

## **KVIC to undertake a massive reform programme in Khadi with assistance from ADB to revive Khadi Industry and enhance employment potential**

1. On request of Chairperson, Khadi and Village Industries Commission to Finance Minister, Govt. of India for a sizable assistance to KVI sector keeping in view of inadequacy in support to take care of the need for sustainability of employment in the rural areas of the country, the Finance Ministry agreed to the need of the sector, as reported under a study, decided for extension of such support through Asian Development Bank (ADB). The ADB conveyed its Board approval for sanction of US \$ 150 million for the programme captioned "Khadi Reform and Development Programme".

2. In order to fully realize the significant growth potential of KVI sector in terms of employment generation, enhance earnings of artisans and also to ensure positioning of Khadi in consonance with the current market needs, holistic reform measures for Khadi sub sector are envisaged. The Khadi reform and Development programme initiated by Govt. of India with the support of Asian Development Bank (ADB) is an effort in that direction. The 11<sup>th</sup> Five Year Plan notes khadi production has huge employment prospects, particularly among women and minorities. Revitalization the khadi industry is expected to bolster employment opportunities in rural India.

3. The ADB loan, which will be released in four tranches over a period of three years, will help revitalize the khadi industry through a comprehensive reform package. The Khadi Reform Package envisages reform support in the following areas.

- **Marketing Organization**

A marketing organization will be set up with majority private partnership to bring the modern concept of marketing in the sector.

- **Khadi Mark Development**

KVIC will develop Khadi Mark for positioning khadi as a guaranteed hand spun and hand woven cloth ensuring specified base earning of artisans.

- **Raw material procurement and Production**

KVIC will disengage from production of sliver / roving through infusion of Public Private Partnership (PPP) by good khadi institution / federation etc.

- **Artisan Earnings and Empowerment**

Phased replacement of implements and improving the technology to make spinning and weaving implements more efficient and less prone to drudgery. Further, the institutions implementing direct reform programme will have to switch over to working in SHG mode, nominating representative of SHGs to the extent of 50% in the managing committees. The surplus to be earned by Khadi institutions through introduction of benefit chart will also go to artisans.

- **Skill Development through Quality Training Facilities**

Enabling participation in the management of khadi institution both existing and new khadi ventures providing frame work for artisan empowerment.

- **Market-linked pricing and introduction of Benefit Chart**

Khadi institutions will be encouraged to formulate pricing strategies as determined by market forces through a mechanism of benefit chart.

- **Production Incentives**

The present rebate scheme will be replaced by artisan oriented production incentive plan.

- **Reforms at Khadi Institution Level**

Direct reform assistance will be extended to 300 existing khadi institutions (KIs) to emerge as self reliant and organize khadi programme on their own without the assistance from government.

50 new khadi institutions will be assisted and those are to be organized and managed either on Entrepreneurship Model or on Producer Company Model.

**4. The Government of India and the Asian Development Bank (ADB) signed the loan agreement for the \$150 million Khadi Reform and Development Program (KRDP) on 22<sup>nd</sup> December 2009 in New Delhi. Dr. Anup K. Pujari, Joint Secretary (Multilateral Institutions), Ministry of Finance and Ms. Lesley B. Lahm, Officer in Charge, India Resident Mission of ADB signed the loan agreements on behalf of the Government of India and ADB respectively.**

**5. Ministry of Micro, Small and Medium Enterprises (M/o MSME) is the Executing Agency and Khadi and Village Industries Commission (KVIC) is the Implementing Agency of KRDP. The programme agreement between KVIC and ADB was signed Mr. J.S. Mishra, Chief Executive Officer, KVIC on behalf of KVIC and Ms. Lesley B. Lahm, Officer in Charge, India Resident Mission of ADB on behalf of ADB.**

**6. The ADB support is piggybacked by \$2 million technical assistance (TA) provided under Japan Special Fund, through ADB, to support the implementation of the Program. The TA Agreement letter was also signed by the Government on 22<sup>nd</sup> December 2009.**

**\*\*\*\*\***



**Dignitaries seen in the photograph (from left to right) -**

- 1. Mr. Daiki Suemitsu, First Secretary Embassy of Japan**
- 2. Ms. Lesley Lahm, Officer in Charge, India Resident Mission of ADB**
- 3. Dr. Anup K. Pujari, Jt. Secretary (MI), Ministry of Finance**
- 4. Mr. J. S. Mishra, Chief Executive Officer, Khadi & Village Industries Commission**