

LRA 2018-2023 STRATEGY

"REA AHA"

Board Chair's Message

Commissioner General's Remarks

Rea Aha! We are Building!

At the very core of our strategic approach is a conscious decision to build key strategic resources which will in turn be used as sustainable sources of strategic advantage in achieving our desired outcomes of maximising revenue collection, deepening the culture of voluntary compliance, enhancing the quality of service and reducing the cost of collection. By strategic resources, we do not refer only to the tangible and physical kind such as office buildings, vehicle fleet and bank balances which feature prominently on our balance sheet. Such assets are merely 'commodities' which are equally available to all other organisation and therefore do not, on their own, confer any strategic advantage to the organisation. To count as strategic, an asset has to be rare, valuable and difficult to imitate.

Consequences vs. Causes

Therefore, our five-year strategy is premised on the objective of building both the tangible and, especially, the intangible strategic assets. Once built, these assets will then be deployed as strategic sources of capital towards creating value in enabling the achievement of our desired outcomes. In this way, the approach differentiates between the consequences from their causes. The maximised revenue collection, improved quality of service, a deeper compliance culture and reduced cost of collection are all the intended consequences. The creation and efficient deployment of the intangible asset are the causes of these consequences. As such, to achieve the consequences, we will develop and efficiently deploy the causes.

Our Depreciated Asset Base

Based on our problem diagnosis, there is ample evidence that our leadership culture focused exclusively on the consequences while neglecting the causes. In this culture, the end justified the means; as long as collection targets were met, and innovative fabric of the organisation. Although deceptively high yielding at first, this short-termist approach is not sustainable to the extent that it delivers results at the expense of the depreciation of the strategic assets of the company. In time, the depreciated strategic resources become a limiting factor standing in the way of the Authority towards achieving the desired outcomes.

Strengthening our Weakest Links

Consequently, to reverse this situation, this strategy seeks to derive the greatest leverage by focusing resources and coherent actions on these limiting factors. Our wide stakeholder consultations have revealed that the most prominent limiting factor has been the neglect of the intangible sources of capital, to the extent that they are in a sorry state. By concentrating on building these assets, we follow the logic that the way to strengthen a chain-linked system such as our organisation is not to further strengthen the strong links in the chain, but to strengthen the weak links.

Following the application of the Strategic Kernel model, it became evident that the Authority's weak links lie in the realm of people matters. People, be it staff or our clients, have been neglected over the years. The diagnosis points to a task oriented approach that views people as nothing but cogs in a tax collection machine. As long as targets were met, the path taken to such an outcome did not matter.

Our Value Creation Capital Model

In the next five years, the Authority will be focused on building the strategic assets that will enable it to sustainably deliver the desired outcomes. In view of the diagnosed problem of a poor leadership culture that pays little consideration to crucial intangible sources of capital, we have identified the development and efficient deployment of the following sources of capital, constituting our Value Creation Capital model, as priorities;

- (i) Spiritual Capital
- (ii) Social Capital
- (iii) Human Capital
- (iv) Innovation Capital
- (v) Financial Capital

The model identifies the importance of the intangible sources of capital as drivers of value for the next five years.

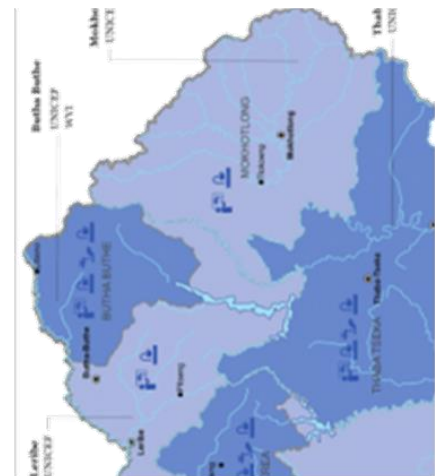
Building our new Service and Leadership Culture

Over the next five years, the Authority's way of doing business is going to be based on a guiding policy of building. We shall be building a new culture of service which will be pursued through a leadership approach which emphasises collaboration with, and therefore ownership by, our staff and our clients. This involvement of people underpins the strategic shift from the task orientation of yesterday to the people orientation of this strategy.

The practical implication of this strategic shift is that no more shall effort and resources spent on people matters such as trust building, staff motivation, staff competence, stakeholder consultation and engagement and brand recognition be viewed as mere expenses but rather as investments in strategic assets with notable future benefits in enabling the Authority the Authority to maximise revenue collection, enhance quality of service, deepen the culture of compliance and reduce the cost of collection.

A map of the Yangtze River basin in China. The river is shown flowing from the west (Tibet) towards the east, where it empties into the East China Sea. Major cities marked include Lhasa, Kunming, Chongqing, Nanjing, and Shanghai. Provinces labeled include Tibet, Sichuan, Hubei, Anhui, Jiangsu, and Shanghai. The map also shows the Yellow River to the north and the Gulf of Tonkin to the south.

Our Strategy
proposes a major
shift in the
manner in which
LRA will be doing
business



1 Background

1.1 Who are we

OUR MANDATE

The Lesotho Revenue Authority is a corporate body established under 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:



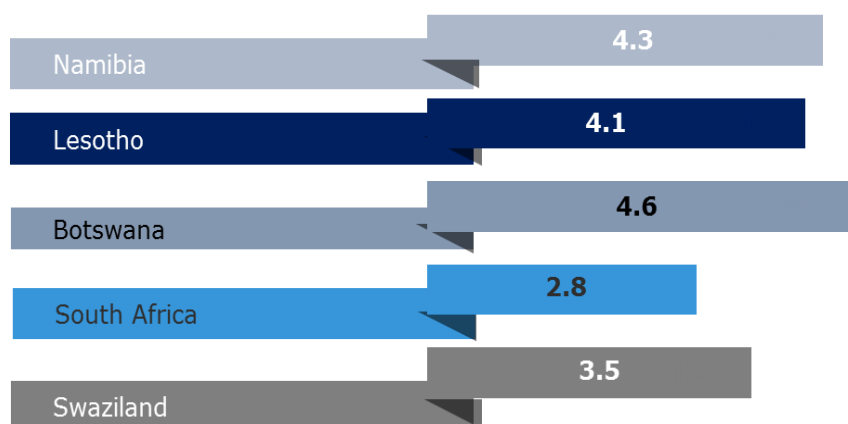
The Customs and Excise Act (1982) as amended;

The Income Tax Act (1993) as amended

The Value Added Tax Act (2001) as amended

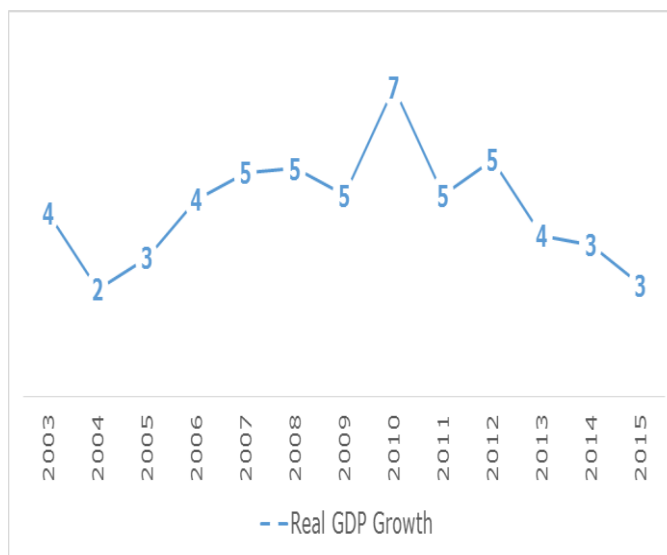
1.2 Landscape

1.2.1 Economic Performance – GDP Growth

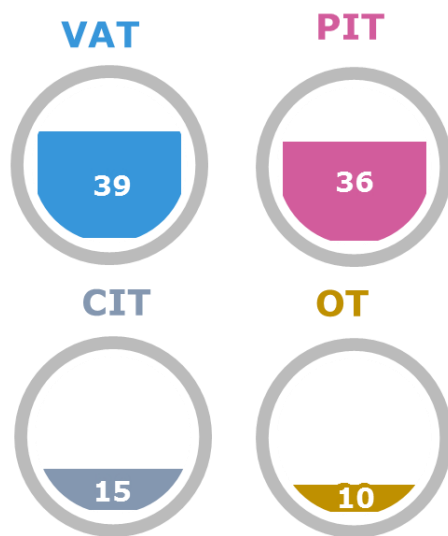


The SACU economies have collectively expanded at an average annual rate of 4% since 2003.

Lesotho's economy recovered from the global economic crisis in 2009. This pace was however slowed down by amongst other factors floods in early 2011. Moderate growth was recorded in 2012 due to a rise in diamond prices but has since followed a downward trajectory hitting the lowest levels in 2016 at 2.4%

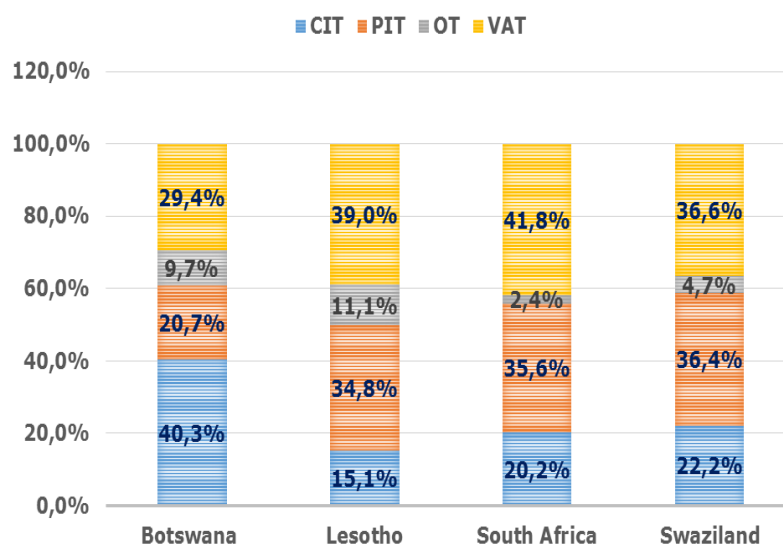


1.2.2 Lesotho Tax System – Tax Type Contribution



The Lesotho tax mix comprises of income tax (IT) and value added tax (VAT). Income tax is comprised of Corporate Income Tax (CIT), Personal Income Tax (PIT) and Other Taxes (OT).

VAT and PIT are the largest contributors to tax revenues.



CIT contribution in Lesotho is **lowest** as compared with other SACU member states.

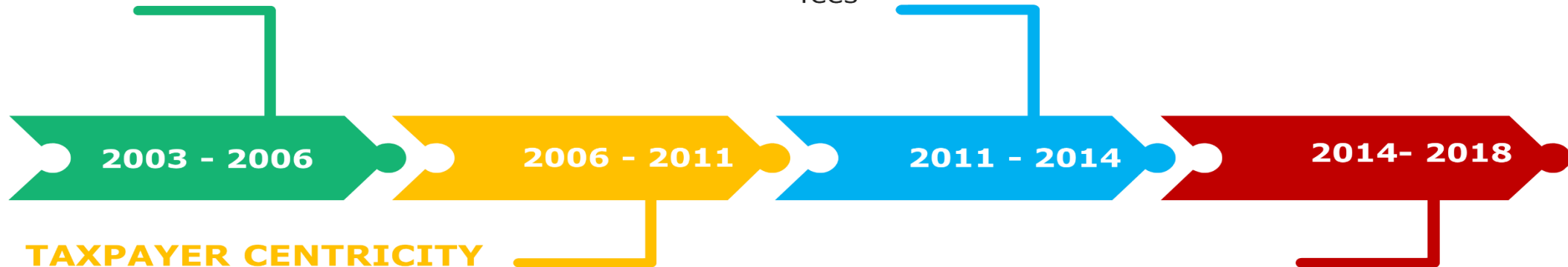
1.2.3 Strategic Periods

INCEPTION

- Introduction of VAT
- Introduction of Self Assessment
- Tax Amnesty

SERVICE EXCELLENCE

- Organisational structure alignment to strategy
- Implementation of a records management system
- Expansion of mandate to collect toll fees



TAXPAYER CENTRICITY

- Introduction of filing at the bank
- Decentralization of services to Mohale's Hoek and Leribe
- Introduction of an integrated performance management system
- Organisational Review

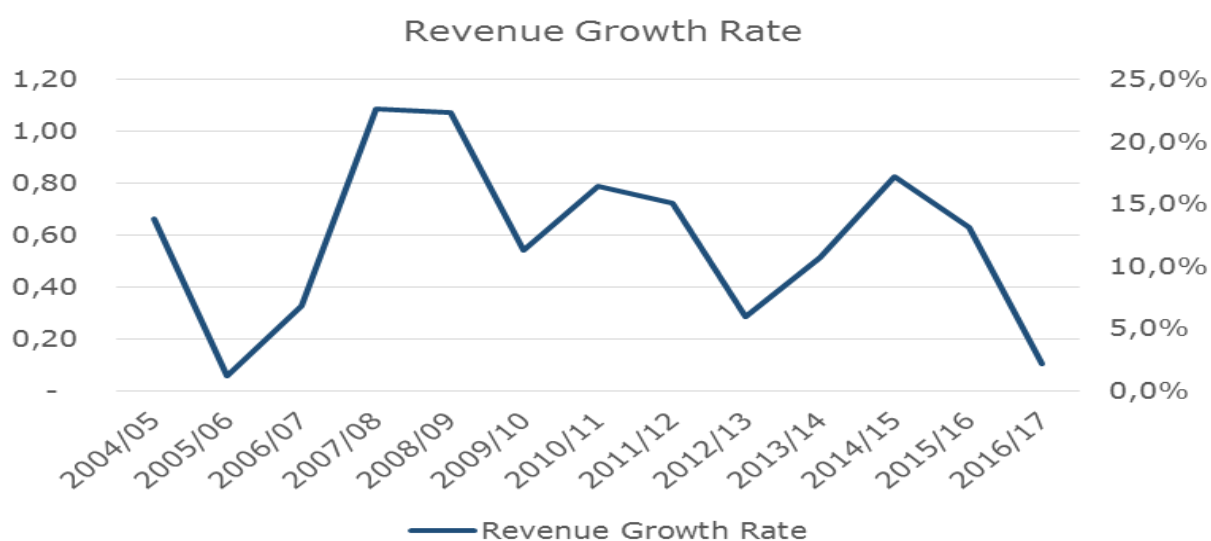
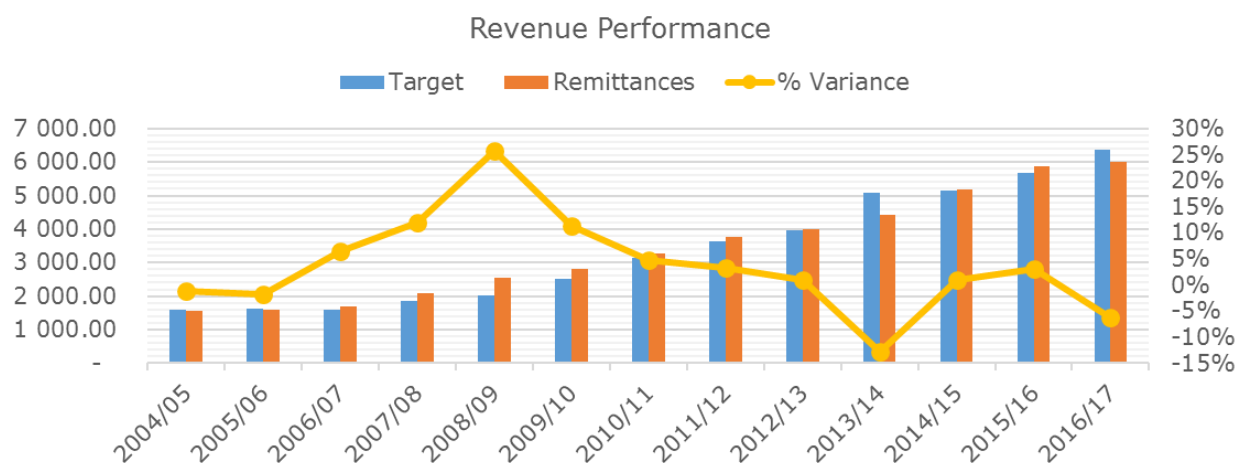
CHEBELO PELE

- Establishment of a staff union
- Implementation of ASYCUDA and ETPM systems
- Deployment of Customs Scanners
- Development of compliance model

1.2.4 Revenue Performance

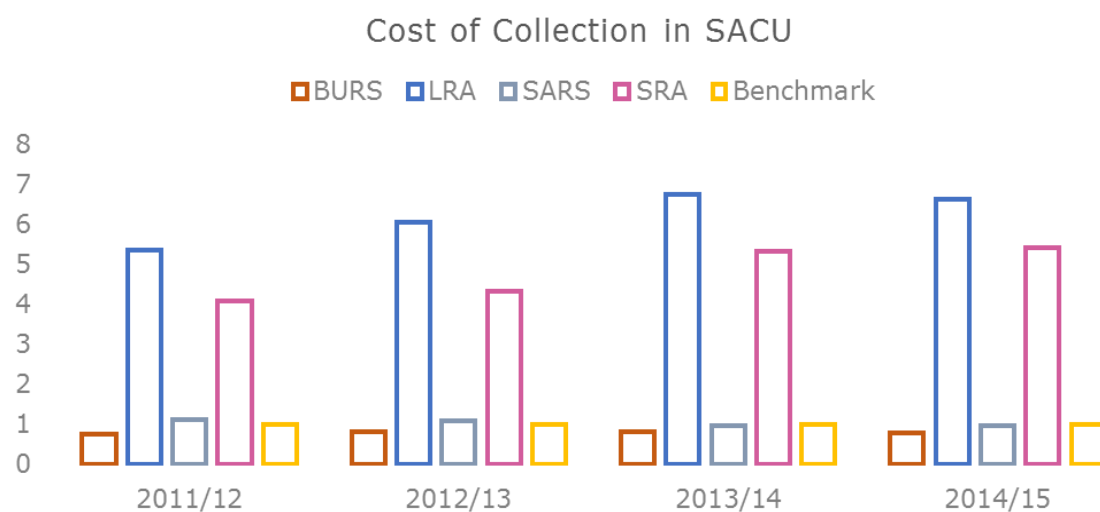
Revenue performance grew at an increasing rate reaching a peak in 2009/10. Following this period it declined hitting the lowest point in 2013/14 when the target was missed by 12.7%. There was a slight improvement in 2015/16 but the target was missed again in 2016/17 and 2017/18 is also projected to perform below target.

Revenue growth on the other hand has been very volatile suggesting very little, if at all, control over the Authority's performance.



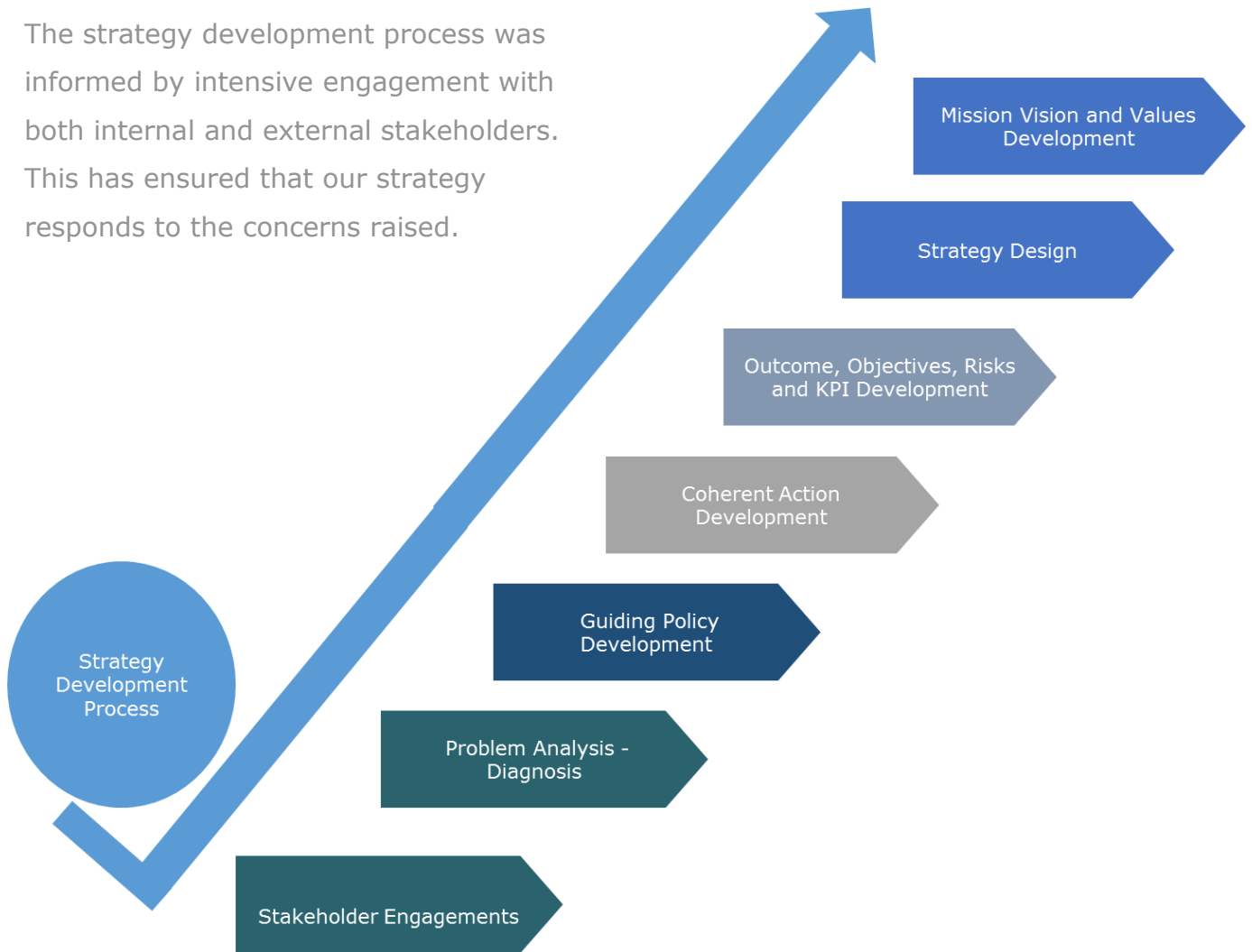
1.2.5 Cost of Collection

Lesotho's cost of collection, which measures the efficiency of collecting revenue, is the **highest** in SACU indicating the costliness of collecting revenue. The international benchmark is one percent.

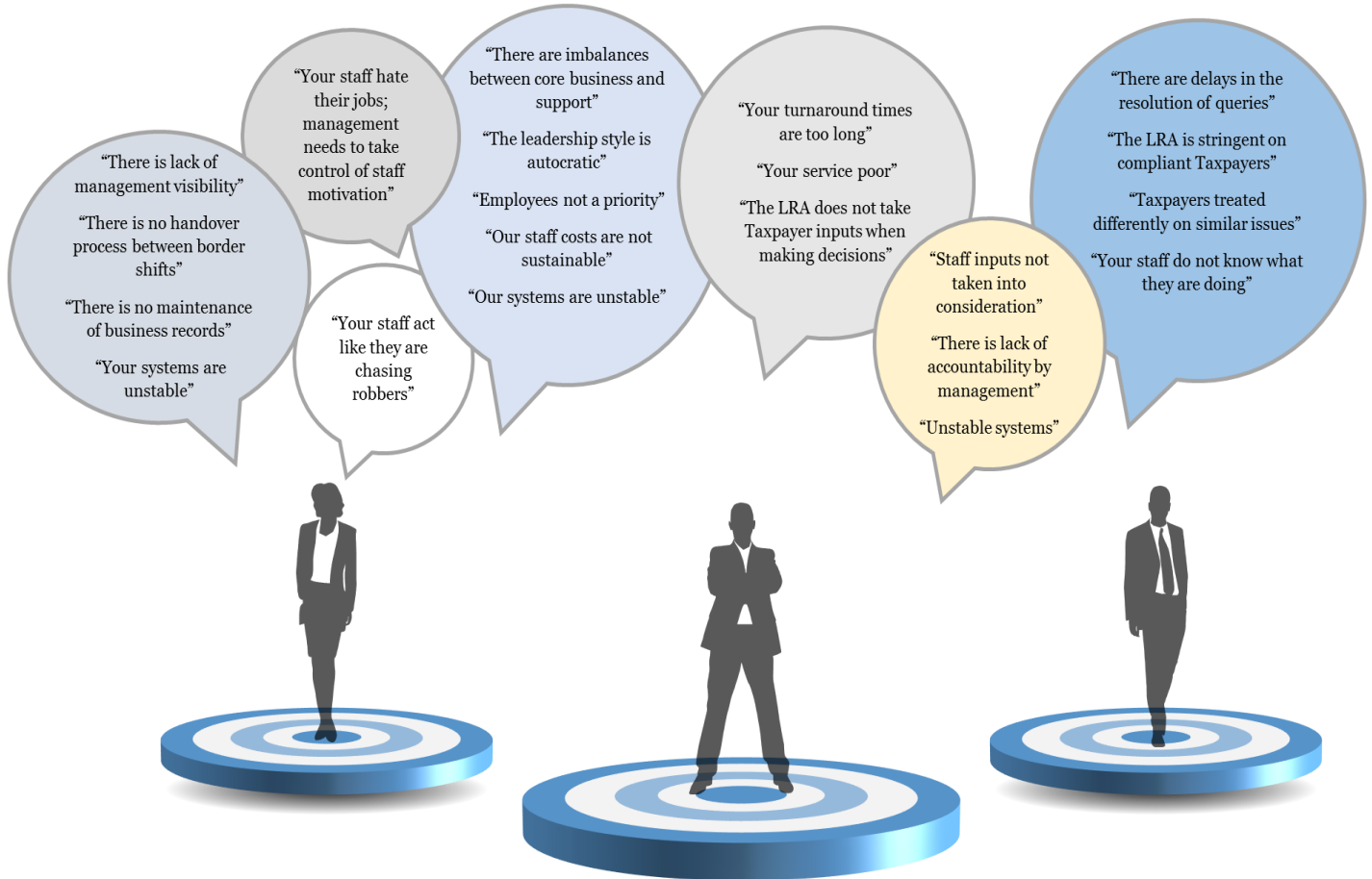


2 Process followed

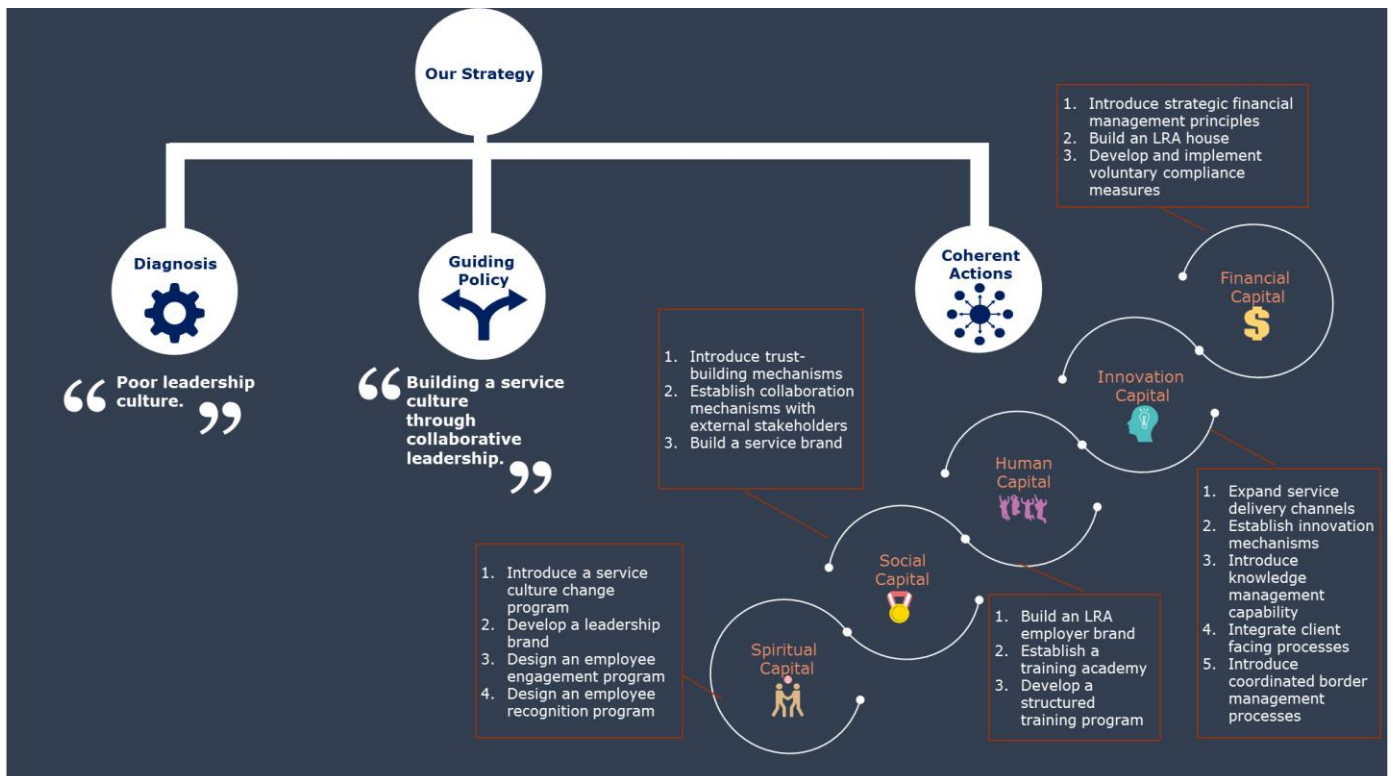
The strategy development process was informed by intensive engagement with both internal and external stakeholders. This has ensured that our strategy responds to the concerns raised.



What we have heard from our stakeholders



3 Strategy Kernel



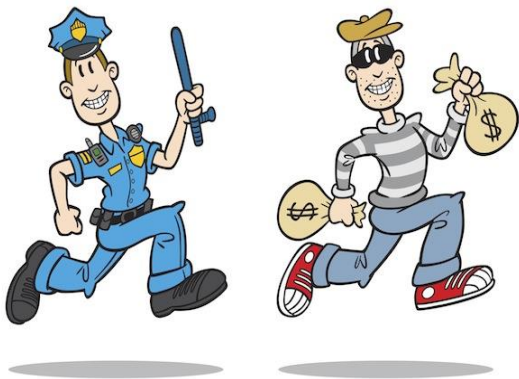
Our strategy has been guided by a methodology (proposed in Good Strategy, Bad Strategy by Richard Rumelt) premised on an understanding that at the core of any strategy is the strategic kernel, composed of a diagnosis, a guiding policy and coherent action. This process has been augmented by the adoption of a Value Creation Model (VCC) which will enable us to strike a balanced approach of investing in the human, spiritual, social, innovation and financial sources capitals, towards the achievement of our mandate.

3.1 Diagnosis

The diagnosis identifies and defines the core challenge that we are facing as an organisation based on our evaluation and interpretation of the signs and symptoms which underlie the poor performance of the Authority in the recent years.

Our diagnosis was informed by the information gathered from the various stakeholder engagement sessions held prior to the development of the strategy.

Our diagnosis is that of a poor leadership culture characterised by autocratic leadership and a heavy enforcement culture.



Heavy enforcement culture



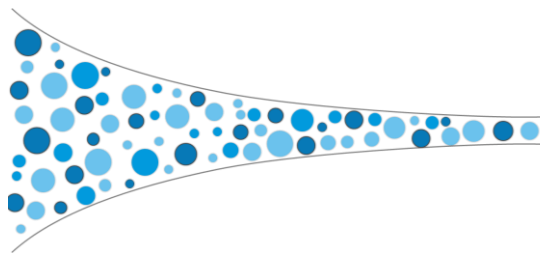
Autocratic leadership

Major Symptoms



3.2 Guiding Policy

“Building a service culture through collaborative leadership”

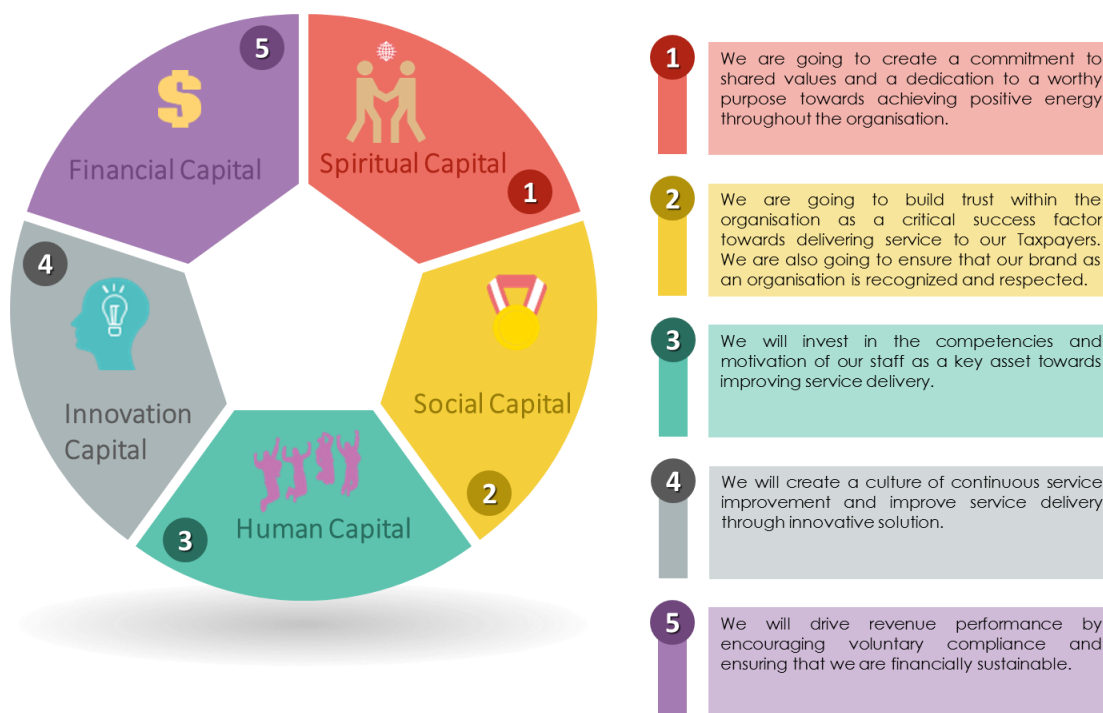


The guiding policy is the overall direction chosen to deal with the challenges identified in the diagnosis. It serves as the strategic filter for making decisions towards implementation of the strategy.

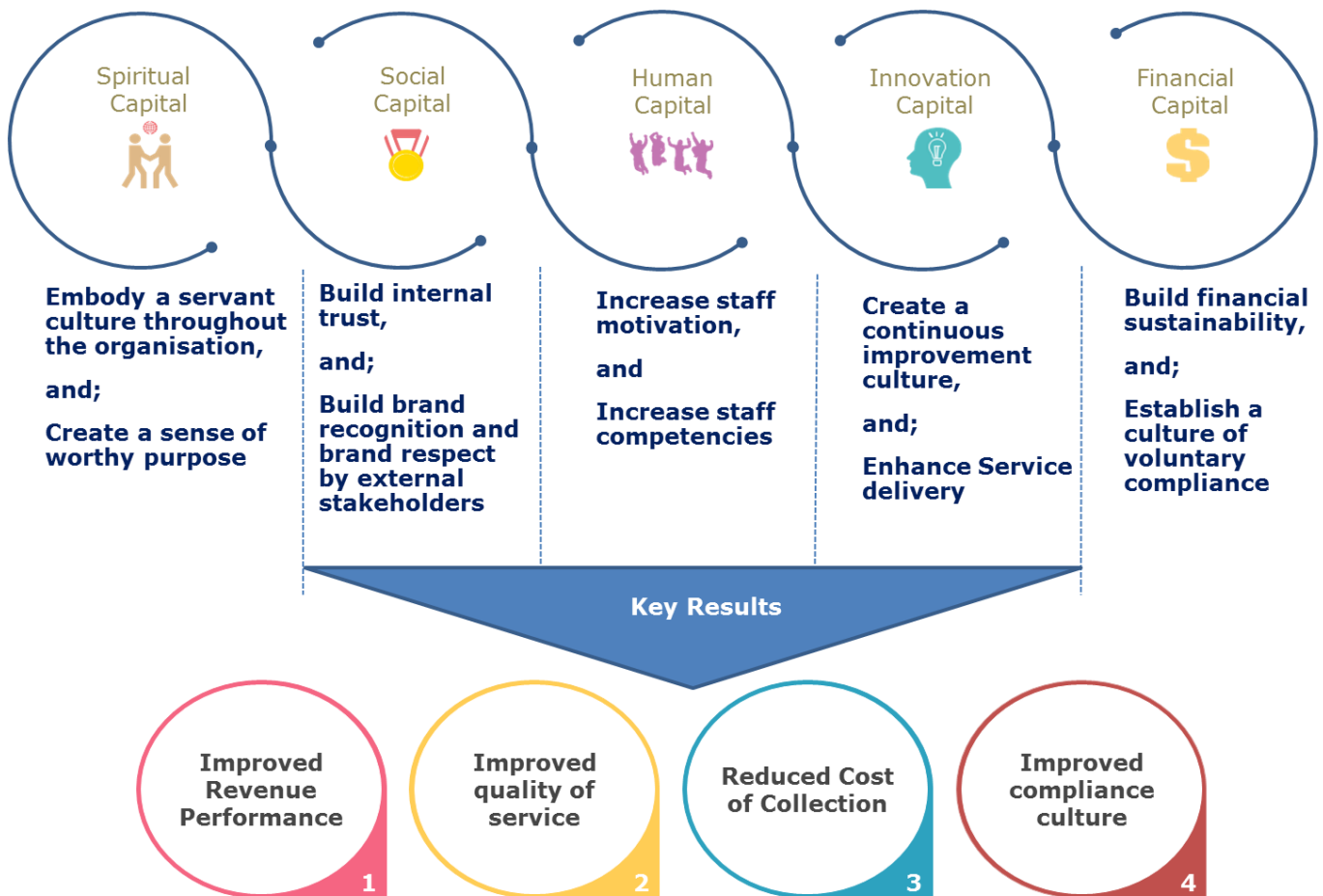
3.3 Coherent Actions

The coherent actions are aimed at enabling us to carry out the guiding policy, leveraging on our inherent advantages and those that we need to create. The coherence of these actions is critical in ensuring that they are coordinated, build upon one another and focus our energies towards creating value.

In order to deliver against the guiding policy, we will focus on building strategic assets through investing in the following five major outcome areas.



The objectives that we aim to achieve under each of these outcomes are as follows.





Introduce a service culture program

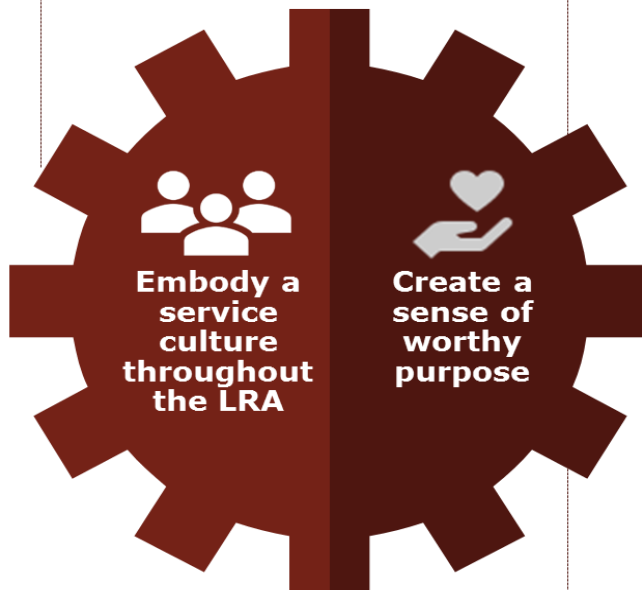
We will establish measures to entrench a service oriented culture which will drive our behaviours in support of our guiding policy.



Develop a leadership brand

We will build the leadership capability that develops exceptional management with a distinct set of talents and behaviours that are uniquely geared to fulfil our strategy (guiding policy)

SPIRITUAL CAPITAL



Design an employee engagement program

We will establish engagement platforms where employees will engage in a number of activities towards building a sense of belonging within the organisation.



Design and employee recognition program

We will put in place a mechanism that recognizes people that have gone the extra mile.

Introduce trust building mechanisms



We will introduce mechanisms that will ensure that there is mutual trust in the organization. Trust is the confidence among team members that their peers' intentions are good, and that there is no reason to be protective or careful around the group.

Establish staff collaboration mechanisms



We establish mechanisms which will drive collaboration with staff in order to enhance staff ownership of solutions.

SOCIAL CAPITAL



Build a service brand

We will create a new brand that will reflect our guiding policy.



Establish collaboration mechanisms with external stakeholders

We will put in place mechanisms to collaborate and involve our stakeholders in designing solutions for them. We will strengthen our relationships with our key stakeholders towards the improvement of service delivery.



Build employer brand

We will build our brand as an employer of choice and give a value proposition to our employees as a key capital to our business. We will identify key attributes of great employers and define our brand accordingly. We will incorporate our new brand into recruitment, performance management and reward systems.

HUMAN CAPITAL



Introduce a structured training program

We will develop requisite skills towards the achievement of our strategy. We will commence with developing a training program on customer care, ethics, collaborative leadership and technical areas; this program will be rolled out to every employee.



Establish LRA training academy

We are going to establish an accredited training academy to meet the training requirements to support strategy.



Establish innovation mechanisms

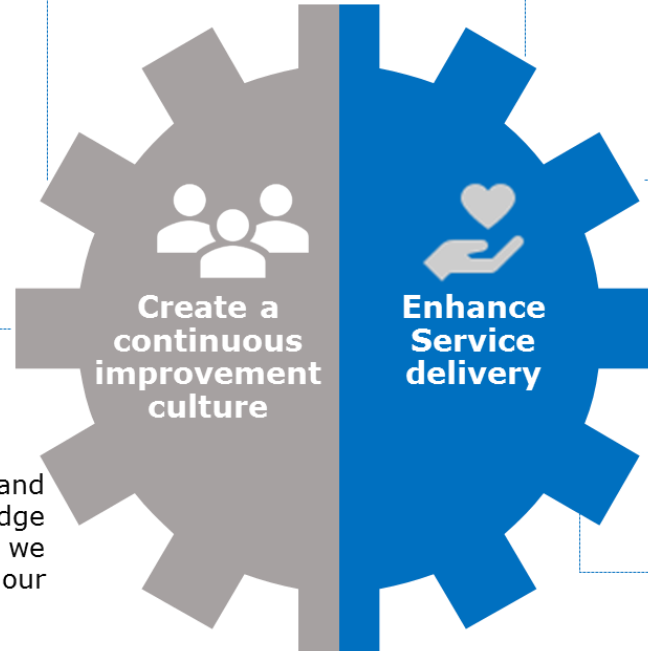
We will create an atmosphere where employees' innovative ideas can be frequently contributed, selected, incubated and implemented; while at the same time recognizing and rewarding contributors. This will be an atmosphere where people think innovation, talk innovation and inspire others to be innovative.



Introduce a knowledge management capability

We will introduce, implement and continuously improve on knowledge management in an effort to ensure that we harness and share the knowledge that our staff has.

INNOVATION CAPITAL



Expand service delivery channels

We will make our services as accessible as possible to all our clients through the expansion of our service channels. This will include decentralising more services and introducing electronic self service delivery channels.



Integrate client processes

We will integrate our service delivery processes, ensuring that front office and back office functions are integrated towards delivering seamless service.



Introduce Coordinated border processes

We will work with all border agencies to coordinate all border processes as a way of enhancing our trade facilitation role. This will increase the ease with which traders move their goods in and out of the country.



Introduce financial management principles

We will introduce strategic financial management principles such that our ratio of reserves of obligations is improved. We will also increase our liquidity ratio to ensure that the LRA has more total assets than liabilities so that in the event of any emergency, the Authority is able to pay its short term debts. This will involve curbing our spending and building up on assets



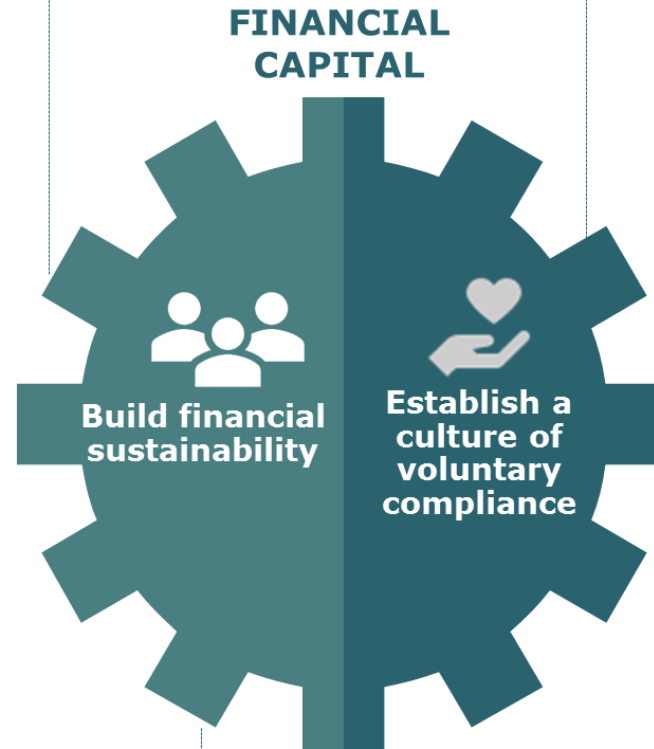
Develop and implement compliance measures

We will develop and implement compliance measures to encourage voluntary compliance. We will build a behavioural insights capability in order to guide our measures and communication to Taxpayers.



Build LRA house

We will build the LRA House to accommodate all LRA staff under one roof.



4 Strategic Risks and Mitigations

OUTCOME AREA	OBJECTIVE	RISK IDENTITY	RISK	RISK MITIGATIONS
Spiritual Capital	Embody a service and collaborative culture	CR0101	Lack of adaptability to culture change by management	Restructure performance management system to prioritise cultural fit
Social Capital	Build mutual trust with internal and external stakeholders	CR0201	Bad publicity by both internal & external stakeholders	1. Collaborate with staff (incl. LERASU) 2. Run a strategy communication campaign
		CR0202	Political interference	Collaborate with Ministry of Finance and cabinet
Human Capital	Increase staff motivation and competencies	CR0301	Inadequate organisational structure	Review organisational structure
		CR0302	Unrealistic staff expectations	Collaborate with staff (incl. LERASU)
		CR0303	Inadequate performance management System	Introduce a performance management system aligned to strategy
		CR0304	Low staff morale	Review salaries
Innovation Capital	Create a continuous service improvement capability	CR0401	Lack of corporation by OGAs	Collaborate with OGAs
		CR0402	Lack of national infrastructure	Implement redundancy across IT platforms
		CR0403	Ineffective IT systems	1. Develop and implement an IT Strategy 2. Stabilise IT systems
Financial Capital	Build financial viability	CR0501	Ineffective execution	Introduce a delivery function
		CR0502	Inadequate funds	Review LRA funding
	Establish a culture of voluntary compliance	CR0503	Taxpayer avoidance & evasion schemes	Build capability to detect and enforce tax evasion

5 Vision, Mission and Corporate Values



Our Values defined



6 Strategic Shifts

"Our strategy dictates a major shift in the manner in which we do business; from a "cops and robbers" approach to a client and service provider" kind of approach"

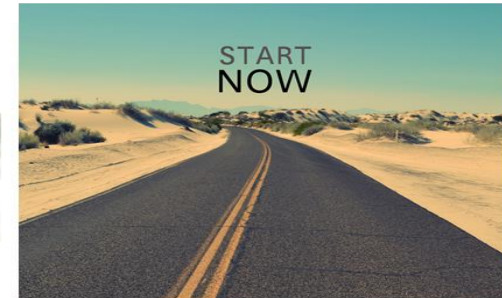
STOP



START



- Dictating
- Heavy enforcement culture
- Individualistic
- Systems and process focus
- Tactical leadership at the top

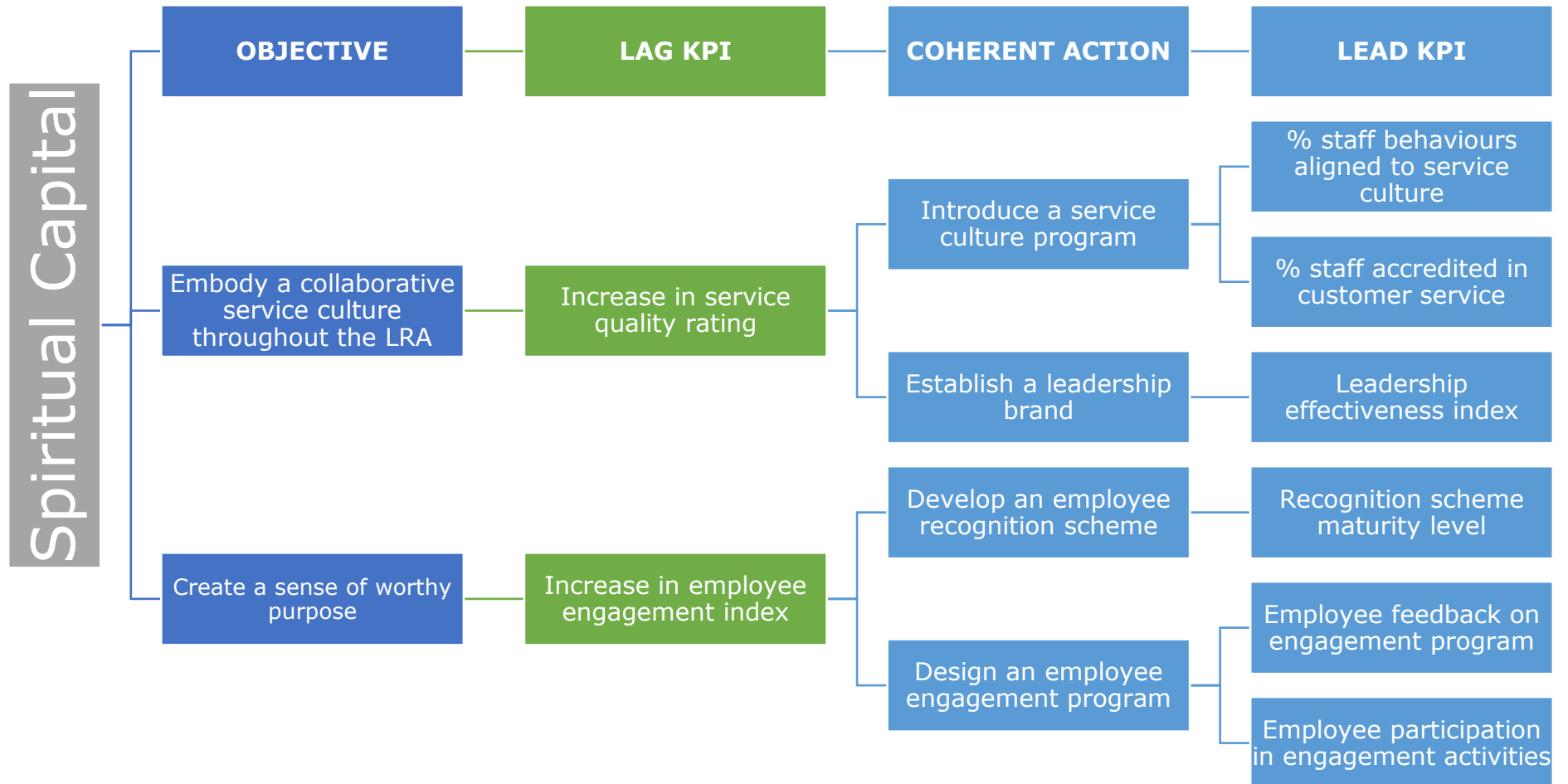


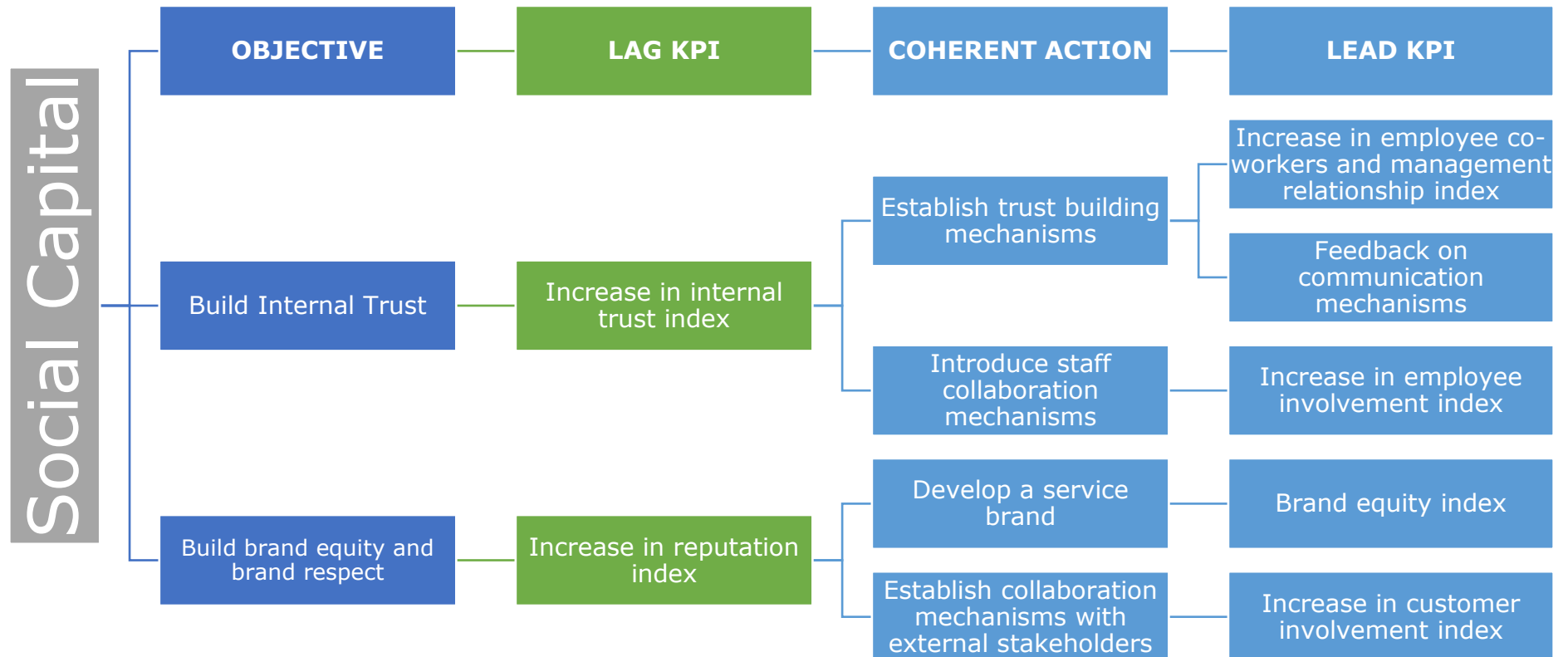
- Engaging
- Voluntary compliance culture
- Customer focus
- Human capital development and recognition
- Strategic leadership at the top

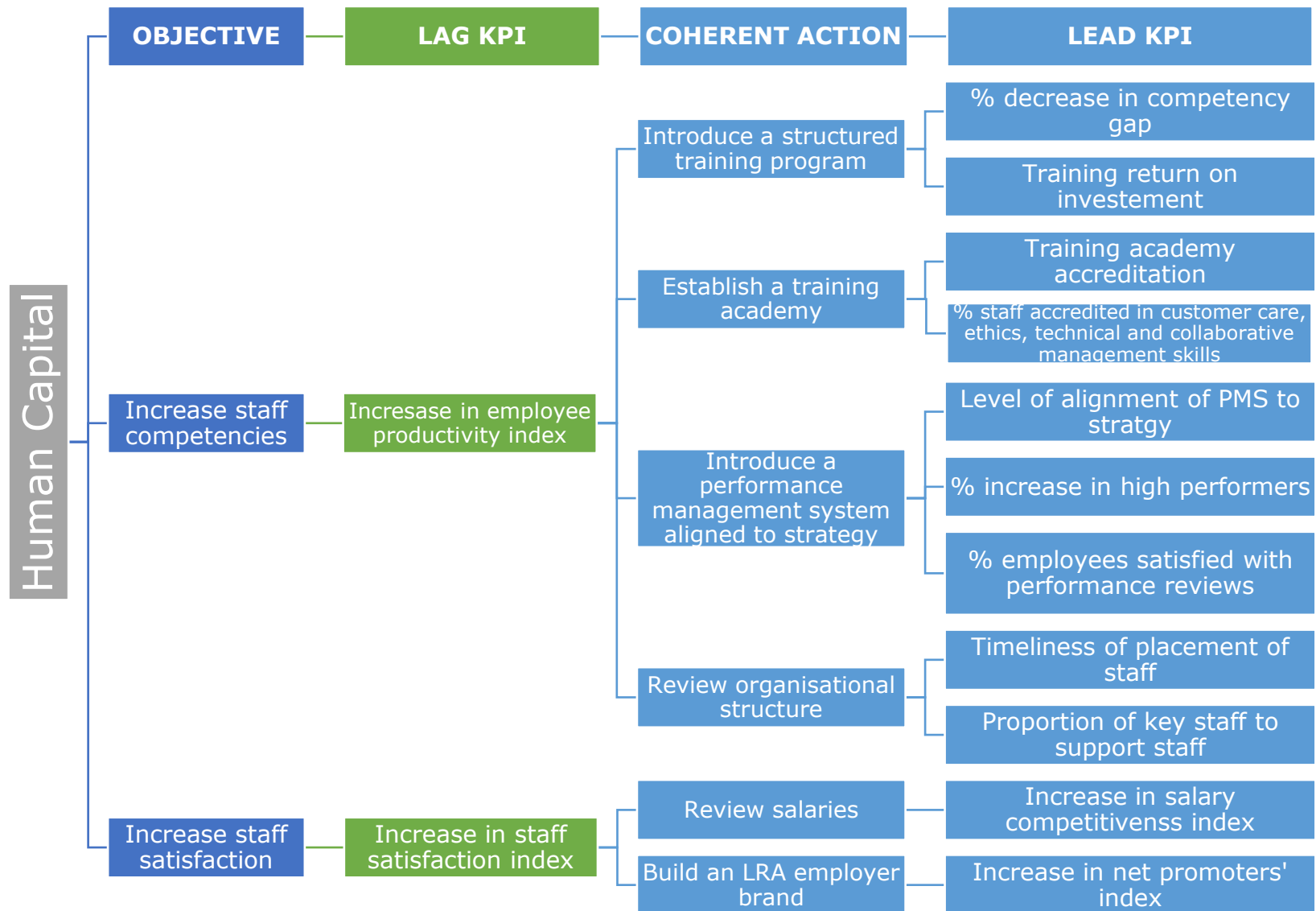
7 Delivering Results

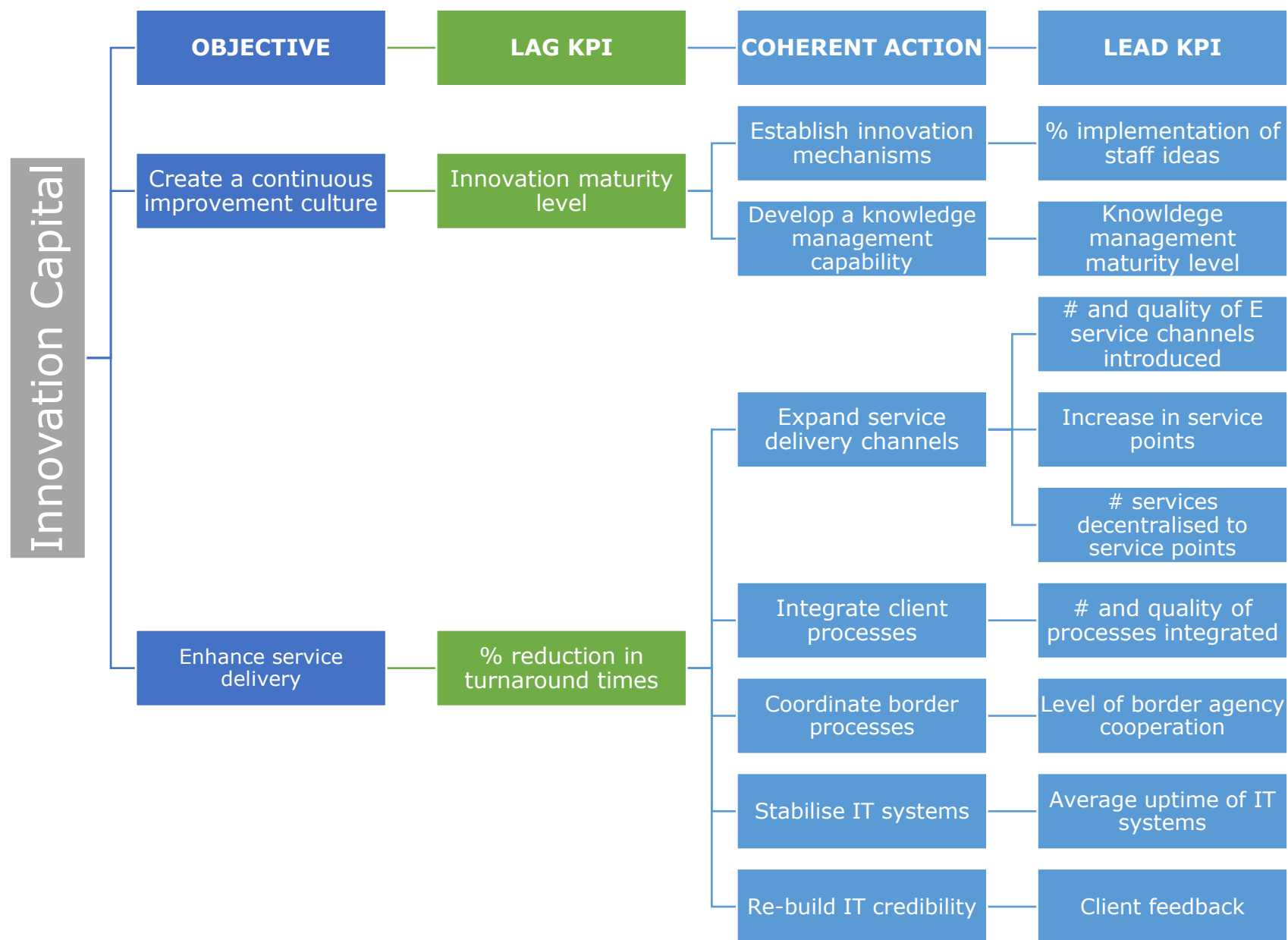
Result Area	Indicator	Baseline	Target				
			2018/19	2019/20	2020/21	2021/22	2022/23
Improved Revenue Collection	% Revenue Growth	2.2%	10%	10%	10%	10%	10%
	Tax to GDP ratio	TBD	TBD	TBD	TBD	TBD	TBD
Reduced Cost of Collection	Cost of collection ratio	6.6	6	5	4.5	4	3
Improved Quality of Service	World Bank cost of paying taxes index	TBD	TBD	TBD	TBD	TBD	TBD
	Time taken to clear goods for import and export	TBD	TBD	TBD	TBD	TBD	TBD
Improved Compliance Culture	Tax gap	TBD	TBD	TBD	TBD	TBD	TBD

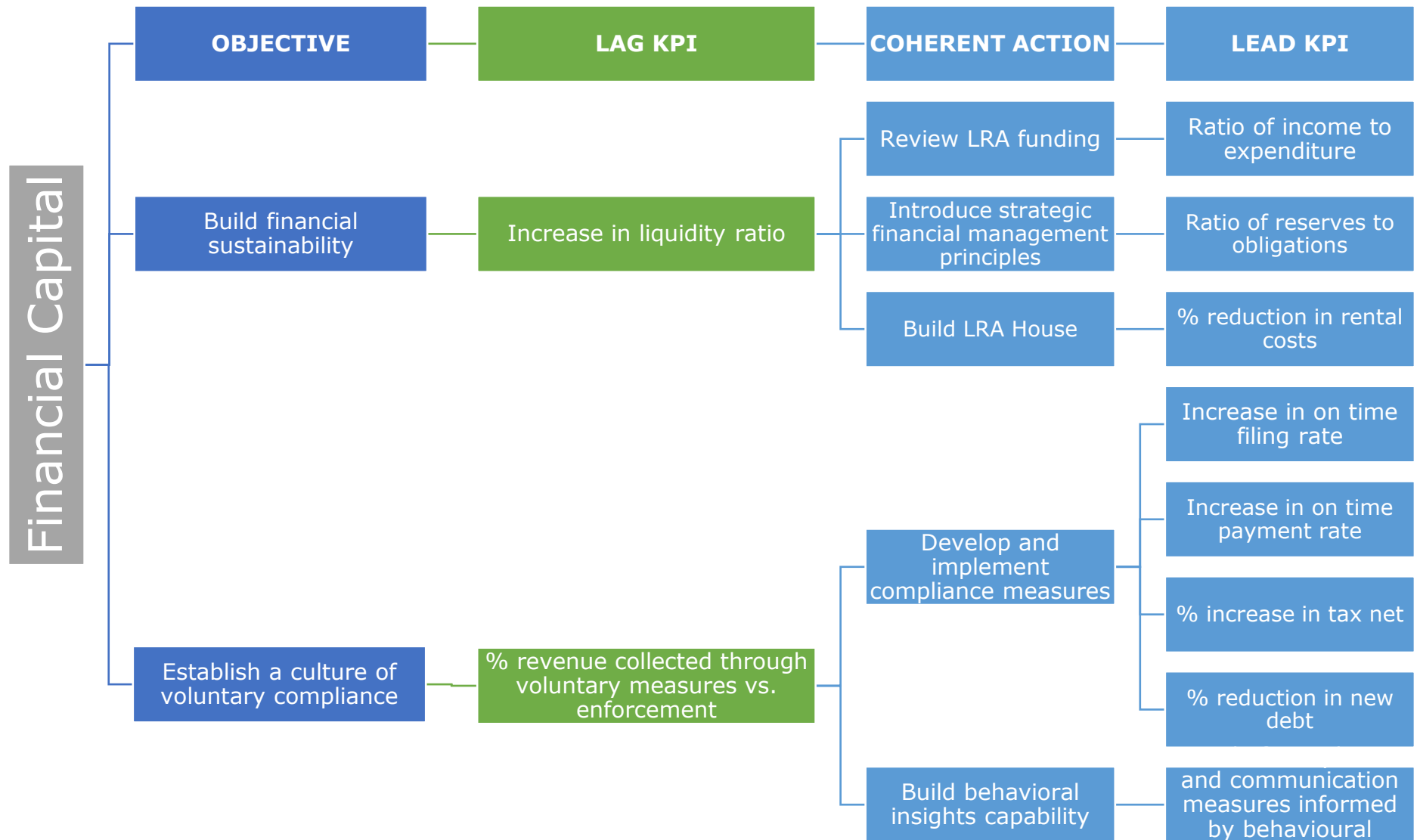
8 Measuring our Performance

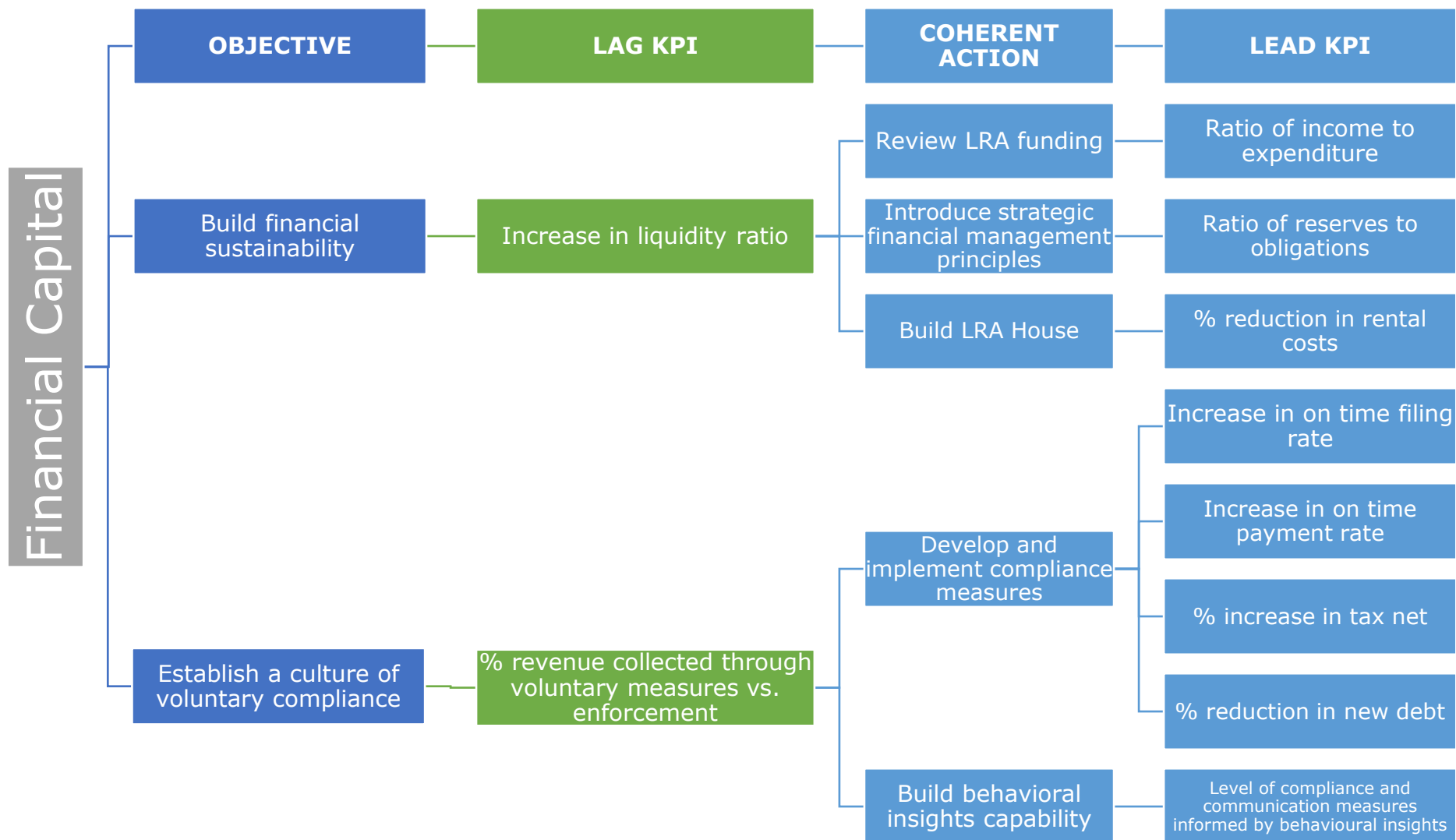












9 Annexures

9.1 Annexure 1 Definition of Key Performance Indicators

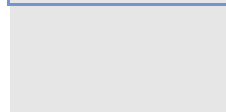
9.1.1 Objective Key Performance Indicators

Outcome Area	Objective	KPIs	KPI Explanation	Frequency of monitoring	Sources of information
Spiritual	Embody a collaborative service culture throughout the LRA	Service quality rating	We measure service availability, reliability, credibility, empathy and responsiveness.	Real time	Post-service feedback, suggestion boxes, Website inquiries, Media feedback
				Annually	Customer satisfaction survey. Comparison with respective service provision leaders on various service elements e.g. customer care, queue management, turnaround times)
	Create a sense of worthy purpose	Employee engagement index	We measure the level of employees' connection, commitment and effort.	Annually	Internal climate survey
Social	Build Internal Trust	Increase in internal trust index	We measure the level of credibility, transparency, fairness and mutual respect	Annually	Internal climate survey

			between management and staff.		
	Build brand equity and brand respect	Increase in reputation index	We measure the Stakeholders' perception on performance, quality of service, social responsibility, strategic direction and workplace environment	Real time	Post-service feedback, suggestion boxes, Website inquiries, Media feedback
				Annually	Customer satisfaction survey.
Human	Increase staff competencies	Increase in employee productivity	We measure the employees' contribution to the total revenue collected against the international benchmarks	Annually	Revenue remittances and total number of staff, International benchmarks.
	Increase staff satisfaction	Increase in staff satisfaction	We measure employees' level of satisfaction with: <ul style="list-style-type: none"> • Rewards and recognition • Job security • Working environment • Work life balance • Growth opportunities • Relationships at work 	Quarterly and annually	Internal climate survey

			<ul style="list-style-type: none"> • Remuneration and benefits • Job fit 		
Innovation	Create a continuous improvement culture	Innovation maturity level	We measure the level of growth from one maturity level to the next over a period of time.	Annually	Assessment of innovation maturity level activities
	Enhance service delivery	% reduction in turnaround times	We measure efficiencies in the time taken to provide services across all the Taxpayer touch points	Real time	Post-service feedback, suggestion boxes, Website inquiries, Media feedback
				Annually	Customer satisfaction survey.
Financial	Build financial sustainability	Liquidity ratio	We measure the LRA's liquid cash against its current obligation, its ability to build adequate reserves, its ability to convert its assets into liquid cash to meet its current obligations and its ability to cover its annual obligations	Annually	Financial statements Bank statements
				Monthly	Management accounts (variance reports)

	Establish a culture of voluntary compliance	% revenue collected through voluntary measures vs. enforcement	We measure the amount of revenue collected through voluntary compliance against that collected through enforcement measures e.g. debt collection and recovery, audits	Monthly, quarterly and annually	Collection reports



9.1.2 Coherent Action Key Performance Indicators

Outcome Area	Coherent Action	KPIs	KPI Explanation	Frequency of monitoring	Sources of information
Spiritual	Introduce a service culture program	% staff behaviours aligned to service culture	We measure the rate at which the LRA staff behaviours are changing and aligning to the service culture	Quarterly	Performance reports
		% staff accredited in customer service	We measure the LRA staff customer care capability	Annually	Skills audit report
	Establish a leadership brand	Leadership effectiveness index	We measure the LRA leadership's ability to align with collaborative leadership style	Quarterly	Performance management reports
				Annually	Internal climate survey report
	Develop an employee recognition scheme	Recognition scheme maturity level	We measure the LRA's recognition scheme maturity against best practice and the rate of improvement over time	Annually	Recognition survey report
	Design an employee engagement program	Employee feedback on engagement program	We measure staff contributions on new engagement initiatives and feedback on existing engagement program	Real time	Intranet feedback
				Annually	Internal climate survey report

		Employee participation in engagement activities	We measure the rate of staff participation in established engagement program	Quarterly	Extramural and CSI activities committees' reports
Social	Establish trust building mechanisms	Feedback on communication mechanisms	We measure staff confidence on established communication mechanism	Real time	Staff feedback report on communications made
				Annually	Internal climate survey report
	Develop a service brand	Brand equity index	We measure the level of stakeholder feedback on our brand awareness, loyalty and perceived quality	Annually	Internal climate survey report Customer satisfaction survey report
	Establish collaboration mechanisms with external stakeholders	Customer involvement index	We measure the rate at which external stakeholders are involved in development of solutions that affect them.	Real time	Taxpayers' feedback report after development of new solution that affect them
				Annually	Customer satisfaction survey report
	Human	Introduce a structured training program	% decrease in competency gap	We measure the rate at which necessary competencies are acquired.	Annually
				Ad hoc	Training report against identified competencies
Training return on investment			We measure benefits achieved from training	Annually	Training report

			interventions over the costs spent		
	Establish a training academy	Training academy accreditation	We measure the level of accreditation of the LRA Training Academy against best practices	Annually	Training Academy accreditation report
		% staff accredited in customer care, ethics, technical and collaborative management skills	We measure the number of staff who have been trained on and passed the customer care, ethics, technical and collaborative management training	Monthly	Training reports
	Introduce a performance management system aligned to strategy	Level of alignment of PMS to strategy	We measure the level of alignment of the performance management system to prioritized strategic outcome areas	Annually	PMS scoring criteria against prioritized strategic outcome areas
		% increase in high performers	We measure the number of high performers over time	Quarterly	Performance management reports
		% employees satisfied with performance reviews	We measure the level of staff confidence in the performance management system.	Quarterly	Staff grievances reports on the performance reviews
	Review organisational structure	Timeliness of placement of staff	We measure the amount of staff placed in the reviewed structure in	At the end of the restructuring process	Staff placement report

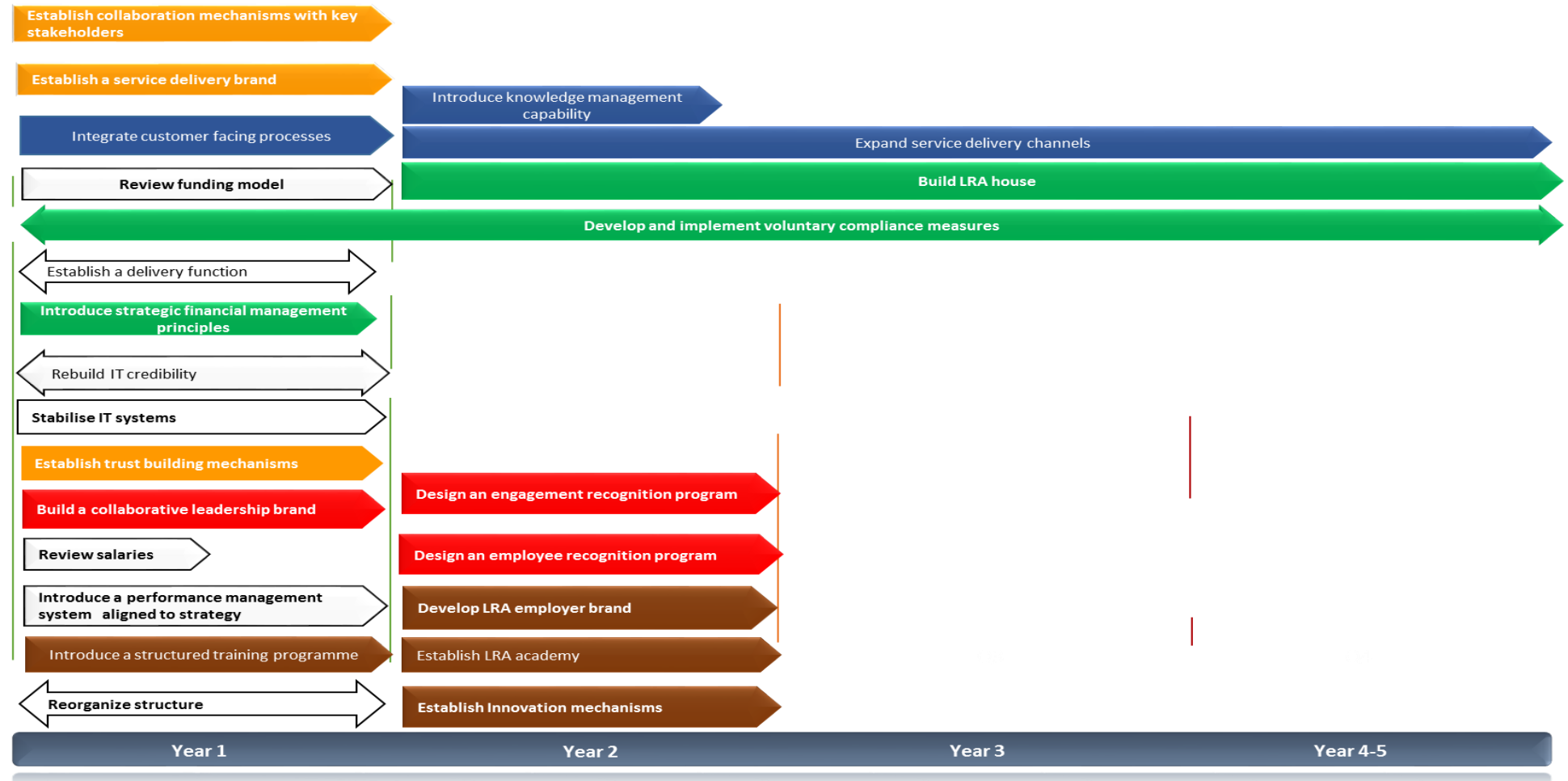
			line with the agreed timelines		
		Proportion of key staff to support staff	We measure the ratio of staff required to deliver against the strategic priorities against staff who carry out a supporting role	At the end of the restructuring process	Organizational structure
	Review salaries	Salary competitiveness index	We measure the LRA's remuneration competitiveness against the local labour market	Annually	Salary survey report
	Build an employer brand	Net promoters' index	We measure The likelihood that an LRA employee will recommend the LRA to a friend or colleague	Annually	Report on promoters and detractors
Innovation	Establish innovation mechanisms	% implementation of staff ideas	We measure the level of engagement of LRA staff to provide ideas for continuous improvement and the rate of implementation of the ideas provided	Ad hoc	Feedback report for new solution from affected staff
	Develop a knowledge management capability	Knowledge management maturity level	We measure the maturity level of knowledge management	Annually	Assessment of knowledge management maturity level activities

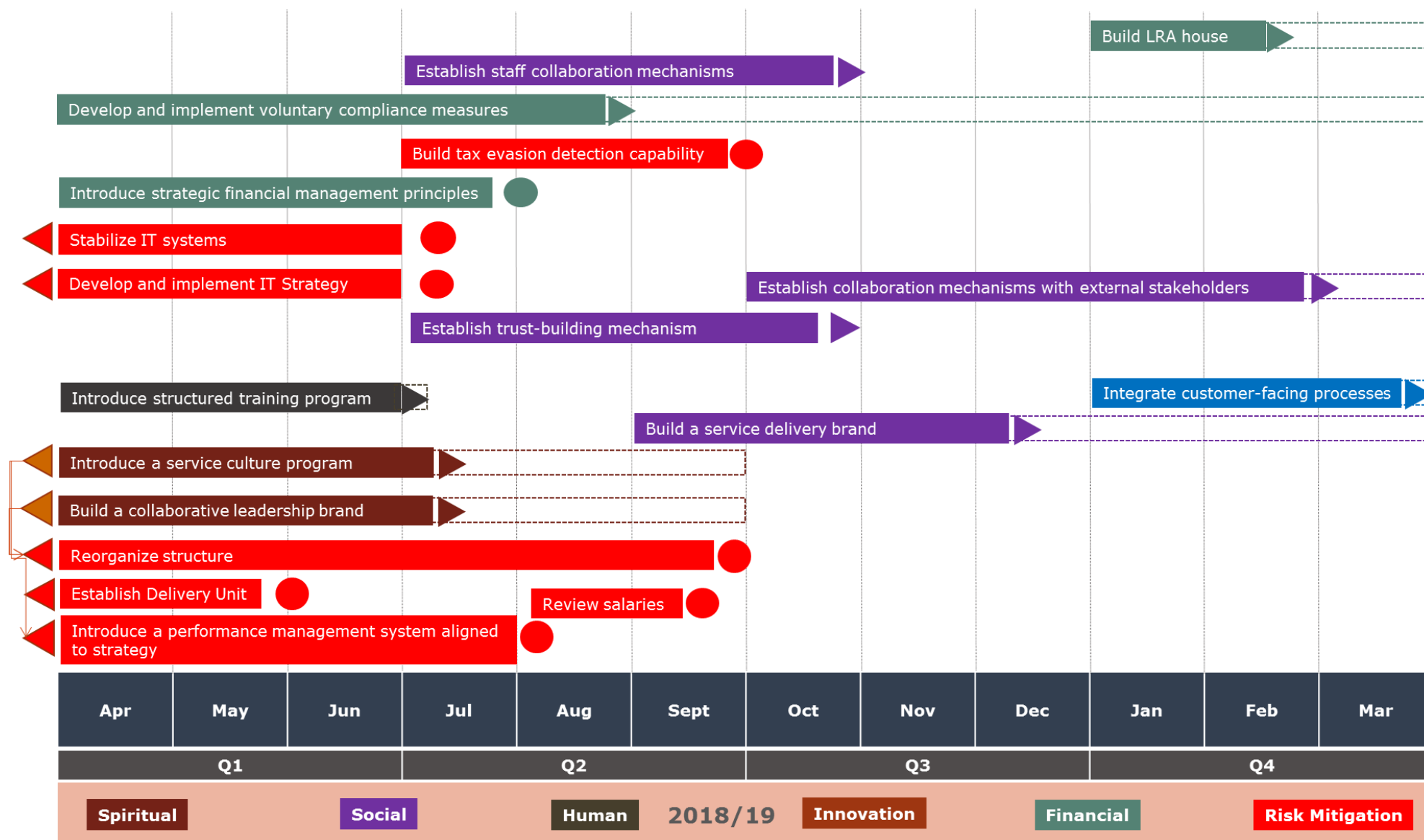
			practices within the LRA over a given period		
	Expand service delivery channels	# and quality of E service channels introduced	We measure the number of self-service channels introduced to reduce the Taxpayers' compliance costs	Annually	Post Implementation reports
				Real time	Post-self-service feedback report
		Increase in service points	We measure the LRA's coverage to extend services near to the Taxpayers	Annually	LRA Service points coverage report
					Customer satisfaction survey report
		# of services decentralised to service points	We measure the number of services decentralised to all service points to extend services nearer to the Taxpayers	Annually	Post Implementation reports
					Customer satisfaction survey report
	Integrate Taxpayer processes	# and quality of customer facing processes integrated	We measure the level and quality of integration between customer facing processes	Annually	Post Implementation reports
					Customer satisfaction survey report

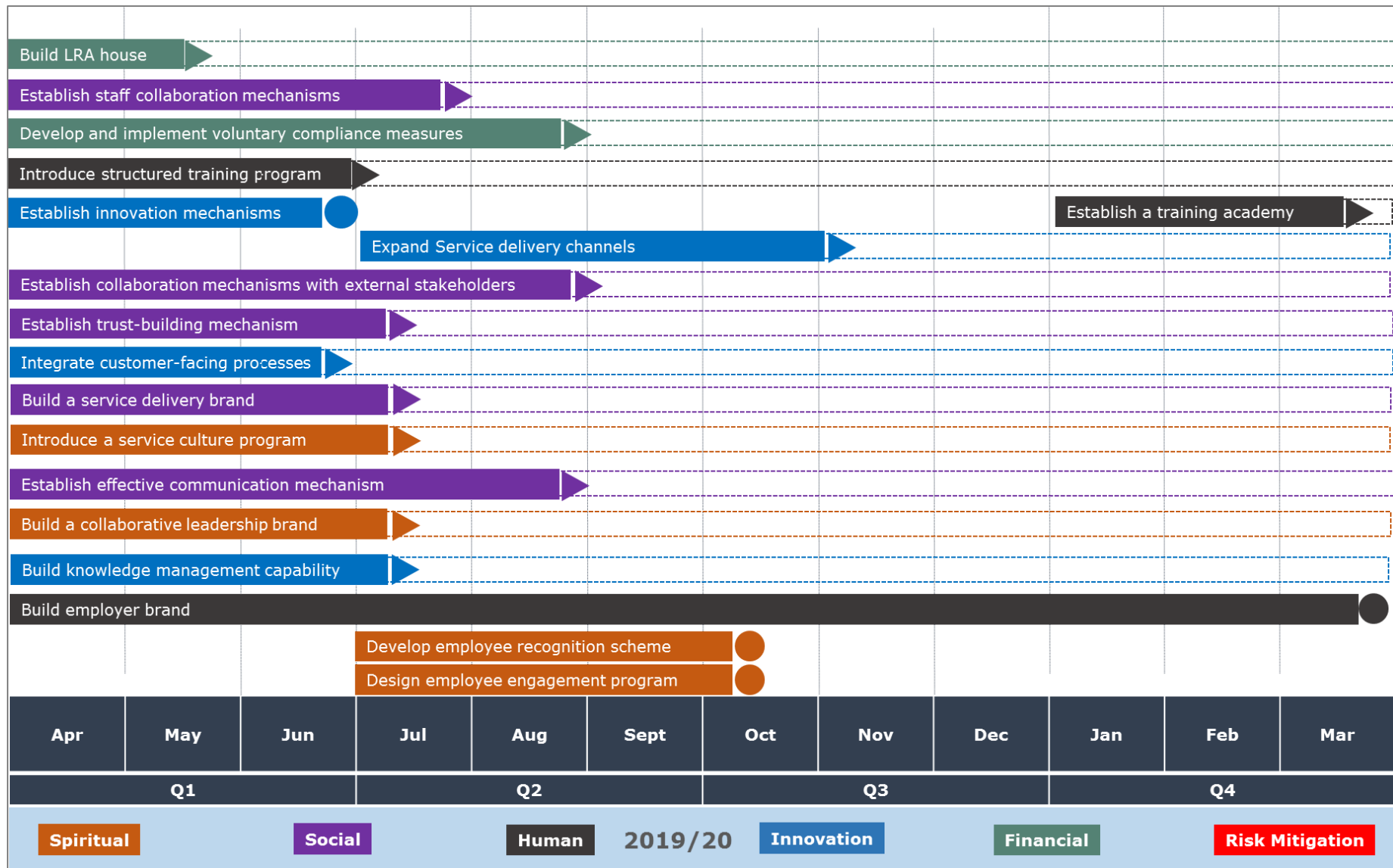
	Coordinate border processes	Level of border agency cooperation	We measure the level at which border agencies processes are coordinated ranging from joint efforts to integrated processes	Annually	Post implementation reports
				Annually	Doing business report
					Customer satisfaction survey
	Stabilise IT systems	Average uptime of IT systems	We measure the level of reliability of the IT systems	Monthly	Systems uptime report
	Re-build IT credibility	IT clients satisfaction index	We measure the level of confidence of the IT clients in the LRA IT function	Annually	Internal customer satisfaction survey report
					Customer satisfaction survey
Financial	Review LRA funding	Ratio of income to expenditure	We measure the LRA's funding ability to cover obligations	Annually	Financial statements
	Introduce strategic financial management principles	Ratio of reserves to obligations	We measure LRA management's ability to build necessary reserves to cover prospective contingencies	Annually	Financial statement
	Build LRA House	% reduction in rental costs	We measure LRA's ability to reduce rental costs	Annually	Financial statements
	Develop and implement compliance measures	On time filing rate	We measure LRA's ability to influence voluntary filing compliance.	Monthly	Voluntary VAT and PAYE filing vs enforced filing rates reports

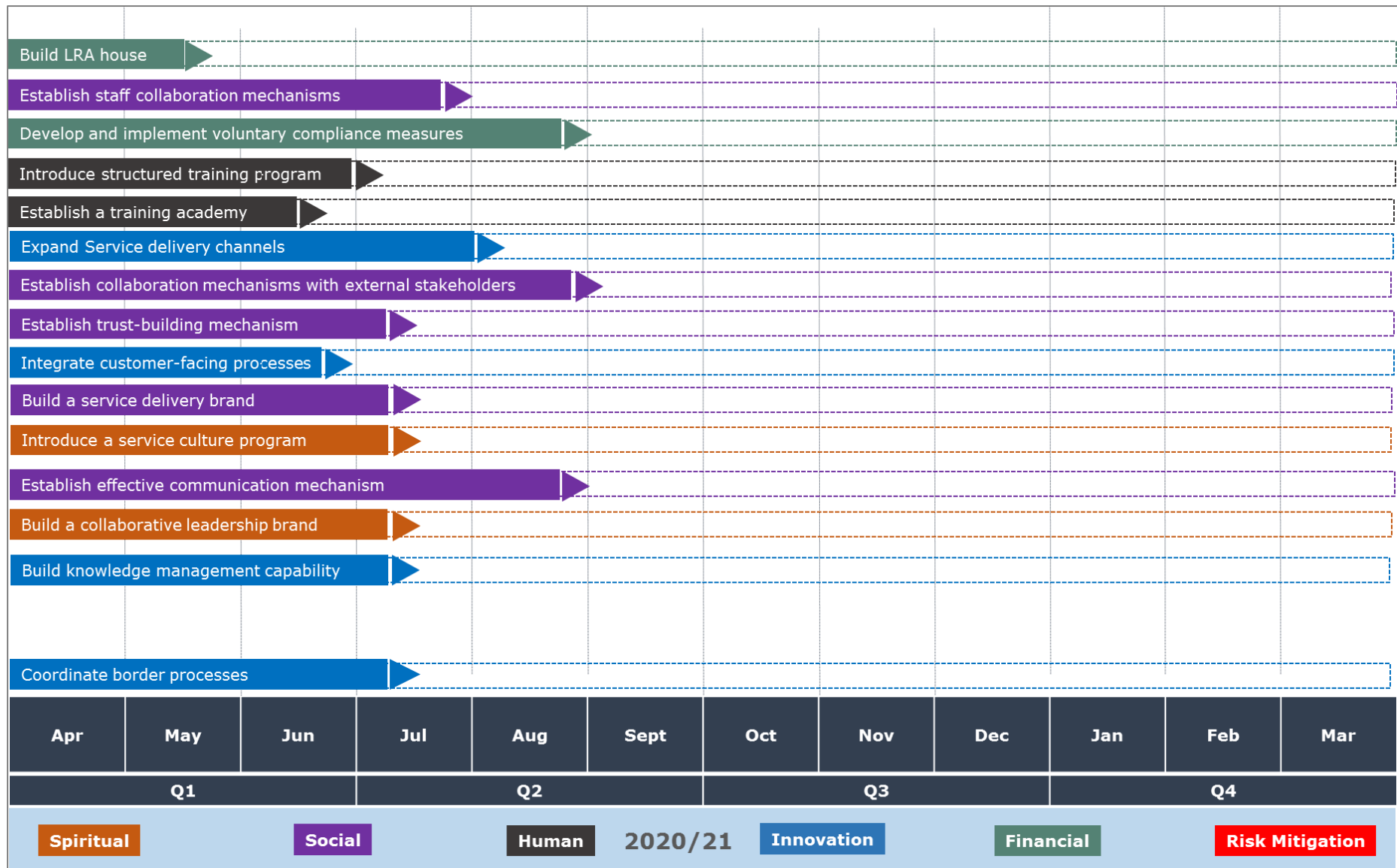
		On time payment rate	We measure LRA's ability to influence voluntary payment compliance	Monthly and quarterly	Voluntary payment vs enforced payment rates reports
		% increase in tax net	We measure the level of new registrants in the tax net	Monthly	Compliance reports
		% reduction in new debt	We measure the level of reduction of the new debt stock	Monthly	Compliance reports
	Build behavioural insights capability	Level of compliance and communication mechanisms informed by behavioural insights	We measure the level of compliance and communication initiatives that are informed by insights from the behavioural unit	Quarterly	Post Implementation reports

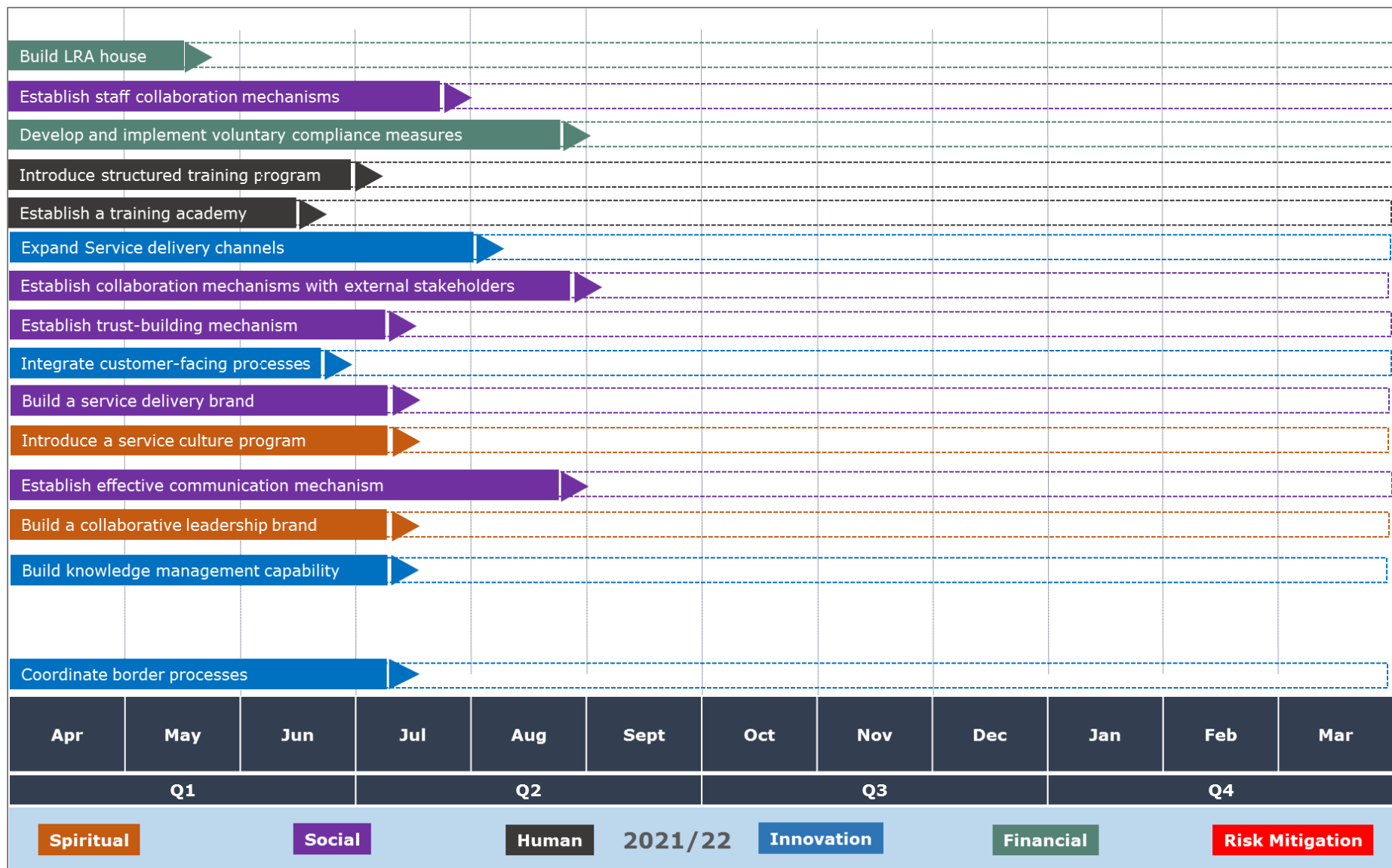
10.1 Annexure 2: Strategy Roadmap











Build LRA house													
Establish staff collaboration mechanisms													
Develop and implement voluntary compliance measures													
Introduce structured training program													
Establish a training academy													
Expand Service delivery channels													
Establish collaboration mechanisms with external stakeholders													
Establish trust-building mechanism													
Integrate customer-facing processes													
Build a service delivery brand													
Introduce a service culture program													
Establish effective communication mechanism													
Build a collaborative leadership brand													
Build knowledge management capability													
Coordinate border processes													
Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar		
Q1			Q2			Q3			Q4				
Spiritual		Social		Human		2022/23		Innovation		Financial		Risk Mitigation	