

## Department of Agriculture and Water Resources

**Standing Committee on Agriculture and Water Resources:** inquiry into water use efficiency in Australian agriculture

**Hearing date:** 7 September 2017

### Further questions arising from the public hearing

#### **Question 1**

How do you determine the success of your policy objectives? How is that success measured?

#### **Answer:**

The Australian Government's long-term water policy objectives have been set through a number of frameworks including the National Water Initiative 2004 (NWI) and the Howard Government's 2007 National Plan for Water Security. Of relevance to this committee, the NWI identifies increasing the productivity and efficiency of water use in Australia as a 'national imperative'.

The government's progress against the NWI's national objectives is subject to regular independent review. The former National Water Commission was responsible for assessing the progress of all governments between 2004 and 2014. The Productivity Commission took responsibility for this role in 2015. The Productivity Commission is currently conducting an inquiry into the water resources sector, to assess the progress of all governments in achieving the objectives and outcomes of the NWI and the need for any future reform. The department is providing information to the Commission to inform its assessment, as the department has done for all previous assessments. We note the Commission's recent draft report, released 15 September 2017, stated that '[there] is no doubt that the [NWI] and national water reform has been responsible for many successes, in particular in improving rural water efficiency and addressing environmental sustainability'. The draft report can be found at <https://www.pc.gov.au/inquiries/current/water-reform/draft>.

The Murray-Darling Basin Plan is subject to a specific monitoring, evaluating and reporting framework led by the Murray-Darling Basin Authority (MDBA). The MDBA plans to release an evaluation of the Basin Plan, examining the economic, environmental, social and cultural outcomes from the Basin Plan against what was expected to be seen, in December 2017. The department is contributing information to the MDBA to assist them with their assessment.

Monitoring and evaluation mechanisms are also incorporated into the department's individual water programs. This is addressed in response to Question 28.

## **Question 2**

Why are irrigation modernisation subsidies the best way to obtain water for the environment? In other words, why provide substantial subsidies to agribusiness instead of, for example, purchasing water and providing structural adjustment funding to those who need it in rural communities?

### **Answer:**

Co-investing in efficient water infrastructure is an effective way to achieve positive social, economic and environmental outcomes while delivering value for money. The Australian Government's investments are simultaneously contributing to the long-term productivity of irrigated agriculture, strengthening regional communities and providing water for environmental benefit. These investments are delivering tangible benefits for irrigators and irrigation infrastructure operators. Benefits include increased ability for crop rotation and diversification and more reliable water supplies. These benefits are often reported by irrigators on top of a net increase in productive water use after infrastructure is upgraded, as most on-farm programs involve irrigators keeping a proportion of the water savings. On average, irrigators are retaining around 30 per cent of water savings.

Since 2014, the government has prioritised investment in efficient water infrastructure as a means to return water to the environment over the purchase of water entitlements (or 'buyback'). In part, this is because community and industry stakeholders have expressed clear and strong concerns with the potential adverse social and economic impacts of non-strategic water purchasing undertaken through broad public tender processes. For example, stakeholders have raised concerns that purchasing creates a 'Swiss cheese effect' in irrigation communities, potentially putting cost pressures on remaining water holders because of gaps in water delivery in the surrounding regions. We note that the government legislated a 1,500 GL cap on surface water purchasing in response to such concerns in 2015.

## **Question 3**

Several submissions to the inquiry [Williams-Grafton, Lin Crase, ATSE] suggest that water use efficiency programs are not returning water to the environment. The Committee wants to see these criticisms adequately addressed with substantial evidence. Do water use efficiency programs actually work – that is, do they reliably return water to the environment?

### **Answer:**

The department is aware of recent claims that the Australian Government's water use efficiency programs are not returning water to the environment because they are reducing 'return flows' to rivers. The department does not agree with these claims and does not consider that the evidence supports the conclusion. Return flows are when excess water from irrigation runs off the surface and back into the river system or leaks into the ground. The claim made is that more efficient water infrastructure means there are less excess water and therefore there is less return flows available for the environment.

While return flows can be reduced by more efficient irrigation infrastructure, this is usually a good thing. Return flows can cause environmental damage, particularly where irrigation surface run-off contains high levels of nutrients, salt or other pollutants; or seepage due to inefficient watering causes rising water tables and salinisation of our rivers and landscape.

The Australian Government's irrigation efficiency programs in the Murray-Darling Basin recover at least 50 per cent of water savings as water entitlement held by the Commonwealth Environmental Water Holder (CEWH). The CEWH is able to use this water when and where it can have the most benefit to the environment. This represents a much better environmental outcome than 'return flows', which are typically of poor quality and by their nature are not able to be directed to best environmental effect.

As we have seen over time, irrigators who strive to improve their efficiency have less wastage and reduced salinity and water quality issues. Irrigators could fund these efficiency improvements themselves and retain all of the water savings. Instead, through Australian Government-funded programs, we are ensuring that water savings are shared between farmers and the environment.

#### **Question 4**

Is the Commonwealth government achieving the primary purpose of returning water to the environment?

#### **Answer:**

Yes. In the Murray-Darling Basin, the government has already recovered 2,109.1 GL of surface water on average over the long term (LTAAY) towards the Basin Plan's surface water target of 2,750 GL (i.e. volume registered to the Commonwealth Environmental Water Holder (CEWH) or under contractual agreement as of 31 August 2017). This recovery equates to 76.7 per cent of the 2,750 GL target, which is expected to decrease significantly following the operation of the Sustainable Diversion Limit Adjustment Mechanism and amendments to the Basin Plan proposed in the Northern Basin Review. Of the water recovered, 1,714.4 GL has been registered with the CEWH for use in environmental watering and a further 161.9 registered with state environmental water agencies (as at 31 July 2017).

In the Great Artesian Basin, basin states and territories estimate that the water infrastructure investments under the Great Artesian Basin Sustainability Initiative have generated water savings of more than 250 GL each year. The Great Artesian Basin Sustainability Initiative (Phase Four) (2014-15 to 2016-17) project eligibility criteria required that at least 50 per cent of estimated water savings be directed to restoring pressure to the groundwater formation in which it was saved and not be reallocated for consumptive purposes.

#### **Question 5**

Do we fully understand where the water actually goes, as we invest considerably in water use efficiency?

#### **Answer:**

The Bureau of Meteorology and the Australian Bureau of Statistics provides water information in the form of National Water Accounts, please refer to response in Question 7.

The CEWH, within the Department of the Environment and Energy portfolio, actively manages water entitlements acquired by the government's water recovery programs in the Murray-Darling Basin. They report regularly and publicly on how they are using Commonwealth environmental water in each catchment in the basin. They also publish assessments of their watering activities, including the results of long-term monitoring.

State-based environmental water holders publish similar material on their activities and water holdings. For example the Victorian Water Holder, publishes material on its website <http://www.vewh.vic.gov.au/>

In the Great Artesian Basin, the management and allocation of water, is the responsibility of state and territory governments through water resource planning processes. They are responsible for ensuring that water saved by the Great Artesian Basin Sustainability Initiative is not reallocated for consumptive purposes.

### **Question 6**

Are we simply putting the water through more plants rather than having it returned to the environment?

#### **Answer:**

Please refer to the response to Question 3.

### **Question 7**

Exactly how robust are the mechanisms that we have for measuring water flows? What baseline are we starting from? Are we measuring where the water is going and where we are taking it from?

#### **Answer:**

State and territory governments maintain extensive systems for collecting water data, including streamflow. States and territories use this data, alongside modelling, in their day to day management of water resources. Much of this data is available on the relevant state government agencies' websites.

From all this information and modelling, governments have baselines from which to measure changes in water use and flows. In the Murray-Darling Basin, the MDBA has estimated that the Basin-wide long term baseline diversion limit (BDL) as of 2009 was 13,623 GL. The Basin Plan has set a new long-term average sustainable diversion limit (SDL) for surface water of 10,873 GL per year, which represents a reduction in diversions of 2,750 GL per year compared to the baseline.

The Bureau of Meteorology has a central role in water information and has specific responsibilities and powers under the *Water Act 2007* to collect and publish data. The bureau maintains a 'water dashboard' that summarises water information around the country. This is supplemented with detailed information including streamflow data from a wide range of streams and rivers. Note that the bureau sources this information from the relevant state and territory water authorities.

The Australian Government draws on this and other information to produce two sets of water accounts:

- The Australian Bureau of Statistics' Water Account, Australia (WAA) reports on the physical and monetary water supply and use within the Australian economy and is based on the United Nations' System of Environmental-Economic Accounting for Water (SEEA) framework.

- The Bureau of Meteorology's National Water Account (NWA) reports on the volumes of water in the environment, its availability through time, the rights to extract and actual extractions, and is prepared and presented in accordance with the Australian Water Accounting Standard.

The two sets of accounts are complementary, however the WAA mainly reports on a jurisdictional basis while NWA reports on hydrological region. With its close links to the System of National Accounts, the WAA has the potential to answer detailed economic questions about the MDB, for example productivity of water use by industry in the region.

### **Question 8**

Are you able to provide a baseline assessment of water flows in each catchment/valley in the Murray-Darling Basin?

#### **Answer:**

The Murray Darling Basin Authority has published the baseline diversion limits (BDL) for each catchment in the Murray-Darling Basin, and progress of water recovery against each limit, on their website:

<https://www.mdba.gov.au/managing-water/environmental-water/progress-water-recovery>

### **Question 9**

What additional work is required to appropriately and adequately consider the management of environmental water flows?

#### **Answer:**

The CEWH, within the Department of the Environment and Energy portfolio, is responsible for the management and use of the Commonwealth's environmental water portfolio.

The MDBA develops and maintains an Environmental Watering Plan for the entire Basin. The plan is an environmental management framework that sets out key components of environmental watering management, and principles and methods to be applied in environmental watering. Environmental watering is coordinated to achieve the maximum benefit through Southern Connected Environmental Watering Committee (SCBEWC), an organisation of state and Commonwealth bodies with interests in environmental watering.

We note that supply measure projects under the Sustainable Diversion Limit Adjustment Mechanism (SDLAM) will enable more efficient use of environmental water to reduce water recovery from consumptive purposes while achieving equivalent environmental outcomes. Supply measures may include environmental works such as installation of levee banks, changes in river operations and evaporative savings through storage systems. More efficient use of environmental water allows for higher sustainable diversion limits and hence a reduction in the environmental water recovery target.

### **Question 10**

What research, modelling, and innovative measures need to be undertaken to ensure that recovered water is going to where it is needed for restoring river system health?

#### **Answer:**

Research is being undertaken by the Murray Darling Freshwater Research Centre, one of the joint programs funded under the Murray-Darling Basin Agreement between the Australian, New South Wales, Victorian, South Australian, Queensland and the Australian Capital Territory governments. The centre is conducting research to fill gaps in knowledge in relation to restoring river health. This research program currently includes the themes of fish growth (how flows and climate affect growth dynamic of Murray Darling fishes), fish movement, vegetation dispersal and nutrition (ecological consequences of macroinvertebrate community-structure change). This complemented other activities funded by the Commonwealth, including the Long Term Intervention and Monitoring and the Environmental Water Knowledge and Research programs.

We note that the MDBA has also funded a range of research in recent years aimed at improving knowledge associated with environmental water management and the environmental water outcomes sought by the Basin Plan, including elements of systematic conservation planning, fish, waterbirds and vegetation.

Please also refer to the response to Question 9.

### **Question 11**

What consideration be given to holistic river health issues such as cold water release, low flow or no flow systems, carp management, flood mitigation, and salt and nutrient control?

#### **Answer:**

In the Murray-Darling Basin, governments have a long history of working together to manage river health. Governments agreed to a new Basin Salinity Management 2030 strategy in November 2015, which builds on settings in the Basin Plan and establishes a basin-wide framework which establishes clear priorities and accountabilities for management (including salt interception schemes), monitoring audits, reporting and research. The Basin Plan also provides for the development of water quality management plans (linked to water resource plans) to holistically manage other water quality issues such as nutrient control across the basin.

There are a number of environment projects already underway across the Murray-Darling Basin, funded by the Sustainable Rural Water Use and Infrastructure Program. For example, in South Australia the Flows for the Future Project supports the installation of low flow devices; the Coorong, Lower Lakes and Murray Mouth Recovery Project supports salinity management in the Coorong South Lagoon as well as the development of a Variable Lake Level Policy and Barrage Operating Strategy to assist with the management of water levels in the lakes; and the Riverine Recovery Project aims to implement an improved riverine management regime. In the ACT, the ACT Healthy Waterways Project is working to improve the quality of water entering the Murrumbidgee River.

We note that some of these strategies are sometimes referred to as 'complementary measures', a term that covers a wide range of non-flow related measures that are focussed on

delivering environmental outcomes. Examples include the installation of fishways, fish diversion screens, release of the carp herpes virus, works to address cold water pollution and riparian management activities and habitat restoration.

Murray-Darling Basin water ministers have agreed that complementary measures can provide real environmental benefits and have sought advice from officials on how to better embed complementary measures as an element of Basin Plan implementation. Ministers are regularly updated as this work progresses. Basin water ministers have also made an in-principle commitment, subject to funding availability, to the implementation of a comprehensive suite of complementary measures and other projects (collectively known as 'toolkit' measures) that target improved water management and environmental outcomes across the northern Basin in support of the outcomes of the MDBA's Northern Basin Review.

### **Question 12**

Is the current offer and delivery of Commonwealth funding programs effective, fair and transparent across sectors, geographical areas and individual/small/large irrigators?

#### **Answer:**

The Australian Government has allocated significant funding to water efficiency programs in the Murray-Darling Basin in order to implement the Murray-Darling Basin Plan. Rebalancing water use in the country's largest river system has been a critical policy objective for successive governments. Government investments in water use efficiency within the basin is influenced by the amount of water that needs to be recovered in each region of the basin. The Basin Plan sets a local water recovery target for each region, also referred to as a 'Sustainable Diversion Limit (SDL) resource unit'. This recovery target must be met with water from within that specific region. Hence, regions that require greater water recovery will see greater funding for water recovery programs, including water use efficiency investments.

For all programs, funding is assessed in line with program guidelines, which include value for money and technical feasibility considerations. This system provides a transparent process for all program participants. The department and its delivery partners receive funding applications from a broad range of participants, from small family-owned farms to large vertically-integrated agricultural enterprises. Many small projects have been, and continue to be, funded under the government's On-Farm Irrigation Efficiency program (OFIEP). All projects, regardless of their value or volume of water savings, are assessed using the same criteria.

At a national level, the delivery of Commonwealth funding also follows strategic government priorities. The department administers the National Water Infrastructure Development Fund and the National Water Infrastructure Loan Facility, which are providing the funding necessary to commence detailed planning to build or augment existing water infrastructure and provide state and territory governments with concessional loans to co-fund the construction of water infrastructure. Funding has been provided for feasibility studies in Western Australia, Northern Territory, Queensland, Victoria, New South Wales, South Australia and Tasmania. The department also supports whole of system approaches to the sustainable management of two nationally important Basins, the Great Artesian Basin and Lake Eyre Basin.

### **Question 13**

How much focus is there on funding projects in areas outside the Murray Darling Basin?

#### **Answer:**

The Australian Government is committed to investing in water infrastructure across the country, with funding directed to achieve the policy objectives of successive governments. Recently the Australian Government has committed \$2.5 billion to fast-track the construction of water infrastructure through the roll-out of two national programs: the \$500 million National Water Infrastructure Development Fund (the fund) and the \$2 billion National Water Infrastructure Loan Facility (the loan facility). It has committed \$59.5 million for 39 feasibility studies around the country. This includes \$7 million for six studies in the Murray-Darling Basin and \$40.4 million for 16 studies in northern Australia. The government has committed \$293.1 million to build water infrastructure around the country, including, \$130 million for the Rookwood Weir in Queensland, near Rockhampton.

The Sustainable Rural Water Use and Infrastructure Program is also funding projects outside the Basin. Funding has been extended to Tasmania to develop 13 irrigation schemes. A CSIRO study was also conducted to estimate changes to future water yields and a feasibility is currently underway to consider future infrastructure activities.

In Western Australia funding has been provided for the construction of two pipelines: the Harvey pipeline where the water savings are being used to improve security of critical urban water supplies in the Perth metropolitan region and providing benefits to the environment, and the Gascoyne pipeline, which involved construction of a high-pressure irrigation water delivery system throughout the Carnarvon Irrigation Area. A Sustainable Yield study was conducted by the CSIRO in the south-west which investigated estimated changes to future water yields having regard to climate change and future development.

The government has also invested funding for the Great Artesian Basin Sustainability Initiative to address pressure decline in the groundwater basin through the capping of uncontrolled bores and replacing inefficient bore drains with pipeline reticulation systems. The initiative is delivered through state agencies and is funded jointly by Australian and state governments.

Several urban water projects have also been delivered where the focus was predominantly beyond the Murray-Darling Basin. These included the National Urban Water and Desalination Plan, the National Water Security Plan for Cities and Towns and National Rainwater and Greywater Initiatives and the Water Smart Australia program.

### **Question 14**

What proportion of the total funding pool is available for those areas outside the Murray Darling Basin?

#### **Answer:**

There is no specific pool of funding for activities outside the Murray-Darling Basin; funding is allocated to achieve government policy objectives.

We note that the Australian Government is already more than half-way through the roll out of its \$15 billion water reform agenda across Australia, which is enhanced by the \$509 million

National Water Infrastructure Development Fund and the \$2 billion National Water Infrastructure Loans Facility. This brings the total funding to almost \$18 billion. The government's investment in the Basin is \$13 billion.

Since September 2013, the Australian Government has spent nationally around \$2 billion on water infrastructure modernisation and efficiency improvements. The majority of this has been in the Murray-Darling Basin (around \$1.8 billion).

The National Water Infrastructure Development Fund and the National Water Infrastructure Loans Facility are national programs and as such the full value of these programs is available for water infrastructure throughout Australia.

Through the White Paper on Developing Northern Australia the government has committed at least \$200 million through the fund for water infrastructure in northern Australia.

### **Question 15**

Do you expect, or perhaps advise, proponent agencies to revise down the scope of their projects or compartmentalise them in some way, in order to be more competitive for Commonwealth funding?

#### **Answer:**

We expect project proponents to submit the best proposals they can, informed by the eligibility and assessment criteria published in department's program guidelines. There is no determination on the type of technology or scale or dollar value of projects that can be undertaken, only that projects are technically viable and meet program requirements. Approval is only limited by the funding available for a particular round. Feedback is also offered to unsuccessful proposals.

### **Question 16**

Concerning water use efficiency projects in Tasmania, how many project proposals requesting Commonwealth funding were received, how many projects were funded, and to what value?

#### **Answer:**

The Australian Government is funding the construction of sustainable irrigation schemes in Tasmania through a number of programs. All nine projects proposed under the 'Supporting more efficient irrigation in Tasmania' Program were funded with a combined Commonwealth contribution of \$140 million. An additional scheme, Dial Blythe, received \$9 million under the Australian Government's Tasmanian Jobs and Growth Plan through the Department of Infrastructure and Regional Development. Four projects were proposed under the Tasmanian Irrigation Tranche 2 Program. Three have been funded (Commonwealth investment of \$41 million) and the Commonwealth is undertaking a due diligence assessment on the business case for the fourth project (North Esk).

The Tasmanian Government requested funding for the Scottsdale Irrigation Scheme under the first round of expressions of interest for funding under the capital component of the National Water Infrastructure Development Fund. The Scottsdale Irrigation Scheme proposal was not recommended as suitable for funding at that time. The Scottsdale Irrigation Scheme proposal will be considered again in Round 2. The Tasmanian Government has provided additional

information to support the updated project proposal. It is expected the Round 2 assessment process will be completed by February 2018.

### **Question 17**

Evidence to the inquiry suggests that water use efficiency program funding is essentially setting up significant legacy costs which many regional communities will have to struggle with in the future. If we now have large networks of new and improved irrigation infrastructure that the Commonwealth has invested in, who will be responsible for accounting for its depreciation, maintenance, and ultimate replacement when that time comes?

### **Answer:**

We do not agree that investments in water use efficiency are setting up regional communities with unmanageable future costs. In some instances, government co-investments in new or improved infrastructure will result in reduced operational and maintenance costs. For example, the GMW Connections Project has presented Goulburn Murray Water with the opportunity to realise substantial business saving through automation and a reduction in the irrigation infrastructure footprint. This has underpinned the organisation's five year Blueprint for the future which aims to stabilise prices for customers and save \$20 million from GMW operations.

A recent price determination supports the Australian and Victorian governments' investment in modernisation works as leading to productivity improvements in the Goulburn Murray Irrigation District and contributing to affordable water pricing. GMW revenue requirements and cost recovery are determined by the Essential Services Commission (ESC), Victoria's independent economic regulator. On 16 June 2016, the ESC released its final decision for the GMW's fourth regulatory period for service standards, water pricing and revenue for the period 1 July 2016 to 30 June 2020. A key focus of ESC's assessment and subsequent determination was 'prudent and efficient operating expenditure that reflected the saving (or productivity improvements) resulting from infrastructure modernisation'. The ESC determined that most medium and large customers will see price cuts of between 1 and 10 per cent over the regulatory period. Small customers will see a slight price rise due to changes in meter and some fixed costs.

We note that projects funded under Sustainable Rural Water Use and Infrastructure Program are intended to improve the efficiency and productivity of water use and management. Program guidelines, for both on- and off-farm sub-programs, inform participants of eligible and ineligible funding conditions and activities. Funding is not applicable to on-going maintenance costs associated with new or existing infrastructure. Participants are encouraged to take these costs into consideration when drafting their applications.

Participation in all Commonwealth infrastructure programs is voluntary with infrastructure upgrades initiated and owned by proponents who have ownership and responsibility for the infrastructure over time. Feedback from participants in on-farm programs indicates that government-funded works have helped to accelerate the process of renewing old and outdated infrastructure, covering costs that would have otherwise been solely incurred by irrigators.

### **Question 18**

Are funding programs adequately designed to transition communities to sustainable irrigation practices and build community resilience, rather than establish dependence on funding or reliance on ongoing support? Will those communities be ready for the next big drought?

#### **Answer:**

Yes, one of the key objectives of the Australian Government's water recovery programs is to secure a long term sustainable future for irrigated agriculture and the communities that depend on it. Commonwealth funding is helping to modernise businesses and replace aging infrastructure, delivering tangible benefits at the farm gate beyond water use efficiency, such as: crop diversification opportunities; enabling greater production with less water; and extending the life of crops before the need to replant. In doing so, the Government's is increasing the productivity and resilience of irrigation enterprises to help underpin rural communities in times of drought. This will have flow on benefits for the communities that depend on irrigated agriculture, increasing their resilience in times when less water is available.

By way of example, co-investments in the Trangie-Nevertire and Tenandra irrigation networks in New South Wales under the Private Irrigation Infrastructure Operators Program have improved the networks' resilience during dry periods. Modelling has shown that, due to improvements in water delivery efficiency, pumping and deliveries can commence at lower flow rates than in the past. This means that irrigation will be possible in the networks in more years compared to the period before these co-investments were made.

The Strengthening Basin Communities program sought to assist community wide planning for a future with less water and to invest in water savings initiatives, including cost effective water infrastructure that meets the needs of communities now and into the future. For example, funding was provided to Dubbo City Council to assist in investigating practical strategies for reducing water demand. Stormwater harvesting schemes were investigated to meet demand for the short and long term.

### **Question 19**

Do you agree that water use efficiency programs and essentially subsidised capital investments have ultimately benefited perennial producers [e.g. tree nuts] over annual producers [e.g. rice and cotton]? With perennials requiring guaranteed or high security water volumes, have we set ourselves up for a big shock in the next drought with fierce competition for available water?

#### **Answer:**

The government's investments in water use efficiency have benefited both annual and perennial production systems. For example, co-investments with rice growers under the government's On-Farm Irrigation Efficiency Program have helped to improve rice production and cropping flexibility. Cotton growers have also benefitted from investments on on-farm infrastructure, allowing them to more efficiently store and apply water for annual cotton crops.

The breadth of benefits from these programs has been shown in a series of ABARES surveys of irrigation farms in industries and regions in the Murray–Darling Basin since 2006–07. These surveys (the 'Murray–Darling Basin Irrigation Survey' series) include cotton, rice, dairy and horticulture farms in 10 regions of the basin. They have found that Commonwealth investment has helped movement towards more efficient technologies across all sectors, resulting in

reduced water application rates for many individual farms within the Basin. However, water application rates can vary from year to year through seasonal variability, water availability and water price.

ABARES water market models show water price is most strongly correlated with rainfall (especially rainfall in the paddock), storage levels and state allocation decisions. Reductions in the consumptive pool through water recovery for the environment have a much lower impact on water availability and price.

The increase in prices experienced in dry years did allow a shift in the allocation of water resources from low to higher value producers. This shift occurred as the opportunity cost/benefit from selling allocations became greater than on-farm revenue, typically for lower value, labour intensive operations.

For example, annual crop producers and pasture irrigators who retained permanent water rights were able to sell their annual water allocations, allowing them an income stream during the drought. Conversely, higher value, capital-intensive operations with a greater capacity and willingness to pay, acquired allocations and entitlements for crops, such as permanent tree nut plantings, that needed the water to survive.

Water markets are fulfilling their intended role to allocate scarce water resources to higher value uses, as intended in the National Water Initiative (NWI) and as recommended in the Productivity Commission's recent draft report on the NWI, refer to Question 1. As water moves economically, it also moves between industries and regions, and some industries and regions experience adjustment impacts.

Australia's water markets have allowed for an efficient allocation of water rights amongst users as well as setting a price for water rights. This has in turn helped the development of water saving technologies by creating incentives for water to move to higher value use.

This dynamic was detailed in the department's submission to this inquiry (paragraphs 13-14), which showed that in the final years of the Millennium Drought, the gross value of irrigated agriculture production remained relatively stable despite the variation in agriculture water use.

While the current policy arrangements provide considerable flexibility for water users to respond to climate, market and other events, we recognise that some recent expansions of perennial production may impact on the system. Relevant jurisdictions and Basin officials have commenced consideration of issues that may arise.

## **Question 20**

How many project proposals have been assessed to date, and how many projects are likely to be assessed over the life of the funding programs?

### **Answer:**

This information is provided in the table below, showing proposals assessed to date by the government's National Water Infrastructure Development Fund and all existing sub-programs of the Sustainable Rural Water Use and Infrastructure Program. Where programs are continued or new programs initiated, expressions of interest will be accepted until all funding is committed or the program ceases. We note that assessments are undertaken by state partners for some programs.

<b>Program</b>	<b>Proposals assessed to date</b>	<b>Estimated number to be assessed over program lifetime</b>
National Water Infrastructure Development Fund	76 EOIs	Ongoing
On Farm Irrigation Efficiency (OFIEP)	60 delivery partner high level proposals that include individual irrigator sub-projects	Delivery partner proposals incorporating 1,538 individual irrigator sub-projects
Commonwealth On-Farm Further Efficiency Program (COFFIE)	29	Ongoing
Private Irrigation Infrastructure Operators Program (PIIOP)	17	Closed (17)
Irrigated Farm Modernisation (IFM)	238	Closed (238)
NSW Basin Pipes	43	Ongoing
Queensland Healthy Headwaters Water Use Efficiency Program	121	Ongoing
South Australian River Murray Sustainability Program (SARMS)	186	Ongoing
Supporting more efficient irrigation in Tasmania	9	Closed (9)
Tasmania Irrigation Tranche II	4	Ongoing
Victorian Farm Modernisation Project (VFM)	242	Ongoing
Northern Victoria Irrigation Renewal Project (NVIRP)	146	Closed (146)
Private Irrigation Infrastructure Program in South Australia	28	Closed (28)

## **Question 21**

What are the criteria for project assessment [for each fund type] and who does the assessment?

### **Answer:**

Each program has its own assessment criteria and processes, developed to reflect each sub-program's objectives and delivery arrangements. The assessment criteria and processes for key sub-programs are summarised below.

#### ***National Water Infrastructure Development Fund***

The EOIs guidelines for the fund are available at:

<http://www.agriculture.gov.au/water/national/national-water-infrastructure-development-fund>

Assessment of EOIs is undertaken by the department, an independent panel of technical experts and an Australian Government interdepartmental governance board.

#### ***National Water Infrastructure Loan Facility***

The EOI guidelines for the loan facility are available at:

<http://www.agriculture.gov.au/water/national/nwilf>

Assessment of EOIs is undertaken by the department, an independent panel of technical experts and an Australian Government interdepartmental governance board. The administration of the loan facility will transfer to the Regional Investment Corporation (the RIC) in 2018. The RIC will set the EOI guidelines and manage the assessment process.

#### ***On Farm Irrigation Efficiency Program (OFIEP)***

Applications are assessed against criteria in publically-available guidelines. Separate guidelines were developed for each round. An assessment panel consisting of departmental staff and expert independent technical and financial consultants assessed proposals. The proposals were assessed against:

- social and economic criteria, to assess contribution towards regional investment and development and district level capacity building,
- environmental criteria, to ensure delivery of substantial and lasting water returns to the environment, the ability to minimise environmental impacts from projects, water saving calculations and the ability to deliver water entitlements that are secure and unencumbered,
- technical criteria, where projects were assessed for their technical feasibility and reviewed by competent irrigation professionals.
- value for money criteria, where total project cost was compared to the total value of water savings estimated, taking account of administration costs against the total funding available for each round.

#### ***Commonwealth On-Farm Further Efficiency Program (COFFIE)***

Each project proposal is assessed against eligibility criteria. An overview of the program's criteria and its 'Guide to Participants' are available at:

<http://www.agriculture.gov.au/water/mdb/programs/basin-wide/coffie/sa-pilot-coffie>

### ***Private Irrigation Infrastructure Operators Program (PIIOP)***

Applications are assessed on criteria published in the PIIOP Guidelines. Separate guidelines have been provided for each round. Proposals were assessed by an assessment committee comprising departmental executive-level staff and an expert independent technical industry consultant. Proposals were assessed against:

- project details, demonstrating that projects are based on eligible activities, providing technically valid calculations of net water savings and the ability to deliver water entitlements that are secure and transferable.
- value for money criteria, where a cost benefit analysis is provided and the total project costs are compared to the total value of the water savings estimated.
- stakeholder support, where evidence of support for the project is provided from potential individual irrigators.
- financial information, where a budget is provided detailing the costs of eligible project activities, administration and contingency.

### ***Irrigated Farm Modernisation (IFM)***

The NSW Department of Primary Industries assessed eligible project proposals. Proposals were reviewed on a first-come-first-served basis and based on a value for money assessment model. If oversubscribed, assessments were based on a competitive grant model. Detailed information is available on the state government's website for the program:

[https://www.dpi.nsw.gov.au/\\_\\_data/assets/pdf\\_file/0010/694567/Guidelines-for-the-NSW-Sustaining-the-Basin-Round-9.pdf](https://www.dpi.nsw.gov.au/__data/assets/pdf_file/0010/694567/Guidelines-for-the-NSW-Sustaining-the-Basin-Round-9.pdf)

### ***NSW Basin Pipes***

Following the initial assessment by NSW DPI Water, the department's approval of each project was based on four components:

- demonstration that NSW DPI had agreement from all land owners,
- the grant of the proposal is as per the project agreement,
- water entitlements were eligible under the project, and
- there was demonstrated compliance with the Environment Protection and Biodiversity Conservation Act 1999.

### ***Queensland Healthy Headwaters Water Use Efficiency Program (HHWUEP)***

Queensland's Department of Natural Resources and Mines (DNRM) assess applications on a monthly basis whenever a 6-monthly round is open. The main criteria for assessment is environmental and value for money. The department conducts a value for money assessment once the package is provided by DNRM. Detailed information is available on DNRM's website: <https://www.dnrm.qld.gov.au/water/catchments-planning/healthy-headwaters/water-use-efficiency-project/infrastructure-funding>

### ***South Australian River Murray Sustainability Program (SARMS)***

The South Australian Government, represented by the Department of Primary Industries and Regions South Australia, is responsible for establishing and implementing fair, transparent and competitive processes for the distribution of any funding under the SARMS Program. The state also undertakes technical due diligence to ensure water savings are achievable from the proposed works, and the works are properly costed and fit for purpose. The criteria is available at:

<http://pir.sa.gov.au/regions/sarms/3ip>

### ***Sunraysia Modernisation Project***

The Sunraysia Modernisation Project is an irrigation backbone modernisation project. The Australian Government assessed a business case submitted by the State against due diligence

criteria set out in the 2008 Intergovernmental Agreement on Murray-Darling Basin Reform, available at:

[https://www.coag.gov.au/sites/default/files/agreements/Murray\\_Darling\\_IGA.rtf](https://www.coag.gov.au/sites/default/files/agreements/Murray_Darling_IGA.rtf)

### ***Supporting More Efficient Irrigation in Tasmania Project***

The Supporting More Efficient Irrigation in Tasmania Project funded the construction of sustainable irrigation schemes in Tasmania. The Australian Government assessed the business case submitted by the state for each scheme against due diligence guidelines available at:

[http://www.agriculture.gov.au/SiteCollectionDocuments/water/TAS\\_IP.pdf](http://www.agriculture.gov.au/SiteCollectionDocuments/water/TAS_IP.pdf)

### ***Tasmania Irrigation Tranche II***

The Tasmania Irrigation Tranche II project funded the construction of sustainable irrigation schemes in Tasmania. The Australian Government assessed the business cases submitted by the state for each scheme against the due diligence guidelines set out in the project agreement:

[http://www.federalfinancialrelations.gov.au/content/npa/environment/project-agreement/Tasmanian\\_Irrigation\\_Tranche\\_II\\_PA.pdf](http://www.federalfinancialrelations.gov.au/content/npa/environment/project-agreement/Tasmanian_Irrigation_Tranche_II_PA.pdf)

### ***Victorian Farm Modernisation Project (VFM)***

The Goulburn-Broken Catchment Management Authority, on behalf of the Victorian Government, is responsible for establishing and assessing financial and technical criteria on a competitive merit basis for the VFM Project. These include:

- Having a current Whole Farm Plan showing proposed project;
- Owning the land on which works will be undertaken;
- Willing to transfer at least 55 per cent permanent High Reliability Water Shares from water savings to the Commonwealth;
- Having eligible works with a maximum cost of \$1.5 million (GST exclusive);
- Proposed works connecting to an outlet on an approved Goulburn-Murray Water (GMW) backbone or landowner has an executed GMW legal agreement to connect the property.

### ***Northern Victoria Irrigation Renewal Project (NVIRP)***

The Goulburn-Broken Catchment Management Authority, on behalf of the Victorian Government, is responsible for establishing and assessing financial and technical criteria on a competitive merit basis for the VFM Project. Key criteria include:

- Have a modernised connection to the irrigation system, or a Connections Agreement with the Goulburn Murray Water Connections Project
- Hold a current water share that could be transferred to the Commonwealth unencumbered
- Establish that the proposed works were part of an endorsed Whole Farm Plan and would result in current best practice irrigation on land that is currently being irrigated, or was in the past.
- Willing to transfer at least 50 per cent permanent High Reliability Water Shares from water savings to the Commonwealth;
- Having eligible works.

### ***Victoria State Priority Project - Goulburn Murray Connections Project (GMW)***

The Goulburn Murray Water Connections Program is an irrigation backbone modernisation program. The Australian Government assessed the business case submitted by the state for this program of works against due diligence criteria set out in the 2008 Intergovernmental Agreement on Murray-Darling Basin Reform, available at:

[https://www.coag.gov.au/sites/default/files/agreements/Murray\\_Darling\\_IGA.rtf](https://www.coag.gov.au/sites/default/files/agreements/Murray_Darling_IGA.rtf)

### ***Private Irrigation Infrastructure Program in South Australia (PIIP-SA)***

Projects under the PIIP-SA rounds were assessed on eligibility and against the merit criteria outlined in guidelines published for each round. The criteria categories covered the following characteristics:

- Economic and Social
- Environmental and Technical
- Value for Money
- Governance.

Assessments were undertaken by an assessment panel established by the Australian Government. This panel made recommendations for funding to the Commonwealth Minister.

### ***Great Artesian Basin Sustainability Initiative (GABSI)***

Projects considered for funding under Great Artesian Basin Sustainability Initiative Phase 4 were assessed against the five requirements listed in the Project Agreement. The five requirements are:

- consistency with the project eligibility criteria and outputs listed in the Project Agreement;
- the transparency and equity of the process used to select projects;
- the 'value for money' of the projects, having particular regard to the cost of each proposed project compared to the water estimated to be saved for the environment and the degree of protection to high value natural springs afforded by such a project;
- the performance achieved by the State against relevant milestones for the previous financial year; and
- the amount of funding available each financial year for this purpose.

## **Question 22**

What is the typical timeframe for a project proposal to be considered, from submission to notification?

### **Answer:**

Project proposals are assessed based on the requirements of the program. As programs have different eligibility criteria and due diligence requirements (refer response to Question 21), assessment processes and timeframes vary from program to program. Timeframes are also influenced by the involvement of state and private delivery partners in some assessment process. For some programs, delivery partners and state agencies have responsibility to assess the ability of proposals to deliver the project within the program guidelines. These robust assessment processes ensure that sufficient care is taken when considering proposals.

We note that stakeholder feedback on assessment processes and timeframes has been taken into account in the design of future programs and funding rounds. For example, the Commonwealth On-Farm Further Irrigation Efficiency Program (COFFIE) has sought and responded to proponent views about assessment delays.

### **Question 23**

What percentage of projects are funded [for each fund type]?

#### **Answer:**

The department is unable to provide a detailed breakdown of the proportion of proposals declined under each program. This is because, where state and private delivery partners manage projects, we do not possess all data about all applications. Proponents may also submit proposals to the department, state and delivery partners in multiple funding rounds, across multiple programs. Assessments are also affected by the number and quality of applicants each program receives.

### **Question 24**

Do all projects that are funded receive the full dollar amount that has been asked for? If not, to what level or percentage are projects actually funded?

#### **Answer:**

In some cases, an approved project may not reflect the original project proposal as the assessment committee may have determined that some elements of the proposal are not eligible against the funding criteria. For some programs, such as Irrigated Farm Modernisation and NSW Basin Pipes, the maximum Australian Government funding amount available is 90 per cent of the total project cost. Under the \$440 million capital component of the National Water Infrastructure Development Fund, Australian Government contributions will not exceed 50 per cent of total project costs

We note that in-kind and/or cash contributions are sometimes made by delivery partners, proponents, other Australian Government programs, and state governments towards projects. Cash contributions may be directed to a particular part of the project, such as administrative, construction or management costs.

### **Question 25**

How many funding rounds are there per year, and for the life of each funding program?

#### **Answer:**

There are many sub-programs comprising the government's \$15 billion investment in water reform in Australia. Therefore there is no 'one-fit' structure for funding rounds. The number of funding rounds offered is considered based on the level of irrigator take-up and available funding. If there is strong interest in any particular program, further rounds may be considered.

Key sub-programs with multiple funding rounds include:

- On Farm Irrigation Efficiency Program (five rounds since 2010)
- Private Irrigation Infrastructure Operators Program in NSW (three rounds since 2011)
- Strengthening Basin Communities Program (four rounds over 2009-2013)
- GABSI (4 annual bilateral schedules containing projects were agreed with each state for 2015-16 and 2016-17).
- Queensland Healthy Headwater Water Use Efficiency Program (12 rounds);
- NSW Sustaining the Basin Irrigated Farm Modernisation Program (nine rounds), and
- Victoria Farm Modernisation Project (3 rounds, two tranches to date).

We note that the government's National Water Infrastructure Development Fund is continuously open to state and territory governments to submit EOIs, subject to funding being available. An assessment round has been conducted for EOI received by 16 March 2017 and a second assessment round will be conducted for EOI received by 21 September 2017. The National Water Infrastructure Loan Facility is also continuously open to state and territory governments to submit EOI, subject to funding.

### **Question 26**

What are the most common or typical reasons for a project proposal being rejected?

#### **Answer:**

The most common reasons why a projects is not funded is that its proposal did not fully address one or more of the eligibility or mandatory assessment criteria. Such proposals typically exceed value for money thresholds, or are not technically able to demonstrate that they can achieve the proposed water savings, or funding has already been exhausted in the application round by higher-rating proposals.

### **Question 27**

How many DAWR staff are involved in project assessment, approval processes and administration processes?

#### **Answer:**

The number of staff servicing infrastructure programs across the department's Water Division varies depending on the stages and requirements of the program at the time. Currently, there are approximately 53 full time equivalent staff servicing program administration and project assessment, the administration of agreements with delivery partners, and the development of advice to the government on related matters.

### **Question 28**

What internal review processes have you been through to determine how administratively efficient your programs are? How often do you review those processes? What are your plans to address any administrative efficiency issues?

#### **Answer:**

Water programs are subject to a high level of internal and external scrutiny through the audits conducted by the Australian National Audit Office (ANAO), internal audit teams, parliamentary committees and other inquiries and reviews. The ANAO has conducted four performance audits on programs funded through the Sustainable Rural Water Use and Infrastructure Program (SRWUIP) that are publically available on the ANAO website:  
<https://www.anao.gov.au/work/performance-audit/>

Internally commissioned audits have also been conducted across the range of water programs and their recommendations incorporated into the ongoing program administration. For example, the Goulburn-Murray Connections has been reviewed and a resulting project reset delivery plan announced in early 2017. The review has led to an improved project delivery

model that uses local input and creates transparency and certainty for landowners following extensive consultation with stakeholders.

For individual programs, the department follows a monitoring, evaluation, review and improvement (MERI) framework. There is an agreed reporting regime through which evaluation findings are fed into back decision-making and the design of new programs. As such, programs are continuously refined and new procedures brought in when required. For example, the pilot Commonwealth On-Farm Further Irrigation Efficiency program (COFFIE) has responded to stakeholder feedback about administration matters and delayed timelines by compressing approval timeframes.

### **Question 29**

Can you please describe the project review process? Are projects or programs reviewed periodically to assess effectiveness and areas for improvement, or are reviews held at project completion?

#### **Answer:**

The Australian Government places specific requirements on funding recipients to monitor and report on project performance, to ensure a project is delivered as agreed and achieves value for money. Practically, this involves standard contract management processes for individual projects with performance criteria and milestones, scheduled progress and expenditure reports, the provision of planning material, and Workplace Health and Safety reviews. Issues with project delivery are dealt with through site visits, meetings and further liaison with project managers and relevant stakeholders. On completion, projects are required to submit final reports on the outcomes they have achieved, addressing any factors that influenced project delivery.

Internally commissioned audits have also been conducted across the range of water programs and all recommendations have been incorporated into ongoing administration. Examples of internal reviews include Delivery Partner management of the On-Farm Irrigation Efficiency Program (2016) and Tasmanian Irrigation Tranche II (2017).

Further information on our program review arrangements is provided in our response to question 28.

### **Question 30**

How do you assess or determine value for money for each program or individual project?

#### **Answer:**

All Commonwealth water programs are required to achieve value for money. Individual programs differ slightly in how they measure value for money to reflect their respective objectives and governance arrangements.

For water use efficiency sub-programs, commissioned under the Sustainable Rural Water Use and Efficiency Program, value for money is calculated by analysing proposed project costs, water savings and the overall cost benefit outcome of the investment. A market multiple is applied during the value for money assessment. The multiple varies between 1.5 and 2.5 times the market value of the water entitlements offered as water savings.

For the National Water Infrastructure Development Fund and National Water Infrastructure Loan Facility, value for money is an underlying consideration in the assessment process that is undertaken before funding decisions are made. Assessment takes into account a number of factors including: public/private benefit; regional economic benefit (demonstrated in the business case/cost benefit analysis) that will be realised through the project; the ratio of Commonwealth funding sought to state funding committed (maximum ratio is set at 50:50); the likelihood that the project will not proceed or will be delayed if Commonwealth funding is not available; compliance with the principles of the National Water Initiative.

For the Tasmanian sub-programs (Supporting More Efficient Irrigation in Tasmania' and 'Tasmania Irrigation Tranche II'), proposals were required to demonstrate that they would deliver value for money by demonstrating a positive cost-benefit outcome for a range of investment scenarios, compared with a no change option. They were also required to show clearly defined and agreed cost sharing arrangements.

Value for money was also a key criteria for assessment of projects recommended by states under the Great Artesian Basin Sustainability Initiative (GABSI). Value for money was assessed, having particular regard to the cost of each proposed project compared to the water estimated to be saved for the environment and the degree of protection to high value natural springs afforded by such a project. A benchmark cost of \$1,682 per megalitre of water saved per annum was identified in the 2014 Great Artesian Basin Sustainability Initiative Value for Money Review. This figure was used to establish a market adjusted benchmark of \$4,205 per megalitre of water saved per annum. To ensure a consistent national approach to the cost of water saving infrastructure this figure was derived by applying the market multiple of 2.5 as identified in the 2014 Commonwealth Water Recovery Strategy for the Murray-Darling Basin. This figure was used in the 'GABSI 4' assessment rounds.

**Question 31**

Are there any projects that have not met your value for money assessment? If yes, how many projects, what value, and what were the assessment outcomes?

**Answer:**

<b>Program</b>	<b>Number of projects that did not met value for money criteria</b>	<b>Aggregate value</b>	<b>Assessment outcomes</b>
On Farm Irrigation Efficiency (OFIEP)	25	\$756 million	Exceeded value for money criteria threshold or the funding available for each round was exhausted through the funding of higher ranked applications
Commonwealth On-Farm Further Efficiency Program (COFFIE)	1	Approx. \$80k	Found to be inadequate in terms of water return compared to the cost of the proposed infrastructure by an Independent Approved Irrigation Professional.
Private Irrigation	3	\$562.1 million	Failed to meet value for

Infrastructure Operators Program (PIIOP)			money in the context of the economic, social and environmental criteria. There was no justification for such large investments, relative to the water savings, regional price of water and direct irrigation benefits.
Irrigated Farm Modernisation (IFM)	125	\$91.3 million.	Failed to meet Value for Money Criteria.
Queensland Healthy Headwaters Water Use Efficiency Program	18	\$55.6 million	Failed to meet Value for Money Criteria.
Private Irrigation Infrastructure Program in South Australia	4	\$3.7 million	Failed to meet Value for Money Criteria.

**Question 32**

How do you accurately assess intangible social and broader community benefits of projects that have been funded?

**Answer:**

Please refer to our responses to Questions 1 and 19, regarding the information we collect and contribute to monitoring and evaluation processes. This includes surveys, which show that irrigators are already experiencing the social and economic benefits of the Australian Government’s investment in on- and off-farm infrastructure, including farm management and efficiency, community and lifestyle benefits. Project participants have advised the department that they have the ability to irrigate with lower allocations and they can reduce the time spent on irrigation releasing time for other farm activities. Thus, advances in irrigation technology have reduced farmers’ workload, improving their work life balance and allowing for greater control over farming operations. They have improved business opportunities (e.g. crop diversification and multiple cropping) and increased farm productivity, which means higher crop yields with reduced water usage. At a community level, farmers have seen increased business opportunities for fertilizer, chemicals and freight suppliers as well as increased employment through use of contractors and local business.

It is noted that concerns have also been raised by some stakeholders of adverse socio-economic impacts from water recovery.

### **Question 33**

Do you have any concerns about particular projects that may lead you down the path of official audit?

**Answer:**

The department has no such concerns with any particular projects at this time. The department would have no hesitation to participate in any audit, as we have done in the past.

### **Question 34**

A substantial amount of program funding has been directed to projects in northern Victoria, specifically the Goulburn Murray Water region. Exactly how much money has gone to the region, and for what projects? What is the off-farm [infrastructure] and on-farm breakdown?

**Answer:**

There are a number of projects being pursued in Northern Victoria under the Sustainable Rural Water Use and Infrastructure Program. These are:

Off-farm

- Goulburn-Murray Water Connections Project Stage 2 (\$1.20 billion including purchase component and early works)
- Sunraysia Modernisation Project (\$103 million)

On-farm

- The Northern Victoria Irrigation Renewal Project – On Farm Priority project (\$44 million – now complete)
- The Victorian Farm Modernisation Project (\$100 million which includes \$20 million for a third tranche if there is a remaining gap to be bridged and there is agreement between the parties to proceed)
- The On-Farm Irrigation Efficiency Program (\$147 million)

### **Question 35**

There is ample evidence to suggest that the money may not have been spent appropriately in the Goulburn Murray Water region. How do you assess value for money for such a large funding allocation?

**Answer:**

The Goulburn-Murray Water Connections Project Stage 2 is the second stage of a major water infrastructure upgrade to improve off-farm irrigation efficiency in the Goulburn-Murray Irrigation District (GMID) of Northern Victoria. Stage 2 is a \$1.2 billion project majority funded by the Australian Government (\$1.1 billion). The \$ 1.0 billion Stage 1 Project is funded by the Victorian Government and nearing completion.

A mid-term review of the Stage 2 Project was completed in November 2015 and publicly released and can be found at:

<http://www.agriculture.gov.au/SiteCollectionDocuments/water/gmw-mid-term-review.pdf>

The review found that the Project would not achieve the outputs required on time and within budget if it continued to be implemented as planned, and concluded that a fundamental change in project approach and delivery was needed.

On 6 September 2016 the Australian Government agreed to the Victoria's Project Reset Delivery Plan which supports the Goulburn-Murray Water Connections Project Stage 2 achieving required outputs within budget and by October 2020.

On 27 January 2017 a variation to the Project Schedule was negotiated with the Victorian government to give effect to the Project Reset Delivery Plan.

The Victorian government is responsible for developing water infrastructure projects in the Goulburn Murray Water region for possible funding by the Australian Government. Where a project is put forward that may substantially contribute to improved water use efficiency and enhance the sustainability of rural water use in the Murray-Darling Basin, the Australian Government carries out a due diligence assessment of the proposed project in accordance with the Due Diligence Guidelines under the 2008 Intergovernmental Agreement on Murray-Darling Basin Reform. Under the guidelines, projects must deliver value for money in the context of the following criteria before they can be funded:

- projects must have a suitable dollar per megalitre benchmark against local/regional water market prices and represent cost- and time-effective strategies for achieving water savings, and
- projects must demonstrate a positive cost-benefit outcome for a range of investment scenarios, compared with a no change option.

The Australian Government places specific requirements on funding recipients to monitor and report on project performance throughout the life of a project to ensure it is delivered as agreed, and therefore continues to represent value for money. There is also provision in funding agreements for the Commonwealth to undertake a review or audit of any aspect of a project.

### **Question 36**

Are there any particular issues that are ongoing or unresolved with Goulburn Murray Water?

#### **Answer:**

The Project has recently been reset and is achieving its targeted water recovery. Please refer to response in Question 35.

**Question 37**

Does the fact that Goulburn Murray Water is a state agency make project negotiations and accountability more difficult for the Commonwealth government?

**Answer:**

Negotiations on Commonwealth funded projects in the Goulburn Murray Irrigation District are undertaken with the Victorian Government through the Victorian Department of Environment, Land and Water (DELWP). The fact that Goulburn Murray Water is a Victorian government-owned statutory corporation has no bearing on project negotiations. Under the Water Partnership Agreement with Victoria, DELWP, being the State representative is accountable for delivery of all projects to the Agreement, and is the agency the Commonwealth deals with directly on project matters. Project Schedules to the Agreement include reporting requirements for the state (e.g. reporting on performance of works, and income and expenditure of funds).