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OFFICE MEMORANDUM

No. B.14052/5/2014-COOP, the 21st January, 2015.

Subject : LEGAL AND INSTITUTIONAL REFORMS UNDER THE REVIVAL REFORM & RESTRUCTURING (RRR) PACKAGE

A Financial Package of 3000 crores has been announced for Revival of the Handloom Sector in the country by the Hon'ble Finance Minister in his Budget Speech on 28th February, 2011. The Package is being implemented by NABARD in consultation with the Ministry of Textiles, Government of India and the Planning Commission.

The implementation of the Package is being made in a time bound manner so that the benefits percolate to the grassroots level. The loss assessment of the Cooperative Societies, (covered by financial recapitalization under the Package) commences only after the audit of Apex Weavers Cooperative Societies (AWCS) and all the Primary Weavers Cooperative Societies (PWCS) for the year 2009-2010 are completed. In other words, as per the guidelines of the Financial Package, only viable and potentially viable Apex and Primary Weavers Cooperative Societies (PWCS) based on the audit of 2009-2010 were eligible to avail the benefits under the RRR Package. Subsequently, the state has carried out statutory audit upto 2009-2010, the NABARD, the implementing agency, carried out the special audit of eligible apex and PWC Societies to assess overdue loan as on 31.3.2010 and recapitalization assistance.

The Revival, Reform & Restructuring Package for the Handloom Weavers Cooperative Societies is subject to the conditionalities related to the following institutional and legal reforms.

A. LEGAL REFORM

1. Primary Weavers Cooperative societies potentially viable only shall be eligible for the financial package. Non viable units of the Apex and Primary Weavers Cooperative Societies shall be excluded from the purview of the financial package.
2. Primary and Apex Weavers Cooperative Societies shall ensure democratic functioning including timely election to the Board of Directors as per the provision of section 46 of the Mizoram Cooperative Societies Act, 2006.
3. The business management of Primary and Apex Weavers Cooperative Societies shall rest with the Management committee of Cooperative Societies concerned as per the provision of Bye-laws. Therefore, it shall be the statutory duty of the Board of Management to professionalize the management in Primary and Apex Weaver Cooperative societies.

4. As per the provision of Bye-Laws, Primary and Apex Weavers Cooperative Societies are eligible to subscribe shares and become Member of the cooperative Bank. Therefore, all Primary and Apex Weavers Cooperative Societies shall subscribe shares to become eligible for availing finance from Cooperative Bank.
5. The Board of Management of Primary and Apex Weavers Cooperative Societies shall have power for ensuring functional autonomy in administration and financial matters as per the provision of Bye-Laws in matters relating to :-
 - (a) Personal policy and staffing Pattern.
 - (b) Recruitment, posting and compensation to staff.
 - (c) Internal control systems, appointment of auditors.
 - (d) Service condition, appointment, salary structure and selection process of staff.
 - (e) Freedom for societies on entry exit from the structure at any level, with no mandated restrictions on geographical boundaries for its operations.

B. INSTITUTIONAL REFORM

1. Clear norms of capital adequacy and provisioning for ensuring the good health of Primary and Apex Weavers Cooperative Societies shall be put in place.
2. Due efforts shall be made for settlement of all pending rebate claims/dues to the primary and apex societies. The Registrar cooperative Societies routing through the Department of Industries, Government of Mizoram and in consultation with the State Government shall approach the Ministry of Textiles Development Commissioner for Handlooms for settlement of all pending rebate claims due to the Primary and Apex Societies.
3. Reactivation of idle looms and revival of dormant/inactive looms in viable/potentially viable societies.
4. Relevant rules for proper investment and administration of the Provident Fund collected from the weavers, currently placed in PWCS which in turn place the same in SB a/c with DCCBs shall be put in place.
5. Adopting mechanism for credit guarantee on weaver loans.
6. Initiating scheme for insurance against production losses of weavers as a result of loss/damage to stock, cloth under production from natural catastrophe like fire, flood etc.
7. The State Government through the Office of Registrar Cooperative Societies shall take up re-organization of the societies based on viability.
8. The office of Registrar Cooperative societies shall take up emergency measures necessary to update the books of accounts of weavers cooperatives.
9. It shall be the utmost due of the Registrar Cooperative Societies for ensuring up to date audit of the apex and the primary weavers society.
10. Stringent measures shall be taken up to cleanse the balance sheets of apex and primary weavers societies as proposed in the package.
11. Facilitate the PWCS and AWCS to access credit from any financial institution.
12. Switch over to regular audit of Apex Weavers Credit Societies (AWCS) by Chartered Accountants (CA) and ensure also regular audit of all Primary Weavers Credit Societies (PWCS) by CA's or existing audit machinery of State Government at the discretion of the Society.
13. Initiate measures for adopting the Common Accounting System (CAS) and Management Information System (MIS) to be evolved by NABARD.
 - 1) Introducing components of accountability and housekeeping.
 - 2) Restructuring of the business by closing/pruning down the loss making showrooms/merge Regional Offices/streamline their operations.

- 3) HRD components for compulsory transition to more transparent and accountable management practices (ex. CAS, MIS, preparing business development plans etc.). Arrange training in this respect in coordination with NABARD.
- 4) Put in place a plan for computerization of weavers society at primary level.

The release of funds under the package will be linked to the progress in actual implementation of the Revival Package by taking the following steps on weaver societies in their jurisdiction.

- 5) Release of State Government dues to Apex & Primary Weaver Societies as necessary preconditions.
- 6) Taking steps to commence the process of legal & institutional reforms.
- 7) The principle that the assistance will be available only to viable or potentially viable societies (as defined under the package) and those which are non viable should be liquidated.
- 8) The determination of the quantum of assistance to which institutional societies are eligible, will be based on a special audit of accounts upto the year 2009-2010 under the supervision of the implementing agency i.e. NABARD.
- 9) Participate in the programme to train personnel, upgrade internal accounting, reporting and control systems at different levels to equip weaver societies for business growth & credit management.

Jack L. Darkim,
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Cooperation Department.