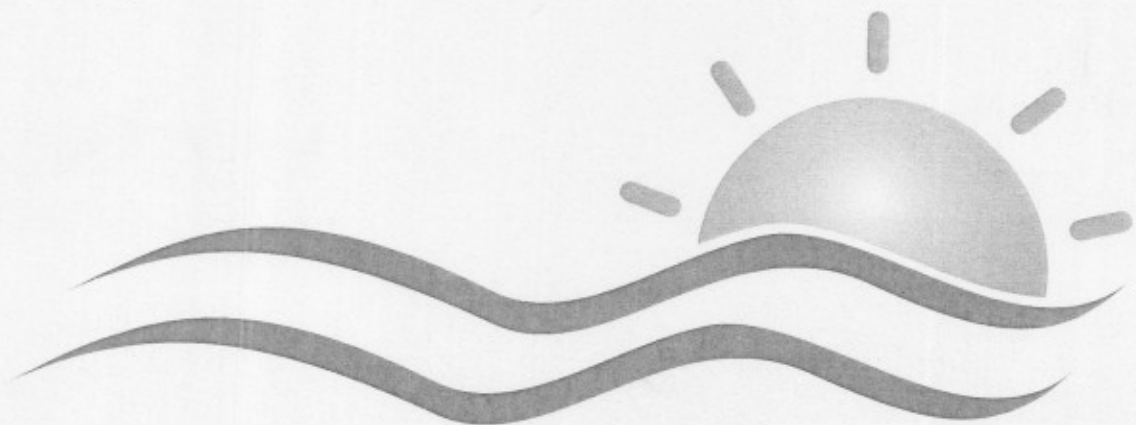


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**I N K O M A T I**  
C A T C H M E N T M A N A G E M E N T A G E N C Y

*Annual Report.*

Consolidation of the  
Foundation Phase

2006/2007 Financial Year



# Vision

"WATER FOR ALL IN INKOMATI"

# Mission

## We exist in the Inkomati Water Management Area to:

- Manage the water resources according to the National Water Act.  
We will achieve this through the development and implementation of a Catchment Management Strategy with all stakeholders, balancing the utilization, development and protection of the water resources.
- Manage all water uses to promote equity and efficiency.  
We will achieve this through appropriate authorization, pricing, control and enforcement of water use together with programmes to promote water conservation and pollution control.
- Protect the water resources to support biodiversity and local use by communities.  
We will achieve this through setting objectives through a consensus seeking process that balances the need to protect and sustain, with the need to develop and use the water resources.
- Involve stakeholders in water resources decision-making.  
We will achieve this through mobilising, empowering and consulting water users and stakeholders, focusing on expanding participation by communities, women and the rural poor.
- Facilitate co-operation between water-related institutions to promote political credibility within the Inkomati WMA.  
We will achieve this through building strong relationships, advising, supporting and monitoring the water-related activities of private and public sector bodies.
- Contribute towards social and economic development in the Water Management Area.  
We will achieve this through allocation of water and creative initiatives in support of government objectives and strategies.
- Support the cooperative management of the Inkomati basin as an internationally shared watercourse.  
We will achieve this by supporting DWAF to implement international agreements.

## We will know we are successful when:

- Adequate water is available for communities to meet their needs
- The resource is not over-allocated or over-utilized
- Users receive water of an adequate quality
- Stakeholders are water-wise and participate effectively
- Water management institutions are perceived to be credible and effective
- Significant progress is made towards poverty eradication and economic growth
- The Inkomati CMA sustains a high level of service delivery to its stakeholders

# Core Values

In our dealings with our stakeholders, the Governing Board and management of the ICMA have committed themselves to be guided by the principles of Ubuntu and of Batho Pele in order to ensure the delivery of services of excellent quality, based on a work ethos that encompasses:

- team work
- honesty
- integrity
- fairness
- respect
- transparency
- professionalism
- innovation



# Strategic priorities for the Inkomati CMA

The ICMA must achieve four key (inter-related) outcomes within the next 3 years, two of which are social-institutional and two of which are water management in nature, namely:

- Mobilise, empower and consult **stakeholders** to enable them to participate in water resource management decisions and promote a positive perception of the CMA.
- Foster **institutional cooperation** between water related institutions within the WMA, including **political** cooperation with government, particularly municipalities.
- Plan and implement effective water resource management to achieve **resource protection**, with **sustainable utilisation** / development of the water resource.
- **Managing water distribution and allocation** equitably and efficiently between sectors and ensure that **water use** is appropriately managed and controlled.

While these outcomes are the key service deliverables that the stakeholders and water users would expect from the ICMA, they require various organisational enablers (which relate to key risk areas for the organisation):

- An appropriate **organisational culture** must be developed to achieve service delivery, through participatory and integrated management of water resources, moulding the DWAF proto-CMA staff with new appointees into this entity.
- Sound **corporate governance** principles and mechanisms need to be adopted and mainstreamed into the organisation, to ensure that it functions effectively to meet government objectives and stakeholder expectations.
- To achieve an appropriate organisational culture, the ICMA **staff** must have the suitable skills, diversity and outlook, fostered through **training** and **transformation** processes.
- These must be supported by relevant **technologies** and **systems** to ensure that the organisation functions effectively and efficiently.
- Underlying all of these organisational enablers and stakeholder outcomes is the **financial viability** of the ICMA, based on a combination of revenue collection (water use charges) and DWAF financial support.

While all of these elements need to be actively engaged within the next 3 years, the following priority order will guide the development of the ICMA over the next year.

- An appropriate organisational culture being developed in the ICMA around the theme of learning for work excellence. This culture is anchored on continuous learning by all staff and the quest to achieve excellence. The critical challenge in the next year of the ICMA is to ensure consistency in the realisation of this culture. Obviously it will be difficult to fully embed it in the institution.
- Building of political credibility through institutional cooperation, intra-governmental partnerships, stakeholder participation and policy alignment received a key priority during the 2006/07 financial year. Almost all the municipalities, traditional leaders, commercial farmers and emerging farmers have been visited. However, building credibility is not an event. More activities around the programme should be developed and strengthened in order to have a complete buy-in by all stakeholders and communities on the business of the ICMA.
- Implementing effective water use management and cooperating with DWAF on broader strategic processes must happen to demonstrate to stakeholders the value that the ICMA adds within the WMA, which started in mid-2006 as the organisation gained capacity – and which is critical for the future legitimacy of the ICMA. This has to receive more priority in the 2007/08 financial year. Our strategic operational plan includes the DWAF activities for the year and the nature of support anticipated.
- Ensuring financial viability is a priority for 2007/08 as the ICMA begins to take up water use charge collection responsibilities. This will be coupled with giving priority to sound financial management.
- Technologies / systems development and staff training / transformation are viewed as cross-cutting elements of all of these priority areas and will need to be addressed throughout 2007/2008.

The above-mentioned strategic priorities are intended to guide the ICMA organisational development and clear work-plans/ strategic operational plans have been developed and linked to the DWAF strategic planning process for the 2007/08 to 2009/10 MTEF period.

# Background

The Inkomati CMA is the first of 19 Catchment Management Agencies to be established in the country and has been operating for a period of 12 months so far. Its establishment has been in accordance with the National Water Act, no 36 of 1998. The National Water Act has heralded an era of a new approach to integrated water resource management in the country.

This legislation is guided by the resolutions taken at the **International Conference on Water and the Environment (ICWE)** held in Dublin in 1992.

## **This conference agreed on the following principles:**

- The river basin is a natural unit of analysis and management. A holistic approach to water management is advocated, that is, integrated catchment management.
- Action should be taken at the lowest appropriate level (subsidiary). This will necessitate the devolution/decentralization of management
- Water has an economic value. Economic instruments should be used to encourage the efficient use of the resource
- A participatory approach is advocated.

The National Water Act, therefore, is an expression of an international trend seeking to achieve integrated water resource management at a river basin level. In addition to this legislation, other legal instruments, based on similar principles, have been developed. These include the EU Water Framework Directives and Mexico's National Water Plan.

The four principles globally agreed upon at the ICWE as a new way of looking at the water resource challenges and therefore laying the basis for countries to view these matters from this angle, are compelling.

The Inkomati CMA is thus privileged to lead the way in South Africa and the SADC Region in the implementation of the above. In this report, the ICMA will explain, guided by the above, how it has laid the foundation, as this is the first year of operation, towards the implementation of integrated water resource management at a river basin level.

The report will cover the following issues:

- (a) Corporate governance,
- (b) Programmatic activities undertaken in pursuit of the strategic goals of the organization as contained in the First Generation Business Plan and its accompanying roll-out plan.
- (c) Audited financial statements and
- (d) Future plans

As this represents the foundation phase of operation, the period under review will focus primarily on the establishment phase and the consolidation of the foundation as such. The main task in the period has been to logistically establish an organization and create links with institutions that are relevant to the business.

The foundation phase of operation, has been an exciting experience in the development of the first CMA in the country and in the Region. There have been challenges, opportunities and gains met in the strategic journey towards establishing an institution to perform integrated water resource functions.

We hope the solid steps taken thus far will fully inform and enrich the processes towards the establishment of the rest of the CMAs in the country.



# Chairperson's Report



As the first chairperson of the first CMA in the country, it is indeed a great honour and a privilege for me to have been given the rare opportunity to lead the establishment of the first CMA in the country together with the able team of men and women constituting the Governing Board of the Inkomati CMA.

It is a great pleasure to report on the achievements and challenges of the Inkomati CMA in its first year of operation, specifically covering the April 2006- March 2007 financial year.

I have witnessed the phenomenal growth of the ICMA from being just an idea to an institution that is up and running with its own office, systems and staff. The development of the ICMA is a symbol of the transformation that takes place in the water sector in general but particularly in terms of water resource management.

My experience so far, can only confirm that without these institutions in the sector, achieving equity, sustainability and efficiency in the management of the resource will be a pipe dream. A strategically placed institution accessible to the water users and influenced by them is the best institutional arrangement available to better the life of the poor. The local government, through their **Integrated Development**

**Plans**, and the provincial government, through its **Provincial Growth and Development Strategy**, would want, at a local level, to have a partner who is willing and can assist them in meeting their strategic goals through water resource provision.

## Partners in achieving water for all in Inkomati

The Inkomati CMA has decided its vision to be "**water for all in Inkomati**". Just less than a year in existence, the Premier of Mpumalanga province, the Honourable T.S.P Makwetla, announced the Big 5 (strategic projects of the Province) and amongst them there is **water for all in the Mpumalanga Province**. This shows that the aspirations and strategic intents of the CMA and those of the Province are the same. The strategic linkage makes the ICMA relevant to its area of operation as well as a partner in the development of the Province.

In the period under review, the ICMA has visited all three (3) District Municipalities and the eight (8) local municipalities in its area of operation to create awareness of the existence of the ICMA and to start a process towards policy and programme alignment, as the President of the country, the His Excellency Mr. Thabo Mbeki directed in the beginning of the year, between and amongst these two spheres and agencies of government. The ICMA has further moved to work together with Councillors, Ward Committees and CDFs in seeking to better the life of the historically marginalized. These social partners, bound by a contract to make water accessible to all the people of this Province, are critical to meet the developmental goals of the country and the achievement of the "water for all in Inkomati" vision.

Our partnership in development, we have realised in this first year of operation, cannot be complete unless we can join hands with the private sector in order to realize the goal of water provision for economic development. In this period, we have started to build a relationship with TSB and other institutions that are playing a major role in creating employment in the catchment area. In our catchment area, over 60% of jobs are in the agriculture sector. We have to ensure that the water supply to agriculture is assured and that jobs are secured in order to ensure that the ICMA is strongly anchored to the transformation of the sector in order to achieve equity.

As such, the CMA has started to position itself as a partner amongst the various water users of our catchment area as part of our collective quest to achieve "water for all in Inkomati".

## Skills development

Having realized that skills in water resource management are rare, the ICMA has started to fund students through bursary provision to improve the situation. In the period under review we already have 8 students that are in universities in the country who are sponsored by the ICMA. In our small way, over a period of time, we are sure to improve the skills in water resource management.

Our approach towards internal skills development is based on learning for work excellence. We believe that the ICMA has to be placed in the position of a continuous learning curve. This learning culture will result in increased performance and confidence in delivery of services by both our staff and our stakeholders.

This culture is not for the sole domain of the staff of the ICMA, but also applies to the Board.

In order to position the institution at a higher performance level, we have decided to benchmark ourselves with both local and international institutions. In the period, we have taken advantage of the twinning agreement between the DWAF and Netherlands water institutions, Environmental Agency in the U.K and others in order to realize the above goal.

### **Corporate Governance**

The ICMA puts strong emphasis on corporate governance as a management approach in the institution. The culture of ethical corporate governance has steadily grown in the past year. This growth has spanned all committees of the Board and the institution broadly. Transparency in the conduct of the business of the institution has already been entrenched.

In the period under review, we have been able to conduct two risk management workshops in order to integrate a risk management culture in the planning and implementation of the programmes of the institution. An institution-wide risk management approach has been adopted to achieve effective minimization of the risks that face the ICMA.

### **Transforming access to the resource**

The important issue of redress of the imbalances of the past through clear programmes is critically important. There are huge disparities between emerging and commercial farmers in terms of access to the water resource. The few towns of the area use almost 80% of the water for human consumption whilst the rural areas which have almost 70% of the population use less than 20% of the available water. Clear and concise programmes have to be developed and implemented to turn the situation around.

### **Cooperation in the shared water courses of the Region**

The challenge of ensuring that the upstream water users in South Africa appreciate and assist in the implementation of the Interim Inco-Maputo-Agreement for the shared water course remains critically important. The ICMA is committed to working together with the established institutions of the Treaty and upstream water users for the successful implementation of the agreement. Already, we have held several meetings between the ICMA and KOBWA to identify areas of cooperation in order to realize the objectives of the treaty.

### **Challenges**

Critical in going forward, is the transfer of functions, systems, budget and personnel from the Department of Water Affairs and Forestry to the ICMA. The core business of the institution is inherent in the functions that are not as yet residing within the ICMA. This presents an untenable situation as the business of water resource management can only be conducted if the functions of the Department of Water Affairs and Forestry can move over to the ICMA. Critical again, is the speed with which this transfer is achieved.

The speedy implementation of the Water Allocation Reform is critical in redressing the imbalances of the past. The effectiveness of catchment management agencies will be determined by whether the poor have access to the water resource or not. In the months to come, we have to ensure that we position the ICMA to be able to deliver on this critical mandate.

The development of a culture of water conservation and water demand management in the water management area is critical towards the realization of the goal of **some for all forever**.

Empowerment of women, the youth and the disabled to have access to the resource or accessing benefits accruing from the resource is one of the critical challenges moving into the second year of operations of the ICMA.

Playing a role in the SADEC Region in integrated water resource management has to receive serious attention going forward. Some work has been done in this regard, however, there is still more to be done.

All in all, the tasks of the first year of operation have been achieved as outlined in the Executive report. We have to

continue along the critical path established to achieve the overall goals of equity, sustainability and efficiency.

The achievements of the year and the pursuit of the strategic goals of the ICMA could not have been achieved without the passion, dedication and commitment of the ICMA management staff and Board. The passion to work from this team is exceptional.

The Board of the ICMA, right from the initial stages, without knowing each other, have developed into an unbreakable team in a short space of time. The concern shown all the time about the work of the ICMA shown throughout the period has been commendable. It is expected that the same compassion and zeal will drive the activities of the year to come.

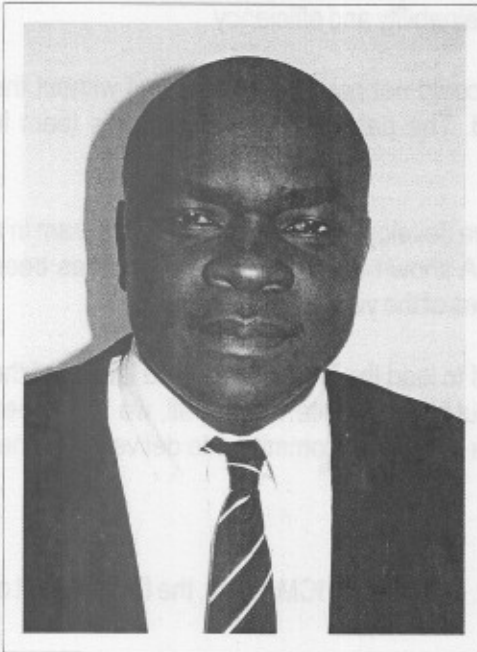
Our Honourable Minister has been on our side right from the time she was assigned to lead the Department. The launch of the ICMA at Ka-Maqhekeza Stadium could not have been such a great success without her presence. Above, all, we have been humbled by her vision throughout the period under review. We, as the Board of the ICMA, are committed to deliver on all her plans through the ICMA.

### Acknowledgements

I would like to acknowledge the contribution of the members of the Governing Board, members of ICMA staff, the Department of Water Affairs and Forestry, stakeholders, donor organizations and water users.



# Executive Report



## Introduction

This report has been compiled in accordance with the requirements of the PFMA and the National Water Act covering the period from 01 April 2006 to 31 March 2007. It is the first report of the Inkomati Catchment Management Agency since it was established in accordance with the National Water Act, Act No 36 of 1998.

In compliance with the National Water Act, the Governing Board of the Inkomati CMA developed a three year rolling Business Plan. This annual report therefore, is a reflection of how the institution, guided by the Governing Board, progressed in the implementation of the Business Plan and the roll-out plan.

The report will cover corporate governance issues, the activities of the institution and the financial statement in its quest to realize the objectives of the Business Plan.

The Governing Board, through the Business Plan, identified priorities of the year and conducted a risk assessment. This process positioned the institution well to be able to build a foundation towards the realisation of the vision, "water for all in Inkomati".

## The Mandate of the Inkomati CMA

The Inkomati Catchment Management Agency derives its mandate from The National Water Act, Act No 36 of 1998, section 80 which states the functions as:

- a) To investigate and advise interested persons on protection, use, development, conservation, management and control of the water resources in its water management area;
- b) To develop a catchment management strategy;
- c) To co-ordinate the related activities of water users and of the water management institutions within its water management area;
- d) To promote the co-ordination of its implementation with the implementation of any applicable development plan established in terms of the Water Services Act, 1997 (Act No. 108 of 1997); and
- e) To promote community participation in the protection, use, development, conservation, management and control of the water resources in its water management area.

The institution analysed the water resource challenges existing in the water management area. A major portion of the available water of the catchment is used by agriculture and forestry. The remaining water is for strategic use i.e. electricity generation, meeting international obligations and for household use.

During the year under review, the Inkomati CMA designed an organisational structure that would enable the effective performance of the functions stated above.

Necessarily, the primary focus was to be the coordination of the interests of stakeholders and to lay the foundation for the transformation of the water resource sector through the development of the catchment management strategy. Achieving equity, sustainability and efficiency in the management of the resource is a major challenge. The transformation of Irrigation Boards to Water User Associations, is not the responsibility of the ICMA. However, the ICMA cooperated and collaborated with the DWAF in some of the activities. The ICMA, fully established, is of the view that the functions be delegated to it.

## Governance

During the period under review the ICMA operated under the effective and strategic leadership of the Governing Board. The Governing Board has been able to provide direction and leadership during the establishment and foundation stage of the institution.

A Board Charter has been adopted which effectively provides the framework for the Board to ensure that the principles of corporate governance are applied to both the Governing Board and Management.

The ICMA complies with the Protocol on Corporate Governance in the Public Sector and the Framework on Corporate Governance of Public Entities. The Board members carry full fiduciary responsibility in terms of the National Water Act and the Public Finance Management Act.

The values of integrity, excellence, customer satisfaction and innovation with due regard to their fiduciary duties and responsibilities are being inculcated in doing the business of the institution.

### **Risk management and audit**

The ICMA, in its planning process and specifically during the development of the Business Plan and the operational plan, has incorporated risk management as a principled approach towards business planning. This has been followed by an in-depth risk assessment conducted at the Ingwenyama Lodge on the 19-20 of February 2007. The Board and Management have assessed the internal and the external environment and identified the risks that the institution is facing in its endeavour to achieve its strategic goals. This was followed by the development of practical mitigation strategies to deal with the imminent risks identified. By way of an example, one high priority risk has been identified as negative stakeholder perception. In the view of the Board and management, the likelihood of the stakeholders not accepting the ICMA as a credible water resource management institution was very high and the impact on the institution would be high too. Thus, the Institution and Participation Strategic Focus Area designed a programme aimed at visiting all the stakeholders in the water management area during the current financial year.

During this period, whilst we were implementing the Sediba Campaign, we have improved the acceptability of the ICMA to all the critical stakeholders ranging from Commercial Farmers to the two levels of government in our water management area. This has resulted in the ICMA being perceived as a partner in the quest for a better life for the people of the catchment, especially by both local and provincial governments.

During the period under review, there has been a prioritisation of the development of the risk management policy, strategy and a plan. The Committee of Finance, Audit and Risk Management is responsible for ensuring that policies and the strategies are developed and implemented in accordance with the PFMA requirements.

In line with legislation and in the course of the implementation of the strategic business plan, in an effort to maintain an effective and efficient system of financial and risk management and internal control, the Board has been assessing the risks quarterly and updating the risk register and mitigation plans.

During the period under review, in compliance with the PFMA, the Board appointed KPMG as the internal auditors of the ICMA to assist in the identification of areas of weakness in the systems and processes of the institution. The Finance, Audit and Risk committee has been able to receive regular reports on the improvements in the management of the identified risks.

### **Composition of the Governing Board**

The Minister, as advised by the Advisory committee, appointed fourteen non-executive members to the ICMA Governing Board reflecting the following interests in the Water Management Area:

<b>Governing Board member</b>	<b>Sector Represented</b>
Ms T.P. Nyakane-Maluka	Local Government - Water Services (South African Local Government Association - SALGA)
Mr N. Govender	Industry, mining and power generation
Mr C.J.H. du Preez	Commercial Agriculture
Dr G.H. Karim	Office of the Premier, Mpumalanga Provincial Government
Mr M.M. Makhubela	Existing Agriculture by historically disadvantaged individuals
Ms E.G. Mashele	Productive use of water by the poor
Ms L.S. Masilela	Civil society (South African National NGO Coalition - SANGOCO)
Inkosi M.G. Mkhathshwa	Traditional leaders
Mr B.K. Mokoena	Potential agricultural water use by historically disadvantaged individuals
Mr S.P. Makesha	Streamflow reduction (forestry)
Ms M. Rasekgala	Office of the Premier, Limpopo Provincial Government
Mr F. Roux	Conservation
Mr L.B. Shongwe	Local Government - Integrated Planning (South African Local Government Association - SALGA)
Mr S.E. Thwala	Tourism and Recreation



## Governance structures

The Board of the ICMA was inaugurated on the 22nd September 2005, with Mrs T.P. Nyakane-Maluka (Chairperson) and Mr N. Govender (Deputy Chairperson) appointed by the Minister of Water Affairs and Forestry. In order to organize itself for effective corporate governance, the board constituted itself into committees.

Since then, there has been a concerted effort to ensure that the Inkomati CMA is up and running at both Board and administrative level. The first appointee in the administration of the institution was appointed on the 1st May 2006. From that moment onwards, significant progress has been made to lay a strong foundation for effective governance and management of the ICMA.

All the committees of the Board have been able to meet as per the schedule of meetings.

After the enactment on the 23rd December 2005 of the **Constitution Twelfth Amendment Act**, Act 1262 of 2005, the Governing Board of the ICMA had to change. This Act provided for new boundaries of the various provincial governments in the country. The ICMA Board representative of the Limpopo Provincial Government had to vacate the seat as the Bushbuckridge area, which was hitherto part of the Limpopo Provincial Government, was now incorporated into the Mpumalanga Provincial Government. This resulted in the Governing Board being reduced to 13 members.

Unfortunately, during the period under review, Mr. L. Shongwe sadly passed away. This loss impacted negatively on the performance of the Board. Currently SALGA Mpumalanga is seeking to replace the member in consultation with the office of the Honourable Minister of Water Affairs and Forestry.

The above reduced the number of Governing Board Members to 12 and the committees of the Board were constituted as follows:

### Finance, Audit and Risk

1. Mr E. Thwala (Chairperson)
2. Ms E.G. Mashele
3. Dr G. Karim

### Human Resources and Remuneration Committee

1. Dr G. Karim (Chairperson)
2. Ms E.G. Mashele
3. Mr E. Thwala

### Technical Committee

1. Mr C.J.H. Du Preez (Chairperson)
2. Mr N. Govender
3. Ms S.P. Makesha
4. Mr M. Makhubele
5. Ms L.S. Masilela
6. Inkosi M.G. Mkhathshwa
7. Mr B.K. Mokoena
8. Mr F. Roux

### Marketing and Communication

1. Ms L.S. Masilela (Chairperson)
2. Mr N. Govender
3. Ms S.P. Makesha
4. Mr M. Makhubele
5. Inkosi M.G. Mkhathshwa
6. Mr B.K. Mokoena
7. Mr F. Roux

### Chairperson's Working Committee

1. Mrs T.P. Nyakane-Maluka (Chairperson)
2. Mr. Govender (Deputy Chairperson)
3. Mr C.J.H. Du Preez
4. Dr G. Karim
5. Ms L. Masilela
6. Mr E. Thwala
7. R.S. Ndlovu (CEO) (ex officio)

### Audit Committee (appointed 10 May 2007)

1. Mr S. Mthembu (Chairperson)
2. Ms R. Kalidass
3. Mr N.L. Mathebula
4. N. Govender (ICMA Governing Board member)
5. Mr E. Thwala (ICMA Governing Board member)

### Executive Committee

1. Mr R.S. Ndlovu (CEO) (date of appointment)
2. Mr J. Mabunda (date of appointment)