

# NATIONAL PARTNERSHIP AGREEMENT ON IMPLEMENTING WATER REFORM IN THE MURRAY-DARLING BASIN

Council of  
Australian  
Governments

An agreement between

- the Commonwealth of Australia and
- the Basin States, being:
  - ◆ New South Wales;
  - ◆ Victoria;
  - ◆ Queensland;
  - ◆ South Australia; and
  - ◆ Australian Capital Territory

This Agreement will contribute to ensuring that Murray-Darling Basin water reforms, including the Murray-Darling Basin Plan, are implemented in the national interest of a healthy working river system, strong communities, and sustainable food and fibre production, while providing certainty for affected communities and water users.

# National Partnership agreement on Implementing Water Reform in the Murray-Darling Basin

## INTERGOVERNMENTAL AGREEMENT ON FEDERAL FINANCIAL RELATIONS

### PRELIMINARIES

1. This National Partnership agreement (the Agreement) is created subject to the provisions of the Intergovernmental Agreement on Federal Financial Relations (IGA FFR) and should be read in conjunction with that Agreement and its Schedules, which provide information in relation to performance reporting and payment arrangements under the IGA FFR. This Agreement should also be read in conjunction with the Intergovernmental Agreement on Implementing Water Reform in the Murray-Darling Basin.
2. In entering this Agreement, the Commonwealth and the participating Murray-Darling Basin State Governments<sup>1</sup> recognise that they have a mutual interest in working together to deliver water reform outcomes in the Murray-Darling Basin (the Basin).
3. This Agreement will:
  - (a) contribute to a healthy working Basin, which includes a healthy environment, strong communities and a productive economy, through implementation of the Murray-Darling Basin Plan (the Basin Plan) and associated reforms and initiatives; and
  - (b) support the implementation of the *Intergovernmental Agreement on Implementing Water Reform in the Murray-Darling Basin*.
4. By signing this Agreement Basin States agree to replace the No Additional Net Costs provision of the *Agreement on Murray-Darling Basin Reform (2008)* and any resulting liabilities under the No Additional Net Costs provision.
5. This Agreement will be implemented consistently with the objectives and outcomes of all National Agreements and National Partnerships agreed by the Parties. In particular, the Parties are committed to addressing the issue of social inclusion, including responding to Indigenous disadvantage (for example, the reform commitments provided in the National Indigenous Reform Agreement) and those commitments are embodied in the objectives and outcomes of this Agreement.

---

<sup>1</sup> Murray-Darling Basin State Governments are New South Wales, Victoria, Queensland, South Australia and the Australian Capital Territory.

## PART 1 – FORMALITIES

### Parties to this Agreement

6. This Agreement is between the Commonwealth of Australia (the Commonwealth) and the participating Basin State Governments.

### Term of the Agreement

7. This Agreement will commence as soon as the Commonwealth and one other Party signs the Agreement and will expire on 30 June 2020, or on the acceptance of final performance reporting and processing of final payments against performance benchmarks or project milestones. The Agreement may be terminated earlier or extended as agreed in writing by the Parties. This Agreement supersedes the *National Partnership Agreement on Implementing Water Reform in the Murray-Darling Basin* signed by Victoria, South Australia and the Australian Capital Territory in June 2013. Variations to this Agreement are set out at Schedule B.

## PART 2 – OBJECTIVES, OUTCOMES AND OUTPUTS

### Objectives

8. The objective of this Agreement is to ensure that Murray-Darling Basin water reforms are implemented in the national interest of a healthy working river system, strong communities and sustainable food and fibre production.

### Outcomes

9. This Agreement will facilitate the achievement of the following outcomes:
  - (a) sustainable water extraction in the Murray-Darling Basin;
  - (b) water resource plans that operate efficiently and effectively and provide greater certainty of access to Basin water resources;
  - (c) greater certainty for all water users regarding the characteristics of held water entitlements and transition to sustainable diversion limits (SDLs) consistent with Basin Plan requirements; and
  - (d) efficient and effective delivery of environmental water to maximise environmental outcomes at a Basin and local level.

### Outputs

10. The objectives and outcomes of this Agreement will be achieved by the Parties fully implementing the requirements of the Basin Plan and the *Intergovernmental Agreement on Implementing Water Reform in the Murray-Darling Basin*, in particular by Basin States:
  - (a) enabling the Commonwealth to meet its commitment to 'bridge the gap' between baseline diversion limits and SDLs, including by removing barriers to trade that are inconsistent with the Basin Plan, processing water entitlement trade applications within agreed timeframes, unbundling water entitlements from land where the benefits exceed the costs, and agree to enable groundwater and overland flow recovery through market-based approaches;
  - (b) cooperatively identifying and agreeing on initiatives to be considered by the Murray-Darling Basin Authority under the Surface Water SDL adjustment mechanism;

- (c) implementing the Basin Plan, including preparing Water Resource Plans consistent with Basin Plan requirements to provide certainty for water users;
- (d) ensuring the characteristics of licensed entitlements held for environmental use will not be enhanced or diminished, relative to like entitlements held and used for other purposes, except as otherwise agreed between the Commonwealth and the relevant State(s) to facilitate improved environmental watering; and
- (e) working collaboratively with the Commonwealth and each other in exercising their environmental watering and planning responsibilities in accordance with the Basin Plan Environmental Watering Plan, and have regard to the Basin annual environmental watering priorities, as prepared by the Murray-Darling Basin Authority.

## **PART 3 – ROLES AND RESPONSIBILITIES OF EACH PARTY**

11. To realise the objectives and commitments in this Agreement, each Party has specific roles and responsibilities, as outlined below.

### **Role of the Commonwealth**

12. The Commonwealth agrees to be accountable for the following roles and responsibilities:
- (a) meeting its responsibilities under the *Water Act 2007* and Basin Plan;
  - (b) providing financial contribution to Basin States to support implementation of this Agreement;
  - (c) monitoring and assessing the performance in the delivery of milestones under this Agreement in accordance with Part 4 – Performance Monitoring and Reporting, to ensure that outputs are delivered and outcomes are achieved within the agreed timeframe; and
  - (d) facilitating implementation of this Agreement, as per its obligations outlined in Part 4 - Performance Monitoring and Reporting and Schedule A.

### **Role of the Basin States**

13. The Basin States agree to be accountable for the following roles and responsibilities:
- (a) implementing this Agreement in accordance with the milestones at Schedule A; and
  - (b) reporting on milestone progress, as per Part 4 – Performance Monitoring and Reporting and Schedule A.

### **Shared roles and responsibilities**

14. The Commonwealth and the Basin States share the following roles and responsibilities:
- (a) participating in consultations as appropriate regarding the implementation of this Agreement;
  - (b) negotiating new or revised Schedules to this Agreement as appropriate;
  - (c) co-operating with evaluations and reviews of services and outputs under this Agreement; and

- (d) co-operating in the delivery of commitments under the *Intergovernmental Agreement on Implementing Water Reform in the Murray-Darling Basin*, where these relate to the implementation of this Agreement.
15. The Parties will meet the requirements of Schedule E, Clause 26 of the IGA FFR, by ensuring that prior agreement is reached on the nature and content of any events, announcements, promotional material or publicity relating to activities under this Agreement and that the roles of both Parties will be acknowledged and recognised appropriately.

## PART 4 – PERFORMANCE MONITORING AND REPORTING

### Performance indicators

16. Achievement of the outcomes in this Agreement will be measured by milestones at Schedule A to this Agreement.

### Reporting arrangements

17. Other than as specified in clauses 20 and 27, payments to be made to Basin States under this Agreement are in recognition that Basin States agree to replace the 'no additional net costs' provision under the *Agreement on Murray-Darling Basin Reform (2008)* and void any existing claims under that provision.
18. The Head of the Basin State water agency will submit:
- (a) the first annual Statement of Assurance to the National Water Commission (NWC) by 28 February 2014, covering the period of the 2012-13 financial year;
  - (b) the second annual Statement of Assurance to the NWC by 31 August 2014 (or the first working day thereafter), covering the period of the 2013-14 financial year; and
  - (c) all subsequent annual Statements of Assurance to the Commonwealth Department with policy responsibility for water (the Department) by 31 August (or the first working day thereafter), covering all subsequent assessment periods.
19. The Statement of Assurance will:
- (a) state which milestones applicable to that reporting year have been achieved, as outlined in Schedule A; and
  - (b) state which milestones applicable to that reporting year have not been achieved, as outlined in Schedule A, and the reason/s for non-achievement, and any steps and activities that were undertaken by the Basin State in an effort to meet the milestone; and
  - (c) state which milestones identified as not achieved in preceding years have been achieved; and
  - (d) be accompanied by any additional supporting documentation relating to Milestones 2 to 9 in Schedule A that a state deems to be relevant to meeting a milestone; and
  - (e) be accompanied by a brief description of supply measure projects for which feasibility and business cases are being developed for consideration under the SDL adjustment mechanism, as referred to in Schedule A. This only applies to New South Wales, Victoria and South Australia for the statements of assurance submitted in 2013, 2014 and 2015.

20. In relation to the initial (2013-14) contribution for supply measures, by 28 February 2014, New South Wales, Victoria and South Australia will provide to the Department a brief description of supply measure projects in that State for which feasibility and business cases are being developed for consideration under the SDL adjustment mechanism (the report), consistent with Milestone 1 in Schedule A. Payment will only be made on the acceptance by the Commonwealth Minister with portfolio responsibility for water (the Commonwealth Minister) of a report the Minister considers to be satisfactory.
21. Using the Statement of Assurance and any supporting documentation, the Department will conduct an assessment of each Basin State's performance against the milestones set out in Schedule A. The Department's performance assessment reports will indicate:
  - (a) whether the Basin State has met the performance milestones outlined in Schedule A for the applicable reporting year, and the extent to which they have been met; and
  - (b) where a Basin State has not met a performance milestone, any steps and activities that were undertaken by the Basin State to meet the milestone.
22. The Department may make one formal request for a Basin State to provide additional information to help inform their annual assessment report.
23. The Department will provide its annual assessment report on each Basin State's performance against milestones to the Commonwealth Minister, by 31 October, or the first working day thereafter. The Department will then provide a copy to the relevant Basin State.<sup>2</sup>
24. The Commonwealth Minister will authorise, based upon the funding and performance reporting arrangements set out in this Agreement, whether payment should be made to a Basin State having regard to that Basin State's assessment report and completion of its milestones and, in the circumstance of any adverse finding assessed by the Commonwealth as being not material to that state's cooperation with the reforms.
25. Following a decision by the Commonwealth Minister and release of the report to the Basin State, the Department will publish a copy of each Basin State's annual assessment report on its website.

## **PART 5 – FINANCIAL ARRANGEMENTS**

### **Financial contributions**

26. The Commonwealth will provide a total financial contribution to the participating Basin States of up to \$139.5 million from 2012-13 to 2019-20 in respect of this Agreement, through payments to the Basin States to support the reforms covered by this Agreement. All payments are GST exclusive.
27. The Commonwealth will also provide a total financial contribution of up to \$34.5 million from 2013-14 to 2015-16 for the purposes of preparing supply measure business case development through project payments to New South Wales, Victoria and South Australia to support the reforms covered by this Agreement. All payments are GST exclusive.

---

<sup>2</sup> In the case of 2012-13 Assessment Reports for New South Wales and Queensland, these will be provided by the National Water Commission by 30 April 2014.

28. The Commonwealth's estimated financial contribution to the operation of this Agreement, including through National Partnership payments to the Basin States paid in accordance with *Schedule D – Payment Arrangements* of the IGA FFR, are shown in Table 1.

**Table 1: Estimated financial contributions**

Basin State Year	NSW \$	Vic \$	Qld \$	SA \$	ACT \$	Total \$
2012-13	2,820,630	2,039,997 <sup>1</sup>	595,452	445,863 <sup>1</sup>	98,058 <sup>1</sup>	6,000,000
2013-14	3,481,462 <sup>2</sup>	2,861,453 <sup>2</sup>	0	557,085 <sup>2</sup>	0	6,900,000
2013-14	11,568,609 <sup>3</sup>	8,882,173 <sup>3</sup>	1,339,767	1,838,819 <sup>3</sup>	220,632	23,850,000
2014-15	14,624,291	11,092,169	1,984,841	2,321,837	326,862	30,350,000
2015-16	12,883,561	9,661,442	1,984,840	2,043,295	326,862	26,900,000
2016-17	9,402,099	6,799,989	1,984,840	1,486,209	326,863	20,000,000
2017-18	9,402,099	6,799,989	1,984,840	1,486,210	326,862	20,000,000
2018-19	9,402,099	6,799,989	1,984,840	1,486,210	326,862	20,000,000
2019-20	9,402,100	6,799,989	1,984,840	1,486,209	326,862	20,000,000
<b>Total</b>	<b>82,986,950</b>	<b>61,737,190</b>	<b>13,844,260</b>	<b>13,151,737</b>	<b>2,279,863</b>	<b>174,000,000</b>

<sup>1</sup> Victoria, South Australia and the ACT received their 2012-13 payment under the now superseded National Partnership Agreement (see clause 7).

<sup>2</sup> Payment in recognition of 40% of the supply measure project funding component for 2013-14 for which feasibility and business cases are being prepared for consideration under the SDL adjustment mechanism.

<sup>3</sup> Payment in recognition of Basin State implementation payment component of 2013-14 financial contribution and the remaining 60% of the business case development funding for 2013-14.

29. The Commonwealth's funding contribution will not be reduced where the Basin States secure funding from other activity partners through innovative and collaborative partnerships.
30. Basin States that sign this Agreement after 7 June 2013 but before 30 June 2013 are not guaranteed to receive the 2012-13 payment in 2012-13. Any Basin State that does not sign this Agreement by 30 June 2013 will not be eligible for its 2012-13 payment.
31. If a Basin State has not signed this Agreement and completed all milestone reporting requirements required for that reporting year as outlined in Part 4 of this Agreement, the Basin State will not be eligible to receive payment for the previous financial year.

### Project management risk

32. Having regard to the funding provided under this Agreement, a Basin State will not be required to pay a refund to the Commonwealth if the actual costs of achieving the outputs of this Agreement are less than the funding provided under this Agreement. Similarly, the Basin States bear all risk should the cost of implementation exceed the funding provided under this Agreement. The Parties acknowledge that this arrangement provides the maximum incentive for the Basin States to deliver the outputs of this Agreement cost effectively and efficiently.

## **PART 6 – GOVERNANCE ARRANGEMENTS**

### **Enforceability of the Agreement**

33. The Parties do not intend any of the provisions of this Agreement to be legally enforceable. However, that does not lessen the Parties' commitment to this Agreement.

### **Review of the Agreement**

34. The Agreement will be reviewed with regard to progress made by the Parties in respect of achieving the agreed outcomes, at July 2016 and 12 months before the end of the agreement in 2020.

### **Variation of the Agreement**

35. The Agreement may be amended at any time by agreement in writing by all the Parties.
36. A Party to the Agreement may terminate their participation in the Agreement at any time by notifying all the other Parties in writing.

### **Delegations**

37. The Commonwealth Minister is authorised to agree and amend Schedules to this Agreement and to certify that performance benchmarks specified under this Agreement have been achieved, so that payments may be made.
38. Respective State and Territory Ministers with portfolio responsibility for water, or their delegates, are authorised to agree and amend Schedules to this Agreement.

### **Dispute resolution**

39. Any Party may give notice to other Parties of a dispute under this Agreement.
40. Officials of relevant Parties will attempt to resolve any dispute in the first instance.
41. If a dispute cannot be resolved by officials, it may be escalated to the relevant Ministers from the jurisdictions concerned, and if necessary, the Murray-Darling Basin Ministerial Council.
42. If a dispute cannot be resolved by the relevant Ministers, it may be referred by a Party to COAG for consideration.



The Parties have confirmed their commitment to this agreement as follows:

**Signed** *for and on behalf of the Commonwealth of Australia by*

---

**The Honourable Tony Abbott MP**

Prime Minister of the Commonwealth of Australia

[Day] [Month] [Year]

**Signed** *for and on behalf of the State of New South Wales by*

**Signed** *for and on behalf of the State of Victoria by*

---

**The Honourable Mike Baird MP**

Premier of the State of New South Wales

[Day] [Month] [Year]

---

**The Honourable Daniel Andrews MP**

Premier of the State of Victoria

[Day] [Month] [Year]

**Signed** *for and on behalf of the State of Queensland by*

**Signed** *for and on behalf of the State of South Australia by*

---

**The Honourable Anastacia Palaszczuk MP**

Premier of the State of Queensland

[Day] [Month] [Year]

---

**The Honourable Jay Weatherill MP**

Premier of the State of South Australia

[Day] [Month] [Year]

**Signed** *for and on behalf of the Australian Capital Territory by*

---

**Andrew Barr MLA**

Chief Minister of the Australian Capital Territory

[Day] [Month] [Year]

# Project Milestones

1. The Parties agree to meet the performance milestones set out in Schedule A - Table A.

## Schedule A - Table A: Performance Milestones

Date Due	Milestones	Proportion of annual payment
<b>2013-14 only</b>		
By 28 February 2014 (or first working day thereafter)	1. For New South Wales, Victoria and South Australia only, the State has provided a brief description of supply measure projects for which feasibility and business cases are being developed for consideration under the SDL adjustment mechanism.	100% of Payment 1 for 2013-14 (Table 1 refers)
<b>2013-14 only</b>		
By 28 February 2014 (or first working day thereafter)	<p>2. The State has supported the Commonwealth in Bridging the Gap, as measured by:</p> <ul style="list-style-type: none"> <li>(a) confirmation that no restrictions were introduced on the trade of water access entitlement, except where consistent with the Basin Plan water trading rules; and</li> <li>(b) confirmation that no action has been taken to impede Commonwealth measures to acquire water for environmental purposes; and</li> <li>(c) confirmation that applications for water entitlement and allocation trades, to which the Commonwealth is a party, were processed consistent with the agreed service standards relating to trade processing times for State approval agencies; and</li> <li>(d) specification of entitlements in regulated surface water systems, consistent with clauses 28 to 32 of the National Water Initiative in the timeframe agreed in the IGA, unless where otherwise agreed; and</li> </ul> <p>3. Following publication of the Constraints Management Strategy by the Authority, confirmation that any actions taken by the state to remove or address constraints are consistent with the measures agreed through the inter-jurisdictional governance procedure for the SDL adjustment mechanism; and</p>	100% of Payment 2 for 2013-14 (Table 1 refers)

Date Due	Milestones	Proportion of annual payment
	<p>4. The State has cooperated in arrangements for Basin Plan environmental watering, as measured by:</p> <ul style="list-style-type: none"> <li>(a) Except as otherwise agreed between the Commonwealth and the relevant State(s) to facilitate improved environmental watering, confirmation that the characteristics of licensed entitlements held for environmental use have not been enhanced or diminished relative to like entitlements held and used for other purposes; and</li> <li>(b) Where feasible and agreed by the relevant Basin State, and where associated third party impacts have been considered, confirmation that measures have been implemented to facilitate the use of environmental water by protecting environmental water in-stream and on land through: <ul style="list-style-type: none"> <li>(i) the delivery of held environmental water in-stream through arrangements such as water shepherding to facilitate environmental flows; and</li> <li>(ii) further use of environmental water at multiple locations along the river, such as through return flow provisions; and</li> </ul> </li> <li>(c) confirmation that the Authority has been provided with annual environmental watering priorities, consistent with the Basin Plan; and</li> <li>(d) confirmation that the management and delivery of planned and held environmental water is consistent with the Basin Plan; including: <ul style="list-style-type: none"> <li>a. the environmental watering plan's <i>Principles to be applied to environmental watering</i>; and</li> <li>b. that a statement of reasons has been provided to the Authority for any environmental watering undertaken that was not in accordance with the Basin annual environmental watering priorities; and</li> </ul> </li> <li>(e) confirmation that environmental watering in regulated catchments has occurred having regard to the views of local communities and persons materially affected by the management of environmental water; and</li> <li>(f) 12 months after the Authority has made the Basin-wide Environmental Watering Strategy, or within another timeframe agreed between the Authority and Basin State, confirmation that long-term environmental watering plans for surface water resource plan areas have been developed consistent with the requirements of the Basin Plan; and</li> </ul> <p>5. For New South Wales, Victoria and South Australia only, the State has provided a brief description of supply measure projects for which feasibility and business cases are being developed for consideration under the SDL adjustment mechanism.</p>	

Date Due	Milestones	Proportion of annual payment
<b>2014-15 to 2019-20</b>		
By 31 August 2014, 2015, 2016, 2017, 2018 and 2019 (or first working day thereafter)	<p>6. The State has supported the Commonwealth in Bridging the Gap, as measured by:</p> <ul style="list-style-type: none"> <li>(a) after the Basin Plan Trade Rules come into effect, confirmation of the removal of volumetric or other barriers to permanent trade out of water irrigation areas that are inconsistent with the Basin Plan water trading rules; and</li> <li>(b) confirmation that no restrictions were introduced on the trade of water access entitlements, except where consistent with the Basin Plan water trading rules; and</li> <li>(c) confirmation that no action has been taken to impede Commonwealth measures to acquire water for environmental purposes, except where consistent with the Basin Plan water trading rules; and</li> <li>(d) confirmation that applications for water entitlement and allocation trades, to which the Commonwealth is a party, were processed consistent with the agreed service standards relating to trade processing times for State approval agencies; and</li> <li>(e) specification of entitlements in regulated surface water systems, consistent with clauses 28 to 32 of the National Water Initiative in the timeframe agreed in the IGA, unless where otherwise agreed; and</li> </ul> <p>7. Following publication of the Constraints Management Strategy by the Authority, confirmation that any actions taken by the state to remove or address constraints are consistent with the measures agreed through the inter-jurisdictional governance procedure for the SDL adjustment mechanism.</p>	<b>100%</b>

Date Due	Milestones	Proportion of annual payment
	<p>8. The State has cooperated in arrangements for Basin Plan environmental watering, as measured by:</p> <ul style="list-style-type: none"> <li>(a) Except as otherwise agreed between the Commonwealth and the relevant State(s) to facilitate improved environmental watering, confirmation that the characteristics of licensed entitlements held for environmental use have not been enhanced or diminished relative to like entitlements held and used for other purposes</li> <li>(b) Where feasible and agreed by the relevant Basin State, and where associated third party impacts have been considered, confirmation that measures have been implemented to facilitate the use of environmental water by protecting environmental water in-stream and on land through: <ul style="list-style-type: none"> <li>(i) the delivery of held environmental water in-stream through arrangements such as water shepherding to facilitate environmental flows; and</li> <li>(ii) further use of environmental water at multiple locations along the river, such as through return flow provisions; and</li> </ul> </li> <li>(c) confirmation that the Authority has been provided with annual environmental watering priorities, consistent with the Basin Plan; and</li> <li>(d) confirmation that the management and delivery of planned and held environmental water is consistent with the Basin Plan; including: <ul style="list-style-type: none"> <li>a. the environmental watering plan's <i>Principles to be applied to environmental watering</i>; and</li> <li>b. that a statement of reasons has been provided to the Authority for any environmental watering undertaken that was not in accordance with the Basin annual environmental watering priorities; and</li> </ul> </li> <li>(e) confirmation that environmental watering in regulated catchments has occurred having regard to the views of local communities and persons materially affected by the management of environmental water; and</li> <li>(f) 12 months after the Authority has made the Basin-wide Environmental Watering Strategy, or within another timeframe agreed between the Authority and Basin State, confirmation that long-term environmental watering plans for surface water resource plan areas have been developed consistent with the requirements of the Basin Plan.</li> </ul> <p>9. For New South Wales, Victoria and South Australia only, and for 2014 -15 and 2015-16 only, the State has provided a brief description of supply measure projects for which feasibility and business cases are being developed for consideration under the SDL adjustment mechanism.</p>	

