



Australian Government  
Department of Climate Change, Energy,  
the Environment and Water



National  
Water Grid®

# Program Administration Manual

National Water Grid Fund

November 2024



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This publication is available at [nationalwatergrid.gov.au](http://nationalwatergrid.gov.au).

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### **Acknowledgement of Country**

We acknowledge the Traditional Owners of Country throughout Australia and recognise their continuing connection to land, waters and culture. We pay our respects to their Elders past and present.

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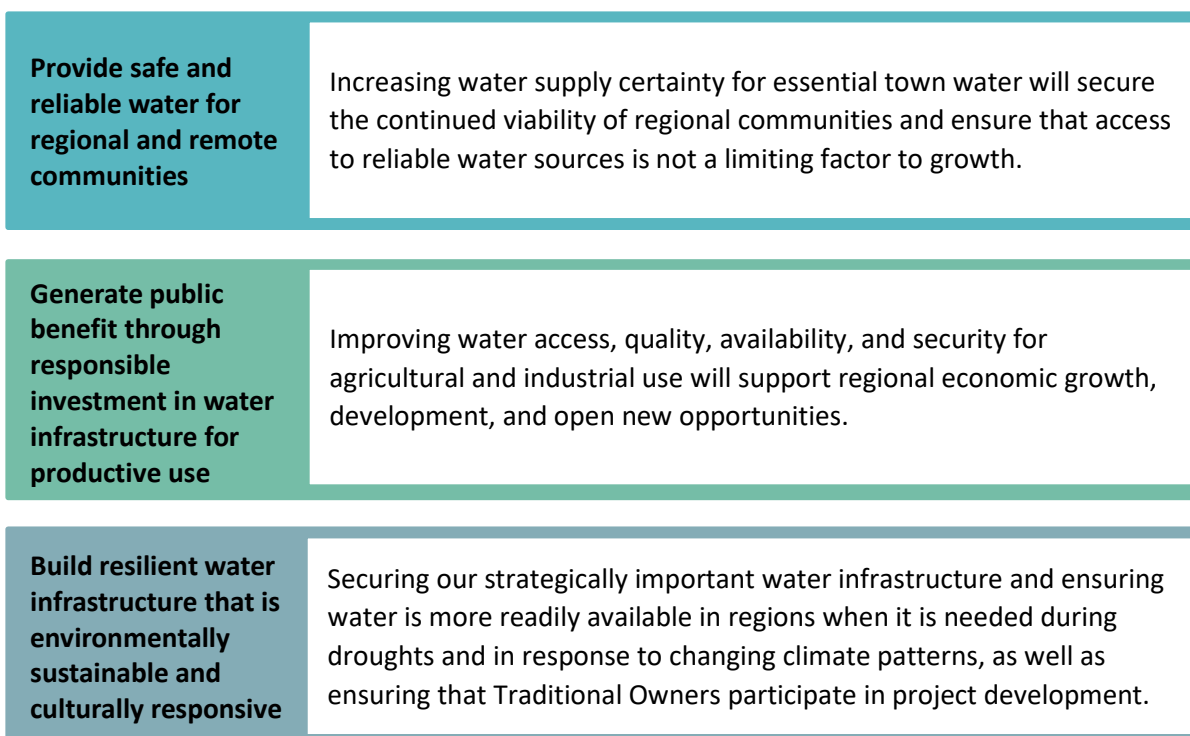
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# 1. Introduction

Through the National Water Grid Fund (NWGF) the Australian Government is investing in the planning and delivery of new water infrastructure. Water is our most precious resource, and new infrastructure is necessary to make the best use of limited supplies. Water infrastructure projects support the storage, movement and treatment of water for community and productive use, delivering a mix of social, cultural, environmental and economic benefits to regional Australia and First Nations communities.

The Australian Government’s strategic objectives for the NWGF are outlined in the National Water Grid Investment Framework and are set out in *Figure 1: Strategic*. The strategic objectives outline the overarching purpose of the Australian Government’s investment in water infrastructure through the NWGF. Projects must deliver outcomes that achieve at least one of these objectives.

Figure 1: Strategic objectives



**Culturally responsive** – considering the interests, experiences and knowledge of Traditional Owners, including a genuine commitment to embed Aboriginal and Torres Strait Islander perspectives in project design and delivery.

**Environmentally sustainable** – considering responsible management of natural resources to fulfil current needs without compromising the ability of future generations to meet theirs. Environmentally sustainable decision-making aims to balance ecological, economic and social goals, such as reducing carbon emissions, promoting renewable energy and ensuring equitable resource access.

The **Federation Funding Agreement – Infrastructure** (FFA) and associated National Water Grid Schedules are the overarching governance documents for the NWGF<sup>1</sup>. The Intergovernmental Agreement on Federal Financial Relations outlines the objectives, principles and institutional arrangements governing financial relations between the Australian Government and the States and Territories (States). It recognises that the States have primary responsibility for many areas of service and policy delivery but that coordinated action is necessary to address Australia’s economic and social challenges.

The NWGF specific FFA recognises the Australian Government and the States have a mutual interest in improving outcomes through national water infrastructure development and need to work together to achieve these outcomes.

The **National Water Grid Investment Framework** (the Investment Framework) sets out the NWGF strategic objectives, eligibility criteria and investment principles that underpin project decision making. It also sets out how science is used to identify water infrastructure priorities across Australia. The National Water Grid Science Strategy outlines this in further detail.

The **National Water Grid Science Strategy** details the role science has to play in identifying opportunities and evaluating options. It sets the strategic objectives for the National Water Grid Science Program. The Science Program invests in high-quality research to provide an evidence base to underpin water infrastructure planning and investment decisions. Three priority themes include water resource analysis, alternative and emerging options, and new information sources including communicating the science.

The **National Water Grid Fund: Beyond the Infrastructure Ancillary Benefits Guide** (Ancillary Benefits Guide) provides context on factors the Australian Government may consider when making an investment decision. The Government may choose to prioritise investment in projects that contribute to its broader priorities as well as enabling productive outcomes and meeting community needs. It should be read in conjunction with this Program Administration Manual and the Investment Framework.

This **Program Administration Manual** (Manual) provides information to support the effective implementation of the Investment Framework and the delivery of Australian Government’s investments under the NWGF.

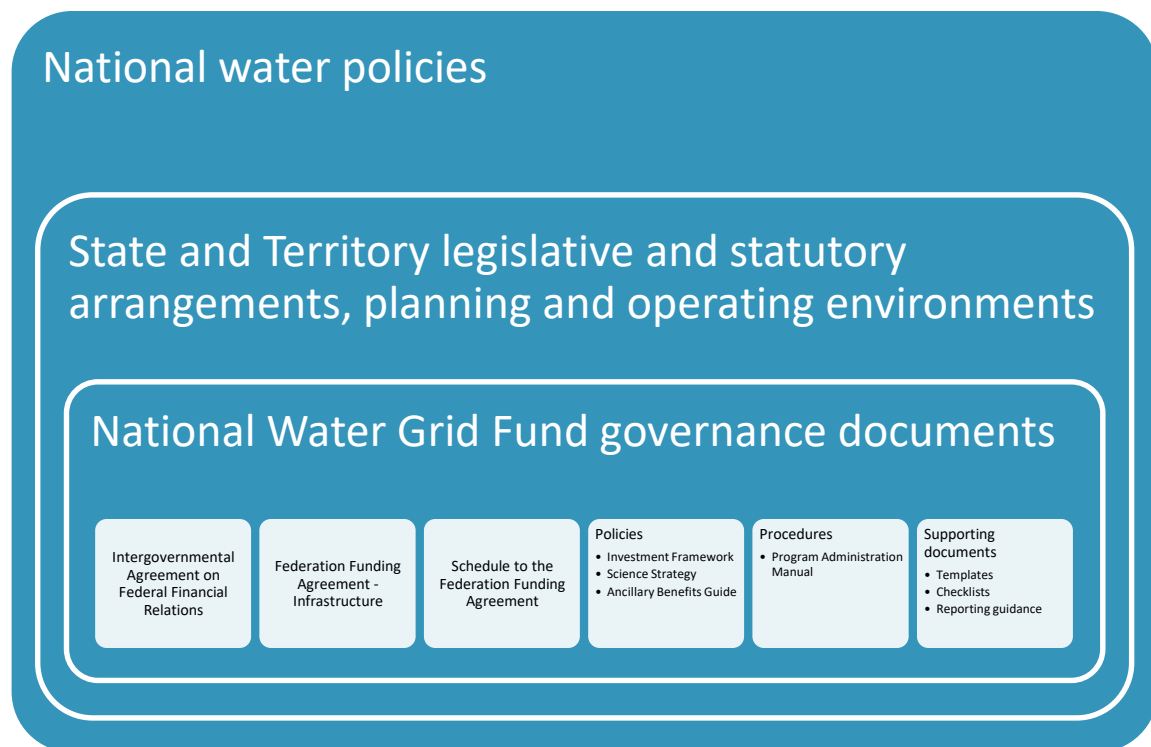
A range of documents, including templates, factsheets and policy positions support program delivery. An overview of NWGF governance arrangements and documents is outlined in Figure 2: National Water Grid Fund governance arrangements and documentation.

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<sup>1</sup> Federation Funding Agreements are available at the Federal Financial Relations website: [www.federalfinancialrelations.gov.au/agreements/national-water-grid-fund](http://www.federalfinancialrelations.gov.au/agreements/national-water-grid-fund).

**Figure 2: National Water Grid Fund governance arrangements and documentation**

The NWGF governance documents outlined below sit alongside national water policies, and the state and territory legislative and statutory arrangements, planning and operating environments.



### 1.1. Purpose of the Program Administration Manual

The purpose of the Manual is to provide practical detail to support the consideration, administration and management of projects under the NWGF. It sets out the processes that state and territory governments, as funding recipients, are required to follow in developing, proposing, delivering and finalising projects under the NWGF. It also sets out the processes for project proposal evaluation and consideration by the Australian Government. The Manual should be read in conjunction with the Investment Framework, Ancillary Benefits Guide, FFA – Infrastructure, and Science Strategy, if relevant.

### 1.2. Scope of the Program Administration Manual

The Manual applies to planning, business case and construction projects funded, or proposed to be funded, through the NWGF. The Manual does not apply to projects seeking funding under the National Water Grid Science Program.

The Manual sets out the administrative requirements for States in relation to:

- [Project Development \(Section 2\)](#) – identifying and planning for projects that could be eligible for funding under the Investment Framework.
- [Project Proposal and Approval \(Section 3\)](#) – the process for development, submission and consideration of proposals seeking NWGF funding, including associated terms and conditions.



- [Project Administration \(Section 4\)](#) – the administrative processes and ongoing project management activities that support project delivery, including reporting, milestones and public recognition.
- [Project Completion \(Section 5\)](#) – the requirements for project completion, closure and evaluation.

The Department of Climate Change, Energy, the Environment and Water (the Department) maintains the Manual. It will be updated as needed in consultation with the States. This version of the Manual is current as of November 2024.

### 1.3. Definitions and abbreviations

Term	Definition
<b>Ancillary Benefits Guide</b>	The <i>National Water Grid Fund: Beyond the Infrastructure Ancillary Benefits Guide</i> (Ancillary Benefits Guide) provides context on factors the Government may consider when making an investment decision
<b>Approved Funding</b>	Funding approved for a project by the Australian Government for inclusion in the appropriate FFA Schedule
<b>BCR</b>	Benefit Cost Ratio – the ratio of the present value of economic benefits to the present value of economic costs of a proposed project
<b>Budget</b>	The Australian Government Federal Budget
<b>Circular Economy</b>	Reusing, sharing, leasing, repairing, refurbishing and recycling existing materials and products
<b>Department (DCCEEW)</b>	The Department of Climate Change, Energy, the Environment and Water
<b>EPBC Act</b>	<i>Environment Protection and Biodiversity Conservation Act 1999</i>
<b>FFA</b>	Federation Funding Agreement – Agreements on Infrastructure and Environment between the Australian Government and the States for the delivery of water infrastructure projects
<b>FFA Schedule</b>	The National Water Grid Fund Schedule of projects under the appropriate FFA. It includes details on project scope, milestones, approved funding and other contributions as agreed between the Australian Government and States
<b>Final Milestone</b>	A scheduled point in time at which the last payment of Approved Funding is expected
<b>Forward Outlook</b>	A collated list of future water infrastructure priorities, including projects ready to seek NWGF funding and those that require more development prior to seeking NWGF funding
<b>Indigenous Employment Framework</b>	The Indigenous Employment and Supplier-Use Water Infrastructure Framework at Appendix A

Term	Definition
<b>Investment Framework</b>	The National Water Grid Investment Framework
<b>IPP</b>	A project specific Indigenous Participation Plan (IPP), developed as per the Indigenous Employment and Supplier-Use Water Infrastructure Framework: <a href="#">Indigenous Employment and Supplier-use Infrastructure Framework   Infrastructure Investment Program</a>
<b>Manual</b>	Program Administration Manual
<b>Milestone</b>	A scheduled point in time at which the State is expected to have completed agreed activities in a project
<b>MYEFO</b>	Mid-Year Economic Fiscal Outlook, the Australian Government’s update to the Federal Budget
<b>Nature Positive</b>	Minimising environmental impact and creating circumstances in which nature is being repaired and regenerated. It includes addressing the causes of environmental decline including land and sea use change, invasive species, climate change, pollution and unsustainable use of resources
<b>Net Zero by 2050</b>	The Australian Government’s target to reduce Australia’s net greenhouse gas emissions to zero by 2050, as legislated in the <i>Climate Change Act 2022</i>
<b>NWGF</b>	The National Water Grid Fund, previously the National Water Infrastructure Development Fund
<b>NWI</b>	The National Water Initiative (to be known as National Water Agreement)
<b>Science Strategy / Science Program</b>	Refer to the National Water Grid Science Strategy for guidance on Science Program project funding: <a href="http://www.nationalwatergrid.gov.au/science">www.nationalwatergrid.gov.au/science</a> . The Science Program invests in three key areas: water resource analysis, alternative and emerging options, and new information resources
<b>State(s)</b>	Any, or all, Australian state or territory governments
<b>Strategic Objectives</b>	The objectives for the Australian Government investment under the NWGF, as detailed in the Investment Framework
<b>Traditional Knowledge</b>	Traditional knowledge refers to: <ul style="list-style-type: none"> <li>• knowledge or practices passed down from generation to generation that form part of the traditions or heritage of Indigenous communities</li> <li>• knowledge or practice for which Indigenous communities act as the guardians or custodians.</li> </ul>
<b>Water security</b>	The ability to reliably access and use water to meet basic needs. It includes elements of water availability, accessibility, acceptability, safety, or reliability

## 1.4. Contacts and resources

### 1.4.1. Contacts

Reason for contact	Contact
General questions	<a href="mailto:NWGA@dcceew.gov.au">NWGA@dcceew.gov.au</a>
Communications queries from States	<a href="mailto:NWGA.Communication@dcceew.gov.au">NWGA.Communication@dcceew.gov.au</a>
DCCEEW media questions	<a href="mailto:mediateam@dcceew.gov.au">mediateam@dcceew.gov.au</a>
First Nations project questions and proposal submissions	<a href="mailto:NWGA.FirstNations@dcceew.gov.au">NWGA.FirstNations@dcceew.gov.au</a>
Proposal submissions	<a href="mailto:NWGA.ProjectProposals@dcceew.gov.au">NWGA.ProjectProposals@dcceew.gov.au</a>

### 1.4.2. Resources

Resource	Link
National Water Grid website	<a href="http://nationalwatergrid.gov.au">nationalwatergrid.gov.au</a>
Federation Funding Agreements	<a href="http://federalfinancialrelations.gov.au">federalfinancialrelations.gov.au</a>
Infrastructure Australia	<a href="http://infrastructureaustralia.gov.au">infrastructureaustralia.gov.au</a>
Australian Industry Participation	<a href="http://industry.gov.au">industry.gov.au</a>
National Water Agreement	<a href="http://dcceew.gov.au/water/policy/policy/nwi">dcceew.gov.au/water/policy/policy/nwi</a>
Productivity Commission	<a href="http://pc.gov.au">pc.gov.au</a>
Closing the Gap	<a href="http://closingthegap.gov.au">closingthegap.gov.au</a>

## 2. Project Development

This section sets out the considerations for identifying a project for funding under the NWGF, including project eligibility. The Investment Framework articulates the eligibility criteria and investment principles that underpin the NWGF. In addition to meeting these criteria, projects must deliver outcomes that achieve at least one of the NWGF strategic objectives (refer to *Figure 1: Strategic* ).

A proposal can seek Australian Government funding at any stage in the project’s development:

- preliminary business case
- detailed business case
- pre-construction
- construction.

The Australian Government may commit funding to projects not reflected in these development stages, such as a regional water assessment. A project does not need to have received Australian Government funding for business case development to receive funding for construction, however, planning and development activities must have been undertaken.

Note that these stages do not include Science Program projects funded through the NWGF. For guidance on the National Water Grid Science Program, refer to the Science Strategy on the National Water Grid website.

Projects brought forward for funding consideration should demonstrate public benefit with a national interest element. A project may demonstrate national interest elements through its impact on the economy, contribution to the Australian Government fulfilling its strategic priorities (e.g. Closing the Gap), contribution to multiple state outcomes or relate to an asset that can be demonstrated as critically important. National interest element does not require the asset to operate nationally, or provide a service that impacts the entirety of Australia. Rather the asset, and its functioning, must be significant from a national perspective.

**Figure 3: National Water Grid Fund project development stages**

<b>Preliminary Business Case</b>	<p><b>Status</b>            A problem or opportunity has been identified.            An initial list of options has been developed through a feasibility study (or similar) and a business case is necessary to strengthen the case for change.</p> <p><b>Phase activity</b>            Preliminary assessment of options and shortlisting of preferred option(s).            Refinement of project scope and rationale for intervention.            Preliminary assessment of costs and benefits.</p> <p><b>Phase Output</b>            Completion of a Preliminary Business Case that can be used to assess the merits of proceeding further with project development.            Information at this stage of project development is broad and indicative.</p>
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<p><b>Detailed Business Case</b></p>	<p><b>Status</b> A Preliminary Business Case (or similar strategic assessment) has been completed and a more detailed assessment of options is required.</p> <p><b>Phase activity</b> Detailed evaluation of the preferred option(s) and comprehensive analysis of all aspects of the project. Includes progressing planning documents such as design, costings, procurement and risk management strategies. Approvals processes underway.</p> <p><b>Phase Output</b> Completion of a Detailed Business Case that provides clear, comprehensive evidence for decision makers and can be used as a basis for informing a construction decision. The Detailed Business Case should be developed in a manner that would allow assessment by Infrastructure Australia, in line with their Assessment Framework <b>(mandatory for proposals seeking \$250 million or more in Australian Government funding)</b>.</p>
<p><b>Pre-Construction (if required)</b></p>	<p><b>Status</b> The Detailed Business Case has been completed. Additional pre-construction activities are required to provide greater cost and deliverability certainty (such as additional design, approvals, geotechnical activities, acquisitions, etc).</p> <p><b>Phase activity</b> Progress additional pre-construction activities.</p> <p><b>Phase Output</b> Project is capital investment ready.</p>
<p><b>Construction</b></p>	<p><b>Status</b> A Detailed Business Case or equivalent level of planning has been completed, including a comprehensive assessment of options and robust analysis of costs and benefits, and the project is investment ready. Major approvals identified and timing confirmed (approvals necessary to commence should be obtained or in process). Stakeholder and community support has been obtained.</p> <p><b>Phase activity</b> Construction of the full scope of the project.</p> <p><b>Phase Output</b> Project is completed and operational.</p>

## 2.1 Alignment with broader planning

Project planning and development should align with regional and state planning, including but not limited to:

- relevant regional water plans
- regional economic development plans
- state infrastructure plans
- broader Australian Government priorities.

Water infrastructure projects often deliver far more than simply water for community or productive use. The Ancillary Benefits Guide identifies five broad Australian Government priorities that projects funded through the NWGF could support. States should consider if/how projects submitted for funding align with these priorities as part of project development.

Alignment with broader regional and state planning and with broader Australian Government priorities should be demonstrated in project planning and development documentation.

Further information on project benefits is in *Section 3.2.2 Project benefits*.

## 2.2 NWGF eligibility criteria

The eligibility criteria for a project seeking funding under the NWGF are set out in the Investment Framework and in *Figure 4: NWGF eligibility criteria*. For a project to be eligible for NWGF funding, it must meet all three eligibility criteria.

**Figure 4: NWGF eligibility criteria**

<b>Criterion 1</b>	Propose new or additional capital investment in infrastructure that increases the security, quality and/or availability of water for regional and remote communities, and/or productive use.
<b>Criterion 2</b>	Provide a demonstrable public benefit with a national interest element and demonstrated engagement with affected stakeholders (including First Nations people).
<b>Criterion 3</b>	Be brought forward with strong support by a state or territory government (including securing funding contributions) and is dependent on a Commonwealth contribution.

### 2.2.1 Criterion 1: New or additional capital investment in infrastructure

To meet Criterion 1 the proposed project must:

- be planning for, or delivering, water infrastructure
- increase the availability, reliability, efficiency or quality of water supply
- support water security for regional and remote communities and/or promote the growth and sustainability of regional economies.

For capital works, the project must have progressed through a fit-for-purpose development process, such as a business case or other planning process, which confirms the proposed solution is the preferred option. The planning process must also include a robust analysis of the costs and benefits of the preferred option. Non -infrastructure solutions should be considered in the planning process.



**Regional and remote** – States are responsible for demonstrating how a proposed project would deliver regional outcomes. The Australian Bureau of Statistics *Remoteness Structure*<sup>2</sup> is a useful reference for considering what constitutes a regional or remote area.

## 2.2.2 Criterion 2: Public benefit and engagement with affected stakeholders

To meet Criterion 2 the proposed project must:

- benefit more than a single user
- directly advance or be an essential enabler of national priorities or commitments
- be expected to materially improve national productivity, liveability or sustainability outcomes.

States must also demonstrate engagement (either completed or planned) with potentially affected communities, and provide information about the impacts of the proposed project on a wide range of stakeholders, including Aboriginal and Torres Strait Islander people, minority groups and disadvantaged communities. Where relevant, States should provide evidence of stakeholder support for the project, particularly from First Nations people and representative bodies.

## 2.2.3 Criterion 3: State support and dependent on a Commonwealth contribution

To meet Criterion 3 the State must:

- formally submit the project proposal with a letter of support from a relevant State Minister that confirms the State commitment to the project
- commit to develop, manage and deliver the project
- demonstrate that Australian Government funding is necessary for reasons of scope, complexity, scale, timing or material interest.



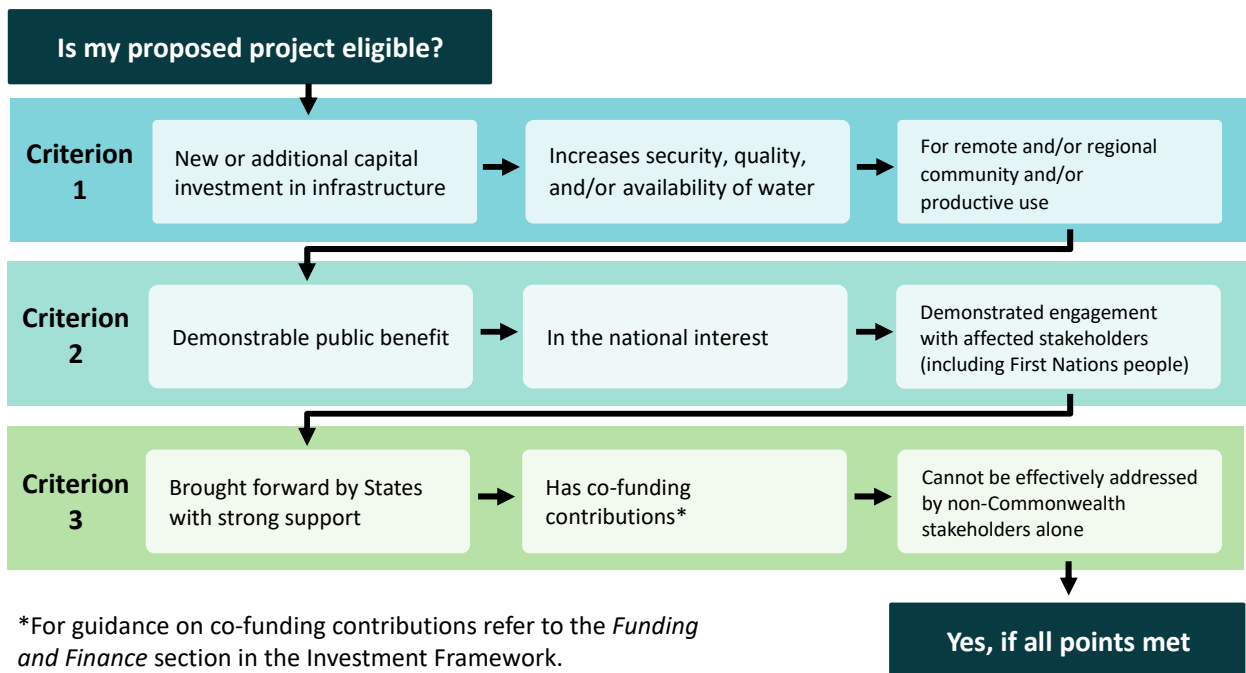
**Dependent on a Commonwealth contribution** – States must justify why Australian Government investment is needed. States should clearly demonstrate why the full capital cost of the project cannot be funded by the State or private proponents and how Australian Government funding is critical to delivery of the project.

Refer to *Section 6 Funding contributions* for further information.

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<sup>2</sup> The Australian Bureau of Statistics Remoteness Structure is available at:  
[www.abs.gov.au/ausstats/abs@.nsf/mf/1270.0.55.005](http://www.abs.gov.au/ausstats/abs@.nsf/mf/1270.0.55.005)

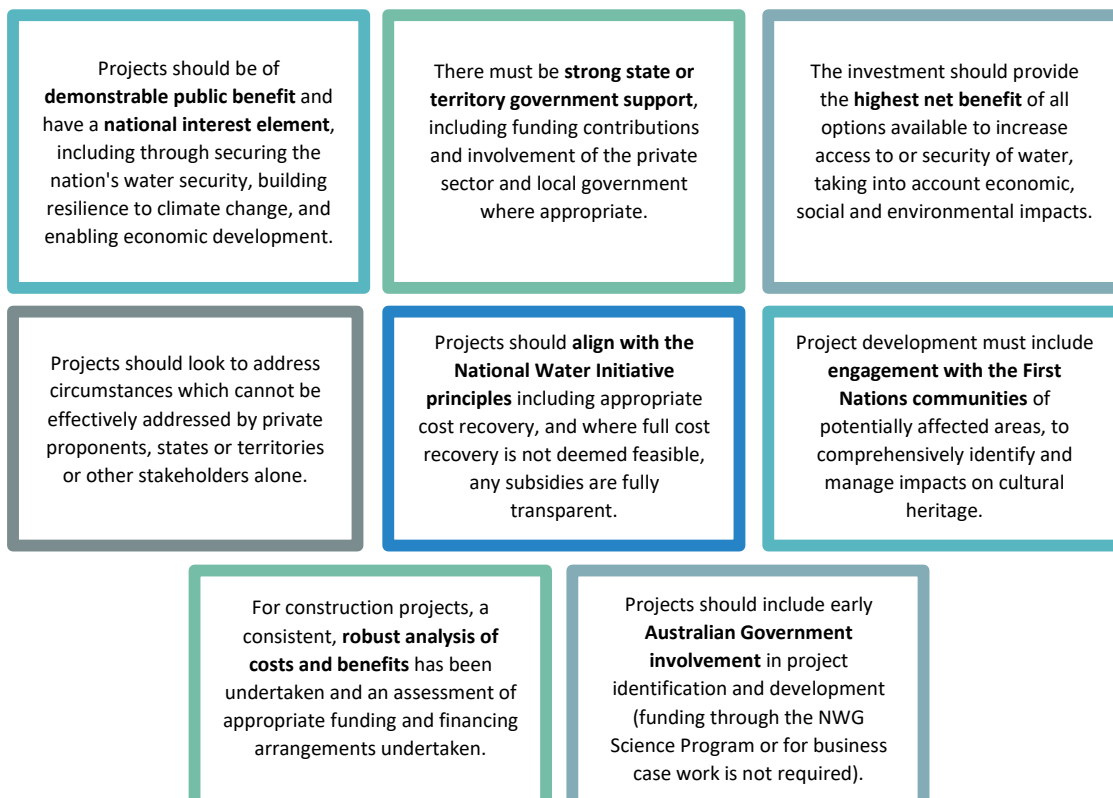
Figure 5: Flowchart to determine project eligibility



## 2.3 Investment Principles

In addition to the eligibility criteria, the Investment Framework details eight Investment Principles that inform investment decisions (see Figure 6: Investment Principles). The Investment Principles cover the benefits, processes, circumstances, outcomes and appropriateness of investment. Project proposals must demonstrate alignment to the Investment Principles.

Figure 6: Investment Principles





## 2.4 Project identification

The Australian Government will consider investing in any project brought forward by the States that meets the criteria outlined in the Investment Framework. States are encouraged to develop innovative solutions and to work with the Department in the development of proposals.

To support the delivery of the Australian Government's investment in water infrastructure, the Department will work with the States to identify priorities and progress projects. This includes identifying where water supplies are not keeping up with demand, are under threat from climate change or where opportunities exist to make additional water available for community or productive use.

States should engage early with the Department during project identification, so that the Australian Government is aware of project priorities and emerging issues (Investment Principle 8). The Department will seek input from the States on project concepts to be included in a forward outlook on water infrastructure planning and investment. The forward outlook will be used to inform Australian Government understanding of future funding demand and investment planning. Inclusion of a project in the forward outlook does not commit either the State or the Australian Government to funding the project. A project does not need to be included on the forward outlook for it to be brought forward for funding consideration. The forward outlook will not be published and will be considered point in time based on the information available and informed by high level cost estimates. A full understanding of the water infrastructure landscape supports the Australian Government to take a well-informed and long-term approach to investment.

States are encouraged to bring forward priority projects that improve water outcomes for Australians and ensure the long-term viability of our communities and economy. Through project development States must consider the broader landscape and how projects can contribute to the priorities of the Australian Government, particularly with regard to generating positive outcomes for First Nations peoples and the environment.

As part of the project identification process, States must consider a variety of options, including non-infrastructure solutions, to determine the most fit-for-purpose solution. There is no minimum or maximum number of options that must be considered.

A proposal can seek Australian Government funding at any stage in the project's development:

- preliminary business case
- detailed business case
- pre-construction
- construction.

Note that these stages do not include Science Program projects funded through the NWGF. For guidance on the National Water Grid Science Program, refer to the Science Strategy on the National Water Grid website.

## 2.5 Infrastructure types eligible for NWGF funding

Infrastructure eligible for NWGF funding may include, but is not limited to:

- water treatment plants, water recycling plants and desalination plants
- groundwater storage

- managed aquifer recharge
- surface water storage, such as dams and weirs
- irrigation district modernisation or expansion
- pipelines and other projects that facilitate the movement of water.

The NWGF may provide funding for:

- new construction projects
- modifications to better or improve existing projects (such as the raising of a weir wall)
- supporting infrastructure
- stand-alone projects
- smaller projects as a package with a common theme or goal
- part of a larger project where the activity seeking Australian Government funding is eligible under the NWGF.



Refer to the National Water Grid website for examples of completed and ongoing projects delivered through the NWGF.

### 2.5.1 Infrastructure types not eligible for NWGF funding

Some types of water infrastructure projects are considered out of scope for NWGF investment.

The NWGF focus on regional and remote communities recognises these communities have lower financial capacity to invest in new, capital-intensive water infrastructure projects compared to major cities that have greater fiscal capacity due to larger population bases. As such, urban water infrastructure projects for major cities are ineligible. Proposals should consider a community's capacity to pay for the infrastructure as part of the justification for Australian Government investment (Investment Principle 5).

As per the Investment Framework eligibility criteria and investment principles, projects should be of demonstrable public benefit and in the national interest (eligibility criteria 2). Eligible NWGF projects are expected to benefit multiple water users. As such, projects for the primary use of a single entity or beneficiary are not eligible under the Investment Framework.

Projects that do not generate water benefits (security, quality or availability) primarily for productive or consumptive uses are not eligible under the Investment Framework (eligibility criteria 1). As such, wastewater and stormwater projects are not eligible, except to the extent that they include a productive element such as recycled water schemes.

Projects that exclusively address other priorities, such as disaster resilience or environmental water recovery, are not eligible for funding under the NWGF. These projects may be addressed through other Australian Government programs.

As per the NWGF eligibility criteria, the NWGF has been established to fund new capital infrastructure projects (eligibility criteria 1). Projects for routine maintenance or refurbishment, without betterment, are not eligible for funding. Operation and maintenance activities are not eligible for funding.

## 2.6 First Nations funding stream

The Australian Government has committed \$150 million from within the NWGF to provide water infrastructure solutions for regional and remote First Nations communities. This supports the Australian Government's commitments to Closing the Gap Target 9b.

To ensure the long-term sustainability of First Nations water infrastructure projects, States are encouraged to develop holistic approaches to address water insecurity and to also undertake complementary activities like community education. States should also consider links to the National Agreement on Closing the Gap, including outcomes, targets and priority reforms, and the United Nations Sustainable Development Goals, particularly Goal 6 on access to water and sanitation.

To be eligible for First Nations funding through the NWGF, States are required to show that there is a demonstrated need for the project to deliver improved outcomes for an Aboriginal or Torres Strait Islander community or communities. The proposed project must also meet the Investment Framework eligibility criteria and align with the Strategic Objectives and Investment Principles. If requesting more than 50% Australian Government funding for a First Nations project, States should seek to demonstrate the transformative nature of the project to support the funding request and to justify the need for a higher percentage of Australian Government investment.

The Australian Government supports infrastructure solutions that recognise and address the specific water challenges faced by communities. Projects may include, but are not limited to, replacing leaking pipes, drilling and equipping bores or installing water treatment systems. Business case, planning and pre-construction projects can also be considered to inform infrastructure solutions.



### Closing the Gap Target 9b

By 2031, all Aboriginal and Torres Strait Islander households:

- within discrete Aboriginal and Torres Strait Islander communities receive essential services that meet or exceed the relevant jurisdictional standard
- in or near to a town receive essential services that meet or exceed the same standard as applies generally within the town (including if the household might be classified for other purposes as a part of a discrete settlement such as a "town camp" or "town based reserve").

First Nations water infrastructure project proposals are required to provide adequate information to demonstrate appropriate planning has occurred. Depending on the scope of the project, a project specific business case may not be required but States should provide detailed costings and design information. The information in the proposal is expected to confirm that the necessary planning has been undertaken. Planning information should be commensurate with the size and scope of the project.

States should engage early with the Department so that the final proposal contains the appropriate information to support an informed funding decision.

First Nations representatives are strongly encouraged to work with the States to bring forward projects for Australian Government consideration.

The First Nations Water Infrastructure Project Proposal template should be used for projects seeking up to \$15 million in Australian Government funding. Project proposals seeking more than \$15 million in Australian Government funding should be submitted on the *Standard template – more than \$5 million*.



Contact [NWGA.FirstNations@dceew.gov.au](mailto:NWGA.FirstNations@dceew.gov.au) for additional guidance on identifying projects that may be eligible for First Nations funding through the NWGF.

## 2.7 National Water Initiative compliance

All States have committed to the National Water Initiative, to sustainably manage Australia’s water resources. States should demonstrate that a project seeking funding through the NWGF aligns with National Water Initiative<sup>3</sup> commitments. This could include, but is not limited to:

- proposing water infrastructure projects in areas where National Water Initiative-compliant water planning and entitlement frameworks are – or will be – in place
- setting out water requirements to meet environmental and other public benefit outcomes
- demonstrating that a proposal is economically viable and ecologically sustainable
- releasing unallocated water for consumptive use
- recovering costs, where practicable, through user fees.

The Australian Government is working with jurisdictions through the National Water Reform Committee to review the National Water Initiative to address emerging water management challenges. It is anticipated that this work will lead to a new National Water Agreement.

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<sup>3</sup> Or equivalent agreement.

### 3 Project Proposal and Approval

This section sets out the process for proposing a project for funding under the NWGF, including the Australian Government’s consideration process.

Specific project proposals can be submitted by a State (the proponent under the FFAs) at any time. However, consideration of proposals and funding decisions by the Australian Government will generally occur twice yearly, in line with the Federal Budget cycle. The Australian Government may commit funding to a project at any time based on information it deems appropriate and at its sole discretion. This is particularly the case for First Nations water infrastructure proposals or specific funding streams.

**Figure 7: Steps in proposal consideration**



#### 3.1 Early engagement

Australian Government involvement in project identification and development is a key Investment Principle under the Investment Framework. Where a State is considering bringing forward a proposal for NWGF funding consideration, early engagement with the Department is encouraged. This could include providing drafts or extracts of a project proposal for early feedback on eligibility and alignment with the Strategic Objectives.

The Department will seek input from the States on project concepts to be included in a four-year forward outlook on water infrastructure planning and investment. The forward outlook will be used to inform Australian Government understanding of future funding demand and investment planning. However, inclusion of a project in the forward outlook does not commit either the State or the Australian Government to funding the project. Furthermore, a project does not need to be included on the forward outlook for it to be brought forward for funding consideration. The forward outlook will not be published.



States can submit project overviews, extracts or drafts of project proposals to [NWGA.ProjectProposals@dcceew.gov.au](mailto:NWGA.ProjectProposals@dcceew.gov.au) or [NWGA.FirstNations@dcceew.gov.au](mailto:NWGA.FirstNations@dcceew.gov.au) for early feedback on eligibility and alignment with the Investment Framework.

## 3.2 Proposal submission

This section explains the information and evidence that should be included in NWGF project proposals. The level of information and evidence is dependent on the project phase should be commensurate with the quantum of the funding ask.

States seeking funding under the NWGF are required to submit a formal project proposal to the Department using the relevant template and with all required supporting documentation attached. In submitting a project proposal, the State warrants that it can secure the relevant co-funding and deliver the project in line with FFA requirements, should the project be approved by the Australian Government.

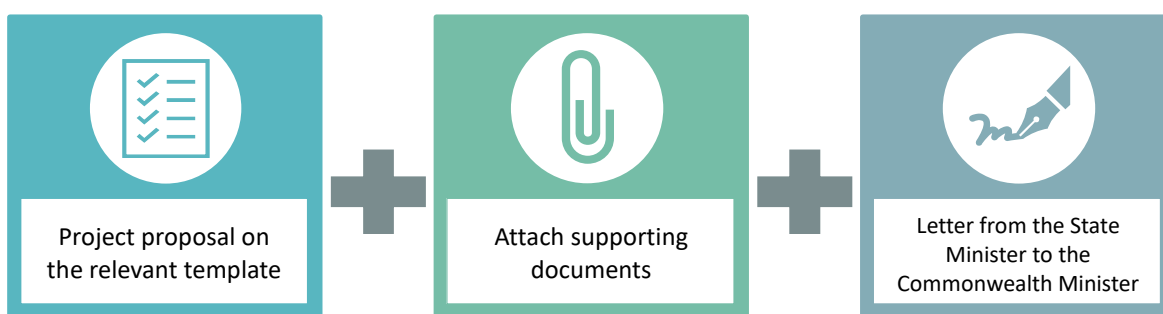
State support for the proposal must also be provided, in the form of official correspondence from the relevant State Minister to the Australian Government Minister. This letter should include State prioritisation against other projects submitted at the same time or through the same Commonwealth Budget or MYEFO process. In submitting a project proposal, the State warrants that it can secure the relevant co-funding and deliver the project in line with FFA requirements, should the project be approved by the Australian Government.

### Supporting documentation

States are required to submit various supporting documents based on the project phase and level of funding requested. The below table provides an overview of submission requirements based on the project phase. These are also outlined in the relevant project templates.

Where an attachment is recommended, the Department encourages the State to submit these documents with a proposal to support the funding request (unless previously provided with an earlier submission).

**Figure 8: Proposal submission requirements**



**Table 1: Proposal submission requirements based on project phase**

Proposal Attachment	Preliminary business case	Detailed business case	Construction
<b>Feasibility or planning document</b>	Mandatory	Recommended	Recommended
<b>Preliminary Business Case or similar strategic assessment</b>	Not required	Recommended	Recommended
<b>Risk register</b>	Not required	Recommended	Mandatory

Proposal Attachment	Preliminary business case	Detailed business case	Construction
<b>Final Detailed Business Case</b>	Not required	Not required	Mandatory <sup>*</sup>
<b>Detailed Costings</b>	Recommended	Mandatory	Mandatory
<b>Evidence of community consultation and support</b>	Recommended	Recommended	Mandatory
<b>Planning approvals and other associated documentation</b>	Recommended	Recommended	Mandatory
<b>Infrastructure Australia assessment</b>	Not required	Not required	Mandatory <sup>#</sup>
<b>Local Industry Participation Plan</b>	Not required	Not required	Mandatory <sup>^</sup>

\* Recommended for projects seeking less than \$5 million

# Mandatory for project seeking over \$250 million

^ Mandatory for projects seeking over \$20 million

## State prioritisation

States are expected to list all proposals brought forward for funding consideration in their State's own priority order (with 1 being the highest priority for NWGF funding, through to the least critical to receive funding). This is to assist the Australian Government to understand State priorities when making water infrastructure investment decisions. If a priority order is not specified, then it will be assumed to be the order in which projects are listed in the Ministerial letter of support.

Funding is a competitive process, and proposals received will be both individually assessed and then compared against other proposals to be considered at the same point in time. State prioritisation will be used to inform this process. Evaluation and comparison ensure that the opportunity cost of investment is properly considered, and risks, urgency and merit are used to inform investment decisions.

### 3.2.1 Project proposal templates

There are two standard project proposal templates, depending on the value and type of project. The templates contain information on mandatory inclusions and attachments. Proposals submitted without mandatory information will not be considered by the Department until this information has been formally submitted.

The Australian Government may develop additional templates for specific funding amounts and/or streams. Examples include the Water Infrastructure for Sustainable and Efficient Regions (WISER) initiative or for smaller construction projects (with an Australian Government funding ask of less than \$5 million).

A separate proposal must be submitted for each phase of a project (e.g. preliminary business case vs business case).

**Figure 9: Project proposal templates**

<b>Standard template</b>	<p>For most projects seeking National Water Grid funding from the Australian Government. The State must complete the template section relevant for the proposed project phase for which funding is sought.</p> <p>Proposed First Nations projects seeking more than \$15 million in National Water Grid funding from the Australian Government should also be submitted on this template.</p>
<b>First Nations template</b>	<p>For First Nations specific projects seeking \$15 million or less in National Water Grid funding from the Australian Government. Proposals can include:</p> <ul style="list-style-type: none"><li>• construction projects seeking up to \$15 million in Australian Government funding</li><li>• a package of standalone construction projects seeking up to \$15 million in Australian Government funding</li><li>• business case or planning proposals, where the construction element of the project will seek up to \$15 million in Australian Government funding.</li></ul> <p>First Nations specific projects seeking more than \$15 million in National Water Grid funding from the Australian Government must be submitted using the standard template.</p>

### 3.2.2 Project benefits

As well as meeting the requirements of the Investment Framework (refer to 2.2: *NWGF eligibility criteria* and 2.3: *Investment Principles*), NWGF projects should also aim to achieve broader direct and indirect benefits. Project proposals should detail all expected project benefits so that the Australian Government may make an informed investment decision based on a complete understanding of the likely outcomes.

*Figure 10: Example of potential broader benefits* provides a guide to the types of broader benefits that could be realised through NWGF investment. This is not an exhaustive list, and proposed projects are not expected to deliver positive outcomes against all areas listed.

Projects proposed for funding should provide the highest net benefit of all options available, considering economic, social, environmental and cultural impacts, and include a consistent, robust analysis of costs and benefits.

States should refer to Infrastructure Australia’s 2021 Assessment Framework for guidance on how to present and structure broader benefits.



A project proposal should set out:


- the case for change
- a robust analysis of all costs and benefits
- alignment with Investment Framework and Ancillary Benefits.



**Figure 10: Example of potential broader benefits**

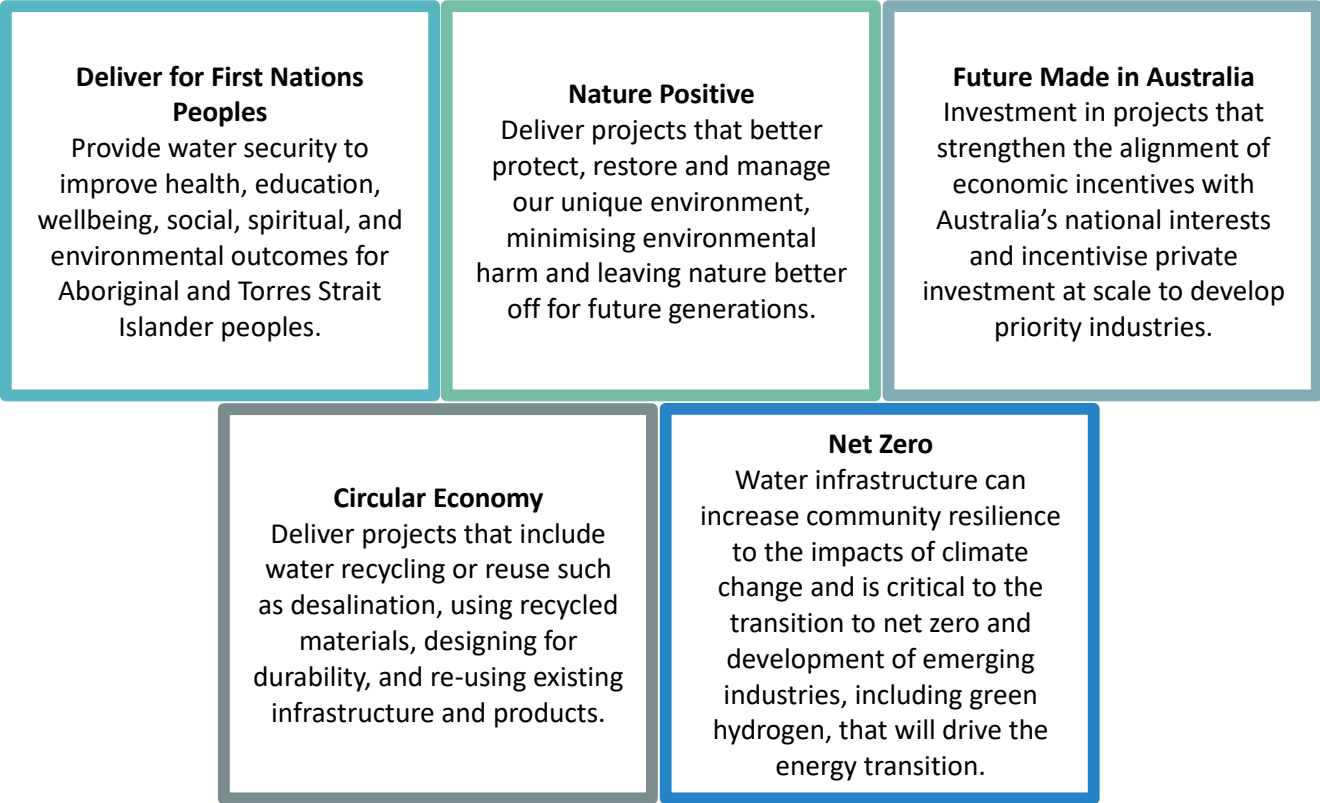
<b>Social</b>	<ul style="list-style-type: none"> <li>• Improve public health outcomes</li> <li>• Support the development of new housing or improved essential services in remote communities</li> <li>• Improve town amenity or liveability, such as providing water for recreational use or green spaces</li> </ul>
<b>Economic</b>	<ul style="list-style-type: none"> <li>• Promote regional development, economic growth and sustainability</li> <li>• Build business confidence and encourage business investment</li> <li>• Support emerging industry</li> </ul>
<b>Environmental</b>	<ul style="list-style-type: none"> <li>• Return water to the environment</li> <li>• Improve drought and climate resilience</li> <li>• Deliver positive lasting environmental outcomes, such as habitat restoration or protection of endangered species</li> <li>• Increase productivity of existing agricultural land</li> </ul>
<b>Cultural</b>	<ul style="list-style-type: none"> <li>• Water for cultural use</li> <li>• Empower First Nations people through decision making agency</li> <li>• Generate opportunities for Indigenous groups, such as employment and supplier use</li> </ul>

When making funding decisions, the Australian Government may consider how water infrastructure project proposals support the Government’s broader policy agenda. The NWGF should deliver water infrastructure that is of demonstrable public benefit and dependent on Australian Government investment while contributing to a range of broader positive outcomes (see *Figure 10: Example of potential broader benefits* and refer to the Ancillary Benefits Guide). The extent to which projects assist in achieving broader Australian Government priority objectives will be considered as part of the Department’s assessment of strategic fit (see section *Proposal assessment*).



States are encouraged to demonstrate all additional benefits of a project, with supporting evidence where possible. This could include indirect economic, social, environmental or cultural outcomes, at a regional or national level. Not all benefits need to be quantifiable to be included in the proposal and identified as a positive outcome.

**Figure 11: Aligning NWGF investment with broader Government priorities**




**3.2.3 Benefit Cost Ratio**

A Benefit Cost Ratio (BCR) is required for all construction phase proposals. A BCR must be provided using a discount rate of 4% and 7% for both the P50 and P90 cost estimate for the project, including methodology. States should use a 30-year appraisal period for the central case, but additional evaluation periods may be included to support analysis of proposals over their full lifecycle.

For smaller scale construction projects that do not have a significant economic element, a rapid BCR is acceptable. A rapid BCR is a high-level, balanced and robust analysis of the costs and benefits of the options to test value for money. Further information is available in Infrastructure Australia’s Assessment Framework guidance material<sup>4</sup>.

A BCR is generally not required for smaller scale First Nations projects. Where a BCR is not available the project proposal must include detail of all costs and benefits associated with the project.

 States should refer to their own State frameworks as well as Infrastructure Australia’s *Guide to Economic Appraisal* for further information on cost benefit analysis.

States should refer to Infrastructure Australia’s *2021 Assessment Framework* for guidance on how to present and structure broader benefits not included in a BCR.

<sup>4</sup> Infrastructure Australia Assessment Framework, available at: [www.infrastructureaustralia.gov.au/publications/assessment-framework](http://www.infrastructureaustralia.gov.au/publications/assessment-framework).

Where appropriate, proposals should demonstrate the value of benefits not incorporated into the BCR and other mitigating factors, such as economic, social and environmental. States should also consider the broader outcomes of a project, including benefits to the region or the nation. Benefit claims should be supported by evidence and, where possible, quantified.

While the BCR is a tool that supports decision-making, it is not the sole determinant of an investment decision. Some social outcomes are less tangible and are more difficult to measure using BCR, and, where this is the case, the proposal must include significant detail and evidence of all costs and benefits associated with the project.



Estimated construction costs are expected to include indicative environmental offset and greenhouse gas emissions costs, as appropriate.

### 3.2.4 Planning approvals

When submitting a project proposal, States must provide details of all relevant approval processes. This includes progress to date, approval timeframes and the pathway to attaining necessary approvals. Any potential impacts on construction delivery should also be advised. Where approvals have already been granted, States should include evidence, where practicable.

Approvals to consider include, but are not limited to:

- environmental, including the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) as well as jurisdictional legislative requirements
- land tenure, including native title considerations
- land access.

If a particular approval is not required for a project, States should confirm this in the project proposal.



All construction proposals should note whether a referral under the EPBC Act is required. Guidance on the EPBC Act and the referral process is available at [www.dcceew.gov.au/environment/epbc](http://www.dcceew.gov.au/environment/epbc).

### 3.2.5 Stakeholder engagement in project development

Meaningful stakeholder engagement enables communities to contribute to infrastructure planning and delivery. This kind of engagement is needed to achieve stakeholder and community endorsement for an infrastructure proposal. Project development should consider:

- impacts of options on a wide range of stakeholders, including Aboriginal and Torres Strait Islander people, minority groups and disadvantaged communities
- stakeholder input to inform the options analysis process
- reporting back to communities on how their feedback was used in decision-making.

States are required to demonstrate that engagement with affected stakeholders, including First Nations people, has taken place during project development. States are encouraged to outline the frequency and depth of engagement with affected stakeholders.

Evidence of engagement could include, but is not limited to:

- a recent letter of support for the project that confirms the stakeholder understands the broader project and its outcomes
- publicly available information that demonstrates support for the project, such as a news article with quotes or community webpages
- extracts of meeting records, having appropriate regard to sensitive content.

The Department recognises the important role that First Nations people have in the stewardship of Australia's water systems. Engagement with First Nations communities is a requirement of Investment Principle 6. First Nations voices should be considered in decision-making, and projects can draw on Traditional Knowledge.

The level of engagement with First Nations communities should be proportionate with the type and scale of the project, and appropriate for the phase of the project.

First Nations communities or bodies that are impacted by or consulted on a project should, where practicable, be made aware that the project is coming forward for Australian Government consideration. The Department recognises that managing stakeholder expectations can be complex and will work with States to address these sensitives.

For projects coming forward as First Nations water infrastructure projects, States should ensure that First Nations peoples' voices are heard, and that views, aspirations and priorities are incorporated into infrastructure decision making. Projects should be designed in collaboration with communities and use Traditional Knowledge, where possible.

The Australian Government, and the Department, is committed to increasing First Nations ownership and involvement in decision making regarding water infrastructure projects.

### 3.2.6 Funding contributions

The Australian Government will consider funding up to 50% of a project's total capital cost for delivery through the NWGF. Where the Australian Government deems the project to be transformational in nature or where a specific policy need has been identified, the Australian Government may consider funding more than 50% of a project's expected cost. This funding threshold includes Australian Government funding from the NWGF and other Australian Government sources. The funding threshold does not preclude other sources of finance being sought from the Australian Government for the remaining capital costs of a project (such as concessional loans or equity vehicles).

If requesting more than 50% of the total project cost in Australian Government funding, it is the responsibility of the State to demonstrate how a project would be transformational in nature or meets a specific policy need – this includes for First Nations projects. Providing more than 50% of the total project cost in Australian Government funding is at the discretion of the Australian Government.

It is the responsibility of the State to justify the need for any Australian Government contribution and the value of funding requested.

### 3.2.7 Milestone development

States must propose milestones when submitting a project proposal. These proposed milestones will be used to inform project delivery expectations. The Australian Government will consider the proposed milestones when drafting milestones to be included in the FFA Schedule (refer to *4.4 Claims for payment* for information on milestone delivery).

#### Business case project milestones

Milestones for business case projects should, where possible, be consistent with *Table 1: Proposal submission requirements based on project phase*. Alternative or additional milestones may be proposed or added by the Department depending on the cost and complexity of a project or any conditions of project funding. Milestones should not be proposed for June as any delays across a financial year will impact the Department’s ability to process a timely payment.

**Table 2: Indicative milestones for business cases**

Milestone	Date	Description	Payment Amount
1	Day Month Year	Acceptance of project plan including key deliverables and timelines for the delivery of the preliminary/detailed business case.	Payment amount should be rounded as far as practicable
2	Day Month Year	Completion of draft preliminary/detailed business case.	Payment amounts should reflect expected cashflow
3	Day Month Year	Acceptance by the Australian Government of the preliminary/detailed business case.  Acceptance by the Australian Government of a project completion report detailing project performance against the objectives set out in the project plan.	

#### Construction project milestones

There are no standard indicative milestones for construction projects due to the varying nature of construction projects funded under the NWGF. However, construction milestones should:

- include a project plan as part of the first milestone.
- include a progress update as the first part of any milestone.
- include a milestone for acceptance of an Indigenous Participation Plan prior to tendering, for relevant projects (refer to Section 4.4.1: *Indigenous Participation Plans*)
- include a final milestone for acceptance of a Project Completion Report by the Department (refer to Section 5:

- Project Completion)
- be aligned to a project's scope, as outlined in a project proposal.
- include all major project elements identified in the project scope as deliverables and include a reference to installation of project signage.
- describe deliverables in clear terms to assist in reporting on milestone completion. Consideration should be given to what evidence can be provided to report on the achievement of the milestone.
- reflect the completion of discrete project deliverables.

States should also consider the following guidance when developing milestones:

- Milestones should not be proposed for June as any delays across a financial year will impact the Department's ability to process a timely payment.
- Milestones should consider advice from the Department about Australia Government decision-making timelines, which are generally aligned to Budget and MYEFO processes, and ensure the first proposed milestone is scheduled after an Australian Government decision on the funding submission is expected.
- Adjustments or delays might need to occur for milestones over shut down periods (e.g. January and December).
- Milestones should be for the delivery of measurable items. Instead of '25% construction completed', wording such as 'Construction of pipeline from a to b is completed' should be used.

Milestone descriptions **should avoid**:

- being too specific in terms of quantifying deliverables as this can create difficulties when claiming milestones. Words such as 'up to' and 'approximately' should only be used where no better alternative is available. 'More than' is preferable.
- trying to reference all components of a project scope – milestones should be a summary of the progress of key components of the project, not an extension of the scope of the project.
- including more than two elements (not including a progress update) in a single milestone description.
- using language that is ambiguous and can be misinterpreted.

### **Milestone payment amounts**

All milestones require an associated payment amount. Payment amounts associated with milestones should reflect the cash flow needs of a project, as far as practicable. States should also consider:

- where a project is co-funded, Australian Government contributions should align with non-Commonwealth contributions as far as practicable.
- there is no limit to the payment amount that can be associated with a given milestone, provided the payment does not exceed the value of completed works for that milestone.
- payment amounts should align with costs of delivery and not be front loaded.
- the total of all project milestones must not exceed the total Australian Government commitment to the project.
- milestone payment amounts should be rounded, as far as practicable.
- for construction projects, the final milestone payment amount should reflect the difference between the P50 and P90 cost estimate.

### 3.2.8 Infrastructure Australia assessment framework

Construction proposals seeking more than \$250 million in Australian Government funding must have the project's detailed business case assessed by Infrastructure Australia. States are encouraged to engage with Infrastructure Australia during business case development to assist the process. Project developers, including the States, are required to submit their detailed business case and supporting documents to Infrastructure Australia and should work cooperatively through this process. Infrastructure Australia's assessment forms part of the Department's proposal consideration process.



Refer to Infrastructure Australia's *2021 Assessment Framework* for guidance on best practice for business case development.

### 3.2.9 Local and Australian Industry Participation Plans

All projects seeking more than \$20 million in Australian Government funding must have an associated Local Industry Participation Plan, consistent with Australia's international trade commitments. If States do not have a Local Industry Participation policy in place, the Australian Government's Australian Industry Participation Plan should be used. Australian Industry Participation requirements ensure full, fair and reasonable opportunity for Australian industry to compete for work.



More information about Australian Industry Participation requirements can be found at [www.industry.gov.au/aip](http://www.industry.gov.au/aip).

## 3.3 Proposal assessment

The proposal assessment stage is the process by which proposals are evaluated by the Department and advice is provided to Government on the merit of investing in a proposal. The Department will work collaboratively with States throughout the process. The Department considers a range of factors in its assessment (refer to *Figure 10: Example of potential broader benefits* for information).

On receipt of project proposals, the Department will undertake a compliance check to confirm that all relevant information has been provided. The Department may seek additional information to address omissions or seek clarification on the documentation provided.

During the formal assessment process the Department may meet with each jurisdiction to discuss the project proposal, seek additional information and/or clarify project details. The Department may also provide information about the project proposals and proposed projects to other Australian Government agencies to support its assessment. This process is essential to ensure that the Department makes an informed funding recommendation. Commercially sensitive information will not be shared.

The information provided in project proposals is formally assessed by the Department to guide its advice to the Australian Government. The Department's assessment approach ensures that project assessments do not duplicate processes that are undertaken elsewhere by government, such as by Infrastructure Australia, while also ensuring that due diligence is completed to determine whether a project will be a proper use of Australian Government funds.

When considering the relative merits and risks of a project proposal, the Department assesses proposals against the Investment Framework and on their strategic fit, impact and deliverability (see *Figure 12: The Department’s assessment considerations*). The Department’s assessment considers risk, alignment, impact and merit, including a comprehensive appraisal of all costs and benefits. The assessment also considers non-economic benefits that contribute to the objectives of the National Water Grid and broader Australian Government policy objectives as outlined in the Ancillary Benefits Guide.

**Figure 12: The Department’s assessment considerations**

<b>Strategic Fit</b>	<p><b>“Is there a clear rationale?”</b></p> <ul style="list-style-type: none"> <li>• Is there a clear case for change and is the proposed solution the most appropriate response to addressing the problem/opportunity?</li> <li>• How strongly does the proposal align with the Investment Framework Strategic Objectives?</li> <li>• Is there alignment between the project and regional, state and national plans, policy objectives and priorities (i.e. regional water strategies)?</li> </ul>
<b>Impact</b>	<p><b>“What is the value to the economy and to society?”</b></p> <ul style="list-style-type: none"> <li>• How will the project improve quality of life within communities and/or productivity of the economy?</li> <li>• How does the proposal achieve sustainability (meeting the needs of the present without compromising the ability of future generations to meet theirs) and resilience (to shocks and stresses, such as climate change)?</li> <li>• What are the impacts to the local community?</li> <li>• What are the quantitative and tangible project impacts?             <ul style="list-style-type: none"> <li>○ How much water will it provide and who will the users be?</li> <li>○ How many jobs will it bring to the region?</li> <li>○ Are there any health benefits to the community?</li> <li>○ Are there any environmental benefits? Are environmental effects identified and appropriately mitigated/offset?</li> </ul> </li> </ul>
<b>Deliverability</b>	<p><b>“Can it be delivered successfully?”</b></p> <ul style="list-style-type: none"> <li>• Does the proponent (and industry where appropriate) have the appropriate skills and capacity to deliver the project? Are the governance and procurement model suitable for the project?</li> <li>• Can the project be successfully implemented (including within the timeframes and budget proposed)?</li> <li>• What are the risks of the project? Are the proposed mitigations appropriate?</li> </ul>

**3.3.1 Advice to Government**

Advice to Government on proposals and their merit will consider the outcomes of the strategic fit, impact and deliverability assessments. In addition, it will incorporate analysis on alignment with the eligibility criteria, investment principles and strategic objectives of the Investment Framework; urgency; need for Australian Government funding; State priority ranking and how the project aligns with and contributes to broader Australian Government priorities and objectives. There are no caps



on the number of projects that will be considered in any one state or territory. See Section 0 for more information.



The Department's advice to the Australian Government includes consideration of strategic fit, impact and deliverability as well as opportunity cost, alignment with broader priorities and urgency.

### 3.3.2 Assessment of construction project proposals

Detailed costings should be included for all construction projects. The level of detail should be commensurate with the size of the project and quantum of funding requested from the Australian Government. If costs have been developed and/or assessed by a third party, then this report should be provided as part of the supporting documentation. The Department will review the information provided and may engage independent consultants to support its evaluation and review.

Construction proposals seeking more than \$250 million in Australian Government funding must have the project's detailed business case assessed by Infrastructure Australia. It is the State's responsibility to submit the business case to Infrastructure Australia for assessment. Infrastructure Australia's evaluation will inform the Department's assessment and forms part of advice to Government on the merit of a proposal.

The Australian Government is committed to making construction investment decisions informed by completed planning activities. The Department considers project development activities required to progress a project to a construction investment decision, including but not limited to approvals, to be part of the detailed business case phase (and or pre-construction phase) of a project. States should use the guidance and templates for the detailed business case phase in the proposal template in seeking funding for these activities.

## 3.4 Funding decision by Government

The Department provides advice to Government based on the information provided in a project proposal and the Department's assessment of this information.

Advice is generally provided to the Australian Government for consideration as part of the Federal Budget and MYEFO process. However, where necessary, this advice can be provided at any time to support immediate consideration of a proposal.

In all cases the Australian Government is the final decision maker and approver of funding.

## 3.5 Notification of outcome

States will be notified of the Australian Government's investment decision through formal correspondence from the Minister for the Environment and Water to the relevant State Minister. Timing of announcements for approved projects is generally aligned with the Federal Budget and MYEFO cycles but may be made at any time at the Australian Government's discretion. Announcements will generally be made in consultation with the State.

Following the notification of a funding decision, the Department will work with the State to include the project(s) in the FFA Schedule (refer to Section 3

*Project funding (FFA Schedule)*). Where projects are unsuccessful in receiving NWGF funding, the Department will provide formal feedback on request from the State.

# 4 Project Administration

This section sets out the administrative processes and requirements for managing projects receiving funding through the NWGF.

## 4.1 Project funding (FFA Schedule)

All new projects funded under the NWGF will be contracted under the relevant Schedule to the Federation Funding Agreement – Infrastructure as part of a FFA variation process (refer to Section 4.5 *FFA variations*). Some existing projects are contracted under other Agreements.

Australian Government funding for projects administered under the FFA Schedules is provided to the States upon the achievement of milestones agreed bilaterally between the Australian Government and the States. These milestones, including relevant reporting dates and expected payment amounts, are set out in the FFA Schedules. Refer to Section 3.2.7 *Milestone development* for more information on milestone development.

### 4.1.1 Project underspend

In the event of a project underspend, the relevant FFA Schedule sets out the processes that will apply.

**Table 3: FFA Schedule underspend processes**

Relevant FFA Schedule	Applicable process
<b>Projects fully funded by the Commonwealth and included under the Project Agreement for the National Water Infrastructure Development Fund – Feasibility Component (2019-2025)</b>	The Commonwealth contribution will not be reduced where the final cost is less than the initially agreed cost
<b>Co-funded projects included under the Project Agreement for the National Water Infrastructure Development Fund – Feasibility Component (2019-2025)</b>	The Commonwealth contribution may be reduced so that Commonwealth and non-Commonwealth funding is matching
<b>Projects included under the National Partnership for the National Water Infrastructure Development Fund – Capital Component</b>	The Commonwealth contribution may be reduced so that Commonwealth and non-Commonwealth funding is matching
<b>Projects included under the National Water Grid Fund Schedule to the Federation Funding Agreement – Infrastructure</b>	The Department will work with the relevant state to agree to the reallocation of the savings to other water infrastructure projects within their jurisdiction consistent with the Investment Framework and principles of the FFA Schedule

## 4.2 Project governance

The appropriate project governance arrangements will be considered on a case-by-case basis and agreed between the Department and the relevant State at the outset of a project. Project governance may include steering committees, project specific agreements, and joint business case

teams. Governance arrangements may be revised at any point during delivery of a project, to ensure appropriate project administration by the Department.

#### 4.2.1 Working groups and steering committees

Where a State establishes project governance arrangements, such as working groups, steering committees or project boards, the Australian Government may decide to participate. The role of Australian Government representation on steering committees and project boards will be discussed and agreed between the Australian Government and the relevant State on a case-by-case basis at the commencement of the project and at agreed intervals throughout the project's lifecycle.

There will also be flexibility for the Department and the States to request structured meetings, outside of normal reporting, to allow for discussion of sensitivities or risks for specific projects when necessary.

#### 4.2.2 Monthly meeting

The Department will meet monthly with each State individually to discuss delivery of NWGF projects. Prior to the meeting, States should submit a written progress update to the Department for discussion at the meeting. The monthly update may include, but is not limited to:

- status of each project, including completed and upcoming activities
- project sensitivities and risks
- status of upcoming milestones and comments on variations
- media updates, including previous events, potential upcoming events, media issues or community concerns
- any other relevant information that the Department should be made aware of.

The Department can provide a project update template on request.

#### 4.2.3 Annual deep dive

The Department will meet with States individually to discuss the planning and delivery of water infrastructure on an annual (or as needed) basis. The deep dive is an opportunity for the Department and States to understand current and future water infrastructure priorities, including but not limited to all existing NWGF projects, emerging issues and risks. The Department will initiate the scheduling of deep dive meetings and work together with the State to determine an agenda. Where possible, the Department and State should arrange to meet in person.

#### 4.2.4 Annual National Water Grid Meeting

On a yearly basis, Department and State officials will meet in person for the Annual National Water Grid Meeting. The purpose of this event is to connect and share learnings with water colleagues from across Australia. The meeting also allows officials to discuss how the Australian and State governments can continue to work in partnership to deliver water infrastructure investment through the NWGF. State officials will be given the opportunity to suggest topics for discussion, make presentations and lead discussion sessions. States will also be provided opportunity to host the Annual National Water Grid Meeting.

## 4.2.5 Business case administration

The Australian Government may assume a consultative role in business case development on a case-by-case basis, as agreed by the Australian Government and the relevant State at the outset of a project. Where the Australian Government is providing funding for a business case, the State must provide draft and final business cases in line with the scheduled milestones (refer to Section 3.2.7 *Milestone development*).

It is the Department's expectation that States should endeavour to publicly release completed business cases funded (or partly funded) through the NWGF, having appropriate regard to commercially sensitive content.

## 4.3 Project reporting

The Department requires up-to-date information on all projects that the Australian Government is funding. At the outset of a project, the Department and State will work together to determine the reporting requirements to reflect the nature of the project. Financial commitments and project risks will be considered to help determine the level and frequency of the Department's engagement.

Reporting may include:

- milestone reports (refer to Section 4.4 *Claims for Payment*)
- project completion reports (refer to Section 5 *Project Completion*)
- monthly meeting reports (refer to Section 4.2.2 *Monthly meeting*)
- expected benefits reports (refer to Section 4.3.1 *Annual update of expected benefits*)
- working groups and/or Bilateral Committees to oversee delivery of the project (refer to Section 4.2.1 *Working groups and steering committees*)
- one-off project specific meetings
- requests for project information from the Department as necessary.

States are also responsible for providing ad hoc project updates on issues that will, or could potentially, affect the agreed project scope, schedule or budget. These updates should be provided as soon as practicable after an issue becomes known.

Project information garnered through project reporting may be shared with the Australian Government or Commonwealth Minister as requested and appropriate. Project reporting may also be used to inform Government prioritisation and monitoring, evaluation and improvement.

### 4.3.1 Annual update of expected benefits

On an annual (or two yearly, needs depending) basis, States must provide an update of expected benefits from each project funded under the NWGF. The purpose of this reporting is for the Australian Government to, at a high level, track the progress of its investment under the NWGF in terms of benefits and scope of investment.

States are required to outline expected benefits when submitting a construction proposal. The Department will seek input to capture the progress of expected benefits during project delivery.

Upon project completion, States must report on these outcomes as part of the Project Completion Report. Post completion, the Department will periodically request information to support long-term benefits realisation tracking for completed projects.

## 4.4 Claims for payment

For the Australian Government to make a payment for a project milestone, the State must submit a formal request for payment to the Branch Head of the National Water Grid with documentation that satisfactorily demonstrates all work associated with a milestone has been completed. The State may decide the appropriate authority to sign the formal request.

Documentation should be submitted to the Department by the agreed milestone due date. If a milestone will not be met within the agreed timeframe or the milestone is deviating from the agreed scope due to unforeseen circumstances, the State should inform the Department of the delay and expected timeframe for delivery. States are encouraged to inform the Department as early as possible if a milestone is unlikely to be met within the agreed timeframe. Depending on the extent of the delays (and any subsequent impacts), a variation to the Schedule may be required.

The Department may request additional advice or documentation to meet evidence requirements of the milestone.

The Department is responsible for informing the States of payment approval and the expected payment timeframe. Payments will typically be made to State Treasuries in the month after a milestone claim for payment has been accepted by the Department. Payment to any third parties separately contracted by a State for delivery of a project is a matter for the State.

### 4.4.1 Indigenous Participation Plans

The Indigenous Employment and Supplier-Use Water Infrastructure Framework (the Indigenous Employment Framework) aims to support Closing the Gap Target 8 by increasing the employment of First Nations people and the use of Indigenous businesses in the delivery of water infrastructure projects funded under the NWGF. The Indigenous Employment Framework is at **Appendix A**.

The Indigenous Employment Framework requires relevant projects funded under the NWGF to have an Indigenous Participation Plan (IPP) or alternative plan agreed by the Australian Government prior to tendering for construction or a construction contract being awarded. This requirement must be included as a project milestone for relevant projects (refer to Section 3.2.7 *Milestone development*). An IPP template is available at [Indigenous Employment and Supplier-use Infrastructure Framework | Infrastructure Investment Program](#).

The Department can help determine whether the alternative plan will meet IPP requirements, whether additional information should be added, or whether the NWG IPP template should be used if the alternative does not sufficiently cover IPP content.

The Indigenous Employment Framework applies to:

- all construction projects receiving \$7.5 million or more in Australian Government funding under the NWGF
- construction projects receiving less than \$7.5 million in Australian Government funding under the NWGF, if there is strong potential to support Indigenous participation (to be agreed with the relevant State)
- all First Nations water infrastructure construction projects receiving Australian Government funding under the NWGF.

## Developing an IPP

IPPs should set out the following:

- anticipated opportunities for Indigenous participation, including specific targets for Indigenous employment and supplier-use and how they will be met
- how employment opportunities will be communicated
- what supply-side supports are required to meet Indigenous participation requirements
- how the longer-term participation of Indigenous employees and suppliers will be facilitated through activities that develop capability and retain First Nations workers.

States should give the Department confidence that meaningful engagement and activities will translate to Indigenous involvement in the project, with economic benefits to flow to the local area.

The Department will work closely with the States to maintain and update the IPP throughout the life of a project to ensure it remains fit for purpose.

**Figure 13: Examples of information to include in an IPP**

<b>First Nations Engagement</b>	<b>4</b>	Names of Indigenous businesses or organisations that will be engaged through project delivery
	<b>5</b>	Planned community celebration of the project post completion
<b>Skills and capability building</b>	<b>6</b>	A skills matrix that identifies project skills and links to corresponding capacity development services
	<b>7</b>	Intention to reach out to the National Indigenous Australians Agency (NIAA), the relevant Department of Education and Employment state office, land councils or other networks to identify specific barriers to Indigenous participation
<b>Retention</b>	<b>9</b>	On-the-job mentoring of First Nations workers
	<b>10</b>	Cultural competency training for non-Indigenous workers to build a culturally safe workplace

## Calculating and adjusting IPP targets

IPPs must set Indigenous participation targets to achieve through the project. Targets should be calculated using the spreadsheet linked in the IPP template, which uses working age population (people 15-64 years of age) for the local area of the project. Defining the 'local area' should consider communities' connection to Country, the region that will benefit from the project, local government boundaries, and where it is practical to source a workforce or suppliers from.



Population data can be found in Community Profiles on the Australian Bureau of Statistics' website at [www.abs.gov.au/census/find-census-data/community-profiles](http://www.abs.gov.au/census/find-census-data/community-profiles).

Participation targets can be adjusted up or down, supported by justification that considers the:

- local employment market
- scale, value, timing and location of the project
- skills and capabilities required to deliver the project
- availability of supply-side services to support the meeting of targets
- existing state-level policies and/or targets.

## Measuring the impact of an IPP

States are required to report on achievement of IPP targets as part of standard milestone reporting. States can undertake most reporting on IPP outcomes at the conclusion of a project as part of the Project Completion Report (refer to Section 5 *Project completion*). Reporting should cover:

- the number of Indigenous FTE employees engaged
- the value of contracts awarded to Indigenous businesses
- qualitative information, including types of roles filled by Indigenous persons and certifications obtained on the job, as well as any case studies about the tangible outcomes for the local area derived from Indigenous economic involvement in the project.

Under the Indigenous Employment Framework, states are required to report publicly on Indigenous participation on a project-by-project basis, including performance against targets for all projects. This is intended to promote accountability and transparency, as well as consistency in reporting across all states so that progress can be measured effectively. As part of the Project Completion Report, states are required to confirm that public reporting requirements have been met.

## 4.5 FFA variations

In addition to the need for FFA variations to add newly committed projects to the FFA Schedules, the Australian Government recognises that there may occasionally be a need to vary current approved projects and/or milestones in the FFA Schedules. This is often a result of projects being further developed and refined, or in response to circumstances that affect the scope, cost (and respective funding contributions) and expected timelines of projects.

In all instances, the Department will initiate amendments to the FFA Schedules and work with the States to incorporate details and milestones for newly committed projects for the Australian Government Minister's approval. Similarly, the Department will work with States to agree variations to existing projects and/or milestones, where required.

States should discuss any potential variation with the Department at the earliest possible instance as the nature of the variation will determine the approach undertaken. Each variation type requires different supporting information. The following sections outline the general processes for variations to approved projects. The Department will advise the State on variation requirements on a case-by-case basis. The information below is a guide, and the actual process may differ to the general processes outlined.





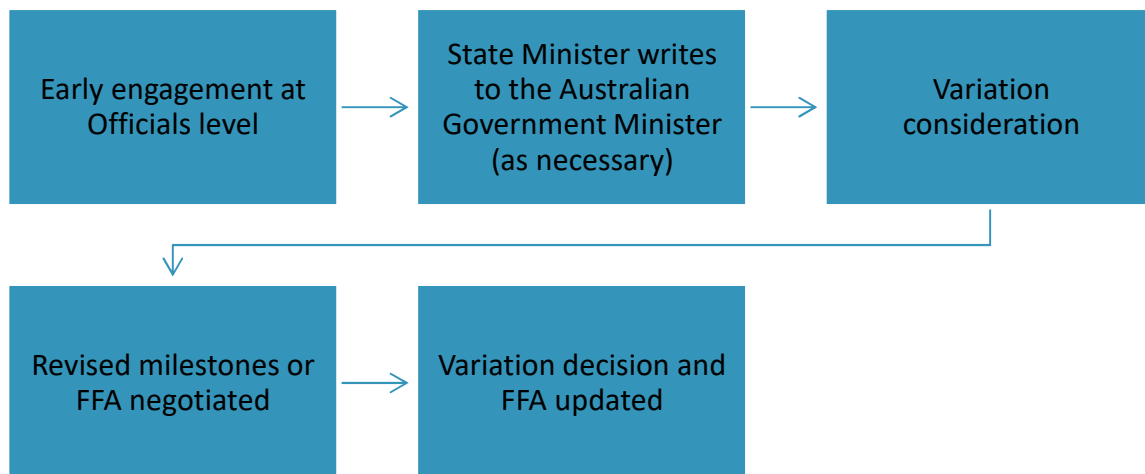
States should email project variation requests to the Director of the Water Infrastructure Program team, regular project contacts and [WIID.WIP@dcceew.gov.au](mailto:WIID.WIP@dcceew.gov.au).

#### 4.5.1 Material change to a project

A material variation to a project is any change to the scope, cost, funding contributions or milestones that necessitates an amendment to the FFA. Project cancellations also constitute a significant change to a project. Some changes will not require an update to the FFA and early discussions with the Department on any expected or proposed changes are the best way of ensuring that variations are appropriately managed.

All significant changes must be agreed by the Commonwealth and relevant State Minister prior to the change and will require formal amendment to the FFA Schedule. A formal request for variation must be submitted to the Commonwealth Minister with supporting information.

**Figure 14: Example process for a material change to a project**



#### Project cost increases

Under the FFA arrangements, state and territory governments bear all risk should the costs of an initiative exceed the agreed estimated costs. Should a State seek to request additional Australian Government funding beyond what has already been committed, the Department will advise the appropriate next steps on a case-by-case basis. This will involve the State Minister formally requesting additional funding from the Commonwealth, usually by way of a new project proposal. The State will be required to submit a new project proposal or project variation proposal (depending on the nature of the broader changes, such as to scope or outcomes) to accompany the additional funding request.

The Department may seek to review and validate cost estimates used to justify any request for changes to the amount of either approved or committed funding.



Under the FFA arrangements, state and territory governments bear the responsibility for cost escalation. Federation Funding Agreements are available at the Federal Financial Relations website: [www.federalfinancialrelations.gov.au/agreements](http://www.federalfinancialrelations.gov.au/agreements).

## 4.6 Communication and recognition

In addition to the requirements of the FFA for Commonwealth funding recognition, the Department has developed Funding Acknowledgement Guidelines and signage templates to support the States and their delivery partners in developing promotional material that appropriately recognises Australian Government funding for a project.

In line with the requirements of the FFA Schedules and the Funding Acknowledgement Guidelines, the Australian Government and States must reach prior agreement on the nature and content of any events, announcements, promotional material (including signage) or publicity relating to activities under the FFA.

The Australian Government and the States must also acknowledge and appropriately recognise the roles of all parties in a project. The guidelines outline how to appropriately acknowledge the National Water Grid funding, as well as minimum timeframes for consultation with the Australian Government to ensure timeliness of any materials and/or announcements, events, and activities.

Physical signage incorporating the Australian Government crest and National Water Grid logo is only appropriate for projects where an Australian Government commitment to construction has been confirmed. It is not required for business case projects. Project signage must be approved by the Department and should be erected prior to construction commencing. Further information about signage requirements and appropriate use of the Australian Government crest and National Water Grid logo is available in the Funding Acknowledgement Guidelines.



States should direct communications and signage queries, including access to the Funding Acknowledgement Guidelines, to [NWGA.Communication@dcceew.gov.au](mailto:NWGA.Communication@dcceew.gov.au).

## 5 Project Completion

This section sets out the requirements and processes for completion of projects funded through the NWGF.

### 5.1 Post completion

Once a construction project has reached physical completion, it enters a post-completion period before the project is formally closed. During this period the State must prepare and submit to the Department:

- a Project Completion Report
- verification of costs expended for project delivery
- a payment request for the final milestone.

During the post-completion period the Department will undertake an initial evaluation of project outcomes. This evaluation includes, but is not limited to:

- reviewing costs and outstanding expenditure items
- reviewing the performance of the asset against its objectives
- ensuring Indigenous participation requirements have been addressed.

### 5.2 Project closure

Acceptance of the Project Completion Report is the final milestone of a construction project (refer to Section 3.2.7 *Milestone Development*). Upon acceptance of the Project Completion Report, a construction project is deemed to be closed.

Once closed, the States can no longer claim funding from the Australian Government for the project and are no longer required to provide regular reporting on the status of the project. The Department may seek occasional ad hoc requests for information on the project to assist in meeting broader reporting obligations. The Department will continue to seek annual updates on benefits realisation from completed projects (refer to Section 4.3.1 *Annual update of expected benefits*).

For business case projects, project closure is the Department's acceptance of the final business case and a Project Completion Report. The Department may request that the State provide a presentation of the business case findings and potential next steps prior to project closure.

### 5.3 Project evaluation

The States agree to cooperate in the evaluation of construction projects to facilitate project performance reviews and continuous improvement of investment decision-making. A project evaluation may take place in the years following project closure once outcomes of the project have been realised.

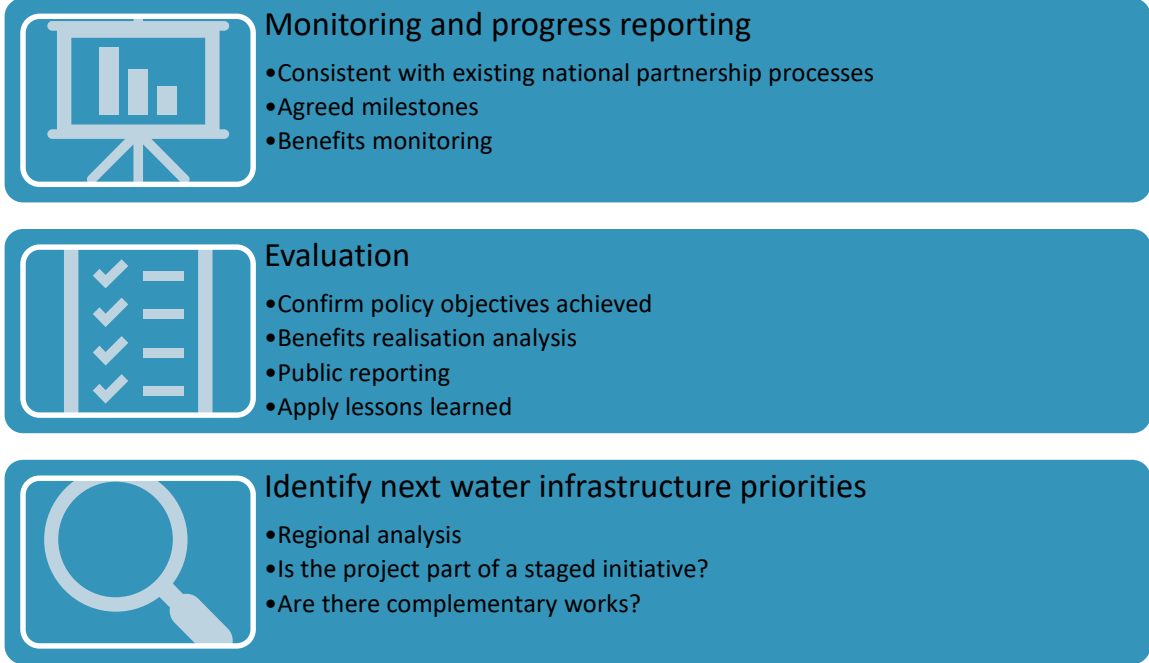
The Department may conduct an evaluation to:

- determine the extent to which project outcomes have been achieved
- review the accuracy of demand forecasts and cost estimates used to assess the project
- understand the benefits realised during construction and (where relevant) during the use of the asset

States may be required to provide information to assist in this evaluation for a period, as agreed.

If the States conduct an independent evaluation without involving the Department they must provide a copy of the evaluation report to the Department.

**Figure 15: Delivery and evaluation process**



## 5.4 Lessons learned

Through the NWGF, the Australian Government seeks to provide national coordination and leadership to sustainably manage our water resources for future generations of Australians. Sharing lessons learned provides an opportunity to disseminate learnings across the States and build stronger water infrastructure systems across the nation. States are encouraged to share learnings with the Department, and with other jurisdictions, so that these may be applied in future water infrastructure projects. The Department will facilitate opportunities for sharing, such as the Annual National Water Grid Meeting (refer to Section 4.2.4 *Annual National Water Grid Meeting*).

## 6 Appendices

### Appendix A – Indigenous Employment and Supplier-Use Water Infrastructure Framework

#### Indigenous Employment and Supplier-Use Water Infrastructure Framework

##### Introduction

The Australian Government is committed to improving Indigenous economic development by increasing Indigenous employment opportunities and supporting the Indigenous business community through a whole-of-government approach, including in support of the National Agreement on Closing the Gap and advancing progress towards its targets.

This Indigenous Employment and Supplier-Use Water Infrastructure Framework (the Framework) aims to increase Indigenous employment and supplier-use in the delivery of water infrastructure projects funded or co-funded by the Australian Government.

The Framework applies to construction projects receiving \$7.5 million or more in Australian Government contributions under the National Water Grid Fund (NWGF) and in some circumstances for projects below \$7.5 million with strong potential to support Indigenous participation.

All levels of government across Australia have their own Indigenous employment and supplier-use policies and approaches. Generally, government policies, including construction-related procurement, are designed in consideration of a range of factors, including Indigenous populations and labour force within a defined region, and important socio-economic and cultural issues that face local Indigenous communities in their respective jurisdictions.

With respect to the differences in each jurisdiction, the Framework builds on the approaches already in place at the state and territory level. It will be important that the Framework adds value to existing efforts nationally. To this end, the Framework is flexible and seeks to avoid adding unreasonably to tendering and delivery costs, which would impact the ability for infrastructure investments to achieve value for money outcomes.

##### Principles of the Framework

The Framework is underpinned by the principles set out below. These principles are integral to the design and implementation of Indigenous participation requirements, noting the importance of balancing the need to meet Indigenous outcomes, reducing red tape, and achieving value for money.

##### Sustainable and meaningful opportunities

- Indigenous Australians are able to access jobs through water infrastructure projects at all levels, ranging from entry-level jobs, which can be a first step into the real economy, to professional, high skill roles.
- Ensuring that Indigenous businesses are given the best chance of success. Governments should promote early notice of opportunities, appropriate sizing and timing of packages of work to allow

continuity of business, encourage major contractors to recognise the value of embedding supply chain diversity and promote ongoing opportunities for Indigenous participation at the conclusion of projects.

### Achievable and measurable progress

- Participation requirements are evidence-based and progress is measurable, taking into account both quantitative and qualitative data where appropriate.
- Appropriate supply-side supports are in place, including business sector, employment, training and skills development services.

### Flexibility

- Recognises the importance of local circumstances and is able to respond flexibly.
- Promotes opportunities for Indigenous participation across the supply chain.
- Complements, and builds on, existing initiatives by state and territory governments and industry.

### Accountability and ownership

- Encouraging strong industry buy-in and ownership of Indigenous participation efforts, to ensure the benefits and opportunities are achieved and acknowledged, and over the medium/longer-term efforts transition to market-driven rather than government-led.
- Robust monitoring and reporting processes are in place to provide appropriate transparency on Indigenous participation. Appropriate mechanisms will also be developed for ensuring that the states can be held to account for the non-achievement of Indigenous objectives.

### Value for regions and local communities

- Promoting consideration of local Indigenous participation where appropriate and practical.
- Recognising the particular importance of water infrastructure projects in regional and remote economies, where projects may represent a substantial source of economic activity and employment in the region.

### Value for money

- Ensuring that infrastructure projects are delivered on time and to budget and that value for money is a core principle at all times.

## Indigenous Participation Requirements for the NWGF

### Indigenous Participation Plans

State and Territory Governments (herein 'States'), as funding recipients under the NWGF, are required to develop Indigenous Participation Plans for water infrastructure projects receiving \$7.5 million or more in Australian Government contributions under the relevant National Partnership arrangements for the NWGF. The requirements apply to projects where construction stage funding is formally approved and that are publicly tendered from 1 July 2021 (requirements will not be applied retrospectively to projects where construction stage funding was approved and works were publicly tendered prior to 1 July 2021).

The Plans should set out the anticipated opportunities for Indigenous participation, including specific targets for Indigenous employment and supplier-use in the delivery of projects (see *Calculation of targets* below). The Plan should address how targets will be met, how opportunities will be communicated, and how the longer-term participation of Indigenous employees and suppliers will be facilitated (for example through capability development).

It is expected that States will address these requirements through their procurement processes and the approach to Indigenous participation will be negotiated with the successful contractor. States should look favourably on proposals that promote long-term and sustainable Indigenous participation.

States are required to submit their Indigenous Participation Plan following formal advice that a project proposal has been approved for the construction phase, and prior to a project being publicly tendered.

States will need to set out the Indigenous participation requirements in tender documents to ensure industry has visibility prior to bidding for work. Should there be significant variation to the Plan (i.e. contractors are unable to satisfactorily address the proposed requirements set out in the agreed Plan), the State should consult with the most appropriate Indigenous representative body (for example a Land Council), and come back to the NWGA for further discussions before awarding the contract.

States should engage early with the National Indigenous Australians Agency (NIAA) and/or the Commonwealth Department of Education, Skills and Employment State Office Network on the development of their Plans. In terms of geographic reach, on-the-ground presence and knowledge of local Indigenous communities, the regional offices are well-placed to connect appropriate supports with the specific needs of individual projects and communities. This will also allow for early and ongoing identification of any gaps in supply-side supports.

Australian Government agreement to the proposed Plan is required prior to the construction contract for a particular project being awarded. The NWGA may seek advice from other relevant agencies in developing advice to Government in this regard.

## Alternatives to Indigenous Participation Plans

Where a State has developed a detailed Indigenous participation plan for a specific project, the NWGA may agree to accept that plan in lieu of completing an Indigenous Participation Plan under the Framework. This will be considered on a case-by-case basis and will require prior agreement and Australian Government approval.

This option would only apply where the State's plan has been developed for a specific project and provides sufficient detail for the NWGA to assess whether it addresses all of the Framework's requirements, including with regard to setting targets, appropriate engagement with supply-side support providers and Indigenous bodies, and public reporting on performance.

This approach is intended to recognise proactive efforts by State and Territory Governments to develop ambitious and high-quality Indigenous participation plans for water infrastructure projects and avoids duplication of effort.

## Calculation of targets

Indigenous participation targets are to be set to reflect the local Indigenous working age population, with Funding Recipients able to put forward adjustments to targets (up or down), supported by appropriate justifications, taking into consideration:

- the local employment market, including in terms of the number of Indigenous businesses, workers and job seekers, and their relevant skills, capabilities, qualifications and training;

- the scale, value and location of the project, and skills and capabilities required to deliver the project;
- the availability of supply-side services to support the meeting of any targets and assist build the capacity of Indigenous businesses and job-seekers to take up opportunities; and
- existing State-level policies and/or targets.

Information on the local Indigenous working age population can be sourced from the Australian Bureau of Statistics or from an equivalent State agency. Any queries about setting the target can be referred to the NWGA or discussed directly with the NIAA.

Targets can be met through any combination of employment or supplier-use across the supply chain:

- Employment is to be measured in terms of number of full-time equivalent (FTE) employees (not head count).
- Supplier-use is to be measured by percentage of contract spend, calculated at the project level.

States need to specify the proportion of both employment and contract spend and how each component contributes to the overall target.

Where a State proposes to use alternative metrics to calculate targets, including in accordance with their own State policy, this should be explained in the Indigenous Participation Plan.

Indigenous participation targets can be met over the life of a project, allowing varying levels of labour requirements and supplier engagement during the project phases. Once targets are agreed, any variation to targets, for example where there is a change to the scope or size of the project which impacted on Indigenous participation, requires agreement from the Australian Government.

As the capability of the Indigenous workforce and business sector increases; additional supply-side supports are implemented; and readiness of employers/contractors to take on increased numbers of Indigenous workers and contracted suppliers increases, it is expected that there will be less need for flexibility in setting targets.

## Weighting of Indigenous participation requirements

State governments have primary responsibility for the procurement, construction and maintenance of water infrastructure projects, and the majority also have their own Indigenous employment and procurement policies. The Framework is intended to provide States with flexibility to procure and manage projects effectively and efficiently, while still meeting the Australian Government's Indigenous participation requirements.

On this basis, the Framework does not specify a weighting for Indigenous participation requirements in the award of contracts. Instead, the procuring agency has discretion to consider the strength of the Indigenous participation component in the context of the proposal as a whole.

This will ensure that contractors' capability to deliver the required works on a value for money basis remains the prevailing consideration in the award of contracts by State governments.

## Verifying Indigeneity

To ensure that Indigenous Australians are the genuine beneficiaries of the Framework, it is important to apply a consistent approach to verifying Indigeneity of businesses and individuals.

It is noted, however, that seeking to verify Indigeneity, particularly of individuals, poses both cultural and administrative complexities. Some job-seekers and businesses may be unwilling to identify as



Aboriginal or Torres Strait Islander due to fear of discrimination. There are also cultural sensitivities associated with governments or businesses asking Indigenous Australians to “prove” their cultural heritage, which may cause offence and in some cases documentation may not be readily available.

In addition, it is important to be mindful of the administrative burden for contractors associated with additional pre-employment checks.

To the extent possible, the proposed approach to verifying Indigeneity aligns with established and accepted practices for other Indigenous policies and programs, such as the Australian Government’s Indigenous Procurement Policy (IPP).

For the purposes of verifying that a business meets the definition of an Indigenous business:

- Businesses listed on Supply Nation’s register are accepted as an Indigenous business.
- If a business says it is Indigenous owned and is not listed with Supply Nation, the procuring officer must take steps to assure themselves that the business is 50 per cent or more Indigenous owned. This may include:
  - confirming registration with an Indigenous Chamber of Commerce, or
  - seeking a statutory declaration or a letter of Indigeneity from organisations such as Land Councils.
- Indigenous corporations registered with Office of the Registrar of Indigenous Corporations ORIC ([www.oric.gov.au](http://www.oric.gov.au)) are accepted as an Indigenous business.

The definition recognises that in some family businesses just one member of a couple is Indigenous and that private sector investment is critical to support growth of the Indigenous business sector.

For the purposes of verifying that a business meets the IPP definition of an Incorporated Indigenous joint venture:

- They must be registered with Supply Nation; and
- Be at least 50% Indigenous owned and demonstrate 50% Indigenous involvement in the management and control of the joint venture; and

Additionally, as part of this registration they must have in place:

- A strategy to build the capability of the Indigenous business partner.
- An Indigenous workforce strategy.

Individuals would be required to sign and provide a statutory declaration or a confirmation of Indigeneity to the employer stating they:

- are of Aboriginal descent and/or Torres Strait Islander descent
- identify as an Australian Aboriginal and/or Torres Strait Islander
- are accepted as an Australian Aboriginal and/or Torres Strait Islander in the community in which they live or have lived
- are aware that under the *Criminal Code Act 1995* (Cth) section 137.1 giving false or misleading information is a serious offence
- have documentary evidence to support information contained in the declaration.

States should communicate these requirements to contractors as part of the tender process.

Where a State determines that this approach would not be suitable for their specific circumstances, they may apply a different approach to verifying Indigeneity, provided they can satisfy themselves as to the level of genuine Indigenous participation in projects.

## Sectors in the supply-chain

Indigenous participation requirements apply to roles and industry sectors that primarily relate to water infrastructure construction, in line with the National Partnership arrangements for the NWGF, the National Water Grid Investment Framework and supporting documents. These include roles spanning across the water infrastructure construction supply chain, including but not limited to project management; engineering design; financial services; environmental management; supply-chain logistics; and construction.

However, where a jurisdiction or contractor identifies an opportunity for Indigenous participation delivery outside the primary definition of project construction, this may be considered in consultation between the Australian Government and the relevant state or territory government. This provides additional flexibility to meet any Indigenous participation requirements.

## ‘Local first’ principle

The Framework is intended to result in tangible economic and social benefits for local Indigenous people living in surrounding communities. To this end, ideally employees and contractors required for a project should be first sourced from within the local area, then from the wider region and beyond, where local capacity is unable to meet the participation requirements.

There may be circumstances where this approach is neither practical nor cost-effective. Where necessary and culturally appropriate, contractors may need to rely on Indigenous employees or contracted businesses from outside of the local area. As such, ‘local first’ should be regarded as a principle, rather than a requirement of the Framework.

There are a range of definitions for ‘local’ being used in the different States and that definitions are dependent on the context of specific projects. On this basis, local should be defined in terms of what makes sense for a specific project, based on but not limited to:

- the needs and values of the local community, including Indigenous connections to land and country
- formal definitions such as local government area
- proximity to the project.
- A rationale for this definition and the approach forward should be clearly outlined in the Indigenous Participation Plan.

## Supply-side supports

The success of the Framework will rely on the availability and whole-of-government coordination of appropriate supply-side supports to ensure an increase in the demand for Indigenous labour and business services is able to be met by a suitably skilled and qualified workforce.

This includes support for Indigenous job seekers and businesses for the training required to develop skills and obtain necessary qualifications; support for contractors to identify suitably skilled Indigenous job-seekers and businesses; and better visibility of project opportunities to enable time for upskilling. This is likely to involve a range of agencies across levels of government.

## Support for job-seekers

Employment service providers deliver support to Indigenous job seekers and work with employers to support better opportunities for job seekers. Given adequate notice of industry projects, they can be

leveraged to encourage Indigenous job seekers to upskill and seek relevant employment or apprenticeship opportunities.

Complementing Indigenous specific supply-side measures are a range of mainstream employment services in metropolitan and regional areas managed by the Commonwealth Department of Education, Skills and Employment. These mainstream employment services include:

- Jobactive – the Australian Government’s mainstream employment program
- Transition to Work – which provides intensive pre-employment assistance to young people aged 15-21 who have disengaged from the labour market
- ParentsNext – which is an early intervention program for recipients of Parenting Payment who have young children
- New Enterprise Incentive Scheme – which provide individualised support to help job seekers to start their own business.

Indigenous specific services such as the Community Development Programme (CDP), Vocational Training and Employment Centres (VTECs) will work with contractors to prepare job-seekers for specific roles. Flexible employment grants such as Tailored Assistance Employment Grants (TAEG) are also available to directly support hiring action by employers.

## Support for businesses

The Australian Government is providing support for existing and emerging Indigenous businesses through the Indigenous Business Sector Strategy (IBSS). Measures to assist Indigenous businesses under the IBSS includes the establishment of two Indigenous Business and Employment Hubs (the NSW Hub located in Western Sydney, and the WA Hub located in Perth), funding Indigenous Business Australia’s Business Solutions Program (with a focus on businesses in the start-up or pre-bank phase), and expanding microbusiness support and finance in regional Australia through Many Rivers.

This investment will be maximised if the Australian Government and the States work to coordinate and tailor existing programs and services. Indigenous participation will be increased with sufficient lead-time for effective planning and implementation of supply-side strategies.

## Project Thresholds and Exemptions

### Thresholds

The Framework applies to projects receiving \$7.5 million or more in Australian Government contributions under the NWGF. For projects below the \$7.5 million threshold, the State’s own Indigenous policy should apply. In some circumstances, the Australian Government or the relevant State government may identify a project with strong potential to support Indigenous participation but where the Australian Government contribution is below \$7.5 million, such as locations where there is a high proportion of Indigenous people within the population. These projects may also require an Indigenous Participation Plan and should be discussed with the NWGA at an early stage.

### Exemptions

States may seek an exemption to Indigenous participation requirements for a specific project, where there is strong justification. This will be considered by exception only and requires agreement the Australian Government.

### Accountability

The Australian Government recognises that the Framework's success will depend on an effective partnership between governments, industry and Indigenous communities.

That said, it is important that governments and industry are accountable for Indigenous participation commitments: this has been particularly emphasised by Indigenous stakeholders.

States will be required to keep effective records on the performance of contractors against their Indigenous participation requirements. States should review contractors' performance (such as if they have met the target or not, and whether appropriate justification was provided where targets were not met) at the completion of each project and this should be a factor in consideration for the award of future contracts. This creates a clear incentive for contractors to meet Indigenous performance requirements in order to win future contracts.

## Reporting

### Business-as-Usual Reporting Requirements

For individual projects, States will be required to report on progress against Indigenous Participation Plans (or the State's own Indigenous participation plan where that has been accepted by the NWGA) as part of the standard reporting process in place for water infrastructure construction projects under the NWGF. Where practical, reporting should cover:

- the target (per the agreed Indigenous Participation Plan)
- progress against the target, including (where available):
  - number of FTE Indigenous employees
  - value of contracts awarded to Indigenous businesses, as a proportion of the total project cost
  - qualitative information, including the type of roles in the supply chain filled by Indigenous persons and certifications obtained on the job.

Where actual participation rates vary from targets proposed in the Indigenous Participation Plan, States should provide advice on the circumstances influencing the outcomes and should seek to address any issues in consultation with the Australian Government.

Transparent reporting from the States throughout the project life cycle will also assist the Australian Government to provide the necessary supply-side supports that are required to achieve the best Indigenous participation outcomes over the long-term.

At the conclusion of a project, States will be required to provide information on Indigenous participation, including performance against targets, as part of the final project report.

### Public Reporting Requirements

COAG agreed at its February 2018 meeting to report publicly on Indigenous employment and business outcomes annually. As part of this commitment, COAG has established online performance reporting for priority policies of the Closing the Gap Refresh, at the national and State government level.

Under the Framework, States will be required to report publicly on Indigenous participation on a project-by-project basis, including performance against targets for all projects.

At a minimum, performance against targets must be reported publicly upon completion of a project; however, States may report more frequently at their discretion and in line with their own policies.

As a guide, public reporting on projects underway should include the participation target pursued for the project, and indicate the progress to date (on-track, not on-track, or met, not met):

- For projects that have met or exceeded participation targets, include key achievements, the factors that contributed to meeting targets, and where appropriate share lessons learnt.
- For projects where target are not on track or not met, a brief explanation of the reason(s) for targets not being met should be included, and where appropriate share lessons learnt.

This is intended to promote accountability and transparency, as well as consistency in reporting across all States so that progress can be measured effectively. It is up to States to decide the most appropriate channel to publicly report this information, for example on the relevant government agency website or through their respective COAG channels, noting States may already have reporting requirements in place under their own policies.

Prior to public reporting, States should undertake appropriate consultation with relevant Indigenous stakeholders and contractors, and observe the principles of respect and appropriateness, and protect the privacy of individuals.

As part of the final project report, States will be required to confirm that public reporting requirements have been met.

## Review

The Framework will be reviewed in line with reviews being undertaken by the broader Department of Infrastructure, Transport, Regional Development and Communications (for instance, to align with the planned reviews of the Indigenous Employment and Supplier Use Infrastructure Framework related to the National Partnership Agreement on Land Transport Infrastructure Projects, on which this Framework is based).

A review of the Framework will seek to test:

- its effectiveness in delivering increased Indigenous employment and supplier-use, including whether targets are becoming higher or more ambitious over time
- lessons learned and how these could be incorporated into future design of the Framework
- any implications in terms of project delivery including value for money
- adequacy and efficiency of monitoring, reporting and accountability arrangements
- adequacy of supply-side supports in place to enable governments and industry to meet targets.

The outcomes of the review should inform the need for any changes to the design and implementation of the Framework, and the need for any additional or different supply-side supports. The review provides an opportunity for evidence-based analysis of the Framework's impacts in terms of benefits and any costs, drawing on actual project data.

The review would be led by the Australian Government, in consultation with State governments, industry and Indigenous representative bodies.