



2011-2014 STRATEGIC PLAN

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FOREWORD BY THE CHAIRMAN OF THE BOARD

The 2006 - 2009 Strategic period marked the beginning of a paradigm shift in the way that the LRA approached the fulfilment of its mandate. As the world shifted to consumerism, customer-centricity became a requirement for all successful organisations around the world. Focusing efforts on the needs of the customer proved to be a robust and rewarding strategy, which subsequently saw adoption by revenue authorities globally. Taxpayer-Centricity and Trade Facilitation became the new way of doing business in revenue administrations globally. The LRA was no exception to this trend, buying into the notion that voluntary compliance was a more effective strategy than increasing enforcement activities. This ideology of putting the taxpayer first continues to be endorsed by the LRA with the focus now being extended to service excellence.

Not all the changes at the time, however, had a positive impact on the economic climate of Lesotho. The 2008/09 global recession significantly affected the abilities of countries across the world to fulfil their national budgetary requirements, and once again, the Kingdom of Lesotho was no exception. The recession affected the health of the national economy and mostly impacted the amount of revenue available for the LRA to collect on behalf of the Government. Another threat to the ability of the country to provide public services to its citizens was the decline in the country's share of the SACU revenues. The decline in these sources of revenue necessitated a response by the Government of Lesotho to ensure that the country would be able to sustain itself and avoid a decrease in the standard of living of its citizens. This response by the Government promoted the mobilisation and optimisation of domestic sources of revenue and thus the theme of the 2009/10 budget speech "mobilisation of domestic revenues". This decision prompted the Government to capitalise on the excellent performance of the LRA through the expansion of its mandate to include the collection of non-tax revenue on behalf of the Government's ministries. All the above necessitated revision of the 2009- 2012 LRA Strategic Plan before its completion date to ensure that the LRA's strategic focus remained relevant to the environment in which it was operating.

Notwithstanding this, the LRA has undertaken a journey of transformation and has subscribed to the Japanese concept of '*Kaizen*', which means continuous improvement. The establishment of improved corporate governance structures, improvement of business processes, investment in human resources and increased stakeholder involvement are just a few of the initiatives that the LRA has engaged in on its path to better serve the taxpaying community and more effectively collect revenue in order to fund the national budget.

The emphasis of this period continues to be on enhancing compliance to tax laws, while also ensuring that service excellence underpins each and every operation within the Authority and also ensuring that the LRA effectively takes over collection of revenue from all other Government's ministries. In this plan, the LRA also places integrity, innovation and performance as the key pillars for the LRA of the future.

The road ahead remains challenging and will demand dedication, hard work, increased stakeholder involvement and enhanced execution of the strategies that we propose. As the Board we believe that with the support of all our stakeholders and the usual commitment of the LRA staff, the desired future envisaged in this Plan shall be achieved.

The citizens of Lesotho can still expect the LRA to continue doing its work well in order to facilitate Lesotho's economic development. This is the ideal to which we are all committed; I invite all our stakeholders to hold hands with us in making it real.

A handwritten signature in black ink, appearing to read 'Thabo Makeka', with a stylized, sweeping flourish extending from the bottom right.

Adv. Thabo Makeka

Board chairperson

MESSAGE FROM THE COMMISSIONER GENERAL

The economic landscape changes and will continue to change at speeds unprecedented to mankind before. These changes make it imperative for organisations to keep looking into the future, and aligning their directions in order to position themselves to deliver value even into times ahead. For an organisation of our nature, an organisation which the nation depends on to collect revenue that support development of the country and provision of public services, this alignment is critical to current and future performance.

The alignment does not only depend on planning and selection of strategies, but it also lies in the implementation of those strategies in order to realise the outcomes intended in a plan of the nature we are presenting here. That is why in this strategy, we are making it our strategic objective to enhance execution of the strategies we graft. It is from implementation where the desired benefits of good performance, integrity, innovation and service excellence, shall be derived. We realise that sustaining our performance into the future is heavily reliant on us ensuring that, the key pillars of our vision, becomes corporate values which we live daily and which translate into the taxpayer experience and the opinion held about us by our stakeholders.

We realise again that sustaining our performance into the foreseeable future demands of us to strengthen our corporate governance framework to ensure that we build an organisation that shall continue to serve citizens of Lesotho and that shall be passed on to the next generation as a legacy from the current.

We realise that strong stakeholder relations that should be espoused in and governed by a stakeholder management framework, as it is in our mission, are a critical success factor for an organisation of this nature, for it to be trusted by the public it serves.

We realise that we need to unleash potential of the LRA people, starting from its leadership to its frontline staff, if at all, taxpayers should expect the excellent service which we promise in this Plan. We have embarked on a journey to re-engineer our business processes and get our systems to support the commitments we make of providing a better and improving service to our clients. We shall continue this never-ending journey of continuous improvement and renewal in the next three years. Without this initiative, we shall have nothing to base the commitments of a transparent, fair and efficient service that we make in our Taxpayer Charter.

I am very optimistic that the ideas we propose in this Plan shall be possible. I have an immense and invincible confidence in the LRA Team of staff that shall drive this Plan. I also have a strong believe that we shall continue to enjoy the cooperation, assistance and support that we have been getting from all our stakeholders. For this

support we remain grateful and we also make a plea for more, in order for all of us to help in building a nation we shall take pride in. With the commitment and drive of our workforce and the support from our stakeholders, the Basotho nation has the legitimate right to hold us accountable to a higher standard of service delivery and ever improving collections that shall fund the needs Lesotho and its citizens requires.

A handwritten signature in black ink, appearing to read 'Thabo Letjama', enclosed within a large, stylized oval flourish.

Mr. Thabo Letjama

Commissioner General

LESOTHO REVENUE AUTHORITY – TAXPAYER CHARTER

We commit to providing our Customers with:

- Efficient, effective and timely professional advice and service
- Courteous treatment, rendered in the spirit of mutual respect
- Clear and concise information and educational materials, so that Taxpayers are aware of and understand their legal rights and obligations
- Fair and impartial treatment, delivered to all without preference or favour
- Confidentiality and integrity in ensuring that Taxpayer information is used only for the purposes allowed by the Law.

In exchange, LRA expects the following from all Taxpayers:

- Full compliance with all legal tax obligations
- Honesty and integrity in providing accurate and complete information
- Timely filing of returns and payment of all taxes due.

In the interests of transparency and good governance, you have the right to:

- Request an explanation of any tax decision
- Object to and appeal any tax decision
- Request that we advise you of the procedures to be followed in lodging an objection or appeal
- Insist on knowing the name and identification number of the person serving you.



Board Chairperson



Commissioner General

1.0 INTRODUCTION

Lesotho Revenue Authority is in its seventh year since its establishment and has successfully implemented three (3) strategic plans. The establishment of the Authority was meant to enhance the efficiency and effectiveness of revenue collection and to provide an improved tax service to the public. Despite operating outside the framework of the Civil Service, the Authority is fully accountable to the Parliament and it is required to maintain the highest standards of financial integrity and corporate governance.

Since its inception in January 2003, the Authority has been successful in exceeding its agreed targets in every financial year. The Authority has also managed to double the collection of the inland taxes from M1,372.5 million in 2003/04 to M2,815.3 million in 2009/10. This is evident of the continuous effort that the Authority places in enhancing compliance by expanding the tax net, so that all taxpayers pay what is due to the Government of Lesotho.

The first seven (7) years from 2003, have been years of hard work, consolidating the three (3) tax departments to work as one (1) unit and changing the focus of the organisation to be more taxpayer centric. There is need to build on this firm foundation and move to the next level wherein the focus shall be on excellence in service delivery so as to make it easy for our clients to comply while at the same time detecting and dealing speedily with non-compliance.

1.1 Our Mandate

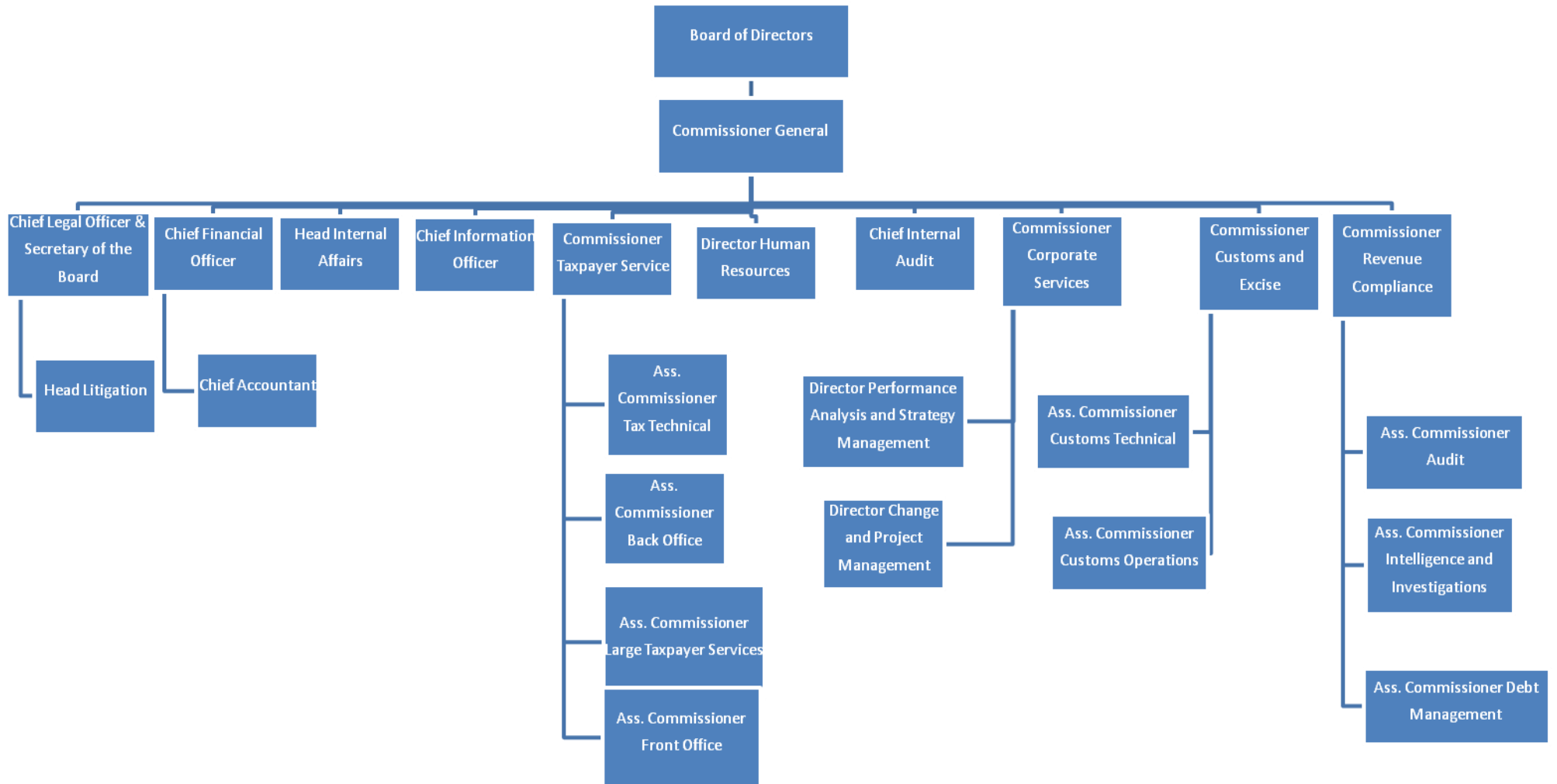
We are the corporate body established by the Lesotho Revenue Authority Act no.14 of 2001 to be the:

“Main body responsible for the assessment and collection, on behalf of the Government, of specified revenue; for the administration and enforcement of laws relating to such revenue and for related matters”

The LRA is responsible for the administration and enforcement of the following legislation:

- The Customs and Excise Act (1982) as amended.
- The Income Tax Act (1993) as amended
- The Value Added Tax Act (2001)

1.2 Organisational Structure



1.3 Highlights of Past Performance

Some of the key initiatives implemented by the Authority since its establishment include: the introduction of Value Added Tax (VAT) in July 2003, introduction of the Tax Amnesty in 2005, the decentralisation of services through Regional Advice Centers, the integration of VAT and Income Tax Divisions as a way of streamlining the services provided by the Authority in 2007 as well as submission of the tax returns through the local commercial banks in 2008.

The revenue collection has been remarkable since the inception of the LRA exceeding revenue targets throughout the years. This astonishing achievement came as a result of hard work, collaboration, and cooperation by majority of taxpayers and stakeholders. The total number of taxpayers registered with the Authority sky-rocked from 2,955 in the first year of its inception to 41,309 in the current financial year.

The nominal growth in total revenue (inclusive of SACU revenue) has continuously increased but at a decreasing rate from 29 per cent in 2003/04 to 4 percent in 2009/10. The main contributor to this decrease in growth rate is SACU revenue which has only grew at 0.4 per cent in 2009/10 compared to 31 per cent in 2004/05.

Table 1: Remittances By Revenue Sources For 2003/04 to 2009/10 (Maloti Millions)

Year	Customs & Excise	Income Tax	VAT	Total
2009/10	4,917.66	1,780.33	1,034.98	7,732.97
2008/09	4,900.60	1,542.74	987.72	7,431.06
2007/08	3,822.30	1,203.00	843.00	5,868.30
2006/07	2,781.20	973.10	714.60	4,468.90
2005/06	2,306.30	924.60	655.60	3,886.50
2004/05	2,012.50	920.10	678.30	3,610.90
2003/04	1,421.70	852.50	519.50	2,793.70

SACU contributes on average 60 per cent of total revenues, Income tax contributes 24 per cent, while 16 per cent comes from consumption taxes. The share of SACU revenue is expected to plunge in the next years as a result of the economic downturn due to the global financial crisis that has plaque the planet in recent years. This puts even more pressure on the Authority to bridge the gap by collecting more from the domestic taxes.

Table one below shows the percentage break-down of the total revenue collected and remitted to the Government.

Table 2: Remittances By Revenue Sources for 2003/04 to 2009/10 (%)

Year	Customs & Excise	Income Tax	VAT	Total
2009/10	64%	23%	13%	100%
2008/09	66%	21%	13%	100%
2007/08	65%	20%	14%	100%
2006/07	62%	22%	16%	100%
2005/06	59%	24%	17%	100%
2004/05	56%	25%	19%	100%
2003/04	51%	31%	19%	100%

The Authority has been doing quite well in terms of meeting its revenue targets throughout the years. In 2009/10 excess collections amounted to about M287.5 million (11 per cent) over the set target as depicted in **Table 3** below.

Table 3: Remittances against set Targets for 2003/04 – 2009/10

Year	Income Tax Performance			VAT Performance			Total Performance		
	Target	Remitted	Var	Target	Remitted	Var	Target	Remitted	Var
2009/10	1,463.30	1,780.33	317.03	1,064.50	1,034.98	-29.52	2,527.80	2,815.30	287.51
2008/09	1,050.95	1,542.74	491.79	960.64	987.72	27.08	2,011.60	2,530.50	518.87
2007/08	1,042.50	1,203.00	160.50	804.50	843.00	38.50	1,847.00	2,046.00	199.00
2006/07	892.80	973.10	80.30	692.70	714.60	21.90	1,585.50	1,687.70	102.20
2005/06	922.30	924.60	2.30	652.30	655.60	3.30	1,574.60	1,580.20	5.60
2004/05	902.10	920.10	18.00	678.30	678.30	0.00	1,580.40	1,598.40	18.00
2003/04	850.80	852.50	1.70	449.95	519.50	69.55	1,300.80	1,372.00	71.25

Besides revenue achievements, the key activities achieved during the foregoing 2009 – 2012 Strategic Plan include:

- Development of the Taxpayer Education Strategy
- Development of the Taxpayer Service Delivery Standards

- Running the Train-The-Trainer course aimed at enhancing staff skills particularly in tax technical areas
- Enhancing relationships through entering into agreements with stakeholders and partners in service delivery
- Implementation of the Enterprise Risk Management Strategy and establishment of a Risk Management Unit
- Development and approval of the Human Resources Management Strategy and start of implementation thereof
- Piloting and go live of the Integrated Performance Management System
- Re-engineered seven (7) out of nine (9) prioritised business processes and implementation thereof
- Refurbishment of the two (2) big border posts and Tele Bridge
- Development of the Strategic Management Framework
- Implementation of the LRA ICT Strategy, and the ensuing Enterprise Architecture Project
- Took over Road Fund's toll fees collection function at all border posts

1.4 The Planning Environment

The 2011 – 2014 Strategic Plan comes at the time when there are major events in the country. Phase II of the Lesotho Highlands Water Project is also expected to start in this planning period and this will have a bearing on the revenue administration processes.

The Authority's mandate has also been expanded from collection of tax revenues to collection of non-tax revenue as well. An envisaged take-over of non-tax revenue streams brings an opportunity for increased revenue to Government and access to additional taxpayer information. This initiative requires rigorous collaboration with all stakeholders to get the revenue collection processes collected by the LRA. It will take some years of hard work, proper planning and rigorous execution of planned strategies to close the gap of almost 60 per cent of Government budget financed by remittances from the SACU. Currently the shares are declining due to the economic downturn. Although the world economy is beginning to show some signs of recovery, it is not expected that SACU receipts shall go back to where they used to be, within the planning period. The extended LRA's mandate is just but one means to close this gap.

SADC is also in the process of forming a Customs Union, which brings uncertainty on the future of SACU and a threat of revenue decline. This puts pressure on LRA to optimise revenues currently collected and to search for additional sources of revenue to compensate the loss brought about by declining SACU receipts.

The country would be introducing the "National Identity (ID)" system within the planning period and this system would be useful in tracking of natural persons and improving sharing of information relating to tax compliance issues.

We plan in a period where the taxpaying community demands advancement in the revenue administration technology and information systems, for ease of compliance.

2.0 LRA STRATEGIC PLAN 2011 – 2014

2.1 Vision and Mission Statement

The Vision

To be a leading performance oriented revenue administration characterised by integrity, innovation and service excellence

The Mission

To collect revenue through:

- a capable and motivated workforce
- efficient and effective business processes
- strong and sustainable relationships with stakeholders

2.2 Corporate Values

Corporate Values

- a. **Teamwork** – we will always work together to achieve common goals.
 - b. **Integrity** – the LRA staff have to be and seem to be reliable and honest;
 - c. **Innovation** – LRA staff should be able to come up with new ideas for continuous improvement aimed at best service delivery;
 - d. **Service excellence** – staff should be helpful and patient in providing service to tax payers to promote voluntary compliance; achieve highest level of quality in their work;
- a. **Accountability** – the LRA staff are expected to be answerable to their actions; able to abide by the LRA stipulated rules and regulation; firm and consistent in applying the rules without fear and favour;

2.3 Strategic Goals

STRATEGIC GOAL	DESCRIPTION
Revenue Optimisation	To collect all revenues due under the laws of Lesotho
Capable and Motivated Workforce	To focus on unleashing potential of the LRA workforce as an important resource for achieving the ambitions of the LRA as contained in the Vision and Mission Statement
Service Excellence	To provide the best service to our valued Taxpayers. To ensure our service is provided to clients with necessary: <ul style="list-style-type: none"> • Speed • Courtesy • Consideration for the client • Consistency

	<ul style="list-style-type: none"> • Dignity to the served
Organisational Sustainability	To enhance financial sustainability and robustness of the LRA. To ensure resilience of LRA operations.
Strong and Sustainable Stakeholder Relationships	To enhance the robustness of the relationships of the LRA with taxpayers and other stakeholders. Ensure continuous engagement of and partnership with stakeholders for synergy and coordination of activities
Enhanced Compliance	To improve voluntary compliance through: <ul style="list-style-type: none"> • Ensuring that all taxpayers declare and pay what is due • Combat tax evasion and ensure visible enforcement of the law • Responsive taxpayer education • Fair and transparent application of the law without fear or favour

2.4 Strategic Objectives and Performance Indicators

STRATEGIC GOAL 1: REVENUE OPTIMISATION

OBJECTIVES	KEY PERFORMANCE INDICATORS
Exceed Revenue Targets By 11 % Per Annum	Revenue targets exceeded by at least 11% per annum
Enhance Revenue Collection By 10% Per Annum	Revenue collection increased by 10% per annum

STRATEGIC GOAL 2: CAPABLE AND MOTIVATED WORKFORCE

OBJECTIVES	KEY PERFORMANCE INDICATORS
Enhance Staff Motivation	<ul style="list-style-type: none"> • Reduced staff turnover to 2% • Reduced staff complaints • 90% of staff meeting set performance targets • Staff satisfaction indicator at 70%
Improve Staff Performance And Efficiency	<ul style="list-style-type: none"> • Enhanced operating efficiencies • 90% of staff meeting set performance targets

STRATEGIC GOAL 3: SERVICE EXCELLENCE

OBJECTIVES	KEY PERFORMANCE INDICATORS
Improve Service Delivery	<ul style="list-style-type: none"> • Customer Satisfaction Index increased to 80% • 5% year-on-year reduction in Service turnaround times • Service level standards met • Increased voluntary compliance levels

STRATEGIC GOAL 4: ORGANISATIONAL SUSTAINABILITY

OBJECTIVES	KEY PERFORMANCE INDICATORS
Improve LRA Corporate Governance	<ul style="list-style-type: none"> • Structured and improved decision-making • Enhanced ability to respond to business challenges
Attain LRA Financial Sustainability	<ul style="list-style-type: none"> • Costs contained within budget year-to-year • Staff costs less than 75% of total recurrent budget • Investments made in line with investment policy • LRA adequately funded
Enhance Strategy Execution	<ul style="list-style-type: none"> • 100% success rate in project implementation • Sustained change outcomes • At least 80% of strategic initiatives implemented • Risks identified and mitigated at all levels

STRATEGIC GOAL 5: STRONG AND SUSTAINABLE STAKEHOLDER RELATIONSHIPS

OBJECTIVES	KEY PERFORMANCE INDICATORS
Improve Stakeholder Relations	<ul style="list-style-type: none"> • Improved collaboration, cooperation and communication with stakeholders • Agreements with stakeholders implemented
Enhance Organisational Image	<ul style="list-style-type: none"> • 70% of respondents showing positive perception (from customer satisfaction survey) • 70% of respondents recognised LRA as the responsible corporate citizen (from the customer satisfaction survey)

STRATEGIC GOAL 6: ENHANCED COMPLIANCE

OBJECTIVES	KEY PERFORMANCE INDICATORS
Improve Compliance Level	<ul style="list-style-type: none">• 60% reduction in number of unpaid returns• 10% reduction in number of non-filers and non-declarers• Average debt age not more than 6 months• 70% of customer survey respondents see LRA as effective• Increased revenue collection across the tax types• Increased voluntary compliance levels
Reduce Tax Evasion Rate	<ul style="list-style-type: none">• 100% reduction in number of under-declared returns• 100% of reported evasion cases actioned

2.5 Key Strategies and Timelines

1.0 Revenue Optimisation

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATOR	STRATEGY	PERIOD		
			Year1	Year2	Year3
Exceed Revenue Targets By 11 % Per Annum	Revenue targets exceeded by at least 11% per annum	Broaden the tax net	√	√	√
		Improve revenue collection efficiency and debt management initiatives	√	√	√
Enhance Revenue Collection By 10% Per Annum	Revenue collection increased by 10% per annum	Broaden the tax base	√	√	√
		Take-over non-tax revenue streams	√	√	√

2.0 Capable and Motivated Workforce

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATOR	STRATEGY	PERIOD		
			Year1	Year2	Year3
Enhance Staff Motivation	<ul style="list-style-type: none"> • Reduced staff turnover to 2% • Reduced staff complaints • 90% of staff meeting set performance targets • Staff satisfaction indicator at 70% 	Improve staff wellness		√	√
		Improve internal communication	√	√	√
		Develop and implement retention and succession strategies		√	√
Improve Staff Performance And Efficiency	<ul style="list-style-type: none"> • Enhanced operating efficiencies • 90% of staff meeting set performance targets 	Improve management and leadership capabilities	√	√	√
		Develop and implement a structured training framework	√	√	√
		Enhance Integrated Performance Management System	√	√	√
		Review and align LRA structure to the LRA Vision	√	√	

3.0 Service Excellence

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATOR	STRATEGY	PERIOD		
			Year1	Year2	Year3
Improve Service Delivery	<ul style="list-style-type: none"> • Customer Satisfaction Index increased to 80% • 5% year-on-year reduction in Service turnaround times • Service level standards met • Increased voluntary compliance levels 	Enhance customer care	√	√	√
		Decentralise services		√	√
		Implement Enterprise Architecture Roadmap	√	√	√
		Enhance infrastructure and facilities for service delivery	√	√	√
		Improve and implement anti-corruption strategy	√	√	
		Enhance trade facilitation	√		

4.0 Organisational Sustainability

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATOR	STRATEGY	PERIOD		
			Year1	Year2	Year3
Improve Corporate Governance LRA	<ul style="list-style-type: none"> • Structured and improved decision-making • Enhanced ability to respond to business challenges 	Develop and implement corporate governance framework		√	√
		Develop and implement business continuity framework	√		
Attain Financial Sustainability LRA	<ul style="list-style-type: none"> • Costs contained within budget year-to-year • Staff costs less than 75% of total recurrent budget • Investments made in line with the policies • LRA adequately funded 	Strengthen management of finances	√	√	
Enhance Strategy Execution	<ul style="list-style-type: none"> • 100% success rate in project implementation • Sustained change outcomes • At least 80% of strategic initiatives implemented • Risks identified and mitigated at all levels 	Strengthen projects management	√	√	√
		Enhance the LRA change culture	√	√	√
		Enhance monitoring and evaluation			√
		Develop long term modernisation programme		√	
		Enhance Enterprise Risk Management (ERM)		√	

5.0 Strong and Sustainable Stakeholder Relationships

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATOR	STRATEGY	PERIOD		
			Year1	Year2	Year3
Improve Stakeholder Relations	<ul style="list-style-type: none"> • Improved collaboration, cooperation and communication with stakeholders • Agreements with stakeholders implemented 	Develop and implement a stakeholder relationship management framework		√	
Enhance Organisational Image	<ul style="list-style-type: none"> • 70% of respondents showing positive perception (from customer satisfaction survey) • 70% of respondents recognised LRA as the responsible corporate citizen (from the customer satisfaction survey) 	Enhance Corporate Social Investment (CSI)	√	√	√

6.0 Enhanced Compliance

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATOR	STRATEGY	PERIOD		
			Year1	Year2	Year3
Improve Compliance Level	<ul style="list-style-type: none"> • 60% reduction in number of unpaid returns • 10% reduction in number of non-filers and non-declarers • Average debt age not more than six (6) months • 70% of customer survey respondents see LRA as effective • Increased revenue collection across the tax types • Increased voluntary compliance levels 	Enhance taxpayer education	√	√	√
		Simplify tax laws	√	√	
		Strengthen effectiveness of enforcement	√	√	√
		Develop and implement compliance model		√	√
		Build LRA capacity to detect and address non-compliance		√	
Reduce Tax Evasion Rate	<ul style="list-style-type: none"> • 100% reduction in number of under-declared returns • 100% of reported evasion cases actioned 	Build LRA capacity to detect and address tax evasion	√		