessional loans as a policy tool for the agriculture sector (Rec 1)	**Agree**
	Continue to target viable farm businesses in financial need as the core customer base (Rec 2)	**Agree**
	Articulate the RIC's purpose and target cohort, and develop criteria to guide improvement (Rec 3)	**Agree**
	Review the RIC Operating Mandate Direction and drought loan policy objectives (Rec 4)	**Agree**
	Amend the name, and re-frame communication, of the Farm Investment Loan (Rec 4.1)	**Agree in part**
	Investigate the role for government in intergenerational change in the agriculture sector (Rec 4.2)	**Agree**
	Review loan product objectives every 5 years (Rec 4.3)	**Agree**
Suitability of loan product parameters Recommendations 5-10	Consider the maximum loan amount every 5 years and develop a metric for monitoring (Rec 5)	**Agree**
	Maintain the current 10-year loan term (Rec 6)	**Note**
	Allow the RIC greater loan management flexibility (Rec 7)	**Agree in principle**
	Allow customers flexibility in the timing of principal and interest repayments (Rec 8)	**Agree in principle**
	Do not direct the RIC to deliver interest free loans (Rec 9)	**Note**
	Continue to set the RIC's concessional interest rates through a methodology (Rec 10)	**Note**
Using an established loan delivery agency Findings B, C Recommendations 11-12.1	There is little benefit in merging the RIC into another entity (Finding B)	**Note**
	The RIC is not best placed to provide services to other Specialist Investment Vehicles (Finding C)	**Note**
	Retain the RIC to deliver nationally consistent farm business concessional loans (Rec 11)	**Agree**
	Require 5-yearly reviews of the RIC Act (Rec 11.1)	**Agree**
	Undertake the administrative cost review (Rec 12)	**Agree**
	Develop a Resource Allocation Framework (Rec 12.1)	**Agree**
Effectiveness of the RIC's loan delivery Findings D, E Recommendations 13-17	The RIC is targeting the right customer base (Finding D)	**Note**
	The RIC is performing effectively, but can improve its data collection and reporting (Finding E)	**Note**
	Include additional information in quarterly reports to responsible Ministers (Rec 13)	**Agree**
	Enhance data collection, monitoring, reporting and evaluation (Rec 14)	**Agree**
	Strengthen Drought Management Plan assessment (Rec 15)	**Agree**
	Factor climate risk and adaptation into loan assessments and portfolio reporting (Rec 16)	**Agree**
	Implement and record data from annual risk-based loan reviews for all loans (Rec 17)	**Agree**

Theme	Summary of Recommendations	Government Response
Future activities and funding model Recommendations 18-23	Consider having the RIC's loan funding sit on the RIC's balance sheet (Rec 18)	**Note**
	Consider implementing a recycled loan funding model for the RIC (Rec 19)	**Note**
	Do not direct the RIC to deliver a disaster recovery loan product (Rec 20)	**Agree in principle**
	Consider piloting a Sustainability Loan (Rec 21)	**Agree in principle**
	Remove outdated references to water infrastructure loans in RIC legislation (Rec 22)	**Agree**
	Remove the RIC Board's Future Drought Fund advisory role (Rec 23)	**Agree**
First Nations engagement in agriculture Recommendations 24-24.1	Strengthen the RIC's First Nations cultural capability and partnerships (Rec 24)	**Agree**
	Explore options to improve First Nations access to agri-finance (Rec 24.1)	**Agree**
Relationships with stakeholders Recommendations 25-28	Expand the RIC's use of regionally-based staff to improve stakeholder outreach (Rec 25)	**Agree**
	Pursue closer links with the Rural Financial Counselling Service (Rec 26)	**Agree**
	Increase collaboration with commercial lenders to support client transitions (Rec 27)	**Agree**
	Collect data to support assessment of the gender impact of the RIC loan program (Rec 28)	**Agree**
Governance Finding F Recommendations 29-31	The RIC's current governance arrangements remain the most appropriate (Finding F)	**Note**
	Enhance collaboration between the RIC and the department, and revise the MoU (Rec 29)	**Agree**
	Appoint a senior departmental executive to the RIC Board (Rec 30)	**Agree in principle**
	Provide a Statement of Expectations from responsible Ministers (Rec 31)	**Agree**
Implementation Recommendation 32	Provide resourcing to implement Review recommendations (Rec 32)	**Note**

Background

The RIC was established by the *Regional Investment Corporation Act 2018* (RIC Act) primarily to deliver Commonwealth-funded concessional loans to long term viable farm businesses in financial need in a nationally consistent manner. Since it opened for business on 1 July 2018, the RIC has approved 3,517 loans, totalling $3.726 billion as at 31 October 2025.

Concessional loans are an integral part of the suite of drought and farm support measures provided by the Australian Government to form the safety net for farmers experiencing hardship. They are embedded in Australia's drought policy frameworks: the National Drought Agreement 2024-2029 outlines that the Australian Government is responsible for funding concessional loans to farmers, while the Australian Government Drought Plan (2024-2029) explains the role of RIC concessional loans in facilitating preparedness and risk management.

The RIC Act required the Agriculture Minister to arrange a review of the operation of the Act to be undertaken and finalised by 1 July 2024. Independent reviewer, Dr Wendy Craik AM, was appointed in October 2023 to undertake the Review, and provided her report to RIC responsible Ministers (the Minister for Agriculture, Fisheries and Forestry, and the Minister for Finance) on 1 July 2024. The report was published on 31 July 2024.

As required by the RIC Act, the Review provides findings and recommendations on:

- the scope of the RIC's activities after 30 June 2026; and
- the appropriate governance arrangements for the RIC after that date.

This Review was the first statutory review of the RIC and comprehensive in nature. In line with its Terms of Reference, the Review report covers a range of other matters, including the effectiveness of the RIC, its policy and program settings, the RIC's funding model, opportunities to improve engagement and inclusion of First Nations people, and opportunities to support the agricultural sector in line with government priorities. The Review was informed by over 100 stakeholder meetings, covering around 66 separate stakeholders, as well as 24 written submissions and over 500 survey responses from farm and farm-related businesses.

Theme 1: Effectiveness of concessional loans

Finding A

Based on the available evidence, concessional loans are an effective policy tool to support long-term viable farmers and farm related small businesses in financial need, particularly during drought.

Recommendation 1

The government retain concessional loans as a policy tool to support the agriculture sector, particularly during drought. The RIC implement more comprehensive and robust data collection and analysis to assist the department to confirm policy efficacy, including that the RIC's loans are not impeding structural adjustment.

The Australian Government **notes** the finding and **agrees** with this recommendation.

The government is committed to supporting a resilient and sustainable Australian agricultural sector. In the RIC context, the government has demonstrated this by committing $1 billion in additional loan funding to continue the RIC's delivery of nationally consistent concessional loans to farm businesses and farm-related small businesses beyond 30 June 2026. This funding also delivers on the Australian Government's responsibility for funding concessional loans to farmers under the intergovernmental NDA 2024-2029 and as outlined in the Australian Government Drought Plan (2024-2029).

The Review found that concessional loans effectively support farm businesses to manage through and recover from short-term hardship. It also found that concessional loans can help farmers invest in building their resilience in the long term. The Review received broad stakeholder support for this recommendation.

In ensuring continued loan funding for the RIC, the government has also considered how the RIC will support the agricultural sector in the future, beyond its initial primary focus on drought support. The government has committed to broadening the scope of the RIC to include assistance for improving climate resilience, boosting sector productivity and supporting agriculture to be part of Australia's net zero transition. This will strengthen the RIC's ability to continue supporting and positioning Australian agriculture for the future.

The government agrees that RIC program data collection and analysis is critical to support a more robust understanding by government of the impact of concessional loans as a policy tool for the Australian agricultural sector. This includes additional data to measure the potential impact of RIC loans on structural adjustment, noting that targeting the intended cohort of long-term viable farm businesses in need does not of itself confirm taxpayer funded concessional loans have no impact on structural adjustment. Since the Review, the RIC has addressed a range of data gaps and provided further information to responsible Ministers and the department. Further information on progress in this area is under recommendation 14.

The government will consider any necessary changes to the RIC Act and related legislative frameworks to better support robust data collection and analysis.

Recommendation 2

The government continue to target farm business concessional loans to those businesses that are viable in the long-term but in short-term financial need due to circumstances outside of their control, including prolonged drought, as the core customer base.

The Australian Government **agrees** with this recommendation.

The government recognises the importance of supporting farm businesses that are viable in the long term but experiencing financial hardship due to factors beyond their control. Farming is an inherently risky business and Australian farmers are resilient, managing their businesses through seasonal, climatic and market variabilities. However, there comes a time when some farmers have done the best they can to manage through tough times within available resources and need support. The government's additional $1 billion in loan funding can support eligible farm businesses to prepare for, manage through and recover from current and future drought conditions (both through the RIC's existing drought loan products, and the new Drought Hardship Loan), as well as other causes of hardship.

The Review found key eligibility criteria, including long term viability and financial need, were broadly effective. These criteria enable targeted delivery of a farm business safety net – recognising farm businesses operate in an uncertain environment – to those able to build a more resilient operation. This approach also aims to minimise disruption to structural adjustment and impacts on the commercial lending market, while ensuring the government does not become the lender of last resort or risk being unable to recover taxpayer funds. Ensuring the RIC is not the lender of last resort is also supported by additional eligibility criteria such as the requirement for applicants to have existing commercial debt and at least 50% of total debt remaining with a commercial lender. The government notes the Review's finding that the RIC is effectively targeting this cohort through its assessment of loan applications against relevant eligibility criteria (see finding D).

Recommendation 3

The government clearly articulate the RIC's purpose, including its target cohort, and the RIC ensure its communication and messaging and approach to loan delivery aligns with this purpose.

To support a clear purpose for the RIC, the government develop a set of criteria to guide future product development and program improvements. These criteria should include:

- alignment with government priorities and policies (including the new National Drought Agreement)
- targeting gaps in the commercial market, including focusing on providing loans to businesses that are in financial need but still viable in the long-term
- focusing effort where there is most benefit to the sector (e.g. drought)
- appropriately and prudently managing risk given the use of taxpayer funds.

Recommendation 4

The government review the Introduction and Policy objectives within the RIC Operating Mandate Direction to ensure they reflect a clear and unambiguous purpose for the RIC reflective of its functions and align with the most recent developments in drought policy including an emphasis on resilience and self-reliance.

The government review the Policy objectives for the RIC's drought loans (Drought Loan and AgBiz Drought Loan) to ensure they are consistent with any changes made to the Operating Mandate Direction, including to reflect the most recent developments in drought policy.

The Australian Government **agrees** with these recommendations.

It is important that the RIC's purpose and role are clearly defined, both for the RIC, its prospective clients, and its stakeholders, including to ensure understanding of the RIC's role within the government's broader suite of support measures for the agricultural sector. Greater clarity will support the RIC to align its service delivery and communication with the government's policy priorities, while continuing to operate within an appropriate market gap that does not seek to compete with the commercial lending sector.

As outlined under recommendation 1, the government has announced it will broaden the scope of the RIC to include assistance for improving climate resilience, boosting sector productivity, and supporting agriculture to be part of Australia's net zero transition. As part of this process, the government will review the RIC Operating Mandate Direction 2018 (Operating Mandate) to ensure the RIC's purpose and responsible Ministers' expectations are clearly articulated, and review the policy objectives for the RIC's drought loans to ensure consistency.

The development of criteria to guide future product development and program improvement will also reflect the government's commitment to broaden the scope of the RIC. Legislative changes needed to implement recommendation 4 will be considered as part of the broader program of legislative reform arising from the Review.

Recommendation 4.1

The RIC, in consultation with the department, make the following minor amendments to the framing of the Farm Investment Loan:

- Change the name of the loan product to better reflect that it is to assist farmers in financial need due to circumstances outside their control and, in doing so, it seeks to support farm businesses to build or maintain market diversity.
- Reframe communication about the product to emphasise market diversification as a risk management tool to strengthen a farm business and potentially make it more resilient to future external impacts.

The Australian Government **agrees in part** with this recommendation.

The Farm Investment Loan is an important loan in the RIC's product suite. It supports farm businesses to manage through hardship due to events outside their control, including beyond drought (such as market closures or natural disasters). It also seeks to help eligible farm businesses build and maintain diversity in the markets they supply and take advantage of new and emerging opportunities across Australia and overseas.

The government recognises the importance of ensuring alignment across a loan product's name, purpose and messaging for effective targeting of prospective clients. The government notes the RIC has updated its communication materials to emphasise the role of the Farm Investment Loan in building and maintaining market diversification to support risk management and resilience.

The government further notes that the Farm Investment Loan has been offered as a RIC product since the RIC opened in 2018. Stakeholder familiarity with the product has been established, including its name and over-arching purpose. Therefore, the government, in line with recent advice of the RIC, does not support renaming the product at this time.

Recommendation 4.2

The department investigate if there is an appropriate role for government in facilitating inter-generational change in the agriculture sector and, if so, whether taxpayer funded concessional loans including the current AgriStarter Loan in financial need criterion are the most appropriate and effective mechanism for facilitating this change. This work to be undertaken in the next 18 months.

The government consider the outcomes of this policy analysis, including any impacts on the AgriStarter Loan, by mid-2026.

The AgriStarter Loan remain as an available RIC loan product while this further work is progressed.

The Australian Government **agrees** with this recommendation, noting further time will be needed for implementation.

Facilitating intergenerational change in the agricultural sector is a complex issue and there are multiple drivers of the ageing farmer population. The government acknowledges that the agricultural industry must attract more talented, qualified workers to consider a career in the industry to support its future growth and prosperity. The government is also committed to policies that drive productivity and promote the efficient allocation of resources across the economy. Concessional loans to facilitate intergenerational change in the agriculture sector should be carefully assessed to ensure they do not divert resources from other high-demand, high-value sectors. While AgriStarter Loans may attract skilled workers to the agricultural industry, this should be considered in the context of the broader labour market to ensure that workforce incentives align with sectors that best match workers' skills, experience and long-term career prospects.

The Review noted that stakeholders indicated rising land prices and input costs are a key challenge to new farmers seeking to purchase their first farm. The RIC AgriStarter Loan supports people in purchasing their first farm business or to implement succession arrangements. The department has commenced exploring the role for government in supporting new farmers through concessional loans, including whether a market gap exists. This analysis should consider the support new entrants in other industries receive and any equity implications. For example, should taxpayers support new entrants to increase their personal accumulated wealth by purchasing a farming operation or should it focus on helping unemployed or underemployed Australians find employment.

In line with this recommendation, the department will investigate the role of government in facilitating intergenerational change in the agriculture sector, including examining the policy settings of the current RIC AgriStarter Loan. Potential issues to explore could include early and proactive succession planning, successful retirement transitions, and attracting and retaining new and aspiring farmers. This work will be informed in part by industry and stakeholder feedback on farm transitions and succession planning collected at the 2025 National Drought Forum, co-hosted by the National Farmers' Federation.

The government intends the current RIC AgriStarter Loan to remain available, with the government to consider relevant outcomes of the analysis in due course.

Recommendation 4.3

The department, in consultation with the RIC, review the objectives of the RIC's loan products every 5 years, or more frequently when government policy is changing.

The Australian Government **agrees** with this recommendation.

A program of reviewing relevant policy objectives will keep the RIC's loan programs current and aligned with the government's priorities and strategic direction. The government proposes the review of RIC loan product objectives be undertaken as part of 5 yearly statutory reviews of the RIC (see recommendation 11.1). The RIC also has an evaluation program that involves short, medium and long-term evaluations of its loan products. This provides another opportunity to revisit the loans' objectives if needed.

Other policy developments or changes may prompt more frequent review of RIC loan product objectives outside this period.

Theme 2: Suitability of loan product parameters

Recommendation 5

The government implement ongoing monitoring of the need to change the RIC's maximum loan amount and consider the maximum loan amount at least every 5 years.

To support this ongoing monitoring and any decision by government to change the maximum loan amount, the department develop an appropriate metric within 12 months, for example, linked to input costs to farm businesses and reflective of the actual uses of RIC loans by farm businesses.

The Australian Government **agrees** with this recommendation.

The government recognises the importance of ensuring the maximum loan amount for RIC loans remains fit-for-purpose and aligned with the needs of prospective clients. The government notes the RIC's average loan size is below the $2 million maximum, being $981 687 currently (for loans settled in the six months to 31 October 2025) and declining (it was $1.121 million for loans settled in the six months to 31 October 2022). The department has commenced work to develop a metric to monitor the ongoing appropriateness of the RIC's maximum $2 million loan amount for farm business loans. This work will draw on the expertise of the Australian Bureau of Agricultural and Resource Economics and Sciences, and consider relevant data, such as farm input costs, farm land prices and data on the actual uses of RIC loans, to ensure the metric is robust.

The government anticipates a metric will be developed in 2026, with ongoing monitoring commencing from 2027. Following this, the government agrees the RIC's maximum loan amount should be considered at least every five years. Similar to recommendation 4, the government proposes that the 5 yearly statutory reviews of the RIC (see recommendation 11.1) provide a suitable opportunity to consider any changes to the maximum loan amount. Consideration may occur more frequently if warranted, particularly if monitoring indicates a need for change.

Recommendation 6

The government maintain the RIC's current loan term at 10 years.

The Australian Government **notes** this recommendation.

For the RIC's existing loan products, the government considers that a 10-year loan term remains appropriate at this time. The Review found that the 10-year term strikes an effective balance between enabling meaningful assistance and ensuring concessional lending remains fiscally responsible. This term provides flexibility for a range of farm businesses to recover from hardship and return to commercial finance in due course. Loan recipients also have the option to repay their loans earlier where their circumstances allow, without penalty.

The government acknowledges stakeholder views that alternative loan terms may be useful for different purposes. There have been calls for both longer and shorter-term loans, including David Tune's 2021 Independent Review of the RIC recommendation for a shorter-term drought loan product. Program data also shows that some customers are choosing to refinance their RIC loan with their commercial lender once RIC principal repayments commence in year 5 of the loan term.

In developing any new products, the government will consider settings that are appropriate for the objectives, circumstances and need of the intended target cohort. This includes considering the merits of alternative loan terms, and how they contribute to meeting the objectives of the loan. An example includes the recently announced Drought Hardship loan, which will have a shorter loan term of 5 years, reflecting its focus on operating expenses during periods of acute drought.

Recommendation 7

The government amend the RIC's legislation to allow loan management flexibility as determined by government, consistent with amendments to the pre-RIC state delivered Commonwealth farm business loans applicable in most states.

The Australian Government **agrees in principle** with this recommendation.

The government acknowledges that loan management flexibility, as applied by states under pre-RIC Commonwealth-funded farm business concessional loan schemes, can support more effective recovery of loaned funds. This pre-RIC flexibility includes the ability, under limited and clearly defined circumstances, to apply non-concessional and default rates, permit temporary principal deferrals, and enable short-term extensions and grace periods. Appendix K of the Review provides a complete list of the Review's recommended loan management options. Any changes needed to the RIC's legislative frameworks will be considered as part of the broader program of legislative reform arising from the Review.

The RIC has also proposed additional loan management flexibility, including to further support clients in hardship during a loan term and also to ensure it has consistent management levers across its product suite. The department will work with the RIC on potential options for additional loan management flexibility.

Recommendation 8

The government amend the RIC's legislation to allow RIC customers flexibility around the timing of repayment of principal and interest over the 10-year loan period, provided the overall period for interest-only repayments does not exceed 5 years.

The Australian Government **agrees in principle** with this recommendation.

The government notes the intention of the recommendation is to provide flexibility for farm businesses to decide when to make interest-only repayments within the 10-year loan term (provided they do not exceed a period of 5 years), to allow RIC loans to better reflect the cash flow needs of individual farm businesses. Some farm businesses may recover faster and choose to save the remainder of their interest-only period for later in the loan term as a risk mitigation measure. This approach is consistent with the government's broader commitment to supporting resilience and risk management in Australian farm businesses. The government notes that monitoring of uptake will be required to assess the impacts of such a change.

Implementation of this recommendation would need to consider the intended budget neutrality of the RIC's operations. Any legislative amendments needed will be considered as part of the broader package of legislative reforms arising from the Review.

Recommendation 9

The government not direct the RIC to implement interest free loans.

The Australian Government **notes** this recommendation.

As noted in the Review, the interest free period created fiscal challenges and equity concerns, as the cost of interest revenue foregone, estimated at $170 million at September 2025, was borne by taxpayers. The Review raised the opportunity cost of using public money to support farm businesses, which could be directed to other purposes that may have a greater public benefit. The Review also questioned the equity of transfers to farmers from individuals who are generally less well off, as farm households on average have greater wealth in assets than the broader population.

The Review also outlined concerns that broad interest free offerings may have inadvertently undermined resilience in the agricultural sector, as they disincentivise proactive drought management and resilience-building. The David Tune 2021 Independent Review of the RIC highlighted that concessional loans may impede appropriate structural adjustment in the agricultural sector, increasing the financial risk to both the Commonwealth and farm businesses by discouraging long-term drought resilience, planning and preparedness.

The Review outlined that previously offered interest free loans resulted in unprecedented demand for RIC loans and this severely and detrimentally impacted the RIC's service delivery and ability to assist farm businesses in a timely manner. The surge of applications during this period resulted in lengthy processing delays, with median processing times extending beyond 350 days. In some cases, loans were not received by the client until the period of hardship had passed. This placed substantial operational strain on the RIC, which had to dedicate extensive resources to clearing the application backlog and restoring normal service standards.

Interest free loans also created ongoing reputational impacts for the RIC, given that loans were extended beyond the target cohort and the backlog of interest free applications took time to work through. Since that time, the RIC has significantly improved its service delivery and the government considers it essential to ensure the RIC's performance is preserved and assistance delivered efficiently and equitably. The Review also noted alternative methods of dealing with specific loans in hardship rather than using blanket interest free terms, which the government is supportive of (see recommendations 7 and 8).

Recommendation 10

The government continue to set the RIC's concessional interest rates for its loan products through legislation and responsible Ministers approving the RIC's interest rate methodology.

Interest rate/s continue to be based on the cost of capital and an administrative margin to cover the RIC's costs.

The department, in consultation with the Department of Finance, review the administrative margin methodology (and the RIC's interest rate methodology and legislation as needed) to incorporate a small margin to reflect both the impact of repayment of some loans prior to maturity, and a small number of loans not being repaid.

The Australian Government **notes** this recommendation.

The government concurs RIC interest rates being set by the RIC in accordance with a methodology agreed by responsible Ministers and embedded in legislation is a sensible approach, providing transparency and certainty to the RIC and stakeholders.

In considering RIC interest rate settings more broadly, the government notes that having a sufficient level of concessionality (i.e. the difference between the RIC interest rate and the commercial rates its clients receive – known as the passing rate) is relevant to ensuring RIC loans remain an effective policy tool and support mechanism.

Any legislative changes needed will be considered as part of the broader program of legislative reform arising from the Review.

Theme 3: Using an established loan delivery agency

Recommendation 11

The government retain the RIC as an established functioning mechanism for delivering a suite of nationally consistent concessional loans to farm businesses and farm-related businesses, especially during drought periods.

The Australian Government **agrees** with this recommendation.

The government acknowledges strong stakeholder support for continuation of the RIC and its concessional loans as a valuable mechanism to support farm businesses. The government also recognises its responsibilities to provide concessional loans under the National Drought Agreement 2024-2029, and the importance of assisting long term viable farmers to manage challenges arising from factors beyond their control, where these extend beyond what reasonable and prudent risk management can mitigate.

To provide certainty and continuity, in August 2025 the government announced the continuation of the RIC and its delivery of new loans beyond 30 June 2026, committing an additional $1 billion in loan funding to support this. This decision underscores the government's commitment to building a resilient agricultural sector and to supporting rural and regional communities during drought and other periods of hardship.

Consistent with the Review's findings, the government also recognises the RIC's value as an established national delivery mechanism that ensures consistency of loan accessibility and delivery across jurisdictions. The government further notes the opportunities this provides to support broader government priorities. To this end, the government has announced its intention to broaden the RIC's scope to include assistance for improving climate resilience, boosting sector productivity, and supporting agriculture to be part of Australia's net zero transition. This follows the Prime Minister's announcement in August 2025 of the creation of a new RIC slow-onset significant ecological event stream to cover certain slow-onset events like marine heat waves and algal blooms.

Building on recent improvements in the RIC's service delivery and data capability, the government will continue to work with the RIC to ensure it is well-positioned to deliver programs on behalf of government that respond to evolving challenges and future opportunities.

Finding B

It is difficult to see any benefit in attempting to merge the RIC's functions into another entity, and attempting to do so is likely to result in a negative outcome for RIC clients, the farming sector and criticism of the government.

Finding C

The RIC is not best placed to provide services to the other Specialist Investment Vehicles.

The Australian Government **notes** these findings.

The government notes that the RIC has a unique policy mandate to provide nationally consistent concessional loans that support Australian farm businesses. The government notes that the merging of its functions into another entity would risk undermining the role of the RIC.

Recommendation 11.1

The government amend the *Regional Investment Corporation Act 2018* to make provision for ongoing 5-yearly reviews.

The Australian Government **agrees** with this recommendation.

The government supports ongoing, periodic reviews to ensure the RIC remains contemporary, fit-for-purpose and continues to deliver programs effectively on behalf of the government.

Appropriate timing for the next 5-yearly review will be determined in the context of the broader legislative program.

Recommendation 12

The administrative cost review (previously overtaken by events in 2020) be undertaken, consistent with its original principle of ensuring an efficient organisation.

The administrative cost review is to be completed within 12 months post-Review, or earlier if required, to inform government costing processes about the RIC's ongoing future.

Recommendation 12.1

The department, in consultation with the RIC and the Department of Finance, progress implementation of Tune Review recommendation 22 to develop a Resource Allocation Framework within 6 months of this Review.

The Australian Government **agrees** with these recommendations, noting further time will be required for implementation.

The RIC has undergone significant changes to its loan delivery model since it was established, in-housing all its loan delivery and management functions after disengagement from its service provider, Bendigo Bank, in 2023. These changes have allowed the RIC to operate more efficiently and effectively and the government commends the RIC in improving its service delivery capability. Integrating loan delivery and management functions within the RIC has also improved the RIC's data collection and reporting capability, as the RIC now directly controls how customer data is collected and captured.

An administrative cost review would re-establish the RIC's operating costs to reflect the changes to its operating model. This helps to support the RIC's efficiency, which is important as the RIC's operating costs are covered by the interest rate it charges.

The Resource Allocation Framework (RAF) is intended to function as a principles-based framework to provide guidance about the quantum of additional operational funding that should be sought from the government to deliver new RIC initiatives. It aims to improve the efficiency of advice to government, streamlining costing processes. Following the Review, the RIC commenced developing a resourcing model to support the RAF in 2024, with further iterations developed in 2025.

The government anticipates the administrative cost review and the RAF will be finalised in 2026.

Theme 4: Effectiveness of the RIC's loan delivery

Recommendation 13

The RIC include the following information in its quarterly reporting to responsible Ministers:

- information on loan demand – both by applications and value vs forecasts
- summary of loan review activity, including number conducted vs forecasts, type of reviews conducted and the trigger for that review
- arrears greater than 30, 60 and 90 days, including commentary on the rate at which loans are moving through the arrears time phases, and actions the RIC is taking to remedy arrears
- 'watchlist' loans in danger of default and actions being taken
- expected and actual credit losses
- lapsed number of days in total, in addition to RIC handling days, for loan processing
- information on loan declines – both the number and reason given
- a graph showing loans settled per product per year.

Through quarterly reporting, the RIC should also clearly report actuals against forecast and/or triggers for arrears, loan demand and reviews to ensure responsible Ministers have clear forewarning of any potential difficulties or challenges.

The Australian Government **agrees** with this recommendation.

The RIC loan portfolio currently comprises 2,884 active loans nationwide, totalling $3.1 billion in concessional lending (as at 31 October 2025). Given the scale of public funding invested and the government's recent commitment of an additional $1 billion in loan funding taking total committed loan funding to over $5 billion, it is important that responsible Ministers have clear visibility over the performance and management of these taxpayer funded loans. Robust and transparent reporting is essential to enable responsible Ministers to monitor portfolio performance, emerging risks to loan repayment and service delivery, and the ongoing effectiveness of RIC's operations.

The government welcomes the improvements the RIC has already made to its quarterly reporting framework since the Review, noting that many recommended metrics have been incorporated. These enhancements have strengthened the government's ability to monitor loan portfolio risk, service delivery and loan demand in a timely manner.

The responsible Ministers look forward to the RIC including the remaining reporting elements, with reference to the context as outlined in the Review, as the RIC continues to enhance its quarterly reporting. This will help to provide a comprehensive view of loan portfolio health and risk management. The department, in consultation with the Department of Finance, will continue to work closely with the RIC to support refining of the reporting framework to ensure Ministers have a clear, forward-looking view of emerging portfolio and operational risks.

Finding D

The RIC is targeting the right customer base.

Finding E

The RIC is performing effectively, but could increase its effectiveness through comprehensive and systematic data collection and improved reporting.

Recommendation 14

The RIC Board ensure the RIC implements effective data collection, reporting, monitoring and evaluation (M&E), including to:

- support appropriate oversight of the RIC's loan delivery and portfolio by the department
- monitor and evaluate the extent to which the RIC and its loans are achieving their intended product, program and policy objectives, including in the medium to longer term
- inform future policy development.

To support this:

- The department, drawing upon existing work, determine the data it needs from the RIC, including to inform an assessment of whether concessional loans, as delivered by the RIC, are an effective policy tool, and provide these requirements to the RIC by 30 September 2024 (i.e. within 3 months of this Review).
- The RIC to collect these data for the entire portfolio of loans, not just new clients, and provide it to the department by 31 March 2025 (i.e. within 9 months of this Review).
- The department to analyse these data and provide findings to responsible Ministers by 31 October 2025 (i.e. within 6 months following receipt of the data from the RIC).

Data collection and reporting should be ongoing and cover the following:

- The impacts of RIC loans on structural adjustment in the agriculture sector, including whether the applicant would have otherwise exited the industry without a RIC loan.
- The reasons for ineligible, withdrawn and declined applications and report this monthly to the department.
- The cause of financial need and purpose for which all loans are sought in a format that is readily reportable. This includes extracting loan purpose information for the entire portfolio, including for existing non-refinanced loans. Loan purpose to be reported to the department on a monthly basis and a summary provided to responsible Ministers on a quarterly basis.
- Confirmation clients have spent loan funds on the intended purpose and report on customer progress in meeting loan objectives. This reporting to be provided to the Board and the department annually.
- Use of customer loan reviews to update existing data and collect additional data on the loan and farm business enterprise in a format that is readily and routinely reportable.
- The action loan recipients take after repaying their RIC loan (for example, refinance, get another RIC or other government-funded loan, no further borrowing). The reporting to be provided to the department quarterly.

Should the RIC not collect and report on this data by 31 March 2025 (i.e. within 9 months of this Review), responsible Ministers should issue a Statement of Expectations to the RIC outlining expectations around the importance of data collection, reporting and effective M&E to justify continued taxpayer funding of RIC loans.

In addition, the RIC commission independent evaluations to inform its M&E program, and provide these evaluations to the department, and publish key data about its loan portfolio on its website regularly.

The Australian Government **agrees** with this recommendation and **notes** the findings, with further time required for implementation.

The government is committed to strengthening public sector capability in policy and program monitoring and evaluation (M&E). M&E ensures that government can identify whether initiatives are meeting intended outcomes efficiently and effectively, and whether adjustments should be made to achieve the best results for Australians.

The government notes that, since its establishment in 2018, the RIC has significantly improved its performance. It now manages all loan functions in-house; has offered 4 additional loan products (with 2 more in the pipeline); has strengthened its service delivery, workflow, customer monitoring and data capability; and improved customer satisfaction. The RIC has also improved its assessment processes to ensure the right cohorts of businesses are targeted, supporting the efficient and effective use of taxpayer resources. The additional data capability enabled through RIC's integrated business structure provides an opportunity to strengthen the collection and provision of data to the department and responsible Ministers. This would support improved program monitoring and evidence-based policy adjustments to better achieve the program's objectives.

The Review noted the absence of ongoing program M&E data, without which the Review could not objectively answer key questions about the RIC's impact on the agricultural sector. The department and the RIC are working together to strengthen data collection, reporting, monitoring and evaluation of the RIC loan program. The government notes progress made to date on implementation. For example, the RIC is now collating data on the purpose for which the loan was sought and reasons for loan declines. The RIC has also commissioned independent product evaluations to inform its M&E program. The first two of these evaluations (for the AgBiz Drought Loan and Farm Investment Loan) have been completed.

Implementation of this recommendation will enhance effective oversight of the program, with the department having appropriate information to assess whether concessional loans are an effective policy tool based on additional data and evidence. The RIC and the department will continue to work together to enhance data provision and ensure information is fit-for-purpose and answers key M&E questions. The department can then advise responsible Ministers on outcomes to support future decision-making.

The government understands there is further work underway by the RIC on the use of customer loan reviews in the RIC's M&E program. In line with the recommendation, this should include updating existing data and collecting additional data in a format that is readily and routinely reportable. The government considers loan reviews provide an opportunity to glean important insights from clients about the effectiveness of the loan program.

The government supports the RIC Board taking responsibility for ensuring the RIC implements effective data collection, reporting and M&E, as outlined in the recommendation. To this end, the government will appropriately prioritise monitoring and evaluation of the RIC program in relevant frameworks that direct the Board's (and thus the RIC's) efforts. The department will also support the RIC to publish appropriate loan portfolio data.

The government is committed to continuously improving the RIC program, monitoring its success and ensuring it is the right policy tool to support Australian agriculture in the long-term. Implementing this recommendation as soon as reasonably practicable will support this outcome.

Any legislative changes needed to support implementation will be considered as part of the broader program of legislative reform arising from the Review.

Recommendation 15

The RIC, as a priority, comprehensively assess Drought Management Plans (DMPs) as one of the requirements (like credit and security grades) of the application process, including accessing appropriate expertise to do so if needed.

Where the customer has participated in the Farm Business Resilience (FBR) Program and produced a Farm Business Plan which captures the same required information, the RIC accept the Farm Business Plan as meeting the DMP requirement.

The RIC review existing customers' DMPs, to ensure they remain fit for purpose, and seek updates from customers on their implementation, as part of annual and other reviews, and report outcomes to the Board and the department on a 6 monthly basis.

The RIC collect and record data on existing and future DMPs in a reportable format to be provided to the department every 6 months. Data to include:

- the number of plans, with a breakdown of how many are Farm Business Plans
- the number of plans that meet an appropriate standard
- the number of plans that do not meet an appropriate standard and require follow-up and re-work by the applicant or client
- the strategies farmers have or intend to implement and annual updates on their implementation and effectiveness.

The RIC to implement comprehensive assessments, and commence reviews and seeking of updates within 6 months (i.e. by 31 December 2024), and provide reporting to the Board and department within 13 months (i.e. by 31 July 2025 – including data to 30 June 2025).

The RIC update its DMP requirements to include and focus on strategic drought interventions.

The RIC require a DMP or Farm Business Plan be provided by AgriStarter Loan recipients as part of the application process. The Plan is to be assessed comprehensively.

The RIC to update DMP requirements, accept Farm Business Plans, and require DMPs or Farm Business Plans of AgriStarter applicants within 4 months of this Review (i.e. by 31 October 2024).

The RIC conduct an internal audit of its DMP assessment process, and report on the audit's findings to the Board and the department.

The Australian Government **agrees** with this recommendation noting further time will be required for implementation.

The government notes this recommendation applies to two of the RIC's current loan products. Further consideration would need to be given as to how this recommendation may apply to any new loan products.

Currently, RIC applicants are required to submit a Drought Management Plan (DMP) to apply for the RIC's Drought loan. This recommendation aims to strengthen RIC clients' drought management planning and the RIC's provision of data to the department to assess whether RIC farm businesses are strengthening their resilience, and therefore meeting RIC loan objectives.

The government notes the significant work the RIC has undertaken to extract and digitise key information from existing DMPs, as well as capture data from new applications, to facilitate the monitoring, revision (where necessary), evaluation and reporting of data. The RIC has also defined an appropriate DMP and designed a process to support its assessment and review. All DMPs must now include at least one strategic intervention to address each of the three broad phases of drought (preparing for, managing through, and recovering from) as outlined in the Drought Loan Guidelines. The RIC has developed guidance material for staff to ensure all DMPs are comprehensively and consistently assessed and reviewed in line with the requirements of this recommendation.

The RIC has commenced providing loan portfolio DMP-related data to the department and the government notes this will be refined and expanded as more data becomes available. The government is interested in data outlined in this recommendation, as well as additional insights about matters such as farm business resilience over time that can be gleaned from DMP information and how they are used by farmers.

The Farm Business Resilience (FBR) Program, co-funded by the Commonwealth through the Future Drought Fund and delivered by state and territory governments (often in partnership with industry providers), supports farmers to undertake farm business planning. Planning activities focus on these skills and strategies as a planning process, aligned to principles, rather than solely on producing a planning document. The RIC currently accepts FBR Farm Business Plans in its Drought Loan application process. While noting their different objectives and structures, the government encourages the RIC and the FBR Program to harmonise their business plan requirements where possible.

The government supports a DMP or Farm Business Plan (with DMP relevant information) requirement for AgriStarter Loan applications to support effective, forward-thinking business planning including in relation to drought and a changing climate, in this cohort. In many cases, the RIC already seeks a business plan from AgriStarter applicants as part of its assessment process. Consideration will be given to the RIC's legislative and policy framework to support inclusion of a DMP eligibility criterion within the AgriStarter Loan application process.

The RIC has planned for an internal audit of its DMP assessment process to be undertaken by 30 June 2026, with a report expected to be finalised in August 2026. The government expects further aspects of this recommendation to be implemented iteratively from 2026.

Recommendation 16

The RIC work with the department to identify how the RIC can factor climate change risk and adaptation into its loan program, particularly its loan application assessments and portfolio reporting, including identifying how the commercial banking sector takes this into account.

The Australian Government **agrees** with this recommendation.

The government recognises that climate change will affect all Australians, including the Australian Government's ability to deliver on its objectives, noting it has committed to broadening the scope of the RIC to include assistance for improving climate resilience, boosting sector productivity and supporting agriculture to be part of Australia's net zero transition. The National Climate Risk Assessment provides a foundational evidence base to understand the potential climate risks and adaptation opportunities facing primary industries. The National Adaptation Plan highlights that continued effort is needed from agricultural businesses to adapt to climate impacts to ensure the sector continues to be productive, profitable, resilient and sustainable. It also outlines government's commitment to mainstream adaptation action within operations of all Australian Government agencies. That is, decision-makers across government will need to regard the impacts of climate change as a key consideration for all new and existing policies and programs.

The Commonwealth Climate Disclosure requirements (CCD) require Commonwealth entities and companies, including the RIC and the department, to report on climate risks, as well as their actions to manage them. The Climate Risk and Opportunity Management Program (CROMP) aims to uplift capability in climate risk management in the public sector and embed climate risk management into all levels of their business and includes considering how climate risk impacts on the delivery of programs and on policy advice.

The RIC and the department are jointly responsible for RIC loan programs. The department administers the RIC's funding and has a key interest in the effectiveness of policy outcomes being delivered through RIC loans. The RIC is responsible for the delivery of the loan program, including managing the return of loaned funds back to government. Given these linkages, the government agrees that both agencies should work together on identifying how climate risks and opportunities impact on RIC loan programs, to ensure a thorough assessment from both a policy and program delivery perspective.

This may include the identification and assessment of climate risk on the demand for RIC loans, as well as on the repayment of RIC loans and how this is reflected in portfolio risk reporting. As required under both the CROMP and the CCD, controls to mitigate climate risk must also be considered, which may include strengthening elements of the loan application process for some loan programs to avoid the funding of maladaptive activity. Learnings from the commercial banking sector could provide insights into both the identification and assessment of climate risks, as well as for controls.

The government welcomes the department and the RIC sharing work relevant to their respective climate risk obligations and engagements where possible, to enable thorough consideration of climate risks. Early efforts to work together should be built upon, demonstrating the value of delivery and policy agencies working closely. The government expects this engagement to continue as both organisations work to embed climate risk considerations into their business.

Consideration will be given to the RIC's legislative and policy framework to determine the most appropriate way to support any integration of climate risk considerations into loan products.

Recommendation 17

The RIC implement and record data from annual reviews for all loans in the portfolio, in addition to any milestone-based reviews. The RIC continue to use risk-based assessments to determine 'lite' versus 'full' reviews.

The RIC ensure management plans are in place for higher risk loans and make this information available to the department.

The Australian Government **agrees** with this recommendation.

The government recognises the importance of robust risk management across the RIC's loan portfolio to support clients to successfully return to the commercial finance sector, while minimising financial risk to the Commonwealth. The Review found that annual loan reviews, in addition to milestone-based assessments, would strengthen oversight and provide valuable opportunities to collect additional and updated information from customers, for example on loan use. The government agrees that this data will help to build a detailed picture of concessional loans and inform broader policy and risk management.

The RIC has developed a new Loan Review Program in response to this recommendation, which is structured to provide for a loan to be reviewed once every 12 months. The program establishes four distinct review types and seeks to implement a tiered, risk-based methodology that incorporates real-time risk adjustments. Three review types will be RIC-scheduled reviews (automated, behavioural and financial). The fourth review type is variations, which will be considered a customer-initiated review. The new Loan Review Program is scheduled to commence in December 2025. This approach will ensure regular engagement with all clients, with the intensity of review proportionate to the borrower's risk profile.

The government welcomes the improvements the RIC has made to its loan management framework. The RIC will continue to apply risk-based assessments to determine the depth of review undertaken. Implementing remaining aspects of the recommendation, including to ensure consistent recording of outcome data from reviews, will provide a stronger evidence base for portfolio management.

The government acknowledges the operations of the RIC's Loan Management Unit, which provides a structured approach to managing higher-risk loans. The government notes the RIC can continue to strengthen its framework in this area, including through developing and documenting management plans for higher-risk loans, and working to provide relevant information to the department.

The department will continue to engage with the RIC as it embeds and refines its loan management framework to support full implementation of this recommendation.

Theme 5: Future activities and funding model

Recommendation 18

The government consider having the RIC's loan funding sit on the RIC's balance sheet, rather than the department's balance sheet.

Recommendation 19

The government consider implementing a recycled loan funding model for the RIC.

The Australian Government **notes** these recommendations.

Alternative sustainable financing models for the RIC may support the RIC's ability to prudently and independently manage its loan portfolio, while providing funding certainty for the RIC, and stakeholders, into the future.

Should government wish to explore sustainable funding model options in the future, the government will need to work through the benefits and drawbacks of alternative recycled funding models, their appropriateness for the RIC given its functions, how they can be implemented to address risks, and compliance with Australian Accounting Standards.

The department will work with Finance, the Treasury and the RIC to explore options to implement these recommendations should government choose to consider possible changes to the RIC's current funding model in future.

Recommendation 20

The government not direct the RIC to deliver a specific disaster recovery loan product.

The Australian Government **agrees in principle** with this recommendation.

The government notes that disaster recovery arrangements are available to deliver support to affected businesses, and that emergency management is a core responsibility of state and territory governments. As highlighted in the Review, there are a range of support options available for communities and businesses following natural disasters implemented through the Disaster Recovery Funding Arrangements (DRFA) – the cost sharing arrangement between the Commonwealth and the states and territories to deliver urgent financial assistance to disaster affected areas. This model supports targeted and prompt assistance, and while both grants and concessional loans are used to deliver this support, grants are generally more preferred by recipients.

The government also notes that the RIC's Farm Investment Loan can be used to assist farm businesses in the post-disaster recovery phase.

Recommendation 21

Should the government consider there is a need for, and merit in the RIC delivering, a Sustainability Loan, it test market demand and product effectiveness by implementing a small pilot (for example, available loan funding of $50 million).

Implementation of such a pilot to be subject to:

a. The RIC demonstrating it can successfully assess Drought Management Plans and Farm Business Resilience Plans, and their implementation by farm businesses, and report this information to the department.

b. The RIC demonstrating it has access to appropriate expertise to assess the proposed sustainability-related activities and projects to be funded by the loan.

c. The department and the RIC working together to consider whether the current RIC loan product criteria and parameters would be suitable for this product.

The Australian Government **agrees in principle** with this recommendation.

The Review looked at the merits of developing a RIC loan product to support uptake of sustainable farming practices, including measures to assist emissions reduction.

The government is committed to strengthening climate adaptation efforts, climate risk resilience across government and industry, and working with industry to drive a climate smart, sustainable agricultural sector. The National Adaptation Plan and the Agriculture and Land Sector Plan acknowledge that significant work is already underway. However, they both highlight that more efforts are needed if Australian farming businesses are going to reduce emissions and build climate resilience while continuing to produce necessary food and fibre. Incentivising businesses to make changes that help them better manage climate-related risks, or to reduce their emissions or increase carbon stores, is one approach government can take to support these objectives.

To enable this, the government has announced broadening the scope of the RIC to deliver on priorities including assistance for improving climate resilience, boosting sector productivity, and supporting agriculture to be part of Australia's net zero transition.

Recommendation 22

The government amend the RIC's legislation to remove references to the RIC's former role in delivering water infrastructure loans (i.e. grants of financial assistance) to states and territories under the National Water Infrastructure Loan Facility.

The Australian Government **agrees** with this recommendation.

The RIC's role in administering water infrastructure loans (i.e. financial assistance to States and Territories in relation to water infrastructure projects) under the former National Water Infrastructure Loan Facility (NWILF) is outlined in the RIC Act; however, this function has not been required in practice. The program had little demand and was terminated in the 2020-21 Budget, with the supporting legislative instruments subsequently repealed. The Review confirmed there was not a need to re-activate the NWILF.

The government agrees it is appropriate to remove these redundant provisions from the RIC Act. This will ensure the RIC's legislative framework remains contemporary, fit-for-purpose and clearly focused on its core concessional loan function. Changes needed to give effect to this recommendation are intended to be progressed as part of the broader package of legislative reform arising from the Review.

Recommendation 23

The government amend the RIC's legislation to remove the RIC Board's Future Drought Fund (FDF) advisory role to the Minister for Agriculture, with consequential amendments to remove the requirement from FDF legislation.

The Australian Government **agrees** with this recommendation.

The government notes that this issue has been consistently identified across multiple reviews, including the David Tune 2021 Independent Review of the RIC, the 2023 Productivity Commission's Review of Part 3 of the *Future Drought Fund Act 2019* and now the 2024 Independent Review of the Operation of the RIC Act. Each review found that the RIC Board's advisory role to the Drought Minister under the *Future Drought Fund Act 2019* provides limited additional value. The government agrees that removing this role would streamline governance arrangements under the FDF and better align the RIC Board's responsibilities with its core function of overseeing the delivery of concessional loans.

Implementation of this recommendation would require amendments to both the RIC Act and the *Future Drought Fund Act 2019*. The government will consider these amendments as part of the broader program of legislative reform arising from the Review.

Theme 6: First Nations engagement in agriculture

Recommendation 24

The RIC build a relationship with Indigenous Business Australia, the Indigenous Land and Sea Corporation, and the National Indigenous Australians Agency to build the RIC's cultural capability and understanding of First Nations agribusinesses, share information, and cross refer clients to the most appropriate agency.

Concurrently, the RIC increase its capability in relation to First Nations engagement, including by interacting with First Nations people and enterprises, encouraging and supporting First Nations people to apply for RIC job opportunities, and finalising and implementing its Reconciliation Action Plan (including employment and Indigenous procurement targets).

The government amend the RIC Act to add First Nations expertise as a relevant area of expertise for the Board.

The RIC work with the department to consider what data could be collected to measure First Nations participation in its loan programs, and how best to collect and store such data in line with the Framework for the Governance of Indigenous Data. This data collection to be implemented within 12 months, with data and findings reported quarterly to the department and responsible Ministers and published periodically.

Recommendation 24.1

The government explore options to improve First Nations access to agri-finance in consultation with relevant and interested agencies, including:

- The possibility of a potential First Nations specific loan product, including considering the most appropriate delivery agency to deliver such a loan, noting such exploration may determine the RIC is not the most appropriate agency, and other options, such as existing delivery agencies with relevant First Nations experience may provide better alternatives for First Nations people and enterprises.
- Providing revenue contingent loans as a way to support greater inclusion of First Nations people in agriculture, including businesses that are First Nations-led.
- Providing funding to established First Nations organisations (e.g. Indigenous Business Australia and the Indigenous Land and Sea Corporation) to support applicants through the application process for agri-finance related programs.
- Providing further funding to established First Nations organisations (e.g. Indigenous Business Australia and the Indigenous Land and Sea Corporation) for them to specifically support and grow First Nations agricultural enterprises.

The Australian Government **agrees** with these recommendations.

The government is committed to transforming government and agencies by strengthening their cultural capability and taking actions to implement the National Agreement on Closing the Gap including its Priority Reforms. It is important that government take meaningful action to advance reconciliation and work in genuine partnership with First Nations people and communities. The changes government seeks are outlined in Closing the Gap Priority Reforms one and three on formal partnerships and shared decision making, and transforming government organisations. This extends to Commonwealth agencies, entities and companies.

Recommendation 24 focuses on building the RIC's internal First Nations cultural capability and understanding, whereas recommendation 24.1 encourages government to explore opportunities to improve First Nations access to agri-finance. The government welcomes these recommendations in their entirety.

The government recognises that implementation of Recommendations 24 and 24.1 would contribute to broader initiatives to advance First Nations economic empowerment, and support meaningful engagement with Aboriginal and Torres Strait Islander communities. This includes aligning with the recently established First Nations Economic Partnership through potential reforms to the RIC, exploration of new initiatives and products, and opportunities to leverage Country for First Nations economic self-determination. In addition, implementing Recommendations 24 and 24.1 would support the government's productivity agenda – as the productivity of First Nations communities, peoples, and agribusinesses contributes to Australia's productivity. Implementing these recommendations also aligns with the government commitment to Closing the Gap, particularly through the Priority Reforms.

The RIC has progressed actions to commence implementing recommendation 24, and the government acknowledges the RIC has implemented its first Reconciliation Action Plan (RAP), a Reflect RAP, which outlines actions and deliverables to help build the RIC's capability. The government notes this important step and the RIC's reporting against its commitments. The RIC has implemented an indigenous employment initiative through two targeted new roles and has a procurement process that considers the indigenous supply chain. The RIC is now moving into its Innovate RAP stage and the government looks forward to the evolution and maturity of future RAPs.

Building First Nations cultural capability in the Commonwealth public sector is a key element of Closing the Gap Priority Reform Three (transforming government organisations) and required through the Aboriginal and Torres Strait Islander Cultural Capability Framework. Commonwealth agencies are already committed to building their cultural capability, including through First Nations leadership on boards, which improves the identification of issues and their consideration from a different perspective. In line with recommendation 24, the government intends to include First Nations expertise as a relevant area of expertise for the RIC Board.

Agencies such as Indigenous Business Australia (IBA) and the Indigenous Land and Sea Corporation (ILSC) also prioritise the development of culturally capable staff and leaders, as outlined in their respective annual reports from 2023-24. IBA and the ILSC are particularly relevant to the RIC as collectively they have lending, investing, business, and agricultural expertise. The government notes the RIC, IBA, ILSC, National Indigenous Australians Agency and the department have met to begin building collaborative relationships and identify common objectives. The government strongly supports such meetings and engagement and expects the RIC to continue building these relationships, as well as relationships with First Nations people, businesses and communities, to better serve existing and future First Nations clients, and support First Nations economic empowerment.

The RIC and department have made progress on identifying and collecting meaningful data on First Nations peoples' interactions with the RIC. The RIC has revised its application form to allow applicants to indicate their First Nations status (if they choose). In due course, this will provide the RIC and department with meaningful information about the quantum of First Nations applicants and clients, and the specific barriers and challenges they may be facing. The refinement and improvement of this data collection over time will provide a clearer picture of the First Nations cohort (e.g. number, size, industry) accessing the RIC to inform future policy development and program design. Consistent with the recommendation, the RIC will ensure the governance of the First Nations data it collects aligns with the Framework for Governance of Indigenous Data. The government notes that implementing this part of recommendation 24, including timing, will be managed in the context of broader information management reforms to the RIC's legislative framework.

The government recognises that First Nations agribusinesses can face significant barriers in accessing capital, and supports exploring the range of options outlined in recommendation 24.1, potentially through a combination of new and existing fora focused on building First Nations economic empowerment. Outcomes from this work are expected to build on, and could usefully be informed by, progress under Recommendation 24 including the RIC's improved engagement with First Nations entities and communities and ongoing data collection on First Nations participation in its programs. Insights could also be gleaned from the FDF First Nations Advisory Group's work to improve the participation of First Nations people in FDF drought and climate resilience activities.

The department will engage with relevant and interested stakeholders including the National Indigenous Australians Agency, IBA, ILSC, First Nations Economic Partnership and the RIC, as well as First Nations representative bodies, businesses and people to ensure any options developed and proposed align with broader reforms underway, and build on rather than duplicate existing efforts.

Theme 7: Relationships with stakeholders

Recommendation 25

The RIC continue and expand its use of regionally-based staff to improve on-the-ground outreach to a range of stakeholders including state and territory governments, including through participating in local and regional events.

The RIC provide on-the-ground intelligence and insights back to the department on a regular basis.

The Australian Government **agrees** with this recommendation.

The government recognises the importance of locally-based engagement in building awareness of RIC loan products, particularly for farm businesses that may be experiencing or are at risk of financial hardship. Regionally-based staff are well-placed to strengthen connections with stakeholders such as the Rural Financial Counselling Service (RFCS), state and territory governments, and industry representatives, ensuring timely and accurate information about RIC programs is available from a trusted and direct source.

The Review highlighted the value of having more localised, on-the-ground RIC engagement to improve awareness of RIC products, strengthen relationships with stakeholders, and provide a useful source of intelligence for both the RIC and government.

The government supports the RIC's efforts to use its existing staff in regional areas and expand the use of these staff to attend field days, local industry events and other outreach activities. This approach provides a more efficient and targeted means of building relationships and gathering insights, and has enabled the RIC to provide information directly to farm businesses. The government also recognises RIC's efforts to build and strengthen relationships with state, territory and local governments, particularly in drought-affected regions, to ensure awareness and accurate understanding of the RIC's product offering and delivery model.

The government welcomes the RIC continuing to broaden this outreach, including by considering how the organisation may engage with First Nations people and relevant organisations, linking to its broader work to strengthen its First Nations capability under Recommendation 24.

The government also emphasises the importance of regionally-based staff providing on-the-ground insights directly back to the department. The department is working with the RIC to determine the most effective and appropriate approach to collecting, disseminating and using this intelligence to inform program delivery and policy development.

Recommendation 26

The RIC continue to pursue closer links with the Rural Financial Counselling Service (RFCS) network, including through on-the-ground direct engagement via the RIC's regionally-based workforce. The department support this by facilitating closer links between RFCS service providers and the RIC.

The RIC work with the RFCS service providers and engage with relevant First Nations, culturally and linguistically diverse, and women's organisations (such as Indigenous Business Australia and the National Rural Women's Coalition) to conduct a review of application forms and website guidance, to assist in making them more accessible to, and better understood by, all potential RIC clients.

The Australian Government **agrees** with this recommendation.

The government recognises the valuable role of the RFCS in supporting farm businesses in financial hardship, including many that are current or potential RIC clients. The RFCS provides free, independent, financial counselling services to eligible farmers, fishers, foresters and small related businesses experiencing or at risk of, financial hardship. Rural financial counsellors are located in agricultural communities in 12 RFCS provider regions across Australia. Strengthening links between the RIC and the RFCS can improve both programs' abilities to meet the needs of clients effectively. The RFCS can support clients with their RIC loan application, as well as support RIC clients in financial hardship to better understand their financial situation and options to achieve their goals. Through this engagement with RIC clients, the RFCS can provide insights to the RIC on effective engagement with particular clients where appropriate, feedback on loan products and their eligibility criteria and provide insights on future demand for RIC loans.

The government welcomes the work already underway to progress implementing this recommendation. The level of engagement between the RIC and service providers can vary across regions depending on the level of interest in RIC loans from clients in that region. Engagement is both regular and ad-hoc, for example, through mutual attendance at field days, conferences and direct engagement between RIC staff and RFCS counsellors. Since the Review, to strengthen engagement, the RIC has assigned regionally-based staff to be key contacts with relevant RFCS providers and engage on a regional basis. It has also implemented bi-monthly meetings with RFCS Executive Officers to formalise information sharing where appropriate and ensure communication channels remain open between the two programs. The RFCS have supported delivery of the RIC's webinars on loan products. The government commends this collaborative effort and encourages the RIC to fully utilise the expertise and reach of this network. The department has sought feedback from the RFCS on ideas to strengthen linkages between the two programs. The government welcomes further efforts to improve engagement, including the department collating and sharing these ideas with the RIC for its consideration of how to best take forward with RFCS service providers, either as a whole or bilaterally.

Consistent with this recommendation, the government supports communication material that is well-informed by an understanding of the RIC's current and potential client cohorts' communication needs. The government welcomes RIC consulting with First Nations, culturally and linguistically diverse, and women-organisations to review its application form and website guidance, to ensure all current and future products are accessible and well understood. The government also welcomes the addition of voluntary First Nations and gender-related questions to the application form to enable a clearer understanding of how concessional loans are accessed across different communities, the size and nature of these cohorts, and to inform improvements to service delivery.

Recommendation 27

The RIC increase collaboration and communication between its staff, the client, and the commercial lender including to ensure the best possibility of a smooth transition by RIC clients back to the commercial sector.

The Australian Government **agrees** with this recommendation.

A policy intent of the RIC and its programs is to fill a market gap for businesses in hardship, while seeking to avoid direct competition with the commercial sector. In line with this, an overarching objective of RIC loans is that clients that have not yet repaid their RIC loan return to a commercial lender at the end of the 10-year loan term. The Review also noted that, as part of this objective, it is important that the RIC develop and maintain constructive relationships with commercial lenders to ensure the best possibility of a smooth transition by RIC clients from a RIC loan to any further financing needed from the commercial sector.

The government recognises that constructive and ongoing relationships between the RIC, its clients, and commercial lenders supports achieving this. Strengthened relationships may also assist in reducing bottlenecks, such as delays in finalising deeds of priority, and improve the timeliness of loan assessments, variations and settlements. They also provide opportunities to strengthen client support and risk management, by ensuring all parties have a shared understanding of the client's circumstances where appropriate and future financing pathway.

The government acknowledges the RIC's existing efforts, including monthly engagement with the Australian Banking Association and bilateral work with major lenders to refine operating processes. In 2024-25, the RIC processed almost 1,000 customer loan variation requests, many requiring interaction with commercial lenders, which can support strengthening of day-to-day relationships at the client level. These initiatives provide a strong foundation to build on.

The government anticipates the RIC will further develop and expand this collaboration as needed as loans mature, including engaging relevant commercial lenders as constructive partners in the transition of clients back to commercial sector finance. Over time, this will support the RIC in delivering on its policy objectives, while reinforcing the commercial sector's primary role in agricultural finance.

Recommendation 28

The RIC work with the department to consider appropriate data for collection to help in determining the gender impacts of its loan programs, and how best to collect such data. This data collection to be implemented within 12 months, with data and findings reported quarterly to the department and responsible Ministers, and published annually.

The Australian Government **agrees** with this recommendation, noting further time will be required for implementation.

Making progress on gender equality remains a key priority for the Australian Government, as outlined in the Government's 10-year plan *Working for Women: a strategy for gender equality*. The government welcomes this recommendation, which strengthens the governments' ability to understand the gendered impact of its programs in order to improve policy and program outcomes.

The RIC and the department have made progress in uplifting the RIC's capability in providing data and insights to assess the gendered impact of its program. However, collecting gender disaggregated data can be challenging for programs that benefit businesses rather than individuals, as this requires identification of business structure and ownership details to determine whether the business is women-owned or not. The RIC is taking steps to improve the collection of both qualitative and quantitative data for loan recipients, which will provide valuable insights on the gendered impact of the program over time.

Prior to the Review, the RIC collected gender disaggregated data on the primary loan recipient. Since the Review, the RIC has improved the accuracy of gender data collection for the primary loan recipient contacts by aligning its collection approach with the Australian Bureau of Statistics Standard for Sex, Gender, Variations of Sex Characteristics and Sexual Orientation Variables. The RIC has also made progress in reporting on women's participation in RIC-supported business, attempting to align with the International Standardization Organisation definition of women-owned businesses (ISO IWA 34:2021), with opportunities for further improvement. The RIC will also seek to collect qualitative data on women-owned businesses and women primary loan contacts. Responsible Ministers and the department look forward to data and findings being reported quarterly and published annually as appropriate. Over time, government expects the richer data and insights will improve each agency's understanding of how women (and women-owned businesses) engage with the RIC program, which will enable policy and program delivery improvements. For example, the RIC is already seeking to improve its engagement and outreach to better target women-owned farm businesses, by using its current data collection mechanisms to develop case studies featuring women-owned businesses. The first case study is planned to be published before the end of 2025.

The existing agricultural workforce is male-dominated (67% men and 33% women). The government is committed to continuous improvement of the RIC's gender data and service delivery approach to better support women's engagement with the RIC loan program and participation in agriculture. The government encourages the RIC to consider implementing some of the Review's suggested actions (informed by the National Rural Women's Coalition) to further demonstrate its commitment to supporting the government's agenda to improve gender equality.

The government notes implementing this recommendation, including timing, will be managed in the context of broader information management reforms to the RIC's legislative framework. The department will continue to engage with the RIC to support implementation of this recommendation.

Theme 8: Governance

Recommendation 29

The RIC and the department enhance their collaborative working relationship, commencing with a revision of the Memorandum of Understanding and reporting requirements between the two agencies.

The Australian Government **agrees** with this recommendation.

A productive and collaborative working relationship between a policy department and its service delivery agency is critical to successful delivery of the government's policy objectives. The department and the RIC already work closely together at all levels, including to strengthen collaboration and ensure effective delivery. The current Memorandum of Understanding (MOU) came into operation in 2020. An updated MOU and reporting framework is intended to provide an appropriate formal mechanism to further embed this cooperative approach.

Discussions between the department and the RIC have commenced on an updated MOU and associated reporting requirements. The government intends the updated MOU to facilitate productive and collaborative working relationships, clearly outline respective roles and responsibilities and ensure reporting requirements are documented and well understood. Consideration should be given to mechanisms that allow reporting frameworks to be reviewed regularly, revised and maintained, noting continual improvements and developments in this area.

The department and the RIC will continue to explore opportunities to strengthen collaboration more broadly, including through joint implementation of relevant Review recommendations and consideration of regular engagement forums to support effective coordination and partnership.

Finding F

The RIC's current governance arrangements (a corporate Commonwealth entity overseen by a Board reporting to the Ministers for Agriculture and Finance) remain the most appropriate arrangements for the delivery of its functions.

The Australian Government **notes** this finding.

The Review's finding that the RIC's current governance arrangements remain appropriate complements recommendation 11, which confirmed the value of retaining the RIC as the established mechanism for delivering nationally consistent concessional loans.

Recommendation 30

The government amend the RIC Act to appoint a senior executive from the department to the RIC Board.

The departmental representative would remove the need for a board member with senior Commonwealth public service experience.

The Australian Government **agrees in principle** with this recommendation.

The government recognises the importance of a strong and collaborative relationship between the department and the RIC to ensure effective delivery of government policy priorities. The Review noted that certain other SIVs have government representatives from the relevant policy department on their Boards. It found this provided benefits including a stronger relationship between entities, and insights into the government's perspective on key priorities, strategic direction, policy development, risk, accountability and transparency. Given the government's decision to broaden the RIC's scope to deliver on an expanded range of government priorities, as well as the implementation of further changes arising from the Review, the government considers that the RIC loan program and entity could benefit from a departmental board member at this time.

Appropriate and robust arrangements would be put in place to support a departmental board member to acquit their role effectively, including in relation to managing any conflicts of interest or other matters associated with the position.

Recommendation 31

Responsible Ministers provide the RIC with a Statement of Expectations providing further guidance on expectations on specific matters arising from this Review.

The Australian Government **agrees** with this recommendation.

Statements of Expectations are a common feature across other Specialist Investment Vehicles (SIVs) and are an important governance tool, providing boards with clear and transparent direction on how the government expects them to deliver on their legislative functions and policy priorities. For the RIC, a Statement of Expectations can support alignment with government priorities while preserving the independence of the Board in decision-making.

Beyond outlining further guidance on matters arising from the Review, including expectations relating to ongoing implementation, a Statement of Expectations will be valuable to support and enable the RIC Board, including by clearly setting out the government's forward priorities for the RIC. This could include more detailed direction around the announced broadened scope of the RIC. Responsible Ministers will consider appropriate content and timing for the statement, taking into account any broader whole of Commonwealth SIV portfolio considerations.

Theme 9: Implementation

Recommendation 32

The government provide the department with additional resourcing to implement recommendations arising from this Review.

The government also consider whether the RIC requires additional resourcing to implement recommendations arising from this Review, subject to outcomes of the administrative cost review (recommendation 12 refers).

The Australian Government **notes** this recommendation.

The government acknowledges that implementing the Review's recommendations will require continued collaboration between the department and the RIC, supported by appropriate resourcing.

The outcomes of the administrative cost review (recommendation 12) will support advice to government on the RIC's current operational costs with in-housed service delivery. This will ensure an efficient and effective organisation that delivers loans at an appropriately concessional interest rate (noting the RIC's operational costs are funded over the life of its programs by client interest repayments), and assist consideration of any additional resourcing requirements needed into the future.


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