

### Restructuring the Local Loans Development Fund

#### Storyline...

The Local Loans Development Fund (LLDF) of Sri Lanka is a 100-year old organization. It has been raising resources and lending to Local Authorities (LA) for purposes of public utilities. The Government of Sri Lanka aspired to develop LLDF into a nodal agency for local infrastructure financing in the country.

MaGC was engaged by The Asia Foundation to study and recommend various restructuring options.

#### Once upon a time...

Though in existence for more than a century, LLDF's operations were limited to providing small loans to LAs. To truly cater to present day needs, LLDF needed to transform itself into a nodal institution for infrastructure financing, failing which it faced an identity crisis. The government was looking for professional assistance in its endeavour to restructure the LLDF. It approached The Asia Foundation (TAF) for support in this regard. TAF undertook the intervention under the Sub-national Governance Program supported by the Department of Foreign Affairs and Trade, Government of Australia.

#### Moving on...

The initial part of the assignment involved a stock-take of models of municipal financing in the region. The MaGC team undertook desk research and interviewed personnel from infrastructure financing organizations from countries with similar development and resource challenges. The results of the stock-take were presented in the form of a report to the government. This was followed by a SWOT analysis of LLDF to understand where it stood vis-à-vis its aspirations of transforming into a nodal agency.

LLDF in its redefined form was expected to perform three primary functions: Project facilitation, Project financing, and Capacity building. Eighteen sub-functions were identified under the three main functions. The approach to the LLDF transformation was structured around: (a) **refining** its mandate to enable it to better respond to market needs; (b) **redesigning** the institutional structure to equip LLDF

with the required resources to perform; (c) **reengineering** business processes for operational efficiency and control; and (d) **restructuring** the financials to provide the required financial resilience to achieve growth and absorb risks. The MaGC recommendations report included an Action-Timeframe matrix that identified 68 actions classified under Policy/ Process/ People/ Technology using [MaGC's 3PT® framework](#). The matrix also identified responsibilities and timelines for the restructuring. A five-year timeframe was envisaged for the transformation.

MaGC also coordinated an exposure visit for a Sri Lankan delegation to two Indian states with different institutional structures for municipal financing. A consultative workshop was also held for senior representatives of the concerned Ministry and LLDF to brainstorm on restructuring options and the action plan.

#### Finally...

The stocktaking report as well as the recommendations report were appreciated by the Ministry officials. The exposure visit gave them hands-on exposure to working models in India. The workshop helped the policy makers brainstorm on alternative options and strategize on the way forward. Subsequent to the workshop, the Ministry immediately took up the restructuring exercise.

