



Murray–Darling Basin Plan: Implementation review 2023

Inquiry report
Overview



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ISSN 1447-1337 (online)

ISSN 1447-1329 (print)

ISBN 978-1-74037-777-5 (online)

ISBN 978-1-74037-776-8 (print)

An appropriate reference for this publication is:

Productivity Commission 2023, *Murray–Darling Basin Plan: Implementation review 2023*, Inquiry report no. 103, Canberra

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19 December 2023

The Hon Dr Jim Chalmers MP
Treasurer
Parliament House
CANBERRA ACT 2600

Dear Treasurer

In accordance with section 11 of the *Productivity Commission Act 1998*, we have pleasure in submitting to you the Commission's inquiry report, *Murray-Darling Basin Plan: Implementation review 2023*.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Joanne Chong'.

Joanne Chong
Commissioner

A handwritten signature in black ink, appearing to read 'C. Guest'.

Christ Guest
Associate Commissioner

Disclosure of interests

The Productivity Commission Act 1998 specifies that where Commissioners have or acquire interests, pecuniary or otherwise, that could conflict with the proper performance of their functions they must disclose those interests.

- Commissioner Joanne Chong holds an honorary position at the University of Technology Sydney.

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Acknowledgments

The Commissioners would like to express their appreciation to the staff who worked on the review – Clare Sibly and Rosalie McLachlan, who led the review, Bronwyn Fisher, Catherine McCombe, Dominic Merrifield, George Steel, Jared Boorer, John Foster, Julian Parise, Krista Clift, Matthew Hyde, Michael Robinson, Michael Youren, Phil Heaphy, Sally Harvey, Sebastian Broadhurst, Simon Rohan-Jones and Uttam Khanal. Our thanks are also extended to Pragya Giri who provided administrative and project support.

The Commission would like to thank the members of the community and the organisations and government agencies who provided information for this Inquiry. We would particularly like to thank First Nations people and organisations who generously shared their stories and insights with the Commission.

Overview

Key points

- ✳ **The Murray–Darling Basin Plan (the Basin Plan) is a significant reform that aims to deliver a healthy, working Basin to benefit the environment, Basin communities, and current and future generations. Under the Plan, Basin governments agreed to recover 2,750 GL/y of water for the environment (~20% reduction in water for consumptive use) and an additional 450 GL/y.**
- ✳ **Some progress has been made implementing the Basin Plan since 2018.**
 - Water resource plans – which set out how much water can be taken from the system and how it is managed – are now all in place in Victoria, Queensland, South Australia and the ACT.
 - Environmental water management frameworks are also in operation, and water recovered for the environment – and partnerships to deliver this water – have improved river flows, connectivity, and ecosystem and biodiversity outcomes.
- ✳ **But the Basin Plan will not be fully implemented within the original timeframe or budget.**
 - Key supply measures (infrastructure works and rule changes that offset water recovery) will not be delivered and projects to ease constraints on river operations are progressing slowly: less than half of the 605 GL/y supply measure offset has been achieved.
 - The program to recover an additional 450 GL/y of water via efficiency measures remains well short of its target (only 26 GL/y has been recovered). And 10 of 20 water resource plans in New South Wales, due in 2019, are still not in place.
- ✳ **Recent amendments to the Basin Plan and Water Act provide necessary timeframe extensions and allow for new supply measures and voluntary water purchases. Stronger reporting requirements are also included, as well as a greater emphasis on climate change and First Nations water interests. These are positive developments, but risks to full Basin Plan implementation remain.**
- ✳ **The Australian Government – in partnership with Basin states – must ensure extended timeframes are used effectively to realise the objectives and outcomes of the Plan. A number of actions are needed:**
 - Constraints-easing measures are critical to achieving environmental outcomes from recovered water; they are complex projects and should be progressed separately to the remaining supply measures.
 - A significant water recovery task lies ahead. The Australian Government should – without delay – plan and implement a renewed water recovery approach, including voluntary water purchases. Purchases should be undertaken gradually, to avoid driving water market disruption and community adjustment pressures.
 - Future water recovery should occur alongside a commitment from Basin governments to assist communities, where warranted, to transition to a future with less available water. Adjustment assistance should build on the evidence about what programs work and the regional economic context.
 - Outstanding water resource plans in New South Wales pose a significant risk to Basin Plan implementation and must be developed and accredited as a matter of urgency.
- ✳ **Recognising First Nations values and delivering on First Nations interests requires Basin governments to improve how they partner and share decision-making with First Nations people.**
 - Building on recent reforms, Basin governments should publicly report on how water resource plans deliver on First Nations objectives and outcomes and strengthen the capacity of First Nations people to engage in Basin Plan activities.

About the Murray–Darling Basin Plan and our task

What is the Murray–Darling Basin Plan?

The Murray–Darling Basin Plan (the Basin Plan) was put in place in 2012 to deliver a healthy working Murray–Darling Basin – the largest river system in Australia. Established under the *Water Act 2007* (Cth), the Basin Plan was developed in response to increasing concerns about the overallocation of water in the Basin (it was put in place during the worst drought recorded, when inflows into the Murray River were at record lows) and a recognised need for a whole-of-Basin approach to manage the Basin's water.

The Basin Plan sets the balance for water management – sharing available water between the environment, towns, irrigated agriculture and other industries, so the Basin's rivers and groundwater can be sustainably managed. To do this, it sets out how much water can be taken from the Basin each year. This volume, or limit, known as the Sustainable Diversion Limit (SDL) is designed to leave enough water for the rivers, lakes and wetlands in the Basin to improve environmental health. There is an SDL for the Basin as a whole, made up of SDLs for individual valleys and shared targets for connected systems.

The SDLs are implemented through water resource plans developed by Basin states. Water resource plans set out how much water can be taken annually from each catchment, how much water is made available for the environment, requirements for surface and groundwater connectivity, and how water quality standards and critical human water needs will be met.

Meeting the SDLs requires the Australian Government to recover water entitlements from existing water users and provide these to the environment. This water recovery process is known as 'Bridging the Gap' (bridging the difference between the Baseline Diversion Limits and the SDLs) and can include voluntary water purchases and water-use efficiency programs. In 2012, the Basin states (Victoria, New South Wales, South Australia, Queensland and the ACT) and the Australian Government agreed that 2,750 GL/y of surface water rights from across the Basin (about 20% less than the Baseline Diversion Limits) would be recovered for the environment by 30 June 2024.¹

To provide flexibility, the Basin Plan has an adjustment mechanism – the Sustainable Diversion Limit Adjustment Mechanism (SDLAM) – which can be used to change SDLs in the southern Basin. SDLAM incorporates 'supply' and 'constraints-easing' projects and 'efficiency measures'. Supply and constraints-easing measures allow water recovery targets to be offset, and efficiency measures represent additional water recovery.

Basin states put forward a package of supply measures, which the Murray–Darling Basin Authority (MDBA) modelled in 2017 and determined could achieve equivalent or improved environmental outcomes with 605 GL/y less water. Amendments to the Basin Plan SDLs to reflect this – as well as a 70 GL/y reduction in the northern Basin water recovery target² – were made in 2018, resulting in a new target of 2,075 GL/y (figure 1). These amendments effectively changed the 'Bridging the Gap' target to 2,680 GL/y – made up of a 2,075 GL/y water recovery target and the 605 GL/y offset expected via SDLAM.

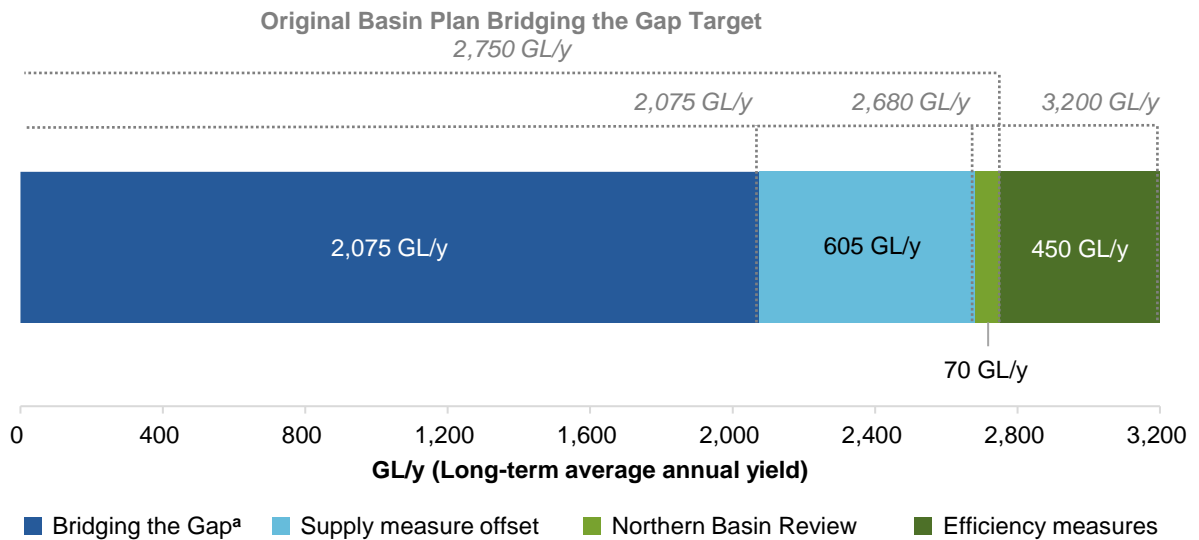
The Basin Plan also allows for the recovery of 450 GL/y of water rights via efficiency measures for 'enhanced environmental outcomes'. This is in addition to the 2,680 GL/y (figure 1).

¹ In long-term average annual yield terms (LTAAY).

² The reduction in the northern Basin water recovery was on the condition that the Australian, Queensland, and New South Wales governments commit to implementing the northern Basin toolkit measures to ensure effective management of environmental water in the northern Basin.

Bridging the Gap water recovery, the SDL adjustment mechanism and the northern Basin toolkit measures are all essential to ‘resetting the balance’ of water uses in the Basin.

Figure 1 – Basin-wide surface water recovery and SDLAM targets



a. Bridging the Gap relies on 2,075 GL/y of surface water recovery and the supply measure offset.

The Australian Government is responsible for resetting the balance and administers water recovery programs to both bridge the gap and deliver the additional 450 GL/y. The MDBA is responsible for implementing the Basin Plan and monitoring and evaluating the outcomes.

Basin states are responsible for delivering the supply, constraints-easing, and northern Basin toolkit measures. Supply and constraints measures are primarily funded by the Australian Government and overseen by a subcommittee of the Basin Officials Committee (BOC). BOC is the peak body of Basin government officials, with the chair a senior government official appointed by the Australian Government.

Under the Basin Plan, water recovery under Bridging the Gap and the water resource plans were to be completed by July 2019. All supply, constraints-easing and efficiency measures were to be in place by 1 July 2024.

The Australian Government committed \$5.95 billion to recover 2,750 GL/y under ‘Bridging the Gap’, \$1.21 billion for supply measures, and \$1.775 billion for efficiency measures and constraints-easing projects through the Water for the Environment Special Account (WESA). Just over \$2 billion committed to this part of the Basin Plan implementation remains unspent (table 1).

The Basin Plan operates alongside the Murray–Darling Basin Agreement – a water management and sharing agreement between Basin governments with roots back to 1914 – and state-based water management arrangements.

Table 1 – Funding for resetting the balance as of 31 May 2023^a

	Committed (\$m, nominal)	Spent (incl. contracted) (\$m, nominal)	Remaining (\$m, nominal)
Bridging the Gap – Purchase	2,832	2,832	-
Bridging the Gap – Infrastructure	3,120	2,978	142
Supply measures (605 GL/y offset)	1,212	485	727
Efficiency measures (450 GL/y)	1,575	384	1,191
Constraints-easing	200	128	72
Northern Basin toolkit	180	144	36
Total	9,119	6,951	2,168

a. Data covers the period 2007 to 2023.

What we were asked to do and our approach

Under the Water Act, the Commission is required to undertake five-yearly assessments of the effectiveness of the implementation of the Basin Plan and water resource plans. This is the Commission's second such assessment (the first assessment was undertaken in 2018).

Our terms of reference asked us to look at whether the Basin Plan was on track to be implemented on time, and where it was not, to advise on what needed to change. We approached the task by looking at:

- how the actions of governments were tracking against the timeframes set out in the Basin Plan
- whether the arrangements in place would deliver the objectives of the Basin Plan and enable its impacts and outcomes to be evaluated
- whether actions to implement the Basin Plan were effective and efficient
- whether changes were needed to ensure effective and efficient implementation of the Basin Plan going forward
- whether the governance arrangements were adequate.

We also considered how the Basin Plan could better adapt to a changing climate, better recognise the values of First Nations people and incorporate the best available science.

We did not revisit questions that fundamentally underpin the Plan, such as whether it was necessary to recover water for the environment, or questions that other agencies have been tasked and resourced to answer (such as how much water can sustainably be taken from the Basin).

We engaged widely on the Basin Plan, including with Australian Government agencies, state and territory basin governments, Murray–Darling Basin communities, and First Nations people, communities and organisations.

We held seventeen public forums across the Murray–Darling Basin (figure 2). Around 330 people attended the forums. We also held a First Nations roundtable.

Figure 2– The Commission held 17 public forums across the Murray–Darling Basin June to August 2023



Some context

There is a lot of other monitoring and reporting on the Basin Plan. The MDBA reports on Basin Plan implementation progress in Basin Plan Report Cards and every five years undertakes a Basin Plan Evaluation (looking at what’s working, what’s not and where improvement is needed). The last Basin Plan Evaluation was undertaken in 2020.

There will also be a full review of the Basin Plan in 2026 and a review of the Water Act in 2027.

Many people in Basin communities are frustrated and fatigued by the recurrent reviews and consultation processes and slow progress on implementation. Communities are also concerned about the lack of coordination between the implementation of the Basin Plan and the operation of other Australian and state government mechanisms that affect its success. And while the Basin Plan includes mechanisms for First Nations people to provide input into the development and implementation of water management arrangements, we heard many concerns about how governments work, engage and partner with First Nations people on Basin Plan matters.

Recent reforms – a new agreement and the Restoring Our Rivers Act

This inquiry was conducted during a period of significant reform to the Water Act and Basin Plan. Notably, a new agreement was made between the Australian Government and most Basin states (not Victoria) and, shortly before this report was finalised, the *Water Amendment (Restoring Our Rivers) Act 2023* (Cth) was enacted.

The Restoring Our Rivers Act includes reforms to:

- extend the deadlines for meeting Basin Plan water recovery targets
- increase the range of measures that can be used to meet the 450 GL/y target and repeal the 1500 GL water purchase cap
- require the Australian Government Minister for Water to regularly publish water recovery progress reports
- allow the Australian Government Minister for Water to withdraw supply projects
- ensure climate change is considered in the 2026 review of the Basin Plan
- better recognise the cultural knowledge and practices of First Nations people and ensure Basin water management takes into account matters relevant to First Nations people, and
- improve the transparency and integrity of water markets.

Some of the recommendations made in the Commission's interim report, and others we were considering, are no longer necessary, with the finalisation of the Restoring Our Rivers Act.

This report discusses important questions about implementation that remain relevant and will need to be addressed if the Basin Plan is to be delivered before the new deadlines.

A lot achieved, but there are still risks that key elements will not be delivered

There is some good news

While the Basin Plan, when first put in place, was heavily contested, it is now considered by many to be part of the landscape and central to securing a healthy and sustainable river system. For the most part, the conversation is no longer about whether or not there should be a Basin Plan, but rather whether there are better ways to deliver the Plan. In a recent address to the National Rural Press Club, the Chief Executive of the MDBA observed that:

... everyone shares a passion for the health of our rivers and importantly, no-one I have come across wants to do away with the Plan. Hand on heart, literally no-one has said ... 'throw it out'.

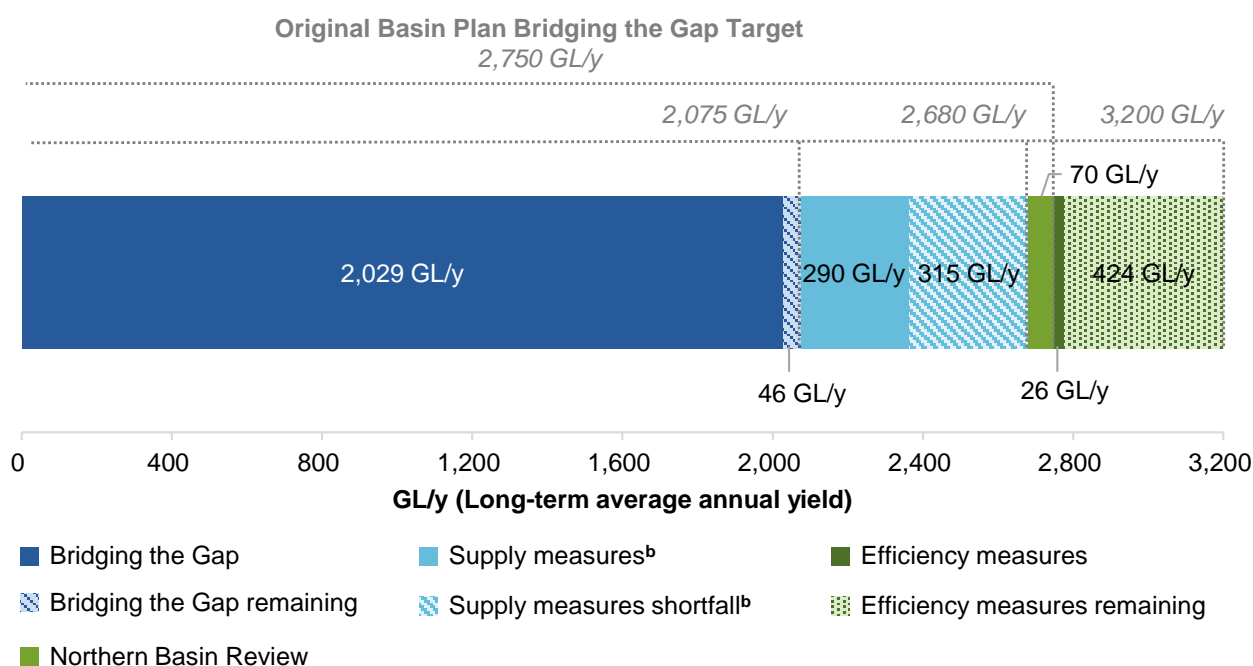
And many commented on what the Basin Plan has achieved to date. The National Irrigators' Council, for example, said:

The Plan has been a vital tool in balancing the needs of our communities, our environment and our productive sector. It hasn't always got it right, but it has achieved a great deal since its inception. Ensuring balance is needed so we can keep our rivers and communities healthy and thriving.

The 2,075 GL/y component of the 'Bridging the Gap' target is almost met

Most of the surface water needed to meet the 2,075 GL/y target has been recovered (figure 3) – just 46 GL/y (about 2%) remains outstanding. However, more than half the surface water was recovered before the Basin Plan was finalised in 2012.

Figure 3 – Surface water recovery and SDLAM progress, June 2023^a



a. The figure does not include nominal over-recovery; the full volume recovered under ‘Bridging the Gap’ volume is reported at 2,107 GL/y. Shaded cells indicate target not yet achieved. Includes water under contract to be delivered.
 b. MDBA estimate of maximum supply measure shortfall.

For groundwater, 92% of water to meet the ‘Bridging the Gap’ target has been recovered. A further 3.2 GL/y of groundwater is yet to be recovered.

An open market tender to recover most of the outstanding balance of the 2,075 GL/y water recovery target received about 250 responses across the Basin (and for more than double the amount of water the tender called for). Offers have been accepted in the Condamine–Balonne in Queensland, and in the Barwon–Darling, NSW Border Rivers, Namoi, Lachlan and NSW Murray catchments in NSW.

Some, albeit limited, progress has also been made on other elements of resetting the balance since our review in 2018 (figure 3).

- There are five more supply measures operational (representing approximately 60–90 GL/y of water recovery offset). The 14 operational supply measures are estimated to be delivering about half (290 GL/y) of the 605 GL/y offset.
- On the 450 GL/y efficiency measures target, 12.2 GL/y was registered to the Commonwealth Environmental Water Holder (CEWH) at the end of June 2023 and another 13.8 GL/y was under contract.
- On the northern Basin toolkit measures, four environmental works projects have been approved for an ‘accelerated gateway model’. Three of these projects are currently completing onsite field surveys. Seven other projects are completing preliminary investigations and public consultation.

Significant progress made on environmental water management frameworks ...

Significant progress has been made implementing the Environmental Watering Plan, which as the main instrument for achieving the best possible outcomes from the water available for the environment, is central to the Basin Plan.

The key components of the Environmental Management Framework, including the Basin-Wide Environmental Watering Strategy, Long Term Environmental Watering Plans and annual environmental watering priorities, are now all in place. Pre-requisite policy measures are implemented and a Northern Basin Environmental Watering Group (to coordinate the planning and delivery of water for the environment in the northern Basin) has been established.

The CEWH is well regarded in Basin communities. The CEWH has successfully engaged with local communities and built partnerships with irrigation infrastructure operators, including through its Local Engagement Officers. These partnerships and collaborations have been instrumental to the CEWH's credibility and its success in facilitating the delivery of environmental outcomes. The Renmark Irrigation Trust, for example, spoke about a win/win arrangement.

The Trust's partnership with the Commonwealth Environmental Water Holder, which aimed to bring Trust and Renmark Paringa Council owned floodplain land back to health, has ... been a win/win arrangement; good for the riverine ecosystem, good for our business and local economy and good for our community. (sub. 24, p. 2)

... and benefits from water for the environment are evident

Providing and managing water for the environment is resulting in environmental benefits to the Basin, particularly at the local level. Environmental water has improved native vegetation and wetland conditions, the protection of rare and threatened biodiversity and the migration and breeding of native fish, frogs and waterbirds. Improved river flows and connectivity have helped water quality and environmental water holdings have been used to sustain targeted nurseries and ecosystems during dry periods, so that they can recover. And there are differences in outcomes between sites that are prioritised for environmental water and those that are not. The ACT Government provided the example of Blackfish.

In 2019, environmental flows between Bendora and Cotter Dams supported a large breeding event of the Blackfish that is highly significant following the population decline that resulted from the 2020 bushfires. Blackfish populations above Corin Dam, without environmental flows, have not recovered from the bushfires and remain at risk. (sub. 85, response to information request, p. 5)

The MDBA described environmental water planning and management as 'a clear success and arrangements are world leading', noting that the Basin Plan 'has made a major contribution and water for the environment is now a secure and enduring element of river management' (sub. 61, p. 17). Many participants commented on the benefits of water for the environment (box 1) and spoke about changing attitudes towards environmental watering since the Basin Plan commenced.

Box 1 – The benefits of water for the environment: what participants said

Commonwealth Environmental Water Holder

In extremely dry years (2017–20), Commonwealth environmental water played a pivotal role in breaking cease-to-flow events, maintaining flows to enable fish breeding and waterhole replenishment, as well as supporting core riparian and wetland habitat to promote a quick recovery of ecosystems once conditions improved. (sub. 69, p. 11)

The National Irrigators' Council

Over 2100 gigalitres has been transferred to the Commonwealth Environmental Water holder (CEWH) and is being put to use. Over the last couple of years, the CEWH has delivered bird and fish breeding events throughout the Basin and that should be celebrated. ... The CEWH needs to do more to celebrate and communicate its wins, so the public gets a real and true picture of progress. (sub. 62, p. 21)

The Victorian Government noted that at Barmah Forest, a Ramsar-listed wetland, water for the environment has 'improved overall health, protecting, and improving habitat and conditions for fish, waterbirds, frog and turtle species'. The site now supports 30% of the national population of the endangered Australasian Bittern, while turtle populations are recovering and are now considered 'stable'. At the Ramsar-listed Hattah Lakes, environmental watering combined with natural floods has resulted in a huge increase in waterbird breeding (sub. 74, p. 4).

Water resource plans are in place in all Basin states, except New South Wales

Water resource plans are now all accredited and in operation in Victoria, Queensland, South Australia and the ACT.

While there were delays in making and assessing water resource plans across the Basin, in New South Wales things remain well behind schedule – just ten of its 20 water resource plans are accredited.

The absence of accredited water resource plans in New South Wales is a significant risk to the implementation of the Basin Plan – achieving the environmental and water quality outcomes of the Basin Plan relies on compliance with the SDLs and connectivity requirements, which are both set out in water resource plans. It is also not possible for the Inspector-General for Water Compliance (IGWC) to assess New South Wales compliance with the long-term annual SDLs without accredited water resource plans. This extends to Basin Plan requirements around water quality and critical human needs. At the River Reflections Conference in 2022, the IGWC commented that:

While NSW WRPs remain outstanding, full compliance with the Basin Plan cannot be achieved. ... I can't enforce the rules in the plans that don't yet exist. ... The single most important compliance matter in the Basin Plan is SDL compliance. ... NSW's level of accountability under the Basin Plan is not equal to that of other Basin states and the territory, each of who have accredited WRPs. (cited in sub. 75, p. 17)

But despite the importance of having all accredited water resource plans in place for delivering the Basin Plan, there are no significant consequences for New South Wales being so late with their water resource plans. There are step-in provisions which allow the Australian Government Minister for Water to request the MDBA to develop water resource plans, but they have not been used.

And improvements have been made to governance and reporting arrangements

Since 2018, there have been some improvements to Basin Plan governance and reporting arrangements.

The IGWC was established in 2021 to provide oversight, monitoring, compliance and enforcement of the Basin Plan and parts of the Water Act.³ The establishment of the IGWC is generally considered to be an important positive change that has improved the effectiveness and accountability of compliance activities. The National Irrigators' Council, for example, said 'the tough cop on the beat helps build confidence in the system and its participants' (sub. 62, p. 19).

The BOC adopted a new committee structure and transparency has increased. Basin governments have also improved how they engage, including by establishing more direct, local relationships. The MDBA, for example, undertook 'listening tours' and in 2021 achieved its 2019 goal of having one-third of staff regionally based. However, notwithstanding efforts to improve engagement practices, concerns about the quality and value of Basin Plan engagement processes remain (sections 4 and 5).

Basin state agencies have also put in place several online water information portals since 2018. The Bureau of Meteorology now provides near real-time water information by combining information from various state water agencies, dam operators, the MDBA and the CEWH. In 2020, the NSW Government also launched an online portal, WaterInsights, which has daily river reports, meteorology information and various graphs and maps designed to inform decisions around commercial water usage.

The usability and accessibility of some existing information sources have also improved.

But resetting the balance remains far from complete

Even with more time, the 605 GL/y supply measure offset is unlikely to be achieved

Despite Basin governments having had six years to implement supply and constraints-easing measures since proposing them in 2017, less than half of the 605 GL/y offset has been achieved (table 2). The MDBA estimated that, if reconciliation had taken place in June 2024 as originally planned, there would have been a shortfall of 190–315 GL/y, with the outcome likely to have been at the high end of this range. Seventeen of the 36 supply and constraints-easing measures⁴ were not expected to be in operation by June 2024 (table 2).

³ The IGWC was established in response to the Commission's 2018 recommendation to establish a Basin Plan Regulator (with the transfer of MDBA's regulatory functions).

⁴ The notified Menindee Lakes project incorporates the lower Darling constraints-easing project; it is counted in both figures.

Table 2 – Status of southern Basin supply and constraints projects
Progress as at July 2023

Project status	Total	Operational	Likely to be operable by June 2024	Unlikely to be operable by June 2024	Will not be operable by June 2024
Supply projects (excl. constraints)					
NSW	7	1	3	2	1
VIC	9			5	4
SA	4	4			
Shared	11	9	2		
Total	31	14	5	7	5
Indicative expected offset (GL/y)	523	278.1	73.7	40.6	130.6
Southern Basin constraints-easing projects					
NSW	3				3
VIC	1				1
SA	1		1		
Shared	1				1
Total	6		1		5
Indicative expected offset (GL/y)	82.4		20.6		61.8
Project total	37	14	6	7	10
Total indicative expected offset (GL/y)	605.4	278.1	94.3	40.6	192.4

The timeframe extensions under the Restoring Our Rivers Act mean reconciliation will occur at the end of 2026. While more time to deliver existing (and possibly new) supply projects is necessary, the 605 GL/y offset is still unlikely to be achieved in full. There are a number of reasons for this.

- Some key supply projects are not viable, including the Menindee Lakes project, which was initially estimated to contribute an offset of about 100 GL/y.
- Implementation costs are higher than when supply projects were first approved, and some supply projects may no longer represent value for money.
- Most projects to ease constraints are still at least 5–10 years from delivering outcomes.
- The likelihood that new supply projects will be proposed that represent value-for-money, will make a meaningful contribution to the offset, and be implemented by the end of 2026, is low.
- Accountability for implementing projects is weak – there are no real consequences for Basin states not delivering on supply projects.
- If the Victorian Government does not become a party to the new Basin Plan agreement, any additional offsets from Victorian-led projects (once current funding agreements expire) will be negligible.

Remaining funding for supply and constraints-easing will not be enough

A 2021 review of the WESA found that the estimated cost of the constraints and supply measures programs (largely drawing on the original 2016-17 business cases) was around \$145 million higher than the available funding. The actual costs of completing some projects are expected to be even higher than the business cases anticipated.

Earlier warnings about the significant risks did not result in change

The Commission's 2018 assessment of Basin Plan implementation highlighted the need for changes to avoid the significant risk that supply and constraints-easing measures would not be implemented as proposed. We recommended an independent advisory panel on supply projects to assess net benefits and the credibility of timeframes and milestones, and to recommend which projects should – and should not – be funded to proceed to implementation. We were also explicit about the requirement to 'make good' if a project failed – that is, that water would need to be recovered to make up any shortfall.

While the recommendation was agreed to in part, no independent panel was established, and there have been no apparent changes to funding approval processes by the Department of Climate Change, Energy, Environment and Water. And critically, no supply projects have been formally amended or withdrawn by the BOC, despite evidence that some projects are no longer viable.

Basin governments' policies put in place over the last few years have also contributed to delayed water recovery projects. The Australian Government progressively reduced the scope of water recovery options (including ceasing open-market water purchases and legislating a limit of 1,500 GL/y on water purchases towards Bridging the Gap). It also gave priority to slower, riskier and more expensive forms of water recovery. Such policy decisions reduced the incentive for Basin state governments to make progress on projects by undermining the credibility of any threat of additional water recovery.

A large water recovery task ahead – what should be done?

Constraints-easing measures should be separated from the supply measure package

Basin rivers are subject to a range of constraints that limit the flow rates that river operators can provide downstream. These constraints may be physical (such as flood-prone infrastructure) or operational (river management rules designed to minimise flooding of private land).

There are potentially significant environmental and operational benefits from easing or removing constraints. Getting the most value out of environmental water relies on flow rates that allow rivers to connect to floodplains – easing constraints can enhance this connectivity by changing river operating rules. However, extensive negotiations with affected landholders are required, and these challenges were originally underestimated. Constraints projects will not be finalised by the end of 2026.

Including constraints as supply measures has restricted the ability of Basin governments to adjust these projects in response to community concerns over the proposed flow rates. These projects should be withdrawn from the supply package and pursued under a standalone program. With most constraints-easing projects needing at least another 5–10 years to implement, the program requires a dedicated, collaborative focus from Basin governments to set it up for success.

Subject to making meaningful progress on existing projects, the Australian Government should assess the costs and benefits of further constraints easing and consider allocating additional funding for constraints easing.

More transparency and accountability for supply measures is required

The limited progress made on the 2,680 GL/y target since 2018 means there is still a lot of work to do to complete 'Bridging the Gap'. The feasibility, cost-effectiveness and implementation progress of supply projects needs to be made much more transparent if meaningful progress is to be made before reconciliation.

Supply project funding should be contingent on compelling business cases

The deadline for supply and constraints-easing projects has been extended to the end of 2026 and new supply measures can now be proposed. The Australian Government remains responsible for deciding whether it will fund supply projects, but there is little transparency and accountability about how these decisions are made. Before making these decisions, the Australian Government should rigorously assess:

- whether individual supply projects are likely to succeed – funding agreements should only be extended for projects that can realistically be delivered by 31 December 2026
- the cost-effectiveness of supply projects relative to other forms of water recovery.

Unviable projects should be withdrawn

If necessary, the Australian Government should also exercise its new power to withdraw supply projects from the package. However, any decision to withdraw a supply project should only be made after consulting with the BOC (and in the first instance, there should be an opportunity for project proponents to adjust or re-scope the project). The reasons for deciding to withdraw a project should be made public.

Progress reports should be comprehensive

The Australian Government Minister for Water is now required to table in Parliament annual reports about water recovery – with the first report due June 2024. These reports should cover all available information on project prospects, including:

- the status of projects
- funding arrangements, including the amounts spent to date
- the reasons for deciding to continue, amend or withdraw project funding, including evidence on the cost-effectiveness of projects relative to other forms of water recovery
- the expected shortfall against the 605 GL/y water recovery offset (if any) and planned actions to make good.

A renewed approach to water recovery is needed

Water purchases are necessary but must be carefully designed and staged

A substantial water recovery task lies ahead to deliver the 450 GL/y target by 2027. Even with more time for supply projects, it is unlikely the 605 GL/y supply measure offset will be met from these projects alone. At least some water will need to be purchased to meet the targets and the Australian Government should not wait until reconciliation to do so. Waiting will further delay Basin Plan implementation, risk increasing costs to taxpayers and prolong uncertainty for Basin communities.

Many inquiry participants argued for an immediate return to open tender water purchases as a way to recover water that delivers environmental outcomes more reliably and cost-effectively than offset options. Lifeblood Alliance, for example, said:

Open tender, voluntary water purchases must be resumed as a key cost-effective and transparent mechanism for meeting water recovery targets across the Basin. Reliance on infrastructure projects, both on and off farm, to recover water must be reduced, as these projects are high cost and low return in terms of environmental outcomes. (sub. 55, p. 2)

However, many others raised concerns about the socioeconomic impacts of previous water purchases and opposed further purchases. The Murray River Group of Councils, for example, said ‘buybacks damage communities’ (sub. 22, p. 11).

All options, including staged, voluntary water purchases, will need to be on the table for the Australian Government to reset the balance in a cost-effective way. As earlier water recovery programs showed, purchasing water is the most cost-effective way for governments to obtain water for the environment – the average cost⁵ of water recovery via purchases is currently \$2,808/ML, compared to \$8,126/ML for water recovery via gap-bridging irrigation infrastructure (or almost three times more expensive per ML).

However, undertaking a large program of water recovery in a tight water market and short timeframe risks sharply raising prices and causing significant angst and adjustment pressure for Basin communities. Over the last three years, average annual entitlement trade in the southern Murray–Darling Basin has been between 90–100 GL/y. Purchasing the 424 GL/y needed to complete the 450 GL/y target by 2027 would significantly increase volumes of entitlement trade in the Basin.

The Australian Government should develop, without delay, a renewed water recovery program to manage these risks. Careful design and engagement with communities is required, including to manage risks to irrigation network viability.

The Commission sought views on the merits of establishing a corporate Commonwealth entity as an alternative delivery model for water recovery. While an entity operating at arms-length from governments could offer several advantages over current institutional arrangements, it would take a number of years to establish and realise the benefits. Given the Australian Government expects the Basin Plan to be fully implemented by the end of 2027, a new water recovery entity is not currently warranted. If it becomes apparent that the extended water recovery timelines will not be met, the case for establishing such an entity could be reconsidered.

Adjustment assistance will be warranted in some cases

While structural adjustment in Basin communities has mainly been driven by broader economic and industry trends, water purchases have placed pressure on some communities. Smaller and more remote irrigation-dependent communities have been affected by water purchases more than others (box 2).

A considered approach to design and staged implementation is vital. Nevertheless, some Basin communities may be adversely impacted by voluntary water purchases. Future water recovery should take place alongside a commitment from Basin governments to assist communities, where necessary and warranted, to transition to a future with less available water. Designing and implementing effective adjustment programs is

⁵ Costs per ML/y of water recovery, in 2022 dollars. Commission estimates based on Wheeler et al (sub 104, p. 2). Cost estimates do not include the cost of any transitional assistance.

difficult. Any future Basin adjustment program should include a robust evaluation framework and be based on the lessons learnt from past programs, and the regional economic context.

The renewed water recovery program should be coupled with a monitoring program to assess the broader community impacts of water recovery in the Basin and help target and design effective structural adjustment assistance. Involving affected community members and a range of other stakeholders through a shared, formal process in monitoring and assessing the socioeconomic impacts of water purchases, and the design of adjustment assistance programs, may be an effective way of giving this work credibility and legitimacy it would not otherwise have.

Box 2 – Socioeconomic impacts of water purchases on Basin communities

Water purchased by the Australian Government to meet commitments under the Basin Plan has had negative socio-economic impacts on some Basin communities. However, at a Basin-wide level, some aspects of economic performance have improved since the Basin Plan was put in place – for example, the gross value of irrigated agricultural production in the Basin increased by about 12% between 2013 and 2018, despite the volume of water used in irrigation declining by more than 16% over the same period.

People who sold water entitlements were compensated at market prices, with proceeds often funding on-farm capital works, or market exits. Larger and more diverse regional centres in the Basin have largely adjusted to less water. However, there have been negative socio-economic flow-on effects in some small irrigation-dependent communities, particularly following major irrigators selling large parcels of entitlements. Some Basin communities saw agricultural employment fall rapidly, without offsetting growth in other employment areas (the negative effects have been only slightly tempered by improvements to tourism resulting from improved ecological outcomes).

The size and speed of water purchases also appears to influence whether communities adapt relatively quickly (through other economic development and diversification) or experience more severe and lasting economic disruption.

Delivering the 450 GL/y target by 2027 will cost more than currently budgeted

The additional 450 GL/y cannot be delivered within the existing budget under the WESA.

Recent amendments to the Water Act and Basin Plan allow water purchases to contribute to the target. This is a positive step; it will improve the prospects of making progress toward the target and reduce the budgetary cost of recovering the 450 GL/y (compared to relying on ‘efficiency measures’).

However, with the price of water entitlements rising significantly in recent years, the cost of meeting the target will be substantial. The Australian Government has also said it will provide ‘significant transitional assistance’ where voluntary water purchases have flow-on impacts on Basin communities. Given this, getting to 450 GL/y by 2027 is expected to require significant additional funding. The Australian Government has committed some additional funding, but the amount is not public.

The Commission previously raised concerns about the assumptions underpinning the 450 GL/y water recovery target, including the lack of any review point to assess the feasibility of the ‘enhanced environmental outcomes’ in schedule 5 of the Basin Plan and the value for money of the overall program.

Some of the environmental benefits of this additional water are also contingent on the delivery of constraints-easing projects – which are still 5–10 years from delivery.

Given these factors, and the potentially significant costs of purchasing large volumes of water quickly (discussed above), meeting the 450 GL/y target by the end of 2027 may not be feasible.

The 2026 Basin Plan review will consider the environmentally sustainable level of take, along with surface water and groundwater SDLs. This review is also an opportunity to assess how best to deliver the enhanced environmental outcomes that the 450 GL/y target is designed to meet.

Recognising the values of First Nations people

There are more than 100,000 First Nations people from more than 40 Nations living in the Murray–Darling Basin. First Nations people have deep connections to their land, waters and waterways and tens of thousands of years of knowledge about caring for water and river country.

However, since colonisation, First Nations people have been dispossessed of their lands and waters. This has fundamentally limited the opportunities for First Nations people to determine when, where and how they use water. First Nations people have also been excluded from the institutions that govern water resources. As the Victorian Government's *Water is Life – Traditional Owner Access to Water Roadmap* put it, 'Australia's First Nations peoples have been treated as bystanders in the management, allocation, and ownership of water and water landscapes'. This has had significant implications for First Nations peoples' economic, emotional, cultural and spiritual wellbeing.

As noted earlier, there are several mechanisms under the Basin Plan for First Nations people to provide input into the development and implementation of water management arrangements – including in the areas of water resource planning, environmental management and knowledge building. Some First Nations people said that while continuing with the Basin Plan is vital for First Nations people and culture, governments responsible for water management arrangements must do more to address the harm done to Country from lack of water. Other First Nations people said that they did not agree to or accept the Basin Plan and Murray Lower Darling Rivers Indigenous Nations (MLDRIN) said that the Plan 'as a whole, and its individual provisions, largely override or ignore Basin Nations' rights and obligations relating to waters and rivers' (sub. 92, p. 3).

Basin state governments have improved how they work, engage and partner with First Nations people in the Murray–Darling Basin over the last five years. Some developments include:

- the *Murray–Darling Basin Indigenous River Rangers Program* (through the program, First Nations organisations improve waterway health and manage Country)
- the appointment of an Aboriginal member to the MDBA Board, fulfilling the legislated requirement for Indigenous representation
- the *National Cultural Flows Research Project* – a project supported by the MDBA and other Australian Government agencies to improve knowledge of cultural flows and ways of integrating cultural flows into Basin water management.

However, almost everyone with an interest in the Basin agrees that the Basin Plan needs to do more to recognise the values and deliver on the interests of First Nations people (box 3).

Box 3 – Calls to do more: recognising the values and delivering on the interests of First Nations people

Murray–Darling Basin Authority

The deep significance of First Nations' knowledge passed down over the generations is ever more pressing and more precious as our climate changes. We all need to work harder to provide a greater place for First Nations people in water management. (sub. 61, p. 7)

National Irrigators' Council

... we are very supportive of further involvement of Indigenous Australians in managing the Basin, including but not limited to, addressing cultural flows. ... NIC would welcome an enhanced First Nations engagement regime to further improve our connections with Indigenous peoples across the Basin. (sub. 62, p. 26)

National Parks Association of NSW

The independence and views of the numerous Aboriginal Nations with a connection to the Basin and its water should not be compromised. Water carries great cultural, spiritual, environmental, social and economic significance to these people ... Despite the National Native Title Council (2014) stating it believed the Water Act was failing in its management objectives for Aboriginal people some ten years ago, not much has changed. (sub. 41, p. 6)

Wentworth Group of Concerned Scientists

... the next Plan needs to address Aboriginal water rights and interests as a matter of urgency. More support is needed to build capacity of Indigenous land and water ranger programs to manage wetland Country. (sub. 81, p. 6)

River Lakes and Coorong Action Groups

We need to celebrate the wisdom of First Nations people in caring for the land and the water for millennia while it has only taken 235 years of settlement to destroy the system. We need to acknowledge the deep connection of First nations people to the land and to their totems and the intrinsic need to protect them. (sub. 15, p. 4)

MLDRIN

Solutions to the climate crisis must be informed by the knowledge and wisdom of cultures that have survived (and thrived) during significant changes to the climate over the past 60,000 years. ... climate responses in the Plan must be genuinely co-designed with Basin Nations. (sub. 92, p. 25)

The policy landscape has also changed since the Basin Plan was introduced in 2012 (and since the Commission did the last review of the Basin Plan). Notably in 2020, all governments, along with the Coalition of Aboriginal and Torres Strait Islander Peak Organisations, signed the *National Agreement on Closing the Gap*. Under the Agreement, governments committed to work in genuine, formal partnerships with Aboriginal

and Torres Strait Islander people for shared decision-making (priority reform 1) and to transform government organisations, so they work better for Aboriginal and Torres Strait Islander people (priority reform 3).⁶

Improving outcomes for First Nations people is also identified by the MDBA as one of the four priority themes for the 2026 Basin Plan Review.

Meaningful, respectful and reciprocal engagement

Despite improvements in engagement made over the past five years, First Nations people – many who have invested a lot of time participating in the Basin Plan and reviews of it – shared their continuing frustration with engagement processes, which they say are often rushed and tokenistic.

A particular concern is the NSW Government’s approach to engagement on water resource plans. Water resource plans must be ‘developed having regard to the views of relevant Indigenous organisations ... with respect to the objectives of Indigenous people and ... the outcomes they desire’. In practice, we heard that while First Nations people were asked to provide feedback and input into plans, there was little evidence that the input was genuinely considered in decision-making.

Meaningful engagement is crucial to building trust and working in partnership. It is not enough to recognise First Nations values in Basin Plan implementation. Transparent, accountable mechanisms by which First Nations people can inform and share decision-making are important (they are also a key element of the priority reforms).

Recent reforms to the Water Act and Basin Plan require annual reporting about First Nations engagement activities. This is an important reform. Accountability would be further improved by requiring Basin governments to publicly report on the input and advice received from First Nations people and organisations on draft water resource plans, and how this advice is considered, actioned and reflected in finalised water resource plans.

The MDBA – in partnership with First Nations people – should develop a framework for monitoring and reporting on how governments engage with First Nations people on Basin Plan matters. This should be in place before the 2025 evaluation of the Basin Plan.

Empowering First Nations people to participate in the Basin Plan

There is a significant and growing pull on First Nation groups and individuals to participate in government processes about the Basin and broader water policy issues, with little capacity development (or funding) to support First Nations people to navigate complex water governance, policy and management arrangements.

Under the *National Agreement on Closing the Gap*, governments acknowledge that ‘adequate funding is needed to support Aboriginal and Torres Strait Islander parties to be partners with governments’. Government funding (and other supports) to First Nations people to participate in Basin Plan implementation and review activities is largely ad-hoc. There would be value in Basin governments establishing a more structured and transparent process for providing support to First Nations people to participate in Basin Plan processes, including the development of water resource plans.

The MDBA and Basin governments are continuing to grapple with how to engage effectively with all First Nations people. Two groups – MLDRIN and the Northern Murray–Darling Basin Aboriginal Nations (NBAN) –

⁶ The other central pillars of the Agreement are: Building the Aboriginal and Torres Strait Islander community-controlled sector (priority reform 2) and Improving and sharing access to data and information to enable Aboriginal and Torres Strait Islander communities to make informed decisions (priority reform 4).

were important in the earlier period of Basin Plan implementation (there are requirements in the Basin Plan for Basin governments to engage with MLDRIN and NBAN, and they have relied heavily on these organisations). However, the MDBA has ended its contract with NBAN. While MLDRIN has continued to actively engage in consultation processes and has made submissions to several reviews, some participants told the Commission that MLDRIN no longer has broad support by all First Nations. Many First Nations people said they felt under-represented or forgotten in key processes.

First Nations bodies do not displace the need for other engagement mechanisms, but they can be an effective way for people to communicate concerns, advocate change, and respond to the ideas and proposals of others. Whether a new, non-government representative body on Basin Plan matters should be established is a decision for First Nations people living in the Basin. As part of the upcoming Basin Plan Review, the MDBA – in partnership with First Nations people – should consider how best to work with First Nations people on Basin Plan implementation, given existing references to MLDRIN and NBAN.

Progress on Aboriginal water ownership has been slow

Water ownership is important for realising First Nations people’s cultural, social, economic, spiritual and environmental aspirations. While First Nations people represent about 5% of the Basin population, they hold less than 1% of available Basin water holdings.

Many participants supported Aboriginal and Torres Strait Islander people holding water entitlements for cultural purposes, to support their economic and social participation in, and contribution to, regional communities. This aligns with the national framework for cultural flows (developed as part of the *National Cultural Flows Research Project*), which sets out a method for determining, delivering and assessing cultural flows.

The *Aboriginal Water Entitlements Program* commenced in 2018 with \$40 million to support Aboriginal people in the Basin to purchase cultural and economic water entitlements. However, to date, not a single *Aboriginal Water Entitlements Program* dollar has been spent on purchasing water. As a number of participants pointed out, the \$40 million will buy far less water today than in 2018, and the more than 40 First Nations in the Basin have missed out on cultural and economic benefits of water ownership. In November 2023, the Australian Government Minister for Environment and Water announced that funding for the *Aboriginal Water Entitlements Program* would be increased to \$100 million.

The Department of Climate Change, Energy, the Environment and Water is in the process of consulting further with First Nations people on governance models to deliver the program (there has already been extensive engagement on this issue). The department plans to deliver the *Aboriginal Water Entitlements Program* by 2024 and has described the key program steps and timing as follows:

- develop purchasing principles and interim governance arrangements with Basin First Nations people for water entitlements in the Basin – July to November 2023
- convene a Basin-wide First Nations Gathering (to present options for water entitlement portfolios and interim governance arrangements to Basin First Nation representatives) – November 2023
- implement the purchasing framework and commence the purchase phase of the *Aboriginal Water Entitlements Program* – January to June 2024.

Partnerships for water delivery show promise

All Basin governments have work to do to demonstrate – and meet – their commitments under the *National Agreement for Closing the Gap*. That said, we heard about partnerships between Aboriginal and Torres Strait Islander people and governments that were working well, including to deliver environmental water in ways that also achieve cultural benefits. For example, the *Victorian Government's Water is Life – Traditional Owner Access to Water Roadmap* sets out a pathway for how the Victorian Government intends to return water to Traditional Owners and increase their role in determining how environmental water is used for the purpose of healing Country.

There are opportunities for environmental watering to contribute to social or cultural outcomes (shared benefits) without compromising environmental outcomes. As one participant said:

There should be more partnership programs involving Aboriginal water managers and rangers, such as the Nimmie-Caira project, which is training traditional owners in management of watered sites. (Dr Anne Jensen, sub. 39, p. 3)

The Basin-Wide Environmental Watering Strategy is due to be updated by 2024. This is an opportunity for the MDBA – in partnership with First Nations people – to develop objectives and outcomes for shared benefits of environmental water use.

Recognising and valuing First Nations knowledges

The Basin Plan states that the 'best available knowledge' will be used in water resource management, which includes the local knowledge of First Nations people. As noted by a number of participants (box 3), there is scope for Basin governments to better draw on First Nations peoples' knowledges and understanding of the river systems and natural resource management.

The success of formal partnership arrangements, such as the *Murray–Darling Basin Indigenous River Rangers Program* and the *First Nations Environmental Water Guidance Project*, should be built on to provide further opportunities for First Nations people to use their knowledge, cultural practices and connection to Country to contribute to managing and restoring waterway health in the Basin.

The Australian Government's \$20 million investment in the *Murray–Darling Water and Environment Research Program* is another key avenue to better understand First Nations' values, and how water provides social, economic and cultural benefits to First Nations communities. It is important that Basin governments recognise that this knowledge is the cultural and intellectual property of First Nations people and respect relevant protocols and permissions around use of this knowledge.

Strengthening the Basin Plan

Bringing new knowledge into the Basin Plan framework

The Water Act requires the Basin Plan to be developed 'on the basis of the best available scientific knowledge and socio-economic analysis'. Adaptive management is also a requirement of the Basin Plan. To this end, the Basin Plan requires various elements of the water management framework to be regularly reviewed or evaluated. Since the development of the Basin Plan, the relevant knowledge base has improved considerably, particularly in the areas of climate change and ecological water requirements.

A successful adaptive management approach to managing Murray–Darling Basin water resources requires generating new knowledge, reporting on that knowledge, and timely opportunities to update the water

management framework to apply the knowledge. There is, however, evidence that not all aspects of the water management framework are adequately updated through the review processes to reflect the best available knowledge.

Climate change science should be further embedded in the Basin Plan

The Basin Plan was designed to rebalance the consumptive and environmental use of water and enable the Basin to better adapt to a changing climate, but this is an ongoing challenge. The Basin is expected to become hotter and drier, with more frequent and severe droughts and floods, and greater climate variability.

Adapting to climate challenges and increasing resilience is one of the MDBA's six priority areas for the future, and climate change will be a focus of its 2026 Basin Plan Review. Following recent amendments to the Water Act, the MDBA is now required to consider and report on the management of climate change risks. A crucial part of this work will be considering the best available climate change projections and how they affect the Basin Plan, including the environmentally sustainable level of take.

The Basin Plan has objectives about ensuring water-dependent ecosystems are resilient to climate change, but the related targets are not sufficiently specific, and this makes it difficult to assess progress against the objectives. More clarity is needed about how the climate change objectives are measured and assessed. The MDBA should set out how it evaluates whether these objectives are being met, including by setting out specific targets and indicators, and consider integrating this information into the Basin Plan.

Transparency and coordination of knowledge generation could be improved

Greater transparency around the use of new knowledge in decision making is important for trust and confidence in the Basin Plan. It can also make it easier for scientific claims to be verified and alternative or better information to be identified and shared. Transparency would be improved by making publicly available the data, modelling outputs and government-commissioned research that is used to make decisions about water management in the Basin. This should include data, modelling and research used to reset the sustainable diversion limits in 2026.

Coordination of knowledge generation, and knowledge sharing among researchers and policy makers, could also improve the quality of Basin water management decisions and improve the efficiency of research investment. The lack of a dedicated role focused on overseeing and coordinating knowledge generation across the Basin is a gap in the Basin management framework.

A risk-based approach to amending water resource plans

Basin state governments play a key role in the Basin Plan by preparing and implementing catchment-level water resource plans. The Basin Plan sets out what these plans must include, such as how much water can be taken from the system and how water will be managed during extreme events.

Making, assessing and accrediting water resource plans is a slow and complex process. There are 55 requirements in the Basin Plan that need to be met. The scale and complexity of the requirements are a key reason for some of the delays.

A number of Basin states said the requirements in the Basin Plan made for a very resource-intensive process. The MDBA also noted that the number and complexity of the requirements has:

... led to highly complex WRPs that comprise multiple documents and incorporate a range of state instruments and strategies. This complexity, with cross-referencing across numerous state instruments, strategies and plans means WRPs are prone to drafting errors and internal

inconsistencies resulting in an invalid instrument which cannot be accredited. (sub. 61, response to information request, p. 2)

While water resource plans are designed to evolve and adapt as new information becomes available, Basin state governments may be reluctant to update their plans if the process is complex and slow. This could undermine the Basin Plan and inhibit adaptive water policy.

In its upcoming review of the Basin Plan, the MDBA should work with stakeholders to review the 55 requirements, some of which should be simplified, removed or made less prescriptive. The principle of subsidiarity should be a guiding consideration given that a core purpose of water resource plans is to implement SDLs and many other parts of the plans are largely the responsibility of state governments. The prospect of this change should not hold-up the overdue NSW water resource plans, which for consistency with other states should meet the existing requirements.

Basin states should also be able to make a greater range of changes to water resource plans without the changes needing to be formally assessed by the MDBA. This would be for amendments that are uncontroversial and clearly comply with the Basin Plan. The Water Act and regulations would need to be amended to enable these low-risk changes to be fast-tracked.

Improvements to environmental water planning and management

Despite the positive outcomes and achievements from the use of environmental water, there is more to be achieved. Rivers are not regularly connecting to key wetlands on the floodplain, there are too many cease-to-flow events in the northern Basin and end-of-system flow targets are not consistently being met. Arresting and reversing long-term declines in native fish and waterbird populations also requires sustained effort.

The focus for environmental management should now be on simplifying and embedding current best practice approaches into the Environmental Management Framework.

- The Basin-Wide Environmental Watering Strategy – which sets out the environmental outcomes expected in key areas – needs to be more relevant and effective (including, for example, providing clear guidance, under all water availability scenarios, on the priority for achieving flow connectivity at the system scale relative to watering within a Water Resource Plan Area).
- Basin annual environmental watering priorities are general in nature, do not change significantly on an annual basis, and provide limited value in prioritising environmental water use. The 2026 review of the Basin Plan should assess the value of these priorities and whether requirements for annual priorities should be amended or removed.
- First Nations peoples' objectives and outcomes for providing shared benefits from environmental water use should be included in the Basin-Wide Environmental Watering Strategy and long-term watering plans.
- Long-term watering plans should include actions to integrate the management of environmental water with natural resource management.

Water quality and critical human water needs

There remain long-standing concerns about water quality and critical human water needs in the Lower Darling. We heard that towns like Walgett, Wilcannia and Bourke show that the arrangements for meeting these needs in the northern Basin are not working. The Dharriwaa Elders Group told us that 'river foods, drinking water and water to swim in and enjoy have been taken from Walgett' and 'warrambuls, lakes and creeks and waterholes are regularly dry'. And that:

Critical human needs must be more clearly defined and given a high priority in water management – otherwise rivers could be understood as only existing for irrigation, water trading and other

industrial purposes. We urge the Productivity Commission to ensure that critical human needs are prioritised by the Basin Plan, not only in the context of ‘extreme events’. (sub. 86, p. 6)

The NSW Government has a number of programs to address these problems, but water resource plans and water quality plans remain outstanding. Managing water quality and critical human water needs in the Lower Darling is largely the responsibility of the NSW Government. However, given that connectivity between Queensland and New South Wales is critical to outcomes, the Basin Plan has a role to play.

The upcoming Basin Plan review should identify options for securing good quality water and meeting critical human water needs in these regions. For example, the review should consider whether the ‘three-tier’ arrangements that apply in the southern Basin might be adapted and applied to the northern Basin. Extractions in New South Wales and Queensland could also be reviewed to identify opportunities to better manage critical human water needs, with any changes given effect through amending water resource plans.

Water quality targets across the Basin will also need to be reviewed to reflect updated national guidelines and to ensure they are set at the right scale.

Governance and institutional arrangements

Accountability mechanisms, which are central to Basin Plan implementation, need to be strengthened.

Regular reports to the Australian Parliament by the Minister for Water that identify which supply projects will receive Commonwealth funding and why (discussed earlier) will go a long way to bolstering accountability.

The rationale for tasking the IGWC with oversight of some, but not all, intergovernmental agreements is not clear. The Australian Government Minister for Water should prescribe by regulation additional intergovernmental agreements over which the IGWC should have oversight. The rationale for including or excluding agreements in the IGWC’s remit should be made public.

The activities and decisions of the BOC should also be made more transparent (including publishing decisions and the reasons for those decisions) and there is a case for an independent chair.

And while very few participants wanted more engagement with governments on the implementation of the Basin Plan, there was a lot of support for more meaningful (and in many cases, local) engagement. More joined-up engagement efforts could reduce costs for participants and governments and allow for a more holistic consideration of some issues. A strengthened role for the Basin Community Committee in BOC decision making processes – such as a standing item at BOC meetings for the Basin Community Committee to provide advice on key issues and decisions from a community perspective – would allow communities to be part of decisions affecting them.

Basin Plan governance arrangements are complex, in part due to the number of laws, plans, agreements, policies and other instruments that govern Basin water management. The Murray–Darling Basin Agreement (a long-standing agreement between the Australian Government and Basin states for sharing water in the southern Basin and for operating the regulated River Murray system) operates in parallel with the Basin Plan, but there are overlaps and conflicts. A review could help establish how the two instruments best work together.

Monitoring, evaluation, and reporting

Effective reporting, monitoring and evaluation is critical to the successful implementation of the Basin Plan. While there is lots of reporting and monitoring – the 2020 evaluation by the MDBA found more than 100 outputs from monitoring and research programs – it is not necessarily providing the right information (and in fact the MDBA found that despite all the available information, it did not have what it needed to undertake the evaluation).

A more strategic approach to monitoring and reporting is needed. Ahead of the 2026 review of the Basin Plan, the MDBA should conduct a 'stocktake' of the Basin-related monitoring information currently being collected (both by governments and other parties). This would allow for important information gaps to be identified. It could also reveal areas of low-value reporting, duplication and overlap in reporting efforts, or areas where responsibility is unclear. The outcomes of this stocktake should inform the development of a new monitoring strategy.

One avenue for this work is the Basin Condition Monitoring Program, which the MDBA is developing to operate alongside other long-term monitoring programs and other focused monitoring programs.

The MDBA is currently planning for the 2025 evaluation of the Basin Plan. This is an opportunity to assess the effectiveness of the Basin Plan, including the extent to which the objectives and outcomes of the Plan have been achieved. With the extension of timeframes, an evaluation in 2025 is a chance to identify what should be done differently over the remainder of the implementation period.

Trading rules

There has been considerable work in recent years on the framework governing water markets in the Basin, including significant reforms in the Restoring Our Rivers Act. However, the trading rules in the Basin Plan have not been thoroughly reviewed since they were made and it is unclear whether they are operating effectively, particularly in removing unnecessary trade restrictions.

The Australian Competition and Consumer Commission, which is responsible for providing advice to the MDBA about the trading rules, should be asked to conduct a comprehensive review of the rules in time for its findings to inform the MDBA's upcoming review of the Basin Plan.

Basin governments must not waste extended timeframes

The Basin Plan is a significant, long-term environmental reform. It has been described as 'one of Australia's most ambitious and complex reforms'. And while there is considerable support for the Basin Plan – it is considered central to securing a healthy and sustainable river system – and real progress has been made – it has fallen well behind schedule and was not going to be delivered within the original timeframe or budget. Delivery delays also reduce the environmental outcomes of the Basin Plan and Basin communities continue to face uncertainty.

The recent amendments to the Basin Plan and Water Act provide necessary timeframe extensions and more flexibility and accountability, but do not address all the factors that have contributed to the lack of progress across the range of projects. Escalating costs, across both water recovery and the supply projects, also means resetting the balance will cost taxpayers considerably more than originally expected.

All Basin governments need to support implementation progress for a healthy, working Basin to be sustained.

Key to protecting public investment in the Basin Plan, achieving environmental outcomes and providing Basin communities with greater clarity about their futures, is for the Australian Government to be more accountable for its funding decisions on the supply, constraints-easing and toolkits projects during the next phase of implementation.

Given the large water recovery task ahead, the Australian Government needs to start working on a dedicated water recovery program. Undertaking voluntary purchases in a well-prepared, staged way is necessary to help minimise market disruption and negative socio-economic impacts on Basin communities. Future water recovery should occur alongside a commitment from Basin governments to assist communities, where

warranted, to transition to a future with less available water. Adjustment assistance should build on the evidence about what programs work and complement existing regional development strategies.

Outstanding water resource plans must be a priority for the NSW Government. Crucially, all Basin governments must materially improve how they work, partner and share decision-making with First Nations people, not only on water resource plans, but a range of other Basin Plan matters. Changes are also needed to improve how the Basin Plan adapts over time, including to new knowledge, climate change and contemporary views of Basin communities and the wider Australian community.

Findings and recommendations

Chapter 2. Resetting the balance



Finding 2.1

Resetting the balance has slowed because of weak governance in a changing water market

Resetting the balance in the Basin has slowed since 2018 and will not be completed by the original deadline of 30 June 2024. Limited progress has been made toward environmental water recovery targets, including towards the additional 450 GL/y. This is largely because of government policy decisions, alongside rapid growth in water entitlement prices.

Key supply projects will not be completed by the original deadline. Accountability for implementing the supply projects is weak, and Commonwealth funding arrangements have failed to drive effective project implementation by Basin state governments. Key projects are unviable, but Basin governments are not transparent about the need to rescope or withdraw these projects, or the implications of failing to deliver projects on time.

These delays have substantially increased the financial costs of meeting Basin Plan water recovery targets, prolonged the uncertainty Basin communities face, and reduced the potential environmental outcomes of the investment in the Plan.



Finding 2.2

Program design has not suited the complexity of constraints-easing projects

Constraints-easing projects have progressed slowly, with detailed property-level modelling and extensive landholder engagement needed to identify and manage the impacts of higher flow rates. Including constraints in the supply measure package has led to a focus on maximising the water recovery offset, rather than the environmental and operational benefits of easing constraints.



Finding 2.3

Slow progress on the northern Basin toolkit reflects unclear accountability for delivering program outcomes

Delays implementing the northern Basin toolkit measures are a result of inadequate accountability for delivery, as well as a lack of oversight and review of the measures. Public information about project progress has been sparse, and there is no framework in place to monitor the environmental merits of these projects as they progress.



Finding 2.4

Full delivery of the 605 GL/y supply measure offset by December 2026 is uncertain

Full delivery of the 605 GL/y supply measure offset by December 2026 is at risk because:

- key projects, including the Menindee Lakes project, will not be delivered as designed
- constraints-easing projects cannot be completed in full by December 2026 (which may also limit the offset achieved by other supply measures)
- there are unlikely to be enough new supply projects that are implementable by December 2026, represent value for money and can make a substantial contribution to the water recovery offset.

There is a strong possibility of a significant water recovery shortfall in the southern Basin.



Finding 2.5

The costs of achieving the enhanced environmental outcomes (schedule 5 of the Basin Plan) through water recovery have risen substantially

The budget available under the Water for the Environment Special Account to recover the 450 GL/y will not be adequate to achieve the target, even with water purchases.

The 2026 Basin Plan review is an opportunity to assess how to cost-effectively deliver the enhanced environmental outcomes that the 450 GL/y target is designed to meet.



Recommendation 2.1

The Australian Government should cease funding unviable supply measures

The Australian Government should cease funding any supply measure that is unlikely to deliver on its planned outcomes or is found not to be cost-effective.

Before this decision is made, the Australian Government Minister for Water should seek the advice of the Basin Officials Committee. The advice should be provided within three months of the request, and could include a proposal to rescope the project and amend the notification to the Murray–Darling Basin Authority.

If funding is ceased, the measure should be withdrawn under s 7.12(6) of the Basin Plan.



Recommendation 2.2

Australian Government funding decisions should be publicly reported

The Australian Government Minister for Water should ensure that reports prepared under s. 85AB of the *Water Act 2007* (Cth) include:

- the northern Basin toolkit measures
- statements on which supply, constraints-easing and toolkit measure projects remain feasible and represent value for money, and which ones will no longer be funded
- an update on any expected shortfall against the supply measure offset, and planned actions to make good.



Recommendation 2.3

Reset and extend implementation of constraints-easing projects

Basin governments should remove southern Basin constraints-easing projects from the supply measure package.

The Basin Plan requires the Murray–Darling Basin Authority to develop a constraints-easing implementation roadmap. This roadmap should include:

- pathways to incremental improvements in flow rates in each river, including evidence on the benefits of gradual increases in flow rates
- a process to provide procedural fairness to affected landholders
- a sequence for constraints-easing projects.

Subject to making meaningful progress on incremental constraints easing, the Australian Government should assess the costs alongside the environmental and operational outcomes of further constraints easing, and consider allocating additional Water for the Environment Special Account funding towards constraints easing.



Finding 2.6

Adjustment assistance should draw on local strengths and be closely monitored for effectiveness

Basin Plan implementation has taken place during a period of socioeconomic change in the Murray–Darling Basin. Reduced water availability under the Basin Plan has had relatively small impacts on aggregate socioeconomic outcomes in the Basin, compared to other drivers of change – including climate variability and reduced on-farm labour. However, water purchases have contributed to adjustment pressures in some Basin communities, especially smaller and more remote irrigation-dependent communities.

Adjustment assistance can help communities better adapt to structural change, but designing a program that generates demonstrable and lasting economic benefits is not easy. Evaluation of adjustment assistance is not generally done well, but the available evidence suggests assistance is typically more effective where it leverages the competitive strengths of the local community and is well-integrated with prevailing regional development strategies and frameworks. Ongoing monitoring and adaptation of adjustment programs is crucial for success.



Recommendation 2.4

Develop a renewed approach to water recovery

Given the substantial water recovery task, the Australian Government should develop and implement – without delay – a renewed approach to water recovery.

This approach should consider all water recovery options, including voluntary water purchases. Any purchasing should be undertaken gradually, to avoid driving water market disruption and community adjustment pressures. Water purchases should also be coordinated with irrigation network rationalisation where necessary to avoid impacts on irrigation network viability.

The Australian Government should update and publish its water recovery strategy to clarify how this renewed water recovery program will proceed. The strategy should outline:

- the sequencing of different water recovery targets (both the 450 GL/y and any expected 605 GL/y shortfall), based on the progress of supply and constraints measure implementation
- how different water recovery options will be used, based on the availability of projects, their cost-effectiveness and likely socioeconomic impact
- when and how community adjustment programs will be implemented, based on socioeconomic monitoring
- requirements for monitoring, evaluation, reporting and improvement on adjustment program design.



Finding 2.7

Effective institutional arrangements are central to efficient water recovery

A corporate Commonwealth water recovery entity operating at arms lengths from governments could offer several advantages over current institutional arrangements for effective and efficient water recovery.

Characteristics of an effective dedicated water recovery entity would include:

- Independence: the ability to depoliticise project administration and decision making.
- Collaboration: the ability to work on the ground with proponents and streamline project development.
- Trust and credibility: having a clear mandate and the flexibility to engage expertise as needed would provide greater clarity and confidence to Basin communities.

However, there is not enough time to establish and realise the benefits of a new corporate water recovery entity within the amended Basin Plan timeframes. If it becomes apparent that the amended water recovery timeframes will not be met, the case for establishing such an entity could be reconsidered.

Chapter 3. Environmental water planning and management



Finding 3.1

Identifying key Basin environmental assets and priority management actions in the Basin-Wide Environmental Watering Strategy

In 2025, the Murray–Darling Basin Authority is expected to publish a Basin-wide conservation prioritisation framework to identify places of high conservation value and prioritise management actions to conserve their critical assets, values and functions. The development of this framework and its inclusion in the Basin-Wide Environmental Watering Strategy has the potential to provide greater direction to, and accountability for, the Commonwealth Environmental Water Holder’s decision making on environmental watering.



Recommendation 3.1

Improving the effectiveness of the Basin-Wide Environmental Watering Strategy

The Murray–Darling Basin Authority's next update to the Basin-Wide Environmental Watering Strategy should include:

- an objective that environmental watering should seek to contribute to social or cultural environmental outcomes (where compatible with environmental outcomes)
- First Nations peoples' objectives and outcomes, under all water availability scenarios, for shared benefits from environmental water use (where compatible with environmental objectives) at the Basin-wide scale
- clear guidance, under all water availability scenarios, on the priority for achieving flow connectivity at the system scale relative to watering within a water resource plan area
- risks to achieving environmental objectives, in a changing and more variable climate.



Recommendation 3.2

The adaptive management of long-term watering plans

In the next iterations of long-term watering plans, Basin state governments should include:

- First Nations peoples' objectives and outcomes under all water availability scenarios for shared benefits from environmental water use (where compatible with environmental objectives) for each water resource plan area
- planning and management actions to integrate the management of environmental water with natural resource management (such as habitat restoration or weed and pest control).



Recommendation 3.3

Basin annual environmental watering priorities require review

As part of the 2026 review of the Basin Plan, the Murray–Darling Basin Authority should assess the value of Basin annual environmental watering priorities and whether the Basin Plan requirements for these annual priorities should be amended or removed.

**Recommendation 3.4****Delivering shared benefits from the use of environmental water**

First Nations peoples' objectives and outcomes for providing shared benefits from environmental water use for inclusion in the Basin-Wide Environmental Watering Strategy and long-term watering plans should be developed by First Nations people through genuine, resourced partnerships with the Murray–Darling Basin Authority (for the Basin-Wide Environmental Watering Strategy) and Basin state governments (for long-term watering plans), consistent with commitments made by all governments under the National Agreement on Closing the Gap.

Chapter 4. Water resource plans**Finding 4.1****Incentives to complete water resource plans on time are weak**

The Basin Plan does not adequately incentivise Basin states to complete their water resource plans within the legislated timeframes, and Basin state governments face no significant consequences for failing to do so.

**Finding 4.2****Without water resource plans, the Murray–Darling Basin Plan cannot be fully implemented**

Half of the water resource plans for New South Wales remain outstanding more than 10 years after the Basin Plan was put in place and almost four years after an already extended deadline. Without all water resource plans in place across the Basin, the Murray–Darling Basin Plan cannot be fully implemented or properly enforced. With 10 of 20 plans outstanding, there is a greater risk of over extraction in New South Wales compared to other Basin states.

**Finding 4.3****Preparing and assessing water resource plans is unnecessarily difficult**

The process of preparing and assessing water resource plans is onerous and time-consuming. This is in part because the requirements in the Basin Plan are unnecessarily complex and prescriptive.



Recommendation 4.1
Simplify requirements for water resource plans

In its 2026 Basin Plan Review, the Murray–Darling Basin Authority should consider how the requirements for water resource plans could be simplified and whether some requirements should be removed or made less prescriptive and more focused on outcomes. The principle of subsidiarity should be a guiding consideration in this review, given many of the arrangements included in the plans are largely the responsibility of state and territory governments, with the implementation of sustainable diversion limits being a core purpose of water resource plans.



Recommendation 4.2
A risk-based approach to amending water resource plans

The *Water Act 2007* (Cth) should be amended to allow the accreditation of amendments to water resource plans to be fast-tracked, where those amendments are low-risk and clearly comply with the Basin Plan.



Recommendation 4.3
Revise annual water resource plan compliance reporting

The Murray–Darling Basin Authority, in consultation with the Inspector-General of Water Compliance and Basin states, should revise the annual water resource plan compliance reporting template to ensure it:

- does not duplicate information collected elsewhere
- reflects the water resource plan compliance framework
- helps assess whether water resource plans are delivering on the objectives and outcomes of the Basin Plan, including as part of the 2025 evaluation.

Chapter 5. The values of First Nations people



Recommendation 5.1

Strengthen the roles of First Nations people in the Basin Plan

In line with the priority reforms committed to under the National Agreement on Closing the Gap, Basin states should:

- publish the input and advice received from First Nations people and organisations on draft water resource plans
- publicly report on how the advice is considered, actioned and reflected in finalised and amended water resource plans.

In addition, the Murray–Darling Basin Authority should:

- in partnership with First Nations people, develop a framework for monitoring and reporting on how Basin governments engage with First Nations people on Basin Plan matters. This should be in place before the 2025 evaluation of the Basin Plan
- in partnership with First Nations people, consider how best to work with First Nations people on Basin Plan implementation, given existing references in the Plan to Murray Lower Darling Rivers Indigenous Nations (MLDRIN) and the Northern Murray–Darling Basin Aboriginal Nations (NBAN).

Basin states should provide the Secretary of the Australian Government Department of Water with information about First Nations engagement on Basin Plan water management matters, for the purpose of the Secretary's annual reports on First Nations engagement.

All Basin governments should:

- actively pursue opportunities to work in formal partnership with First Nations people on the implementation of, and shared decision-making about, the Basin Plan and provide funding and capacity strengthening support to these partnerships
- work in partnership to develop, then make public, their First Nations engagement intentions early, including for the upcoming 2025 Basin Plan Evaluation and 2026 Basin Plan Review.



Finding 5.1

Limited progress made on the Aboriginal Water Entitlements Program

The Australian Government has made little progress on the Aboriginal Water Entitlements Program since the program was announced in 2018. Given the increase in water entitlement prices over that period, the \$40 million original program budget will buy less water today than it would have in 2018.

Chapter 6. Bringing new knowledge into the Basin Plan framework



Recommendation 6.1 Climate projections and the Basin Plan

In its 2026 review of the Basin Plan, the Murray–Darling Basin Authority should consider and report on:

- how climate change has impacted, and is projected to impact, the Basin’s water resources, and
- how climate change science has informed any proposed amendments to the Basin Plan, including to the environmentally sustainable level of take.



Recommendation 6.2 Specific measures or targets for evaluating climate change resilience

The Murray–Darling Basin Authority should set out how it evaluates whether water-dependent ecosystems are resilient to climate change, including by specifying which targets are relevant to climate change resilience and how progress against these targets is monitored. When reviewing the Basin Plan in 2026, the Murray–Darling Basin Authority should also consider whether some of this information should be integrated into the Basin Plan.



Recommendation 6.3 Publishing material used for decisions

Government agencies should publish, including in regular scheduled reports, the data, modelling outputs and government-commissioned research that informs their decisions about water management in the Basin. This should include any decisions related to resetting sustainable diversion limits.



Recommendation 6.4 Strategic coordination of knowledge generation and sharing activities

The Australian Government should establish a role for overseeing and coordinating water-related knowledge generation and knowledge sharing across the Murray–Darling Basin.

Chapter 7. Water quality and critical human water needs



Finding 7.1

Poor water quality and critical human water needs in the northern Basin

Some communities in the northern Basin live with a precarious supply of safe drinking water. The current arrangements in the Basin Plan, even if implemented, will not ensure these needs are met.



Recommendation 7.1

The Basin Plan should play a greater role in improving water quality and securing critical human water needs in the northern Basin

Improving water quality and meeting critical human water needs in the northern Basin should be a key priority for the 2026 Basin Plan Review. Noting the connectivity of water systems in the northern Basin, the review should consider:

- how the Basin Plan can contribute to improving water quality and securing critical human water needs in the northern Basin
- whether arrangements for the southern Basin can be adapted for the northern Basin
- whether changes should be made to other instruments and agreements, including the Murray–Darling Basin Agreement and state water sharing plans.

Chapter 8. Trading rules



Recommendation 8.1

A comprehensive review of trading rules in the Basin Plan

The Murray–Darling Basin Authority (MDBA) should ask the Australian Competition and Consumer Commission (ACCC) to conduct a comprehensive review of the Basin Plan trading rules. The review should consider, among other things, how unnecessary trade restrictions should be identified and removed.

The *Water Act 2007* (Cth) should be amended to enable the ACCC to provide advice to the MDBA about the trading rules on its own initiative. The ACCC should notify the MDBA before preparing any such advice.

Chapter 9. Governance and engagement



Recommendation 9.1

Extending oversight of intergovernmental funding agreements relevant to Basin Plan implementation

The Australian Government Minister for Water should prescribe by regulation additional intergovernmental funding agreements that the Inspector-General of Water Compliance (IGWC) should oversee.

The Australian Government Department of Climate Change, Energy, the Environment and Water should consult with Basin state governments, the IGWC and other interested parties to determine which new and existing agreements should be prescribed and make public the rationale for including or excluding each agreement in the IGWC's remit.



Finding 9.1

Information about Basin Plan funding, processes and outcomes can be difficult to access

Information about Murray–Darling Basin water management is fragmented and difficult to navigate. This can cause confusion about which agency to go to for information and reported information can differ across agencies. Communities can find it difficult to understand and engage with water policy and practice. Inconsistencies in information can undermine public confidence and trust in Basin institutions and instruments.



Recommendation 9.2

Improving the transparency of the Basin Officials Committee

The Basin Officials Committee (BOC) should be more transparent. The BOC should publish:

- meeting agendas, communiqués and information on meeting outcomes
- BOC decisions and the reasons for those decisions
- formal directions to the BOC from the Ministerial Council
- information on the BOC's strategic priorities, stakeholder engagement activities, governance practices and sub-committees.

The *Water Act 2007* (Cth) should be amended to enable the appointment of an independent Chair to the BOC.

**Finding 9.2****Engagement by government agencies on the Basin Plan is not well coordinated**

There are many Australian Government and Basin state agencies that engage with the community on the Murray–Darling Basin Plan. These engagement processes are generally not well coordinated, which can frustrate participants. More joined-up engagement efforts could reduce costs for participants and governments and allow for a more holistic consideration of issues.

**Finding 9.3****Well defined local outreach can be an effective engagement approach**

Local, place-based engagement mechanisms can be an effective way of ensuring community views are sought, responded to, and considered by decision-makers. A permanent local presence in communities can help foster community understanding of water policy processes and build relationships and trust. The Commonwealth Environmental Water Holder Local Engagement Officer model provides a good template for effective local engagement.

**Recommendation 9.3****Strengthening the community voice in Basin decision-making**

The Basin Community Committee should have a standing agenda item at Basin Officials Committee meetings to provide input and advice on matters from a community perspective. The Basin Officials Committee should publicly report on how this input and advice has been considered and has influenced decision-making.