

Panchayat Empowerment and Accountability Incentive Scheme- Revised Guidelines.

I. Introduction

- 1.1 The existing Panchayat Empowerment and Accountability Incentive Scheme (PEAIS) was introduced in 2005-06 in compliance with the recommendations of 5th Round Table Conference of State Ministers in charge of Panchayati Raj held at Srinagar on 28th-29th October, 2004.
- 1.2 The above scheme was approved by the Standing Finance Committee in its meeting held on 30.9.2005.

II. Objectives of the Scheme

2. The scheme aims to:-
 - (a) Incentivize States to empower Panchayats through devolution of 3Fs (functions, funds and functionaries) in accordance with Article 243G read with Eleventh Schedule of the Constitution.
 - (b) Incentivize Panchayats to put in place accountability systems to make their functioning transparent and efficient.

III. Implementation of the Scheme so far:-

- 3.1 So far PEAIS has focused on part (a) of the objective, i.e. incentivizing States to devolve 3Fs to PRIs. The methodology has been to commission an independent agency to conduct a study to prepare a Devolution Index (DI) and rank States on it. The best performing States are then given incentive amounts. The DI has been continuously improved and refined over the years.
- 3.2 Though the amount of incentive given is small, there is considerable interest and competition among States in the ranking and incentivization process, and as the winning States are accorded public recognition, the scheme plays a vital role in focusing interest in the devolution process.
- 3.3 However, because of the paucity of funds, the second goal of the scheme, i.e., incentivization of Panchayats, has not been operationalized so far.

IV. Need for elaboration of guidelines

- 4.1 The first aspect of PEAIS, i.e. incentivizing States vis-à-vis devolution, needs to be continued as devolution to PRIs is far from complete, and States need to be encouraged continuously in the process. A well-constructed DI can ultimately be a critical criteria for all Central grants to the States.
- 4.2 At the same time, there is a need to focus on part (b) of the objective of PEAIS as set out in para 2 above. There are around 2.4 lakh Panchayats (2,39,645 Gram Panchayats (GPs), 6,109 Intermediate Panchayats (IPs) and 554 District Panchayats (DPs) across the country as on date. These PRIs have differential performance based on (a) the devolution and capacity building from the State level and (b) the efforts made by PRI leadership as well as the community. Similarly elected district/ village councils in North- East States also need to be incentivised, to give due recognition to grassroots democratization undertaken.
- 4.3 Just as it is important to incentivize States to devolve the 3Fs to PRIs and build their capacities, it is important to incentivize PRIs to perform their role optimally. Due recognition of PRIs that perform their role well and correct feedback to those that do not, can (a) be an incentive for PRI representatives to improve PRI performance,

- (b) bring the issue of PRI performance into prominence and focus the attention of policy makers, (c) encourage State Governments to develop their systems of assessment and direct their attention to putting in place initiatives to maximize PRI performance and (d) consolidate public expectations from PRIs, which can create pressure for better performance.
- 4.4 It is, therefore essential that incentivization of Panchayats, including elected district/ village councils in North-East States, under PEAIS framework be operationalised.
- 4.5 As the allocation under PEAIS has been enhanced from Rs.10 crores in previous years to Rs.31 crores in 2011-12, it is possible to incentivize Panchayats and elected councils in NE States.

V. Revised Guidelines for PEAIS

5.1 Objectives

5.1.1 Under the revised PEAIS, MoPR will, subject to availability of funds,

- (i) Incentivize States that undertake maximum devolution
- (ii) Incentivize Panchayats that perform the best

5.1.2 The proportion of funds to be earmarked for each of above objectives will be determined by MoPR, each year, based the quantum of funds available.

5.2 Incentivization of States

5.2.1 The incentivization of States on the basis of DI would be as per the pattern followed so far, with improvements as needed.

5.2.2 The essential features would be:

- (i) MoPR will commission an independent agency annually or once in two years, as the need may be, to prepare a DI to measure the devolution of 3Fs, and rank States on the DI.
- (ii) Such ranking may be based on cumulative or annual performance or both.
- (iii) Prize money would be given to States that rank high on the DI. The number of States to be awarded and the amount of prize money would be decided by MoPR, based on the availability of funds.
- (iv) Funds for and study or any other exercise to prepare the DI and rank States may be accessed from PEAIS funds or from any other scheme of MoPR.
- (v) 10% funds would be set aside for the best performing North Eastern States.

5.3 Incentivization of Panchayats

5.3.1 SPPAC

5.3.1.1 Best performing Panchayats at all three levels as well as best performing elected Village and District Councils in the North East will be identified in a systematic manner, as given below, and incentivized.

5.3.1.2 The State Government shall set up a Committee under the chairmanship of Principal Secretary/Secretary, Panchayati Raj to guide the selection of best PRIs. The Committee will include representatives of two other Departments, namely the Deptt. of Health and Education, State Institute of Rural Development (SIRD) or equivalent institution and two non-government experts. In case, the Panchayati Raj & Rural Development Departments are separate in a particular State/UT, this SPPAC will include a representative for Rural Development Departments and a

representative from either the Health or the Education Department. This Committee will be known as State Panchayat Performance Assessment Committee (SPPAC). SPPAC will oversee the whole process of selection of best performing PRIs and make recommendations to MoPR.

5.3.2 Indicators, Questionnaire and Marking Scheme

- 5.3.2.1 A set of model indicators, questionnaire and marking scheme to be adopted appropriately by the States/UTs in their context, for assessing PRIs have been developed by MoPR in consultation with States. These indicators would be improved over time on the basis of feedback and operationalisation of the scheme.
- 5.3.2.2 As per Article 243G of the Constitution, the devolution of powers and functions to PRIs vests with States. Consequently, States vary in the extent to which they have empowered PRIs. As the extent of devolution of powers varies from State to State, the assessment of PRIs needs to be State specific. Panchayats in a State that has devolved many powers, cannot be compared with Panchayats in a State that has not. However, as Panchayats in a particular State function within the same policy framework, they are broadly comparable as to performance and accountability. The system of Panchayat assessment, therefore, has to take into account the State specific situation. On the basis of the model indicators, questionnaire & making scheme developed by MoPR, States will devise their own context specific version, in which MoPR will provide such support as may be required.
- 5.3.2.3 SPPAC will finalize the indicators, questionnaire and marking scheme for each State. SPPAC may also review the indicators/questionnaire and marking scheme from time to time and take such corrective measures as are warranted.

5.3.3 No. of PRIs to be Awarded and Amount of Incentive:

- 5.3.3.1 Funds will be made available to States for incentivization of Panchayats/elected Village and District Councils keeping in view their rural population against the total rural population of the country and administrative aspects.
- 5.3.3.2 The number of PRIs/elected Village and District Councils in NE to be awarded per State will broadly be in proportion to the number of local bodies in the State, with exceptions that may be administratively needed. This number will be determined by GoI every year looking to the availability of funds.
- 5.3.3.3 States would ensure that at the IP and Village Panchayats awarded in the Schedule V Areas are in proportion to the number of Panchayats therein.
- 5.3.3.4 States may, if necessary, divide the State into regions, fix the number of local bodies to be awarded per region, to ensure that only local bodies from the more developed regions do not get the prize.
- 5.3.3.5 The amount of incentive to be given to local bodies will be determined by GoI based on the availability of funds. At the GP/elected Village Council level, the size of the GP/elected Village Council would be taken into consideration.
- 5.3.3.6 The minimum award to be given to PRIs/elected Village and District Councils in each State will be determined in the beginning of the year, assuming that all States will participate and communicated to States. This will subsequently be revised in Oct-Dec depending on number of States participating and availability of extra funds.

- 5.3.3.7 In case a State fails to carry out the assessment of the relevant local bodies by the stipulated deadline, the funds earmarked for that State will be distributed among the other States, enabling them to give higher incentive amount to their PRIs.

5.3.4 Short-listing of Panchayats on the basis of information submitted.

- 5.3.4.1 Each State will circulate the questionnaire to all its Panchayats/elected Councils.
- 5.3.4.2 On the basis of feedback on the questionnaire, SPPAC will shortlist three times the number of DPs, IPs and GPs as also elected VCs/DCs to be awarded.
- 5.3.4.3 PRIs/elected Councils that do not fill in the questionnaire or do not submit by the stipulated deadline will not be eligible to be considered for incentive.
- 5.3.4.4 For short-listing IPs, GPs and Village Councils, a preliminary scrutiny may be done by Committees set up at District and Block levels.

5.3.5 Field Verification

- 5.3.5.1 Field visits will be made by a team selected by SPPAC to shortlisted local bodies for verification of information given by local bodies.
- 5.3.5.2 MoPR will issue guidelines from time to time for such field visits to ensure uniformity and consistency.
- 5.3.5.3 **Selection by SPPAC:**
On the basis of answers to the questionnaire and field visits, SPPAC will select the number of DPs, IPs, GPs and District/Village Councils as determined by GoI as 'best PRI/ Council' and forward their names along with supporting documents to MoPR.

5.3.6 Verification by MoPR:

- 5.3.6.1 MoPR will verify through independent agencies the information presented by 'best PRIs/Village Councils' in each State. Guidelines to be followed by identified independent agencies would be issued by MoPR.
- 5.3.6.2 On the basis of this verification, the local bodies suggested by the State will be accepted as the 'best PRIs/Council' except if: (1) information given by PRIs/Council is found to be incorrect by the Field Visit Team (2) The indicators, questionnaire and marking scheme of the State is not found to be appropriate. In either case, funds earmarked for such PRIs would be evenly distributed among other PRIs/elected councils of same States.
- 5.3.6.3 The decision of MoPR will be final.

5.3.7 Funds for field visits, training and scheme management

- 5.3.7.1 Upto 6% of funds available in the scheme may be used for administrative costs including printing questionnaire, training, field visits, media related activities and other management related expenditure.
- 5.3.7.2 Funds to be provided for field visits and other administrative expenses. would be determined by MoPR at the beginning of each year.

5.3.8 Transfer of Funds

- 5.3.8.1 Incentive amounts would be transferred to the Consolidated Fund of the State in the last quarter of the relevant financial year. Further transfer of funds to the PRIs/Village Council/District Councils concerned would be made electronically within 15 days of their having been credited to the State Exchequer.
- 5.3.8.2 The funds will have to be given to the PRI/Village Council/District Council winning the prize as an untied fund.

5.3.9 Utilization Certificate

The State concerned would arrange to furnish a utilization certificate in prescribed GFR 19-A immediately on utilization of the incentive amount or at the end of the financial year succeeding the year to which the award amount pertains. This will be accompanied by statement depicting itemized expenditure.

5.3.10 Narrative Report

The State concerned would also send a narrative report on how the incentive fund was utilized by awarded PRIs/Village Council/District Councils, within 12 months of distribution of prize.

5.3.11 Documentation of Best Practices in PRIs

- 5.3.11.1 Best practices followed in the award winning PRIs/Village Council/District Councils would be documented and shared with the Panchayats/Village Councils/District Councils in a State.
- 5.3.11.2 MoPR would also be informed of the same so that the same could also be disseminated amongst the PRIs/Village Council/District Councils in other States/UTs by the end of June of each year.