



# 10 Year Strategy

2023/2024 - 2033/2034

***The Next 10 Years***

Sustainable Stakeholder Value Generation

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# List of Abbreviations

<b>Board</b>	Board of Directors, the Governing Body of the LHDA
<b>CE</b>	Chief Executive of the LHDA
<b>ERMP</b>	Enterprise Risk Management Process
<b>GOL, Lesotho</b>	Government of Lesotho
<b>Governance Manual</b>	The Governance Manual that presents the Governance Framework; the Roles, Responsibilities, Authority and Approval Matrix; and the Policies, Procedures, and Expenditure Limits provided for in the Governance Instruments for the Lesotho Highlands Water Project
<b>LHDA</b>	Lesotho Highlands Development Authority
<b>LHWC</b>	Lesotho Highlands Water Commission
<b>LHWP</b>	Lesotho Highlands Water Project
<b>Management</b>	LHDA Management Team
<b>NDP</b>	RSA National Development Plan 2030
<b>NSDP</b>	Lesotho National Strategic Development Plan II 2023/24- 2027/28
<b>O&amp;M</b>	Operations and Maintenance
<b>Project</b>	Lesotho Highlands Water Project
<b>RSA</b>	Republic of South Africa
<b>SWOT</b>	Strengths, Weaknesses, Opportunities and Threats Treaty The 1986 Treaty between Lesotho and South Africa for the LHWP



# The Chairman's Statement



Ladies and gentlemen, it is not business as usual.

The Board and Management of the LHDA have mapped out a high-level Strategy to guide the LHDA's strategic interventions in the medium to long term.

This Ten-Year Strategy for the LHDA represents a fundamental paradigm shift from an economically transformational organisation that is intrinsically dependent on the fiscus for its sustenance, towards a self-sustaining State-Owned-Enterprise (SoE) as envisaged under its founding statutes.

The existing reliance on subvention funding, has resulted in bottlenecks that threaten the very existence of the organisation. This inherent risk has required the LHDA to take a conscious and deliberate step back to reflect on its core purpose of existence.

This strategy, as such, seeks to critically review and realign towards the Core Purpose of the Lesotho Highlands Water Project (LHWP), in line with the aspirations of its founding Shareholders (Parties to the Treaty).

## New strategic priorities

The Strategy identifies five (5) strategic goals which must be achieved to realise the desired social and economic transformation aspirations of the Parties to the LHWP Treaty.

These include enhancement of inclusive access to water and electricity, conservation and restoration of ecosystems, improvement of livelihoods, maximisation of economic opportunities, and good corporate governance and accountability.

This new tone has been necessitated by the evolution of the Project and the changes in the LHWP Governance Framework towards improved value creation and sustained livelihoods.

This, then also has bearing on the core competencies and distinctive capabilities of the organisation; and the requisite accountability and governance frameworks needed to successfully programme, execute, monitor and track the implementation of the Strategy. We believe this strategy will not only contribute towards significant value creation for material stakeholders and

direct beneficiation to the affected people, but that it will also promote financial sustainability for the organisation and enhance stakeholder relationships and stakeholder inclusivity for sustainable outcomes.

### **Sustainable Development**

Fostering synergies within the core implementation programmes and taking a systems thinking approach is an acknowledgement of the interconnectedness of issues. Movement or change in one area inevitably has an impact in one or more other interconnected areas.

We look to inculcate and cultivate the realisation that the prudence in which the Parties invest towards developments in wetlands rehabilitation and restoration not only improves the chances of success towards climate change resilience, it also restores the ability of aquifers to store water for future water deliveries and electricity generation.

This will in turn provide a platform for a sustainable response to the social and economic transformation aspirations of the Parties to the Treaty. The Strategy provides broad parameters and a clear direction towards value creation, enhanced requisite capabilities, and an enabling environment for attainment of our Vision of “creating sustainable socio-economic beneficiation through the development and management of water resources and electricity generation”.

### **Financial Sustainability of the Organisation**

The LHWP has been set up as an economic transformation vehicle for strategic public policy imperatives for Lesotho. It has remained one of the largest contributors to economic growth and funder for public policy initiatives for the national treasury for more than two (2) decades. Its economic activities as such remain integrated within the public policy imperatives, and this, potentially at a cost to its financial sustainability, and

subsequently, sustainability of it as a revenue stream for the country.

The LHDA will therefore pursue a structural separation of its economic mandates from those that contribute value towards public policy initiatives. We will endeavour to operate ‘Muela Hydro-power as a revenue generating entity that charges cost reflective tariffs to self-sustain through reinvestment, and maintain Returns on Investment (RoI) for the GoL.

This strategic direction will ease reliance on subvention and allow the operation to sustain itself. The LHDA will also pursue additional opportunities for power generation to broaden its economic base and strengthen its ability to contribute towards value creation through public policy initiatives. The royalty remittances towards public policy imperatives of the GoL will also have almost doubled by 2029 due to increased water deliveries to South Africa after Phase II is commissioned. The LHDA will also pursue augmentation of bulk water supply to districts that are in proximity to the LHWP installations where feasible, in partnership with organs of GoL with which LHDA has shared mandate.

### **Corporate Governance Improvements**

The Board of Directors and members of its committees are independent experts that are transparently recruited through public adverts that are placed across media platforms in the two (2) countries to attract the best that the market offers. They will be periodically assessed for their value-add and ability to discharge their fiduciary responsibilities against the newly approved governance mandate.

This to give assurances to the material stakeholders, capital markets and other financial institutions, and to those doing business with the LHDA, that the organisation subscribes to international standards and practices. The organisation has continued to develop and maintain billions worth of multifaceted mega-in

infrastructure projects for the last three (3) decades with accolades coming from renowned professional bodies and institutions.

We have serviced our creditors and financiers with integrity and professionalism in the past, and our new strategy will test our ability to transact with capital markets and commercial lenders, as we take the organisation towards a financial and environmental sustainability future. We look forward to being a blueprint of what an efficient and effectively run SoE looks like.

## Conclusion

Working with the Board, the LHDA Management has completely taken ownership of this strategic approach and the Lesotho Highlands Water Commission (LHWC) has been very instrumental and supportive of the newly aligned governance arrangements. Going forward, continued support of the LHWC will be instrumental, as the LHDA transits to a new business model that seeks to reduce organisation's reliance on Government funding while it cultivates new and viable, diversified sources of revenue.

It is clearly not business as usual, but we have the necessary will and fortitude in place for the envisaged tasks.

Thank you.

# The Chief Executive's Foreword



The evolving socio-economic, political, and technological developments and the evolution of the Lesotho Highlands Water Project (LHWP) Governance arrangements present unprecedented opportunities for the LHDA as it seeks to redefine its strategic role and reconfigure to deliver on the sustainable stakeholder value generation proposition.

There is growing pressure to arrest the rapidly degrading conditions of the ecosystems and have in place sustainable livelihoods improvement programmes. Furthermore, there is growing realisation that while still delivering on the traditional core objectives of water deliver and electricity generation, the LHWP can also meaningfully contribute to social and economic transformation aspirations of the two (2) Parties to the Treaty when they established the LHWP.

It is within this context that the LHDA developed the Ten-Year Strategy to map out a broad framework within which to reposition the LHDA to respond to the evolving LHWP Governance arrangements and to better respond to the challenges posed by the changing economic landscape, ageing infrastructure, heightened local and regional water and energy demands, notable shifts in the biodiversity environment, and socio-economic challenges that profoundly impact the work of the LHDA. The Strategy fosters a rethinking on the strategic Core Purpose of the LHWP and therefore the imperatives and priorities.

The Strategy spells out the vision, the strategic core purpose, and strategic goals that the LHDA should be pursuing in line with the higher purpose for the Project. It also provides the bedrock for subsequent detailed programming or strategic planning processes required to navigate the operating environment in line with this broad strategic direction. The vision is to create sustainable socio-economic beneficiation through the development and management of water resources and electricity generation.

The Strategic Thrusts enunciated in the Strategy provide levers in the pursuit of the five (5) Strategic Goals. As indicated in the Strategy, while Strategic Goal number 1, namely, the enhancement of inclusive access to water, electricity, and related resources remains the priority and "core" business, we have considered that this is not the only rationale that the Parties to the Treaty had in mind when they established the LHWP. The Parties have indeed set broader, more ambitions that look beyond the prescript of Article 7 of the Treaty and the LHDA Order. It is this consideration and insight that has now informed this Strategy.

We believe in holding ourselves accountable when we fall short. The Strategy recognises that in holding each other accountable, LHDA's shared values and belief systems and principles must be embedded in our budgeting, goal setting and in the evaluation of performance and outcomes for all the five Strategic Goals.

### **Critical Success Factors (CSFs)**

The Strategy affirms the significance of mutually beneficial stakeholder engagements to ensure support and commitment to the LHWP programmes.

Some of the critical factors that will ensure successful implementation of the Strategy include, inter alia, the following;

- a) Leadership commitment to the Strategy
- b) Enabling Project governance arrangements and accountability systems.
- c) Financial capacity to execute the Strategy.
- d) Organisational structure and culture that support the Strategy.

This has been a highly participative and inclusive exercise. Considering the context in which the Strategy is being crafted, and the resultant identification of priorities and the formulation of the core programmes, one key issue stands out; successful implementation of this Strategy will not only require the Strategic Change Enablers detailed in the Strategy but it will also require the alignment of both the Board and the Commission behind a shared higher purpose, an enabling governance framework and clear accountability systems.

The Strategy provides a broad framework to respond to the evolving socio-economic developments and the evolution of the LHWP Governance arrangements. It presents an excellent opportunity to redefine the strategic identity of the LHDA and refocus on activities to generate sustainable value as originally envisaged by the Parties to the Treaty.

It is a bold and ambitious Strategy that maps out a clear and compelling direction. We are excited by the possibilities, and we are ready.



# The Strategy

The background of the page is a solid dark blue. On the left side, there is a large, light grey triangle pointing upwards. Inside this triangle, there is a smaller, dark blue triangle pointing upwards. On the right side, there are three horizontal, wavy lines in a light blue color, resembling stylized waves or a landscape feature.

# 1.0 Context

## 1.1 A Refined Purpose

The evolution of the LHWP and its governing instruments have led to the redefined strategic approach for the next ten (10) years, starting in March 2023, to focus on the fundamental Strategic Core Purpose of the LHDA, the implementing agency.

This higher purpose is at the core of a re-emphasis in the strategic thrust of the LHDA to accentuate the long-term value proposition of Sustainable Stakeholder Value Generation. This is driven by the desire to protect the environment and maximise benefits that promote the well-being of the communities that are directly and indirectly served and impacted by the Project. This revised approach to the Strategy supports the Implementation, Operation, and Maintenance of the Project, as specified in the founding Treaty.

## 1.2 External Environment (Macro-environment)

Globally and regionally, rising inflation and receding trends in GDP (Gross Domestic Product) growth, unemployment, living below the breadline, social challenges such as poor access to healthcare, limited housing, inadequate access to education, dependency on social welfare benefits, and climate change are affecting many major nations both developed and less developed.

The prevailing global and regional operating environment dictates that focus be significantly nudged up towards positively impacting society as a whole, not just consumers and customers, not just profitability and cash reserves, not just internal human capital, and not just core business products and solutions. In line with these emerging trends, strategic leadership has shifted to longer-term horizons focusing on the organisation's reason for existence and its higher purpose that are both aligned with society's demands for social justice and environmental stewardship.

Increasing regional demand for water and energy security, especially the growing desire by multi-nationals to invest in clean energy infrastructure in developing countries, provides a fertile ground for LHDA's ambitious strategic focus.

National vulnerabilities for Lesotho take the shape of low foreign direct investment (FDI), poverty (50% of the population reportedly living below the poverty line), and unemployment (based on a stricter definition, it sits at 22%, while more broad definitions place unemployment as high as 38% when one considers discouraged job seekers and the youth). Added to this are low economic productivity, high dependency on the government for economic activity and low fiscal revenues.

## 1.3 Internal Environment (Micro-environment)

The imperative of having in place strategic leadership and a stewardship-oriented governance framework cannot be over-emphasised. The leadership and governance arrangements guide and strengthen requisite stakeholder engagement and Management, as well as structural alignment to the Strategy. The LHDA's ageing infrastructure, dwindling government's financial resources, lack of financial stability, and most importantly, the creation of sustainable stakeholder value induced the desire to gain financial sustainability.

Good corporate governance empowers organisations and is the driving force for effective, robust governance mechanisms to mitigate risks and eliminate corruption as well as any conflict between Management, the Board of Directors and Material Stakeholders.

The LHDA recognises that good corporate governance plays a pivotal role in ensuring this strategy succeeds.

Good corporate governance demands effective stewardship and leadership to develop and implement policies, governance practices, and processes to direct and control LHDA's operations and ensure balanced integration by evaluating decisions based on honesty, transparency, integrity, inclusivity, accountability, and responsibility. The Chief Executive, the Chairman of the Board, and the Board of Directors must also vigilantly identify collective roles to meet the stakeholders' demands, expectations and needs. Material deviation from the principles of good corporate governance is a recipe for failure, which may manifest through a dysfunctional organisation.

#### **1.4 The Strategy Development Process**

The Board of Directors of LHDA laid out the strategic direction to the Management in a workshop session and charged Management to formulate the Strategy. With the Board's long-term view in mind, beyond ten (10) years, the LHDA Strategy for the next ten (10) years was developed considering the above context, drawing from international best practices, consultations, and participative engagement amongst members of the Management.

The Strategy Development Process is divided into six (6) major steps as displayed in Figure 1 below.

## Strategic Direction

Strategic direction from LHWC Board leadership and direction  
Management design and articulation



## External Considerations

Take stock of the external environment  
Identify strengths and weaknesses



## Internal Considerations

Take stock of the internal environment  
Identify strengths and weaknesses

## Articulate Strategy

Vision, Strategy, Strategic thrust, strategic goals  
Core programmes, KPIs, Outcomes & Impact  
Enabling programmes, KPIs, Outcomes & Impact



## Adoption and Execution

Board adoption, and steering of strategic direction  
Management execution

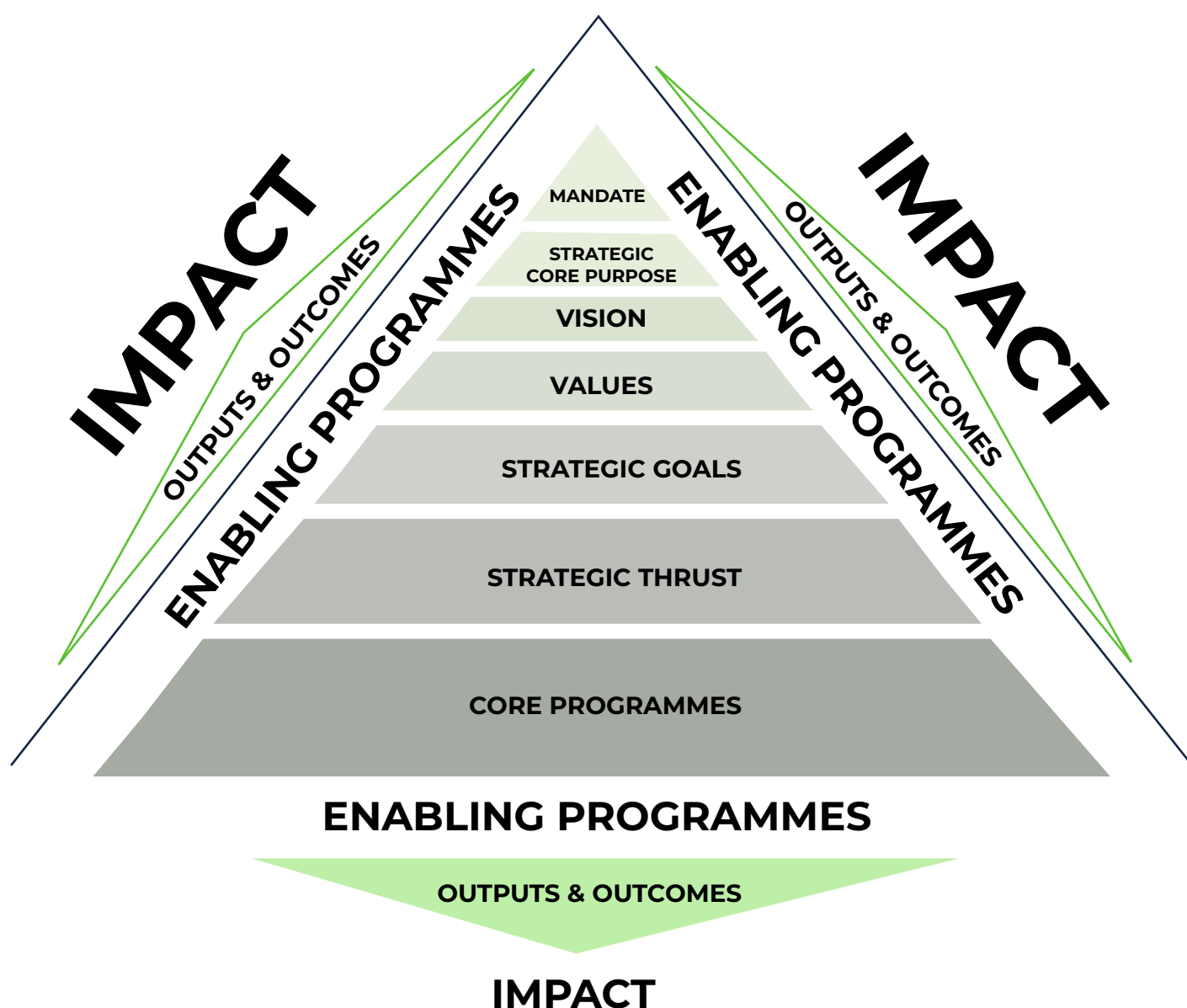
## Performance & Monitoring

Vision, Strategy, Strategic thrust, strategic goals  
Core programmes, KPIs, Outcomes & Impact  
Enabling programmes, KPIs, Outcomes & Impact



## 2.0 Mandate, Strategic Core Purpose, Vision and Values

Figure 2 below illustrates the main components of the Strategy.





## 2.2 Strategic Core Purpose

LHDA's Strategic Core Purpose, as recorded in the Treaty, is as follows:

- 2.2.1. Development of mutual water resources to contribute towards peace and prosperity in the Southern African Region and towards the welfare of its people.
- 2.2.2. Enhancement of the conditions, including improvement of the livelihoods of the peoples of Lesotho and South Africa
- 2.2.3. Enhancement, conservation, and equitable sharing of water resources
- 2.2.4. Promotion of the traditions of good neighbourly relations and peaceful cooperation

## 2.3 Vision

Flowing from the LHDA's higher purpose (Strategic Core Purpose), the Vision of LHDA is as follows:

***Creating sustainable socio-economic beneficiation through the development and management of water resources and electricity generation.***

## 2.4 Values

One of the critical enablers required for the success of the Strategy is the fundamental values that will provide the platform for the fulfilment of the Strategic Core Purpose, Vision, and Strategic Goals of the LHDA.

The LHDA values are:

Integrity	Caring	Professionalism	Execution
Teamwork	Communication	Customer Focus	

## 3.0 SWOT Analysis and Strategic Risks

The LHDA's SWOT analysis and associated Strategic Risks are outlined in this section.

### 3.1 SWOT Analysis

The examination of the external and internal environment shows the data in Table 1 below.

EXTERNAL ENVIRONMENT		INTERNAL ENVIRONMENT	
Opportunities (O)	Threats (T)	Strengths (S)	Weakesses (W)
<ul style="list-style-type: none"> <li>• Economic transformation aspirations at the national levels (GoL; RSA).</li> <li>• Regional demand for water and energy.</li> <li>• Capital markets' appetite for project financing.</li> <li>• New administration creating an opportunity to restate the value proposition.</li> <li>• Fifth Industrial Revolution.</li> </ul>	<ul style="list-style-type: none"> <li>• Domestic and international geo-political instability.</li> <li>• Climate change impact on natural water resources.</li> <li>• Local and regional economic decline.</li> <li>• Electricity generation shortages.</li> <li>• Natural disasters.</li> <li>• Water pollution.</li> <li>• Damage to water sources.</li> <li>• Cyber security breaches.</li> <li>• Changing regulatory landscape.</li> <li>• Stakeholder dissatisfaction and unrest.</li> <li>• Reduction of financial support.</li> </ul>	<ul style="list-style-type: none"> <li>• Alignment of Board and Commission behind a shared higher purpose and Organisational Governance Framework.</li> <li>• Resilient leadership.</li> <li>• Project implementation expertise and know-how.</li> <li>• LHDA brand</li> <li>• Financial management systems and controls.</li> <li>• Operations and maintenance experience</li> </ul>	<ul style="list-style-type: none"> <li>• Absence of an action plan for facilitating the implementation of future Phases.</li> <li>• Need for definitive corporate culture.</li> <li>• Lack of financial stability.</li> <li>• Insufficient cross- functional collaboration.</li> <li>• Need to enhance accountability.</li> <li>• Need to enhance recognition and reward of good performance.</li> <li>• Need to improve access to information to different stakeholders.</li> <li>• Ageing infrastructure.</li> <li>• Misalignment of Organisational Structure with Strategy.</li> </ul>

## 3.2 Strategic Goals

On the basis of the SWOT analysis, the following goals were developed:

- 3.2.1 Enhancement of inclusive access to water, electricity, and related resources
- 3.2.2 Conservation and restoration of ecosystems
- 3.2.3 Improvement of livelihoods
- 3.2.4 Maximisation of commercial opportunities
- 3.2.5 Good corporate governance, accountability, and management capacity

## 3.2 Strategic Risks

### List of Indicative Strategic Risks

- i. Weak stakeholder engagement
- ii. Organisational culture not aligned to the delivery of the 10-Year Strategy
- iii. Absence of a high-performance culture
- iv. Unsupportive legislation
- v. Environmental pollution
- vi. Biodiversity and ecosystem damage
- vii. Climate change vulnerabilities
- viii. Financial sustainability
- ix. Political interference
- x. Geo-political instability
- xi. Civil unrest
- xii. Natural disasters
- xiii. Economic decline
- xiv. Infrastructure failure
- xv. Energy supply insecurity.

Viewed holistically, the Strategy responds to all the above risks and the SWOT analysis results.

## 4.0 National Priorities, Strategy, Strategic Goals, and Strategic Thrust

### 4.1 Alignment with GoL and RSA Priorities

According to the Treaty, the Parties are desirous to enhance the conditions of lives of the people of the Kingdom of Lesotho and the Republic of South Africa; thus, cross-referencing the Strategy with the Parties' national priorities is vital.

Lesotho's strategic priorities, as recorded in the National Strategic Development Plan II 2023/24 -2027/28 (NSDP II), emphasise the promotion of sustainable development.

The responses to this aspiration appear to be disintegrated into the following themes:



On the one hand, the South African strategic priorities, as contained in the National Development Plan 2030 (NDP 2030), reveal a focus on economic growth, employment creation, education, and health. The responses to these aspirations are disaggregated into the following themes:



The above are handled against the backdrop of several cross-cutting themes and topics such as environment and climate change. This mitigating approach by governments is ascribed to the fact that the population relies largely on climate-vulnerable sectors such as agriculture, water resources and biodiversity.

## 4.2 LHDA's Strategy and Strategic Goals

The LHDA's Strategy seeks to achieve Sustainable Stakeholder Value Generation through sustainable socio-economic beneficiation. The Strategy aligns well with the Parties' strategic priorities in the NSDP II and NDP 2030, and these priorities are more pronounced in LHDA's focus areas, as demonstrated below:

- 4.2.1 Sustainable environment
- 4.2.2 Improvement of livelihoods
- 4.2.3 Transformational growth-focused initiatives at community level, leveraging inter alia the enablers of organisational governance, internal financial governance, and financial sustainability.
- 4.2.4 Facilitating and ambitiously endeavoring to capture a range of commercial income sources for itself and some of its stakeholders.
- 4.2.5 LHDA considers good corporate governance, accountability, and a robust organisational capacity as strategic enablers that cut across all areas of its Strategy.

Table 2 shows the synergy between the LHDA's Strategic Goals and the Parties' strategic priorities as contained in the NSDP II and NDP 2030.

LESOTHO NSDP II PRIORITIES	RSA NDP PRIORITIES	LHDA STRATEGIC GOALS
Infrastructure Development	Economic Infrastructure	Enhancement of Inclusive Access to Water, Electricity, and Related Resources
Social Transformation	Environmental Sustainability and Resilience Inclusive Rural Economy	Conservation and Restoration of Ecosystems Improvement of Livelihoods
Growth Progression	Economy Transformation and Job Creation	Maximisation of Commercial Opportunities
Good Governance and Accountability	Building a Capable, Ethical and Developmental State, Fighting Corruption,	Good Corporate Governance, Accountability and Management Capacity



## 4.3 Strategic Thrust

### From Operational Outputs to Strategic Core Purpose and Sustainable Stakeholder Value Generation:

The Strategic Thrusts of LHDA represent the areas of primary focus in the pursuit of the five (5) Strategic Goals. While Strategic Goal 1 remains the priority and “core” business, it is not the only reason for the Parties to the Treaty to have come together. The ambitions of the Parties are reflected in the Preamble to the Treaty and LHDA’s Strategic Core Purpose.

With the 10-Year strategic horizon in mind, the Strategy intensifies the emphasis on Strategic Goals 2, 3, 4 and 5.

In summary, the Strategic Thrusts (Column 2 of Table 3 below) show a material shift in pursuit of the Strategic Core Purpose and Sustainable Stakeholder Value Generation that will be evidenced in the Key Performance Indicators (KPIs) that produce strategic outcomes and impact.

**Table 3: Strategic Goals and Strategic Thrusts**

LHDA STRATEGIC GOAL	STRATEGIC THRUST
1. Enhancement of inclusive access to water, electricity, and related resources	1. Implementation, Operation and Maintenance of the Project
2. Conservation and restoration of ecosystems	2. Protection of the environment 3. Enhancement of water sources
3. Improvement of livelihoods	4. Restoration and livelihood diversification
4. Maximisation of commercial opportunities	5. Diversification of revenue streams and stimulation of business enterprises
5. Good corporate governance, accountability, and management capacity	6. Enabling control environment, accountability, and capacity building

The reprioritised Strategic Thrusts, shifting more acutely towards Sustainable Stakeholder Value Generation, present the perspective of the broader impact of improved welfare, prosperity, and peace. Some of the areas that the Strategy seeks to drive in the pursuit of Sustainable Stakeholder Value Generation include the following:

### **I. Enhancing Environmental Conservation**

### **II. Development of an equitable sharing of water resources**

### **III. Mutual beneficiation**

### **IV. Commercialisation of specific sectors inter alia tourism, irrigation, fisheries, and hydroelectric power generation**

### **V. Policy development, structural realignment, stakeholder engagement and management.**

#### **4.3.1. External Change Elements**

Derived from the situational analysis and SWOT analysis above, several strategic opportunities can be captured in the pursuit of the Strategic Goals.

The mega-trends and opportunities (External Change Elements) that provide fertile ground for the shift in Strategic Thrusts are the following:

- Climate change advocacy and global consensus about the need for the preservation of natural water resources
- Regional demand for water and energy security
- Demands for leadership and agility dictated by reduced fiscal revenues and economic uncertainty.
- International funding opportunities and capital markets appetite for project financing and clean energy production,

More localised, macro-environmental trends include the following:

- Fundamental political support from the Parties to the Treaty
- Economic and social transformation aspirations at the national level within both Parties
- Improvements in National legislation for the protection of water resources
- A new administration and its priorities create an opportunity to restate a complimentary value proposition.
- Wider call for stakeholder relationships (accountability and inclusivity).

LHDA's shift in the Strategic Thrusts is motivated by, among others, the past and current trends shown above, and the requirement to align with internationally recognised organisational governance standards and best practices as illustrated in Figure 3.



Figure 3: A Shift in Strategic Thrust

## 5.0 Programmes

The Strategy will be delivered via programmes, mainly with Core Programmes working seamlessly with Enabling Programmes. These are outlined below.

### 5.1 Core Programmes

The first of two (2) categories of programmes through which the Strategy will be executed are Core Programmes (Table 4 below) aligned with the Strategic Goals.

Guided *inter alia* by the Strategic Goals and Strategic Thrust, the **Core Programmes** (Column 3 in **Table 4** below) have been developed to deliver on the Strategic Goals (Column 1 below) that are outcomes-directed.

STRATEGIC GOAL	STRATEGIC THRUST	CORE PROGRAMME
Enhancement of inclusive access to water, electricity, and related resources	<ul style="list-style-type: none"> <li>• Implementation, operation, and maintenance of the Project</li> </ul>	<p>Delivery of water and generation of electricity.</p> <p>Development and management of assets:</p> <ul style="list-style-type: none"> <li>• Dams and tunnels</li> <li>• Hydropower plant</li> <li>• Solar power plant.</li> </ul>
Conservation and restoration of ecosystems	<ul style="list-style-type: none"> <li>• Climate change advocacy and global consensus about the need for the preservation of natural water resources</li> <li>• National legislation for the protection of water resources</li> </ul>	<p>Sustainability programmes:</p> <ul style="list-style-type: none"> <li>• Integrated catchment management</li> <li>• Climate change adaptation</li> <li>• Wetlands rehabilitation and restoration</li> </ul>
Improvement of livelihoods	<ul style="list-style-type: none"> <li>• Stakeholder relationships (and inclusivity)</li> <li>• New administration creating an opportunity to restate the value proposition</li> </ul>	<p>Livelihoods diversification Compensation.</p> <p>Skills development.</p>
Maximisation of commercial opportunities	<ul style="list-style-type: none"> <li>• Strategic partnerships (government, business sector, internationally funded institutions (IFIs))</li> <li>• Economic transformation aspirations at the national level</li> <li>• International commitment to fund Just Energy Transition Investment</li> </ul>	<ul style="list-style-type: none"> <li>• Muela Hydropower Plant</li> <li>• Oxbow Hydropower Plant</li> </ul> <p>Entrepreneurship and business development:</p> <ul style="list-style-type: none"> <li>• Tourism</li> <li>• Fisheries</li> <li>• Irrigation</li> <li>• Other income streams</li> </ul>
Good Corporate Governance, Accountability and Management Capacity	Strengthening institutional capacity	<ul style="list-style-type: none"> <li>• Policy development</li> <li>• Structural and cultural alignment</li> <li>• Stakeholder engagement and management</li> </ul>

Table 4: Core Programmes

## 5.2 Enabling Programmes

The second category of programmes through which the Strategy will be executed is the Enabling Programmes. These are derived from the consideration of several Strategic Change Enablers critical to the achievement of the Strategic Goals and the ultimate success of the Strategy.

These Enabling Programmes cut across all the Core Programmes. These enablers work in synergy by applying an Integrated Thinking rationale that overcomes the risk of inadequate internal collaboration and misalignment between Core and Enabling Programmes.

### 5.2.1 Strategic Change Enablers

The Strategic Change Enablers that are required for the achievement of the Strategic Goals are derived inter alia from consideration of the weaknesses and strengths (from the SWOT analysis) of the LHDA, and as such, relate to the internal environment. These Strategic Change Enablers are sub-divided into Transitional Shift Enablers (short to medium term ) and Structural Shift Enablers (medium to long term.) The respective enablers are discussed below.

#### 5.2.1.1 Transitional Shift Enablers (Short- to Medium-Term)

A list of the enablers that require short- to medium-term interventions is recorded below.

- i. Human resources capabilities
- ii. Organisational culture
- iii. Financial sustainability
- iv. Systems and processes
- v. Information and communication technology capabilities
- vi. Branding and positioning
- vii. Advocacy, lobbying, and communication
- viii. Stakeholder engagement
- ix. Strategic partner engagement (government, business sector, IFIs)
- x. Governance, risk, and compliance.

#### 5.2.1.2 Structural Shift Enablers (Medium- to Long-Term)

More transformational enablers for the medium- to long-term are the following:

##### a. New Business Operating Model

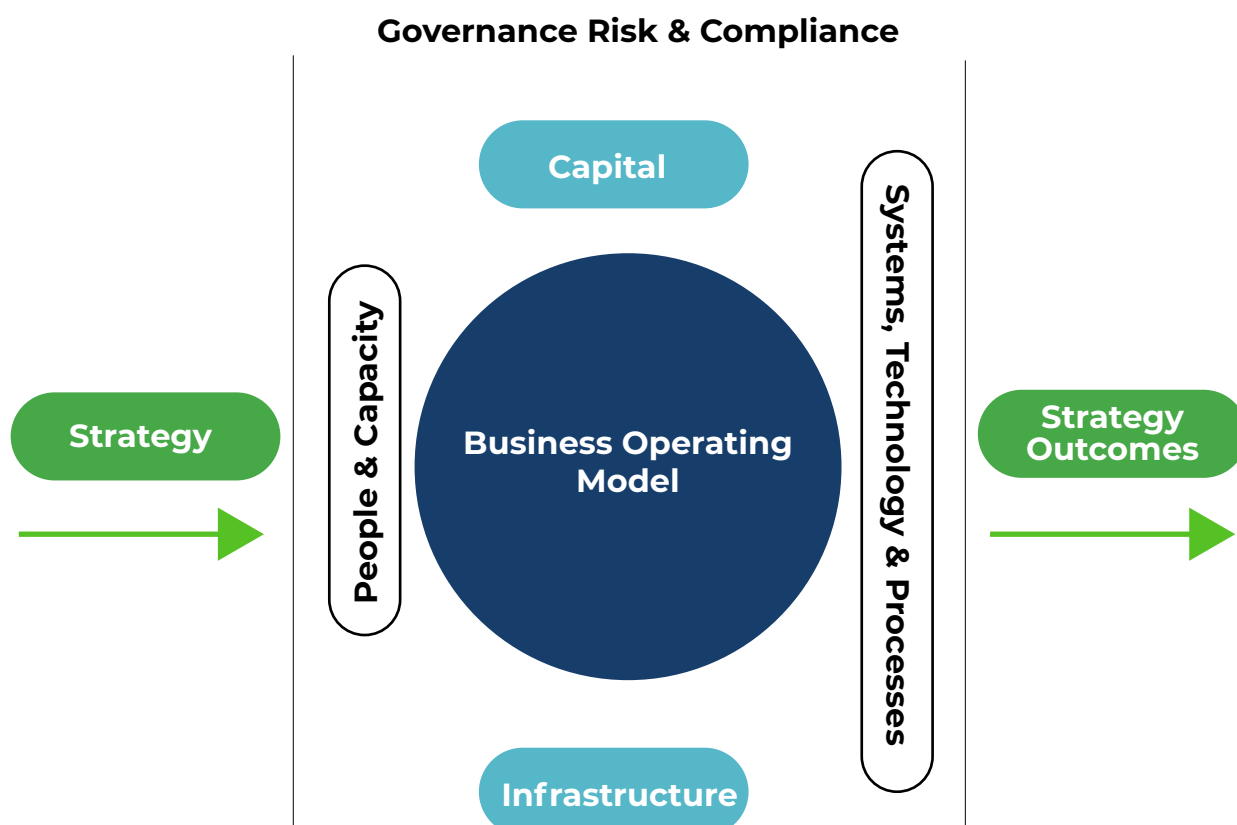
1. **The new business model** will have to be adjusted to accommodate and record the change- from primary dependency on revenue from government funding to mixed-income sources (namely, commercial income plus government funding)
2. **Strong Business Development** capabilities are required
3. **Procurement and Supply Chain** processes will require adjustments in order to accommodate the entrepreneurial nature of the Strategic Goal 4 - maximisation of commercial opportunities, where more expediency is needed to seize and maximise commercial partnerships and similar opportunities.
4. **Recruitment and Hiring** practices will need to accommodate the more competitive commercial landscape where skilled and experienced personnel come at a higher premium.
5. **Infrastructure Investments** will be required if some commercial opportunities (for example, hydroelectric power projects and development of the rezoned area) are to be captured. This will require the development and maintenance of a strong corporate Credit Rating.
6. **Financial Sustainability** and a strong balance sheet will have to be central features of the new business model.



- b. Application of an **Integrated Thinking** mindset that redefines and redeploys corporate and other supporting programmes in its capacity as Enabling Programmes working seamlessly with Core Programmes. New ways of work (WOW) will help to capture and scale up efficiencies and overcome blockages with more agility. This will also require more steward leadership style, more pronounced internal collaboration, teaming and multi-disciplinary partnerships across disciplines, proactive innovation, and WoW in areas such as Project Management and Project Governance.
- c. The **Performance Management System** will require adjustments that acknowledge, encourage, and recognise staff contributions within the new Business Operating Model.
- d. **Integrated Corporate Reporting** will have to be developed to incorporate data from a future-fit Monitoring and Evaluation (M&E) System that sets qualitative and quantitative (where practicable) metrics and performance data that can be used to illustrate the strategic outcomes and impact of the organisation on People, Planet and Prosperity (the Triple Ps) for sustainability reporting in line with capital market expectations.

### 5.2.1.3 Design Elements of the Business Operating Model

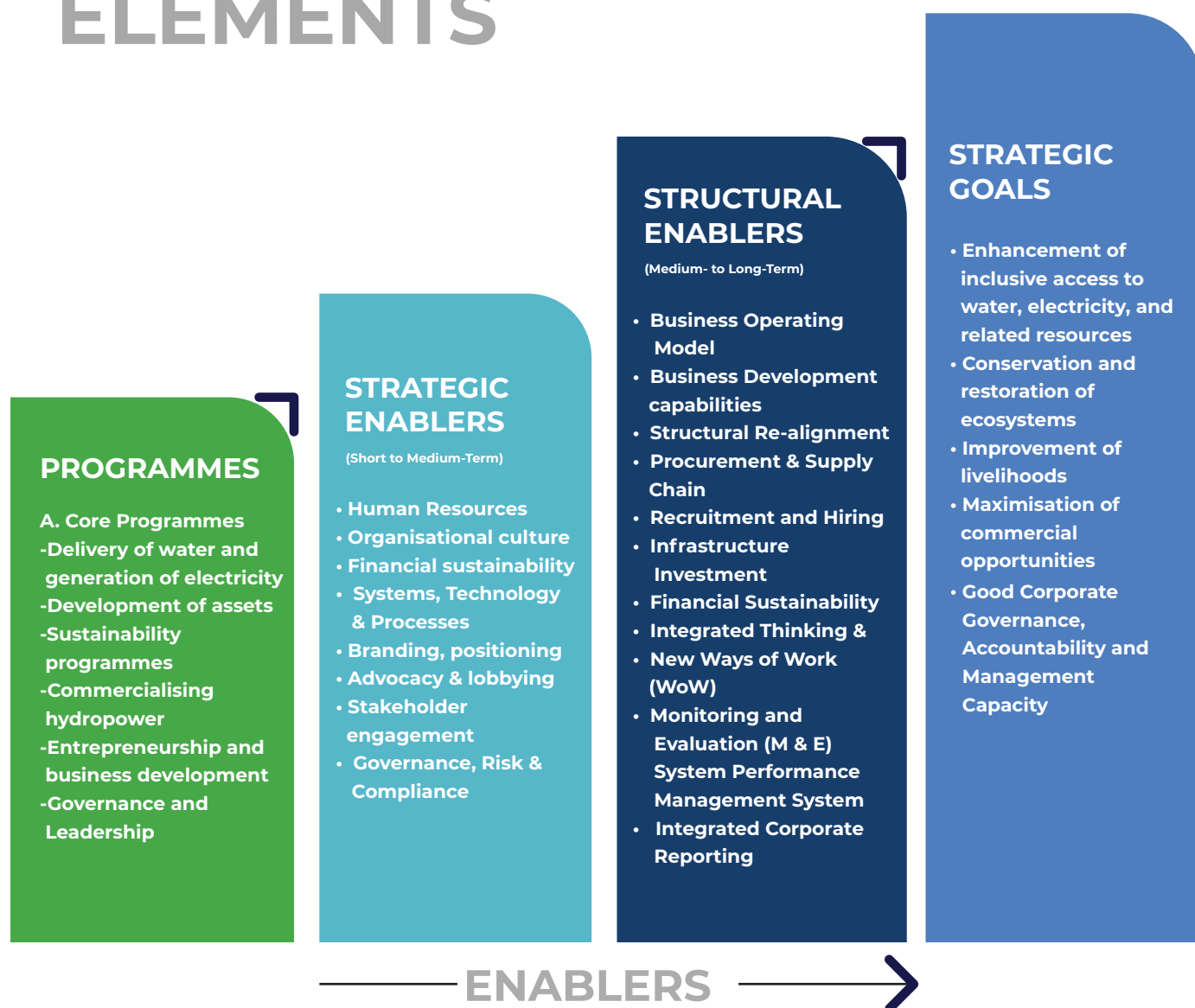
For the Strategy to succeed, the Design Elements of the future Business Operating Model are illustrated below in Figure 4. The success will depend on the Annual Operating Plans that are developed to address the transformational enablers.



**Figure 4: Design Elements of the Business Operating Model**

In addition, also viewed graphically (see Figure 5 below showing the Transitional Workflow), the success of the Strategy driven by the Core Programmes and the Enabling Programmes will rely heavily on the timely and effective application of both the transitional and Structural Shift Enablers that serve as bridges to the achievement of the Strategic Goals.

# STRATEGY CHANGE ELEMENTS



**Figure 5: Transitional Workflow: From Core and Enabling Programmes across Strategy Change Elements to Strategic Goals**

## 5.3 Representation of the Enabling Programmes

Against the backdrop of the Strategic Change Elements, the Enabling Programmes required to deliver the Strategy are recorded in Table 5 below.

**Table 5: Enabling Programmes**

STRATEGIC GOALS	CORE PROGRAMMES	ENABLING PROGRAMMES
Enhancement of Inclusive Access to Water, Electricity, and Related Resources	Delivery of water and Generation of Electricity. Development of Assets: • Dams and tunnels • Hydropower Plant • Solar power Plant	<ul style="list-style-type: none"> <li>• Talent Management Value Chain</li> <li>• Organisational Culture Change Programme</li> <li>• Corporate Reporting</li> <li>• Financial Planning and Management</li> <li>• Stakeholder Engagement</li> <li>• Business planning and Reporting</li> <li>• Marketing and Communication</li> <li>• Legislative Compliance</li> <li>• Corporate social Investment</li> <li>• Treasury</li> <li>• Strategic Partnerships (government, business sector, IFIs)</li> <li>• Business Development</li> <li>• Systems, Process, Technology:               <ul style="list-style-type: none"> <li>▪ Business intelligence</li> <li>▪ Project management methodology</li> <li>▪ Monitoring and evaluation</li> </ul> </li> <li>• Governance, Risk, and Compliance</li> </ul>
Conservation and Restoration of Ecosystems	Sustainability Programmes: • Integrated catchment management • Climate change adaptation • Wetlands rehabilitation and restoration	
Improvement of Livelihoods	Livelihoods Diversification. Compensation.  Skills Development.	
Maximisation of Commercial Opportunities	'Muela Hydropower Plant (MHP)  Oxbow Hydropower Plant Entrepreneurship and Business Development: • Tourism • Fisheries • Irrigation • Other income streams	
Good Corporate Governance, Accountability, and Management Capacity	• Policy Development • Organisational Structural Alignment • Stakeholder Engagement and Management	

# Key Performance Indicators

OUTPUTS, OUTCOMES AND IMPACT



# 6.0

## Performance Metrics & Operating Plans

The Strategy is Goal, KPI (Output), and Outcome oriented. Impact measures have been drafted but, as with the KPIs and Outcome, these require further development as part of an M&E System that will be developed further.

These performance metrics require further refinement as Strategy execution unfolds.

### 6.1 Annual Operating Plan and Prioritisation

#### 6.1.1 Annual Operating Plan

LHDA has a mature process in place for the development of an operating plan. This must now fully incorporate the unique nuances recorded in the Strategy, inter alia, the annual operating plan must demonstrate the results chain flow, putting in place operational activities that seek to deliver on the Strategic Goals, KPIs, Outcomes and Impact ambitions that have been outlined.

Below is a diagrammatic presentation of how the Strategy flow through to implementation, monitoring and evaluation including budgeting.

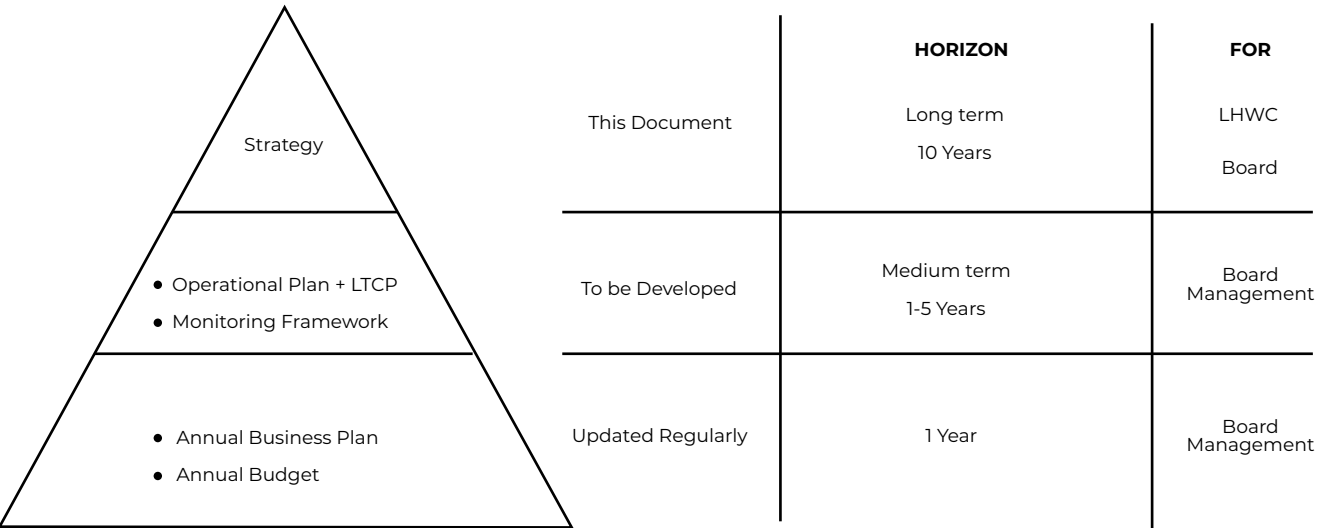


Figure 6: A Diagrammatic Presentation of Strategy Flow Through to Implementation, Monitoring and Evaluation including Budgeting.

### 6.1.2 Re-prioritisation

Several options exist for re-prioritisation. Three (3) non-exhaustive options include:

- At one extreme is to maintain the status quo by prioritising Strategic Goal 1: Enhancement of inclusive access to water, electricity, and related resources and commensurately deploying current resources "as is" for the short term (up to 3 years) and then expediting the broader Strategy rollout in the medium (4 to 6 years) to long- term (7 to 10 years and beyond) thereafter.
- At the other extreme end, prioritising the pursuit of Goal 4: Maximisation of commercial opportunities in the short- to medium-term based on the position that it is the least developed, but leans on commercialisation that will start the ball rolling on facilitating financial sustainability ambitions, and
- Cautious, equitable, and balanced distribution of actions across all five (5) Strategic Goals.

**Table 6: Results Chain for Core Programmes**

STRATEGY			RESULTS CHAIN (INPUT AND OUTPUT MODEL)		
STRATEGIC GOALS	STRATEGIC THRUST	CORE PROGRAMMES	KEY PERFORMANCE INDICATOR (OUTPUTS)	OUTCOMES	IMPACT
Enhancement of inclusive access to water, electricity, and related resources	Implementation, Operation and Maintenance of the Project	Delivery of water and generation of electricity  Development of assets: <ul style="list-style-type: none"> <li>• Dams and Tunnels</li> <li>• Hydropower Plant</li> <li>• Solar power Plant</li> </ul>	KPI 1 - Volume of water delivered to South Africa: <ul style="list-style-type: none"> <li>• Deliver 1024 million cubic metres (mcm) per annum starting 2028 in accordance with the operating rule.</li> <li>• Increase current delivery by 31% starting in 2028 and further percentage increases based on operating rule by 2034.</li> </ul> KPI 2 - Volume of water delivered in Lesotho: <ul style="list-style-type: none"> <li>• 30 mcm per annum by 2034</li> </ul>	Economic growth: <ul style="list-style-type: none"> <li>• Jobs created.</li> <li>• Contracts awarded to suppliers.</li> <li>• Revenue increase</li> <li>• Infrastructure</li> <li>• Access to electricity</li> <li>• Access to water supply</li> </ul> Electricity security.  Water security.	Triple-bottom line Impact on  PEOPLE: <ul style="list-style-type: none"> <li>• Improved standard of living and well-being:               <ul style="list-style-type: none"> <li>o Health</li> <li>o Education</li> <li>o Nutrition</li> </ul> </li> <li>• National prosperity</li> </ul> PLANET: <ul style="list-style-type: none"> <li>• Environmental sustainability</li> <li>• Social cohesion</li> <li>• Peace and good neighbourly relations</li> </ul> PROSPERITY: <ul style="list-style-type: none"> <li>• Economic sustainability</li> <li>• Employment and Income</li> </ul>

STRATEGY			RESULTS CHAIN (INPUT AND OUTPUT MODEL)		
STRATEGIC GOALS	STRATEGIC THRUST	CORE PROGRAMMES	KEY PERFORMANCE INDICATOR (OUTPUTS)	OUTCOMES	IMPACT
		<p>KPI 3 – Amount of hydroelectric power generated:</p> <ul style="list-style-type: none"> <li>• Increase by 75% or 355 GWh per annum ('Muela 470 GWh + 132 GWh Polihali +187 GWh Oxbow + 36GWh mini hydro-powers by 2029)</li> </ul> <p>KPI 4 – Amount of solar power generated:</p> <ul style="list-style-type: none"> <li>• 117GWh per annum by 2028</li> </ul> <p>KPI 5 – Completion of Phase II construction by 2028</p> <p>KPI 6 - Initiation of future Phases starting 2024</p> <p>KPI 7 – Effective asset management by 2026</p>			
Conservation and restoration of ecosystems	Environmental protection and sustainable use of natural resources	<p>Sustainability programmes:</p> <ul style="list-style-type: none"> <li>• Integrated catchment management</li> <li>• Climate change adaptation</li> <li>• Wetlands rehabilitation and restoration</li> </ul>	<p>KPI 1 – Area of wetlands under formal protection:</p> <ul style="list-style-type: none"> <li>• 70% of critical wetlands for water delivery by 2034 (Mapping exercise under way, to determine quantification of KPI)</li> </ul> <p>KPI 2 - 1,225 hectares of wetlands under ecological rehabilitation by 2034</p>	<p>Improved ecosystem services:</p> <ul style="list-style-type: none"> <li>• Productivity of wetlands</li> </ul> <p>Improved ecosystem health:</p> <ul style="list-style-type: none"> <li>• Land cover</li> <li>• Flood attenuation</li> <li>• Water quantity and quality</li> <li>• Biodiversity</li> </ul> <p>Reduced sedimentation loads</p>	

STRATEGY			RESULTS CHAIN (INPUT AND OUTPUT MODEL)		
STRATEGIC GOALS	STRATEGIC THRUST	CORE PROGRAMMES	KEY PERFORMANCE INDICATOR (OUTPUTS)	OUTCOMES	IMPACT
		<p>KPI 3 – Amount of hydroelectric power generated:</p> <ul style="list-style-type: none"> <li>· Increase by 75% or 355 GWh per annum ('Muela 470 GWh + 132 GWh Polihali +187 GWh Oxbow + 36GWh mini hydro-powers by 2029)</li> </ul> <p>KPI 4 – Amount of solar power generated:</p> <ul style="list-style-type: none"> <li>· 117GWh per annum by 2028</li> </ul> <p>KPI 5 – Completion of Phase II construction by 2028</p> <p>KPI 6 - Initiation of future Phases starting 2024</p> <p>KPI 7 – Effective asset management by 2026</p>			
Conservation and restoration of ecosystems	Environmental protection and sustainable use of natural resources	<p>Sustainability programmes:</p> <ul style="list-style-type: none"> <li>· Integrated catchment management</li> <li>· Climate change adaptation</li> <li>· Wetlands rehabilitation and restoration</li> </ul>	<p>KPI 1 – Area of wetlands under formal protection:</p> <ul style="list-style-type: none"> <li>· 70% of critical wetlands for water delivery by 2034 (Mapping exercise underway, to determine quantification of KPI)</li> </ul> <p>KPI 2 - 1,225 hectares of wetlands under ecological rehabilitation by 2034</p>	<p>Improved ecosystem services:</p> <ul style="list-style-type: none"> <li>· Productivity of wetlands</li> </ul> <p>Improved ecosystem health:</p> <ul style="list-style-type: none"> <li>· Land cover</li> <li>· Flood attenuation</li> <li>· Water quantity and quality</li> <li>· Biodiversity</li> </ul> <p>Reduced sedimentation loads</p>	



STRATEGY			RESULTS CHAIN (INPUT AND OUTPUT MODEL)		
STRATEGIC GOALS	STRATEGIC THRUST	CORE PROGRAMMES	KEY PERFORMANCE INDICATOR (OUTPUTS)	OUTCOMES	IMPACT
3. Improvement of livelihoods	Sustainable livelihood restoration and diversification	<ul style="list-style-type: none"> <li>• Livelihoods diversification</li> <li>• Compensation</li> <li>• Skills development</li> </ul> <p>Infrastructure:</p> <ul style="list-style-type: none"> <li>• Roads</li> <li>• Water and sanitation</li> <li>• Electricity</li> </ul>	<p>KPI 1 – 60% of affected households with diversified livelihoods by 2034</p> <p>KPI 2 – 100% of compensation due paid by 2027</p> <p>KPI 3 – Number of skills development programmes</p> <ul style="list-style-type: none"> <li>• 90% of affected communities positively impacted by development programmes by 2034.</li> </ul> <p>KPI 5: Infrastructure in place:</p> <ul style="list-style-type: none"> <li>• &gt; 100km of access roads around Polihali Reservoir constructed by 2028</li> <li>• 85km Mohale and 135km Katse feeder roads rehabilitated by 2030</li> <li>• 100% of local catchment households with access to water and sanitation as per Rural Water Supply standards by 2028</li> <li>• 100% of resettled households or communities with electricity connection by 2028</li> <li>• Four (4) health posts constructed by 2028</li> </ul>	<p>Improved food security.</p> <p>Household income security.</p> <p>Improved health and nutrition.</p>	

STRATEGY			RESULTS CHAIN (INPUT AND OUTPUT MODEL)		
STRATEGIC GOALS	STRATEGIC THRUST	CORE PROGRAMMES	KEY PERFORMANCE INDICATOR (OUTPUTS)	OUTCOMES	IMPACT
Maximisation of commercial opportunities	Environmental protection and sustainable use of natural resources	Commercialising electricity production: <ul style="list-style-type: none"> <li>• MHP ('Muela Hydropower Plant)</li> <li>• Oxbow hydropower plant</li> </ul> Entrepreneurship and business development: <ul style="list-style-type: none"> <li>• Tourism</li> <li>• Fisheries</li> <li>• Irrigation</li> <li>• Solar plants</li> <li>• Other income streams</li> </ul>	KPI 3 – Commercial income growth: <ul style="list-style-type: none"> <li>• M500 million revenue from commercial ventures by 2033/34</li> </ul> KPI 4 – Active tourism market: <ul style="list-style-type: none"> <li>• 5% of revenue from tourism by 2033/34</li> </ul> KPI 5 – Active fisheries market: <ul style="list-style-type: none"> <li>• 2% of revenue from fisheries by 2033/34</li> </ul>		
Good corporate governance, accountability, and management capacity	Strengthening institutional capacity	<ul style="list-style-type: none"> <li>- Strategy</li> <li>- Policy development</li> <li>- Monitoring and evaluation</li> <li>- Structural alignment</li> <li>- Stakeholder inclusivity and relationships</li> <li>- Integrated reporting</li> </ul>	KPI 1- Relevant policies in place by 2024 KPI 2 - Unqualified audit reports annually KPI 3 - Organizational structure aligned to Strategy by 2025. KPI 4 - Performance management system aligned to Strategy by 2024 KPI 5 - Stakeholder engagement: <ul style="list-style-type: none"> <li>• Minimum stakeholder reputation index of 75% annually from 2026</li> <li>• Strategy approved by 2023</li> </ul>	Conducive working environment: <ul style="list-style-type: none"> <li>• Good Performance</li> <li>• Effective control environment</li> <li>• Ethical culture</li> </ul>	

STRATEGIC GOALS	STRATEGIC THRUST	CORE PROGRAMMES	ENABLING PROGRAMMES	KEY PERFORMANCE INDICATOR (OUTPUTS)	OUTCOME
Enhancement of inclusive access to water, electricity, and related resources	Implementation, operation and maintenance of the Project	Delivery of water and generation of electricity. Development of assets: • Dams and tunnels • Hydropower plant • Solar power plant	Talent Management Value Chain.  Organisational culture change programme.  Corporate reporting.  Financial planning and management.	KPI 1: 80% Staff engagement rate and employee net-promoter score 2026  KPI 2: 95% Aligned organisational structure by 2025  KPI 3: A value-based aligned organisational culture 2025	Improved project implementation performance.  Engaged and productive employees.  Established and aligned organisational culture.  Improved employer value proposition.
Conservation and restoration of ecosystems	Protection of the environment. Enhancement of water sources.	Sustainability programmes: • Integrated catchment management • Climate change adaptation • Wetlands rehabilitation and restoration	Stakeholder engagement.  Business planning and reporting.  Marketing and communication.  Legislative compliance.	KPI 4: Integrated corporate reporting adopted by 2026  KPI 5: Annual unqualified audit report on financial statements  KPI 6: Maintain a positive working capital ratio from 2026	Increased stakeholder confidence and trust.  Brand and reputation.  Effective partnerships.  Access to capital.
Improvement of livelihoods	Restoration and livelihood diversification	Variety of income sources. Compensation. Skills development.	Corporate social investment.  Treasury.  Strategic partnerships (government, business sector, IFIs.)	KPI 7: Maintain a current ratio above 1 from 2026  KPI 8: Minimum stakeholder reputation index of 75% annually from 2026	Successful business development model.  Competitive advantage: • Leverage • Access to markets
Maximisation of opportunities for commercial projects	Commercialisation of ecosystems	Commercialising hydropower: • MHP (Muela Hydropower Plant) • Oxbow hydro power plant  Entrepreneurship and business development: • Tourism • Fisheries • Other income streams	Business development.  Systems, process, technology: • Business intelligence • Project management methodology • Monitoring and Governance, risk and compliance	KPI 9: A net promoter score (NPS) of +40 annually from 2026  KPI 10: Statutory compliance measured by compliance index (measured with frequency of policy review,	Organisational efficiency and effectiveness.  Business continuity.  Evidence-based decision-making.  Increased revenue.