Financing Human Development
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Resources For Sustaining Human Development In Himachal Pradesh

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Preface

This is the sixth study report prepared under the research project **Financing Human Development in India**, carried out at National Institute of Public Finance and Policy and being published by the Institute for the purpose of dissemination. This research project, in turn, was part of an umbrella programme executed by the Planning Commission and sponsored by UNDP India – **Strengthening State Plans for Human Development**.

The research for this study was carried out by a team led by Tapas K. Sen. Other members of the team included H.K. Amarnath, Mita Choudhury and Surajit Das. Competent research assistance was provided by Sandeep Biswal and Narendra Jena. The Governing Body of the institute does not take any responsibility for the contents of this monograph; such responsibility belongs to the authors only.

M. Govinda Rao
Director

Acknowledgements

The research programme on ‘Financing Human Development’ was sponsored by the Planning Commission and UNDP India; we record our gratitude to these two agencies for providing us a great learning experience and an opportunity to work on matters that are of vital interest to the majority of the citizens. In particular, we wish to thank R Sridharan, Rajat Sachar and K K Tripathy of the Planning Commission, and Sita Prabhu, Suraj Kumar and Ritu Mathur of UNDP India for taking an interest in this series of state studies beyond the call of duty.

In carrying out these studies, it would be stating the obvious to say that each of the state-specific studies owe a significant debt to the state level officials who generously provided information, insights and guidance. This particular study of Himachal Pradesh is no exception. Our biggest debt is to the officials of the Planning Department of Himachal Pradesh that, being our nodal contact agency, was primarily responsible for facilitating our work in the state. In particular, our thanks to Arvind Mehta, Ajay Garg, D R Bushehri, Basu Sood, Pradeep Chauhan and J K Kathait.

Since in the course of our work we interacted with several other departments, our debt goes beyond the Planning Department. It is not possible to name all the individual officials who provided help and co-operation unstintingly, but some of them deserving special mention include R D Chauhan, Gyan Ralta, C Paulrasu, H S Thakur, Shipra Banerjee, Ms. Sudha, Subhashish Panda, D S Negi, Shamsher Singh, and V K Moudgil.

The Government of Himachal Pradesh facilitated a field visit to Sarahan to allow us a first-hand feel of facilities on the ground. Local government officials – Ved Prakash, Gopal Mehta, and Deep Verma – were extremely generous with their time and hospitality during the field visit and did everything possible to facilitate our work. Our sincere thanks to them for their co-operation.

At the Himachal Pradesh University, Shimla, Y.K. Sharma, Harbans Rana and Ramesh Kundal graciously offered to us available work of our interest; we thank them for their kind help.

At the Institute, M Govinda Rao has provided the ideal combination of guidance and independence to the team, for which we thank him. Our colleagues Diwan Chand and Gita Bhatnagar have provided substantial help with some of our data requirements, incurring our gratitude. Sandeep Biswal and Narendra Jena have provided excellent research assistance for this entire series of state studies. Finally, our thanks to the production team, particularly Rita Wadhwa and Kavita Issar for doing a good job of bringing out this publication.

While so many have contributed to this study, none of the errors of omission and commission should be ascribed to any of them; that is our responsibility, and ours alone.

Authors

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I. OVERVIEW

1. Introduction

Himachal Pradesh, located in the northern sub-Himalayan part of the country is a hilly state bordered by China (Tibet) on the north-east, Uttarakhand on the south-east, Haryana on the south, Punjab on the west and Jammu and Kashmir on the north. It is one of the smaller states of India with an area of 55,673 sq. km.s and had a population of more than 6 million in 2001, resulting in an average population density of 109 persons per sq. km. According to the Census 2001, 90.2 percent of population in Himachal Pradesh belong to the rural areas and the primary occupation (66.7 percent of the total population) is agriculture. 24.7 percent of the population belongs to scheduled castes and 4 percent belongs to scheduled tribes in the state, mainly limited to two or three districts.

Parts of the state are above 4,500 metres from the sea level, and are sparsely populated. In particular, the district of Lahaul-Spiti has a population density of only 2 and Kinnaur of 12. The highest density is near the plains, with Hamirpur having the highest population density of 369. A substantial part of the state is also covered by forests of various grade; Although the area classified as 'Area under Forest' is 67 percent of the total area of the state, effective forest cover is much lower than this (14,353 sq. km.s), primarily on account of the fact that a very large area is either alpine meadows or is above the tree line. The state has plenty of water resources, with several snow-fed perennial rivers and also a number of natural and man-made lakes. As such, hydro-electricity is one of the major resources of the state, subject to limitations of the huge investment requirements as well as ecological considerations.

2. The Economy

About a third of the total population in the state are main workers, and about a sixth are marginal workers as per the 2001 census. Thus, taking both main and marginal worker population together, the ratio of workers to total population is 1: 2.03. This ratio has increased considerably in 2001 as compared to 1991, but with a decrease in the percentage of main workers, implying a more than compensating increase in marginal workers. In the category of main workers, cultivators constitute a

little more than 55 percent, while agricultural labourers constitute 1.83 percent. Both these percentages exhibit a fall in 2001 as compared to 1991, reflecting a declining share of agriculture in the economic activities in the state, although about two-thirds of the state's population still depend on agriculture for their livelihood. Agriculture mostly consists of terraced cultivation, and a well-diversified farm economy has developed with fruit and vegetable cultivation, horticulture and floriculture. There is some amount of urbanisation – urban population has gradually increased from 7.6 percent in 1981 to 8.7 percent in 1991 and further to 9.8 percent in 2001; but it could still be the least urbanised state in the country. This may, however, change with relatively faster development of the secondary sector of the economy (see Figure 1.1).

Figure 1.1

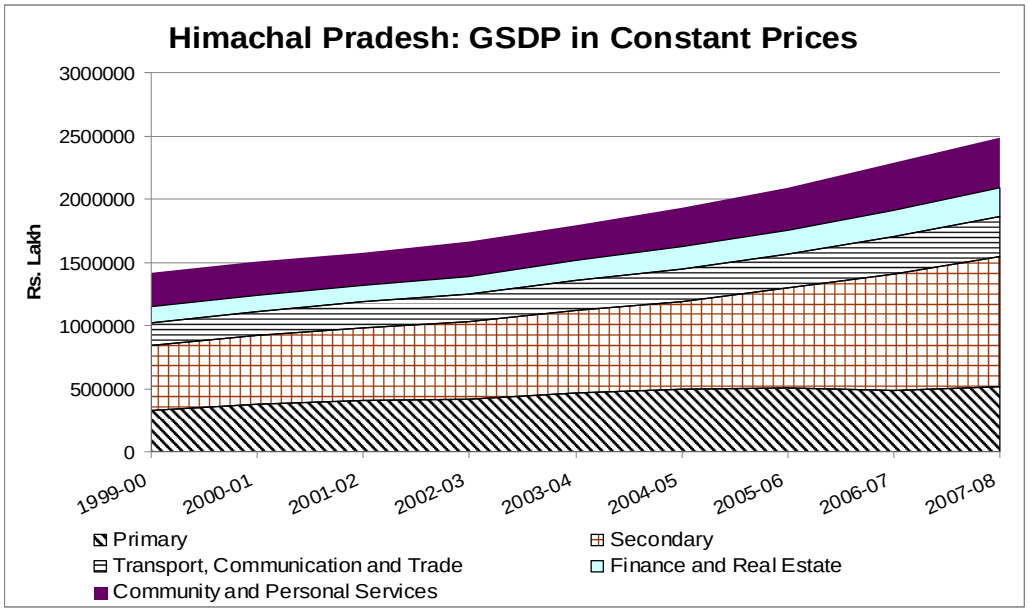
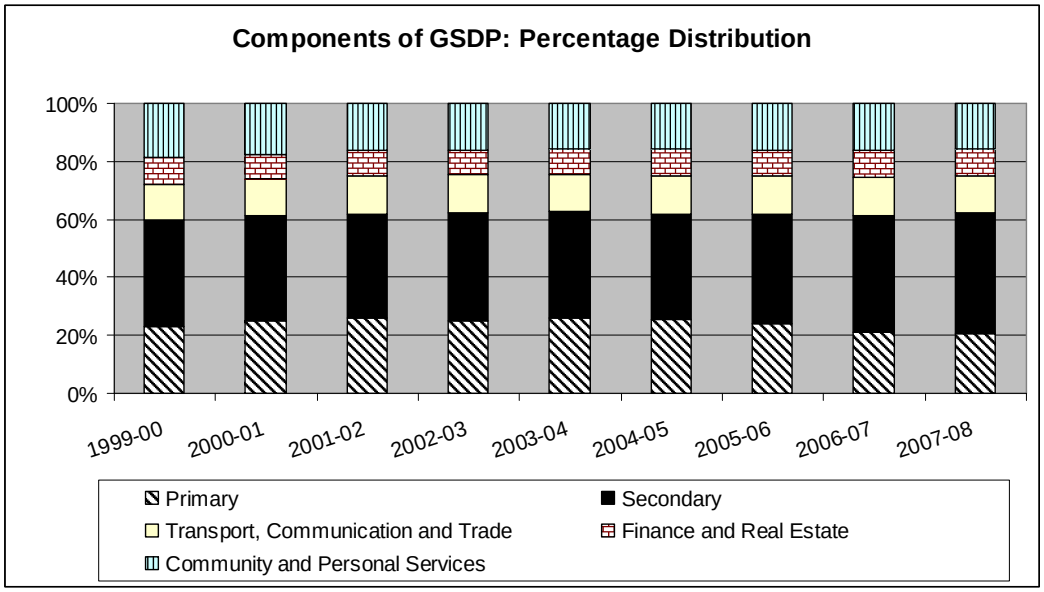


Figure 1.1 shows the trend growth in GSDP and its major components from 1994-95 to 2007-08. The average annual growth of total GSDP in real terms has been 6.8 percent over the entire period. While all the components exhibit visible growth, that in secondary sector is most obvious.[1] Further details (not reported here) show that within the secondary sector, manufacturing sub-sector has had the highest growth. Primary sector also exhibits some growth, but because such growth has been comparatively small, its share in total GSDP has shown a decline over the years, ending at 21 percent in 2007-08. The share of the secondary sector, in

[1] There is some evidence to show that this is actually creating some regional imbalance within the state, since much of the growth is taking place in one or two districts only.

contrast, has grown substantially from 1994-95 to 2006-07. The share of Finance and Real Estate sector remains more or less the same, but while the share of Community and Personal services has fallen marginally, that of Transport, Communication and Trade has increased somewhat in total GSDP (Figure 1.2). Thus, the state's growth pattern more or less conforms to the expected one, observed for most economies over a period of time.

Figure 1.2



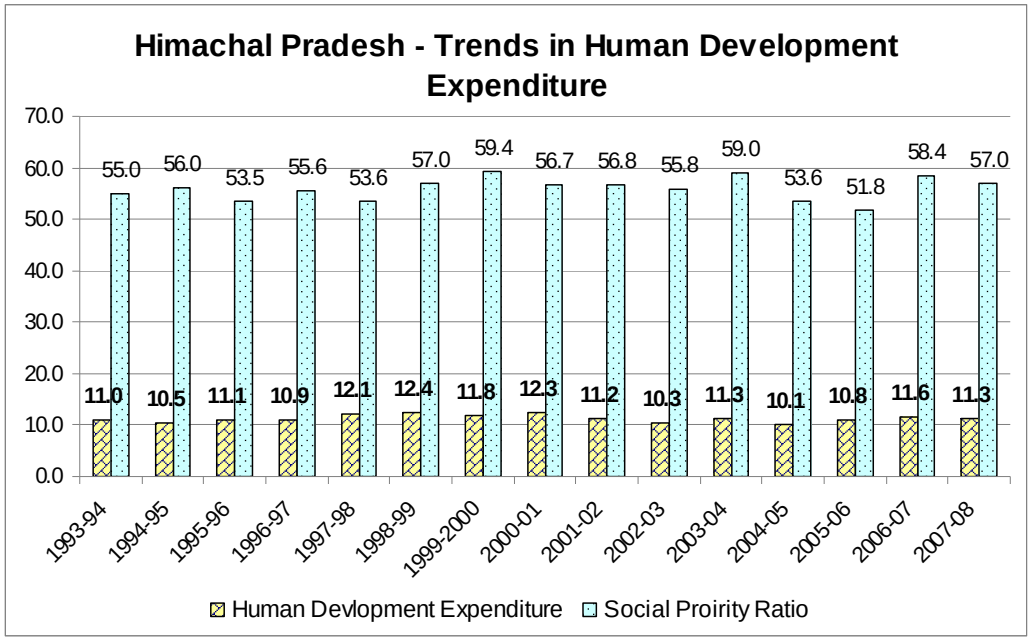
The overall growth of the economy has been significantly faster than the rate of growth of population in the state (that actually is decelerating). As such, per capita income of the state shows substantial growth both in current and constant prices. Considering the latter, per capita income in 1999-2000 prices was Rs. 16399 in 1994-95; this has risen to Rs. 28415 in 2006-07 – a 73 percent increase. At the current level of the per capita income, Himachal Pradesh not only has the highest among all the special category states, it would actually be classified as a high income state of India if all the states were considered. Along with the increase in per capita income, poverty ratio also has declined in the state (despite a hiccup in the nineties).

3. Human Development

The State Development Report of Himachal Pradesh justifiably claims that "Himachal Pradesh scores high on indices of human development" (p. 431). Its educational achievements in particular are impressive; its health indicators are generally better than those for the country as whole and it has been successful in substantially reducing its poverty to a low level. It has been able to promote gender

equity to a substantial extent as well. There have been several factors contributing to its successes on the human development front that have been dealt with in the state's Human Development Report and the State Development Report. One of these factors has been the consistently high public expenditure on human development. Figure 1.3 depicts these trends for recent years. As can be seen, the level of such expenditure in the state has been around 11-12.5 percent from 1993-94 till 2007-08; the social priority ratio has generally been more than 55 percent. Both these ratios compare favourably against most other states of India.

Figure 1.3

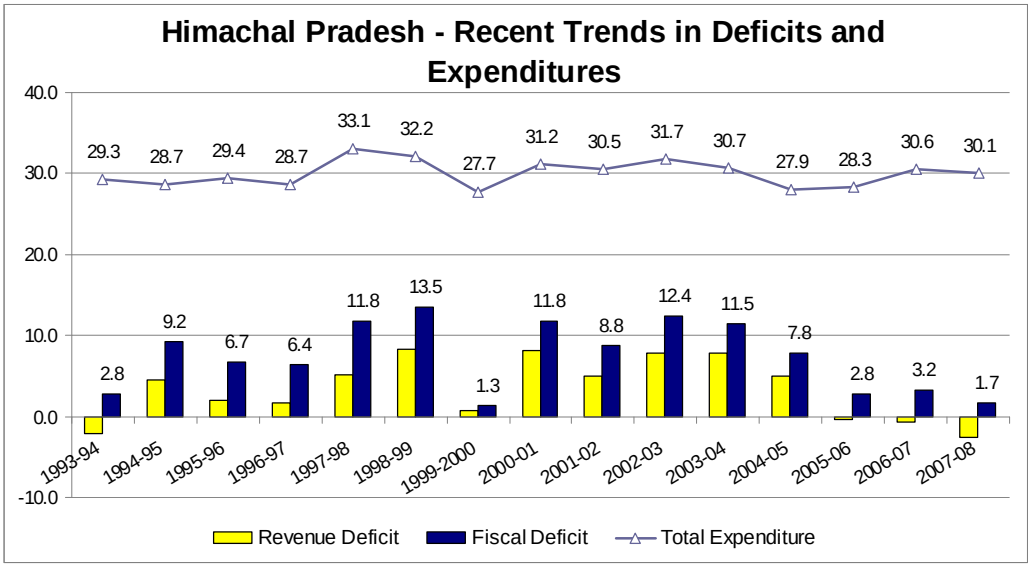


4. Public Finances

One of the observations commonly made is that the state's development is almost fully driven by the public sector. This is probably true, at least in the case of human development sectors. After all, there is very little private supply in any of these areas and roughly one person in every four households has a job in the public sector in the state, making the public sector possibly the only significant employer in the state. Without getting into the desirability or otherwise of greater private sector involvement and contribution to development, it may be safely hazarded that the health of the state's finances have a considerable influence on the path of development in the state, making it an important determinant. By virtue of being a 'Special Category State', Himachal Pradesh gets larger amounts of transfer from the central government that certainly helps in keeping its finances stable. But even so, its fiscal history exhibits large fluctuations in broad fiscal indicators, as shown in Figure

1.4, which shows all the variables as percentages of GSDP. Revenue deficits have fluctuated from surpluses to deficits as high as 8.28 percent; fiscal deficits have been as high as 13.46 percent (1998-99) and 12.39 percent (2002-03). Last five years of the time period considered have actually seen consistent improvement in the fiscal indicators with revenue surpluses in the last three years and fiscal deficits of 2.8, 3.2, and 1.7 percent in these three years respectively.

Figure 1.4



The fiscal trends raise a very pertinent question: if the developmental efforts of the state are primarily public sector driven and are consequently heavily dependent on public expenditures, then how sustainable are they? The answer to this question also depends on the extent to which the state relies on central transfers to maintain its expenditures. After all, macroeconomic factors determine central revenue-raising to a large extent; if central transfers are taken to be positively linked to its own revenue collections, then the state's development runs the risk of being pro-cyclical, unless its own revenue efforts can be counter-cyclical and adequate to compensate for the possible fluctuations in central transfers. This is a particularly important issue at the present juncture, and is dealt with in greater detail later.

The Approach to the Eleventh Five Year Plan has set forth some monitorable quantitative objectives in various areas of human development. Under education, the literacy percentage is expected to be raised to more than 92 percent, compared to an estimated 88 percent at the beginning of the Eleventh Plan. For female literacy, the target is 88 percent as compared to 82 percent now. In the area of health, life

expectancy at birth is targeted to be raised to 68 at the end of the Eleventh Plan compared to 66 percent at the beginning. Similarly, infant mortality rate (IMR) is to be reduced to less than 20/1000 compared to 51/1000. All habitations are to be provided piped drinking water. These and various other developmental activities together are estimated to lead to a Plan size of about Rs. 14,000 crore. In nominal terms, expenditures under the Tenth Plan were about Rs. 8715 crore, out of which Rs. 7240 crore were financed with central assistance including Additional Central Assistance and Special Plan Assistance (89 percent of the total expenditure). A similar level of central assistance (more than Rs. 12000 crore) is being expected for the state's estimated Eleventh Plan to materialize. This again underscores the extent of dependence of the state on the centre for continuing its developmental effort.

In what follows, we consider elementary education, health services and poverty alleviation in the next three chapters; each of these chapters also assesses the financial requirements of undertaking remaining tasks in the short- and medium-term as well. The final chapter brings together these estimates and in the background of an assessment of the state's public finances, examines the feasibility and options for financing these requirements.

II. ELEMENTARY EDUCATION

1. Introduction

Himachal Pradesh is acknowledged as one of the states that has achieved great success in the area of elementary education and literacy. From a low literacy level of 21.3 percent in 1961, its literacy rate has climbed up to 76.5 percent in 2001, a level substantially higher than the all-India average of less than 65 percent. The net enrolment ratio at the elementary level is almost 100 percent, i.e. almost all children of the relevant age group are going to school. These and other achievements in the elementary education sector earned the state a full, and quite laudatory, chapter in the Probe Report of 1999. Similarly, in Drèze and Sen (2002), the insights from the Probe Report are encapsulated in one section on Himachal Pradesh. The state's Human Development Report (GoHP, 2002) also details the history and achievements in the education sector quite adequately. As such, little is offered here by way of profound insights: the scope of this chapter is limited to an updated status report on elementary education in brief and a consideration of the remaining tasks: specifically, to estimate additional resource requirements for this sub-sector.

2. The Present State of Affairs

2.a. Literacy

The relatively high literacy rate of the state (76.5 percent) comprises of an urban literacy rate of 88.9 percent and a rural rate of 75.1 percent in 2001. Thus, even the rural literacy rate in the state is significantly higher than the average for India as a whole. There is still a significant gender gap in literacy rate – that among male population was 85.3 percent (all India 75.26 percent) and that within female population was 67.4 percent as compared to all India average of 53.67 percent only. Literacy among rural women, however, was only marginally below the state average for women at 65.7 percent, implying not much of rural-urban divide in this area. The district of Chamba has registered the lowest literacy rate among all the districts in the state of only 62.9 percent, with only 48.8 percent of female literacy and 45.9 percent of rural female literacy. The highest literacy rates for both male (90.2 percent) and female (75.7 percent) was in the district of Hamirpur. Between 1991 & 2001, the state has raised the literacy rate by almost 20 percent. Among different social groups, the

literacy rate among scheduled caste population was 70 percent with 80 percent male literacy and 60.4 percent female literacy in 2001; among the scheduled tribe population it was lower at 65 percent with 77.7 percent of male literacy and 53.3 percent of female literacy. Since the net enrolment rate is around 100 percent, the remaining illiterates must be in the older age groups, and the state literacy rate ought to be close to 100 percent in another decade or two.

2.b. School Infrastructure

In 2007-08, there were a total of 17197 schools in Himachal Pradesh among which 87 percent are government schools and only 13 percent are private schools, as per data from DISE. 67 percent of the schools in the state are only primary schools with no facilities for subsequent classes and only 16 percent of all the schools (government plus private) have secondary and higher secondary level education facilities. 16 percent of government schools are only upper primary schools without any primary section or any scope of secondary education. Almost 30 percent government schools do not have any primary section attached to it. Only 28 percent of the schools have upper primary classes. 12.5 percent of all government schools have facilities of secondary and higher secondary teaching. Altogether, upper primary schools number about half of primary schools and those with secondary levels again number about half of the upper primary schools, including both government and private ones. Given the retention rate (percentage of students passing class V is 96 and those completing class VIII is 71 percent in the state), there seems to be a supply bottleneck at the upper primary as well as at the secondary level. The average size (number of pupils) of a primary school is around 50, of course with large variations. Similarly, the average size of a middle school is less than 90.

As per information from DISE (till 30th September, 2007), there were 323 primary schools and 636 upper primary schools without any building (i.e. zero classroom schools). There were 1,038 single classroom schools, out of which 616 schools were primary schools and 422 schools were upper primary schools. There were 1,165 schools without the facility of drinking water within the school compound. 9,959 schools had no toilet facilities for girls, out of which 8,392 schools did not have even a common toilet facility. In spite of almost the entire state of Himachal Pradesh having electricity connections, there were 7,247 schools without electricity connection; this could mean inadequate lighting and could prove a handicap if computers or television sets were to be installed in the school. There is no separate

kitchen shed in almost any of the schools in the state, possibly because it was a late starter in providing cooked meals under the mid-day meal programme.

2.c. Enrolment & Drop-out

The net enrolment ratio is almost 100 percent in the state. As such, there is practically no gender differential in enrolment. According to the household survey of 2006 carried out by the state government, the dropout rate at the primary level is just 0.11 percent at primary level and 0.49 percent at the upper primary level in the state. However, in districts like Chamba, Lahaul-Spiti and Sirmour, the dropout rates are relatively high, particularly at the upper primary level. However, unofficial surveys carried out by Pratham (ASER, 2007) shows that the out of school children among 15-16 years old girls is considerably higher: 6.5 percent in 2007, up from 5.6 percent in 2006.

Table 2.1: Dropout Rates (%) in Selected Districts During 2006

Category	Chamba		Lahaul-Spiti		Sirmour		State		
	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls	Total
Primary	0.47	0.72	0.33	0.00	0.22	0.22	0.10	0.12	0.11
Upper Primary	1.64	3.97	1.44	0.32	0.98	1.49	0.34	0.66	0.49

Source: Household Survey, 2006, Government of Himachal Pradesh

A recent sample survey based study for 2006-07 (Manuja and Tanwar, 2007) on enrolment in Nahan & Paonta block of Sirmour district has shown that the dropout rate is higher than the officially claimed rate and the proportion of out of school children is more than 2 percent at primary level (as against official estimate of 0.22 percent) in Sirmour district. Even so, it is much lower than what we witness in most of the other states.

2.d. Teachers

Quite expectedly (given the terrain, density of population and the pattern of habitations), the teacher-pupil ratio in the state is one of the highest (1:17) in the country. For example, in districts like Lahaul-Spiti, on an average there are only 5 students per teacher. There are only 239 schools with pupil-teacher ratio (PTR) of more than 40 and just 8 schools with a ratio of more than 80 in the state. Female teachers constitute 44 percent of the total number of teachers in the state. Among permanent teachers, 45 percent of the teachers are not graduates and 23 percent are post-graduates or even better qualified. During 2007-08, there were 10,300 para-teachers in the state, mostly teaching in primary schools. The para-teachers are well-

qualified in terms of formal education; 28 percent of them are either post-graduates or have even higher qualification and almost 66 percent of them have at least completed graduation. 50 percent of the para-teachers have completed B.Ed. also. As far as the caste composition of teachers is concerned, 70 percent of the teachers belong to general category, 14 percent belong to scheduled castes, 6 percent belong to scheduled tribes and 10 percent belong to other backward castes during 2006-07 as per District Information System of Education (DISE).

A recent report of the World Bank on Himachal Pradesh (World Bank, 2007) points out that "teacher absence is relatively high in the state. A recent survey, in fact, finds it to be marginally lower than national averages and only about half the teachers present were actually found to be involved in teaching – which is a disturbing finding" (p.85). Actually, teacher absence is relatively low in the state going by the figures referred to (and Pratham surveys confirm it); but the other finding of teachers being present but not teaching is a more serious issue which needs due attention.[2]

2.e. Quality of Education

Having tackled the problems of access, enrolment and dropouts with success, the next task usually is to ensure the right quality of education. This is often a more difficult objective to meet since just spending money does not ensure quality. In fact, a clear agenda of action for achieving this objective has to be developed and agreed upon. To do this it is necessary to first identify and locate the problem, analyse the contributory factors and identify corrective measures. Under Sarva Shiksha Abhiyan (SSA), a certain plan of action for this purpose has been worked out, but one size does not fit all, and the state-specific (or perhaps region-specific) factors need to be addressed at the state level. As a first step, it is necessary to get an idea of the learning achievements of the children in schools. The annual surveys by Pratham should be of help for this purpose. The results of the latest survey (ASER 2008) for the state are reproduced in Table 2.2.

These data show that 58 percent of 4th standard students can read text of standard II but only 40 percent of them know arithmetic division in rural Himachal Pradesh. Almost 5 percent of students of 8th standard cannot read standard text

[2] The presence or absence of the teachers is not necessarily wilful; there are many government activities including elections which require teachers to be away from their main responsibility. Similarly, even when in school, they may be away from teaching to attend to several tasks they are required to perform by the government itself (e.g., supervising the provision of mid-day meals)

books of standard II and more than 10 percent of them can not successfully perform arithmetic division. Although in a comparison among states, Himachal Pradesh does reasonably well in terms of learning achievements (and the indicators are considerably better than its contiguous states), there is scope for improvement in the quality of education and learning achievements.

Table 2.2
Educational Attainment Levels at Different Levels in Rural Himachal Pradesh

Class-wise students (%) who can read or solve:				
Standard	**(Std I Text)**	**(Std II Text)**	**Subtract**	**Divide**
I	6.8	2.4	5.6	0.9
II	41.0	13.8	29.8	5.3
III	70.9	33.3	61.8	16.9
IV	87.9	58.0	82.3	40.4
V	93.9	75.7	88.4	60.2
VI	96.2	85.8	90.7	69.6
VII	97.8	92.7	94.5	80.9
VIII	99.5	95.2	96.4	84.2
Total	73.8	56.3	68.2	43.9

Source: ASER (2008), Pratham

Table 2.3: Variation in Learning Achievements among Districts

District	Rural students (%) in Standard 3-5 who	
	Can Read Std I Text	**Can do Subtraction**
Bilaspur	87.4	86.7
Chamba	73.2	62.7
Hamirpur	83.3	83.8
Kangra	87.6	78.0
Kinnaur	92.6	87.0
Kullu	81.9	77.4
Lahaul and Spiti	89.0	90.8
Mandi	86.2	83.9
Shimla	91.1	86.6
Sirmaur	75.5	62.4
Solan	76.6	61.3
Una	86.3	82.8
Total	84.3	77.6

Source: ASER (2008), Pratham

District-wise data on quality of education (Table 2.3) show that Chamba, Sirmaur and Solan districts need special attention for improving learning achievements. In these three districts in rural areas, 25 percent of children studying

in standard 3 to 5 cannot read the text of standard I and almost 40 percent of them cannot solve a problem of subtraction.

2.f. Tribal Language

Given lower literacy rates among tribal population, one important issue may be highlighted. The medium of instruction in elementary schools has been Hindi since the very beginning all over the state. If young tribal and non-Hindi speaking children just being exposed to formal education do not get even a bridge to overcome the linguistic gap between their mother tongue and the language of instruction, then formal education becomes relatively difficult and rather uninteresting for them. It then becomes difficult to say in such a situation whether they drop out or are being pushed out. Probably teacher selection and training has a big role to play in resolving this issue.

There are in the state tribal languages like 'Kinnauri Bhoti' that has a script also of its own; but the script is dying out because of disuse – only a few people of the old generation can read and write the language – the new generations can only speak and understand. The number of persons doing the latter is also dwindling fast and the language, unless preserved properly, would be extinct very soon. This would be obviously undesirable, but almost inevitable because there is no automatic mechanism to preserve the tribal languages in the existing system. Initial teaching of tribal children in their own tribal language and gradual introduction of Hindi could provide an automatic mechanism for continuation and development of the tribal languages and improve educational outcomes among tribal children simultaneously.

3. Public Expenditure on Elementary Education

The achievements of Himachal Pradesh in the area of education have a lot to do with government intervention; it has been substantial in elementary education for quite a long period of time. Considering more recent years, expenditure figures of the government on education since 2001-02 reveal that the state was spending more than 3 percent of GSDP on elementary education by 2001-02; however, this ratio slipped to slightly below 2.5 percent in the recent past, but recovered to about 2.9 percent by 2007-08. The total expenditure on general education was 5.24 percent of GSDP in 2001-02, which has come down to 4.91 percent during 2007-08 (Table 2.4).

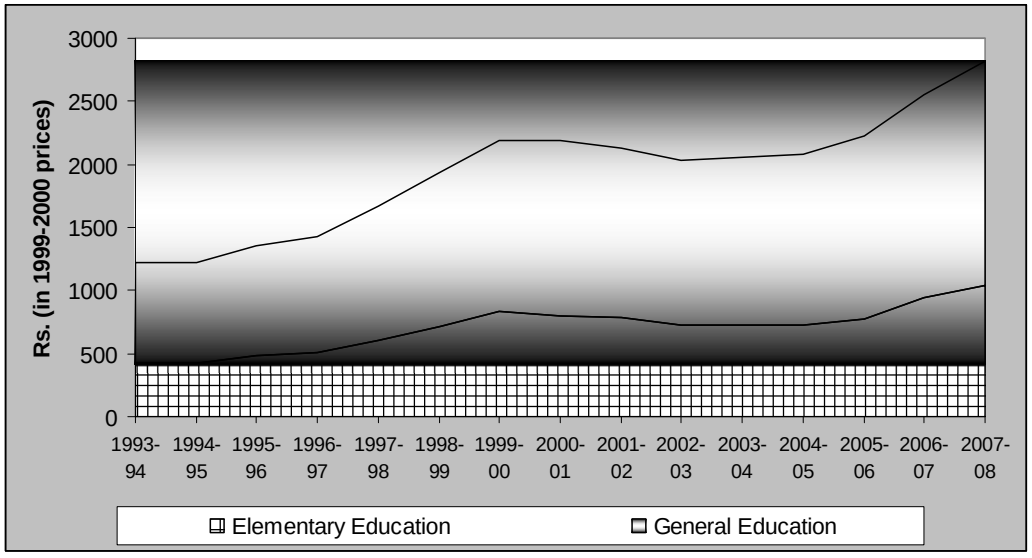
Table 2.4: Public Expenditure on Education in Himachal Pradesh

(Rs Lakh)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
GSDP in Current Prices	1,714,819	1,890,472	2,072,100	2,306,596	2,568,914	2,860,334	3,221,995
Revenue Expenditure	457,626	514,115	558,808	579,293	646,615	764,411	829,175
Capital Expenditure	64,980	85,974	78,484	65,398	82,076	110,981	141,349
Total Expenditure	522,606	600,089	637,292	644,692	728,691	875,391	970,524
Revenue Expenditure on Education	86,198	92,060	94,943	101,974	114,977	129,410	145,659
Capital Expenditure on Education	3,725	1,626	3,252	4,134	3,046	7,288	12,433
Total Expenditure on Education	89,924	93,685	98,195	106,108	118,024	136,698	158,092
Revenue Expenditure on Elementary Education	50,210	51,649	53,299	55,955	62,388	78,665	90,493
Capital Expenditure on Elementary Education	2893	657	249	363	170	477	2420
Total Expenditure on Elementary Education	53,103	52,306	53,549	56,317	62,558	79,142	92,913
Total Expenditure on Education as % of GSDP	5.24	4.96	4.74	4.60	4.59	4.78	4.91
Total Expenditure on Elementary Education as % of GSDP	3.10	2.77	2.58	2.44	2.44	2.77	2.88
Total Budget Expenditure as % of GSDP	30.48	31.74	30.76	27.95	28.37	30.60	30.12
Total Expenditure Education as % of Budget	17.21	15.61	15.41	16.46	16.20	15.62	16.29
Total Expenditure on Elementary Education as % of Budget	10.16	8.72	8.40	8.74	8.58	9.04	9.57

Source: *Finance Accounts* of Himachal Pradesh for the expenditures and Government of Himachal Pradesh for the data on GSDP.

Figure 2.1: Per Capita Public Expenditure on Education in Constant Prices



As a proportion of total government expenditure, the spending on elementary education undoubtedly came down from the 2001-02 level, but it did subsequently level out at around 8.5 percent until 2005-06. By 2007-08, it had risen to 9.6 percent. The longer term trends can be seen from Figure 2.1 which presents per capita public expenditure on education in constant (1999-2000) prices. It clearly shows the gradual rise until about 2000-01, a gradual decline until 2005-06 and a sharp rise thereafter. Ratios to GSDP tend to fluctuate more and exaggerate the decline after 2000-01 because of the fast growth in the denominator.

Table 2.5: Budget + SSA Expenditure – 2005-06

(Rs. lakh)

Category	Total	Budget Expenditure*		SSA Expenditure	
	Budget + SSA Expenditure	Budget Expenditure	Percentage of Total	SSA Expenditure	Percentage of Total
1.Administration, Monitoring and Evaluation	2265.63	1982.44	3.18	283.19	2.96
2.Teacher Salaries	55478.55	55478.55	89.00	0.00	0.00
3.Teaching Quality and Incentives	1810.29	474.49	0.76	1335.80	13.97
4. Direct Expenditure on Students	4980.44	4304.67	6.91	675.77	7.07
5.Infrastructure	6070.55	0.80	0.00	6069.75	63.49
6.Decentralisation	1292	96.51	0.15	1195.49	12.51
Total	**71897.46**	**62337.46**	**100.00**	**9560.00**	**100**

Source: State budgets and SSA accounts * Excluding transfers to SSA

In recent years (2001-02 onwards), a substantial amount of public expenditure is being incurred under *Sarva Shiksha Abhiyan* (SSA). Hence, a complete view of the public expenditure on elementary education requires that both budgetary expenditures as well as those under SSA are considered together. Tables 2.5 and 2.6 provide the combined figures with some disaggregation by the type of expenditure for the years 2005-06 and 2006-07. SSA expenditures constitute 13.3 and 11.3 percent of the combined expenditures in 2005-06 and 2006-07 respectively. Examination of the categorised figures shows that while teacher salaries are fully taken care of under the budget – it constitutes about 90 percent of the total expenditure – almost all expenditures on infrastructure are now incurred under the aegis of SSA. Direct expenditures on students are shared between the two, and it constitutes the only significant component of budgetary expenditures other than salaries. Expenditures on improving teaching quality and for decentralisation of the service of elementary education are being almost wholly incurred under SSA.

Table 2.6: Budget + SSA Expenditure – 2006-07

(Rs. lakh)

Category	Total	Budget Expenditure*		SSA Expenditure	
	Budget + SSA Expenditure	Budget Expenditure	Percentage of Total	SSA Expenditure	Percentage of Total
1.Administration, Monitoring and Evaluation	3156.43	2844.52	3.72	311.91	3.20
2.Teacher Salaries	68725.85	68725.85	89.95	0.00	0.00
3.Teaching Quality and Incentives	1832.25	566.32	0.74	1265.93	13.00
4. Direct Expenditure on Students	4830.43	4155.98	5.44	674.45	6.93
5.Infrastructure	6466.58	0.00	0.00	6466.58	66.43
6.Decentralisation	1129.03	113.56	0.15	1015.47	10.43
Total	**86140.57**	**76406.23**	**100.00**	**9734.34**	**100.00**

Source: State budgets and SSA accounts * Excluding transfers to SSA

4. Sarva Shiksha Abhiyan (SSA) in the State:

SSA was started by the Government of India in 2000-01 to provide a fillip to elementary education and to ensure 'Education for All'. This has been funded through an 'education cess' on some of the central taxes. The guidelines are provided by the Ministry of Human Resource Development of the central government, which also monitors the implementation of the programme. Its financing involves matching grants from the centre to the states, and it requires setting up a parastatal to implement the programme. The cumulative expenditure under this programme in the state since its inception till February 2007-08 totals Rs. 443.5 crore. Including National Programme for Education of Girls at Elementary Level (NPEGEL) since 2003-04 and Kasturba Gandhi Balika Vidyalaya (KGBV) scheme launched in 2006 by the Government of India, the total expenditure has been around Rs. 450 crore.

Utilisation of available funds has been about 93.4 percent on an average over the years (excluding 2001-02 when there was no expenditure in the state under SSA); the effective contribution of the central government was 74.5 percent and the rest were budgetary allocations from the state government (Table 2.7). The percentage of available funds to utilisation fluctuates from year to year, depending upon carryover of unfinished agenda and adjustments made in the grants for the same. The contribution of the central government to the total available funds is gradually declining because of the changing matching ratio over the years. During

the period 2002-03 to 2006-07, the ratio of actual expenditure to total budgeted expenditure was on an average 70.4 percent (Rs. 364 crore against Rs. 517 crore). This is both because of persistently lower availability of funds *vis-à-vis* approved budgets and relatively low utilisation of available funds in 2005-06 and 2007-08 (incomplete year).

Table 2.7

Annual Financial Status of Special Schemes under Elementary Education

(Rs Lakh)

Year	Component	Approved Budget	GOI	State Share	Total Funds	Expenditure
2001-02	EGS	12.50	12.50	0	12.50	6.61
	PPA	134.56	134.56	0	134.56	1.56
	SSA	1617.59	687.38	121.29	808.67	-
	Total	1764.65	834.44	121.29	955.73	8.17
2002-03	EGS	0	0	0	0	1.04
	PPA	21.04	21.04	0	21.04	80.68
	SSA	4524.02	1696.58	565.53	2262.11	1907.23
	Total	4545.06	1717.62	565.53	2283.15	1988.95
2003-04	EGS	0	0	0	0	0.47
	PPA	0	0	0	0	26.16
	SSA	10976.60	5457.01	985.67	6442.68	6289.76
	NPEGEL	27.54	5.16	0	5.16	15.35
	Total	11004.14	5462.17	985.67	6447.84	6331.74
2004-05	EGS	0	0	0	0	0.134
	PPA	0	0	0	0	1.803
	SSA	12059.89	6086.00	2028.00	8114	7971.24
	NPEGEL	77.70	58.00	11.39	69.39	57.58
	Total	12137.59	6144.00	2039.39	8183.39	8030.76
2005-06	SSA	11961.83	7586.00	3361.66	10947.66	9747.25
	NPEGEL	82.30	28.66	19.22	47.88	67.98
	KGBV	256.62	192.47	64.15	256.62	55.90
	Total	12300.75	7807.13	3445.03	11252.16	9871.12
2006-07	SSA	12044.12	6195.5	2065.17	8260.67	10025.76
	NPEGEL	73.66	55.25	18.42	73.67	62.71
	KGBV	0	0	0.00	0	93.66
	Total	12117.78	6250.75	2083.59	8334.34	10182.13
2007-08*	SSA	11999.28	7593.67	2985.00	10578.67	8404.58
	NPEGEL	71.10	44.21	15.00	59.21	40.48
	KGBV	127.99	0.42	0.00	0.42	51.96
	Total	12198.37	7638.30	3000.00	10638.30	8497.02
2001-08	Grand Total		35854.41	12240.50	48094.91	44909.89

* Till February, 2008

Source: SSA, Himachal Pradesh

Table 2.8

District-wise Planned and Actual Expenditures under SSA (2002-2008)

(Rs. Lakh)

District	Planned	Actual	Utilization (%)
Bilaspur	3032	2072	68.34
Chamba	4766	3397	71.27
Hamirpur	3105	2338	75.29
Kangra	8562	6245	72.94
Kinnaur	1114	723	64.89
Kullu	3293	2071	62.89
Lahaul and Spiti	1044	650	62.28
Mandi	8244	5881	71.34
Shimla	7167	4923	68.69
Sirmour	3837	2633	68.61
Solan	3981	2894	72.69
Una	2869	1988	69.30
SPO	704	589	83.75
Total	51718	36405	70.39

Source: SSA, Himachal Pradesh

Examination of district-wise proportion of financial achievement *vis-à-vis* the intended (Table 2.8) shows that it is lowest in Lahaul and Spiti (62.28 percent) and highest in Hamirpur (75.29 percent). The districts of Kullu, Kinnaur, Bilaspur, Sirmour, Shimla & Una could actually spend a lower proportion of intended expenditure compared to the state average. Ironically, the highest utilisation was by the state project office (SPO), which does not directly contribute to the service provision. But that could possibly be because it would be the first spending unit to be set up, and others would have followed it with a lag.

Details of expenditures by type of interventions (Table 2.9) reveal that the largest expenditures under SSA were on civil works (27 percent) and setting up of new upper primary schools (18.6 percent). Among other interventions, 9.8 percent of the total has been spent on Block Resource Centres, 8.8 percent on maintenance grants and 3.7 percent on school grants in the state. Other non-negligible expenditure heads are construction of toilets and provision of drinking water facilities in schools (4.8 percent), interventions for girl children (3.8 percent), teachers' training (3.2 percent) and innovative activities (3.3 percent). Expenditure on interventions for out-of-school children is small because of the relatively small number of such children.

Table 2.9

Intervention wise Expenditures under SSA (2002-03 to 2006-07)

(Rs. Lakh)

Activity	2002-03	2003-04	2004-05	2005-06	2006-07	Total	Expd. (%)
1.New Upper Primary School	70.63	475.46	1751	1891.39	2592.54	6781.02	18.64
2.Block Resource Centre	28.40	1067.44	640.15	994.29	841.81	3572.09	9.82
3.Cluster Resource Centre	53.71	210.60	136.24	147.86	125.09	673.50	1.85
4.Civil Works	291.85	1856.15	2251.34	2684.97	2766.65	9850.96	27.08
5.Toilets, Drinking Water	76.10	470.82	527.09	531.38	142.15	1747.54	4.80
6.Interventation for Out of School Children	1.04	15.66	29.36	66.04	79.30	191.40	0.53
7.Interventations for Girl Children	216.53	292.64	290.61	301.13	279.42	1380.33	3.79
8.Innovative Activities	15.95	0.60	99.07	593.27	506.21	1215.10	3.34
9.Interventation for Disabled Children	0.42	22.46	92.34	308.60	315.73	739.55	2.03
10.Maintenance Grants	529.90	667.01	659.83	674.79	677.64	3209.17	8.82
11.Management and MIS	22.49	130.03	175.69	283.19	311.91	923.31	2.54
12.Research & Evaluation	1.08	158.44	185.16	138.02	140.02	622.72	1.71
13.School Grants	215.74	279.12	285.30	287.22	287.60	1354.98	3.73
14.Teachers Grants	176.68	214.07	216.18	217.12	211.56	1035.61	2.85
15.TLE	168.50	155.50	158.00	107.51	94.50	684.01	1.88
16.Teacher Training	32.89	181.87	343.02	279.88	313.64	1151.3	3.17
17.Community Mobilisation	6.36	75.33	56.24	53.34	48.57	239.84	0.66
18.State Component	80.68	43.19	75.12	187.24	62.71	448.94	1.23
19. NPEGEL		15.35	57.58	67.98	260.82	401.73	1.10
21. KGBV				55.90	93.66	149.56	0.41
Total	1988.95	6331.74	8029.32	9871.12	10151.53	36372.70	100

Source: Based on data provided by State Project Office, SSA, Himachal Pradesh.

Major initiatives that are being undertaken by the SSA include civil works in terms of additional classrooms, toilets, BRC, CRC, construction of boundary walls, drinking water facility, kitchen shed and major repairs. Apart from these, free textbooks are being provided to all girl students from class I to VIII. NPEGEL programme is being implemented in eight educationally backward blocks of Chamba, Mandi, Shimla and Sirmour districts. Remedial teaching is provided to needy girls in selected subjects for at least three months in a year under NPEGEL. Nine KGBVs in six blocks of Himachal Pradesh have been sanctioned under SSA. All the nine KGBVs are functional in the state catering to the needs of 343 girls. Girls in these residential schools are also imparted skill education and remedial teaching. 26268 children with special needs (CWSN) have been identified in the state; the number of out-of-school CWSN out of them is 2192. At present, 420 severe cases of CWSN are being covered through 19 NGOs in nine districts of the state. The remaining ones are being covered through Day Care Centres and trained resource teachers. Household

survey of children in the age group of 6-14 years has been conducted in the state during the year 2006-07 as per the directions of Government of India. According to the survey, the total number of children in the relevant age-group is 9,40,663 and only 5624 children are out of school which works out to be nearly 0.60 percent. This small number of out of school children is scattered in far-flung areas and hardest to reach. However, 1946 children have been covered through EGS or AIE intervention; these mechanisms are already in place through which the rest of the out-of-school children are hoped to be mainstreamed. There are a total of 341 EGS centres functional in the state catering to the needs of as many as 7803 children.

To enhance the skills of teachers and to acquaint them with the latest teaching techniques, regular in-service teacher training programmes are organised in different DIETs of the state. Besides this, special training programmes on English teaching in primary schools are also organised under SSA at the cluster level. Each teacher is given need-based training every year as per provision under SSA norms. All the teachers are also being provided trainings at regular intervals to bring about the desired changes in the teaching-learning processes within and outside the classroom. The mode of teacher training has also been modified to be of more practical help. Remedial teaching in 5 percent low performing schools had been approved under Alternative Innovative Education by the PAB for the year 2006-07, but this is facing some difficulty because of non-availability of teaching personnel.

5. Mid-Day Meal Scheme (MDM)

Universal mid-day meal scheme (for all primary schools in the government or government-aided category) offering hot cooked food started operating in the state only in September 2004. It was operative (not in all schools) even earlier, but the system could hardly qualify as a school meal programme; first, only dry ration was provided and second, in most cases children had to collect their quota at the PDS outlet (Pathania and Pathania, 2006). However, at present MDM is covering fully children of 1st to 5th standard in Himachal Pradesh. There is 100 percent coverage of all government, local body and government aided schools, as also most EGS (But not AIE) centres in Himachal Pradesh as on September, 2007 (Tables 2.10 and 2.11). The actual food being served generally consists of *Khichdi* most of the time in most schools. These are being cooked within the school premises, but because few schools have separate kitchen sheds yet, the process of cooking does disrupt normal functioning of the school to some extent.

Table 2.10

Number of Institutions Covered Under MDM Scheme in the State

Sl. No.	Name of District	Classes I-V (Govt + LB)	Classes I –V (GA)	EGS Centres	AIE Centres	Total
1	Bilaspur	600	0	0	0	600
2	Chamba	1109	0	154	0	1263
3	Hamirpur	506	2	0	0	508
4	Kangra	1762	3	25	0	1790
5	Kullu	730	0	27	0	757
6	Kinnaur	207	0	1	0	208
7	Lahaul & Spiti	203	0	1	0	204
8	Mandi	1730	2	8	0	1740
9	Shimla	1592	3	18	0	1613
10	Solan	759	0	24	0	783
11	Sirmaur	975	0	52	0	1027
12	Una	505	1	21	0	527
TOTAL		10678	11	331	0	11020

Note: As on end-September, 2007
Source: Government of Himachal Pradesh

Table 2.11
Coverage under Mid-day Meal Programme

Sl. No.	Name of District	Number of children availing MDM			
		Classes I -V (Govt+LB+GA)	EGS Centres	AIE Centres	Total (col 3+4+5)
1	Bilaspur	23445	0	0	23445
2	Chamba	54697	2569	0	57266
3	Hamirpur	25045	0	0	25045
4	Kangra	91529	556	0	92085
5	Kullu	37344	421	0	37765
6	Kinnaur	6792	19	0	6811
7	Lahaul & Spiti	2196	15	0	2211
8	Mandi	71007	179	0	71186
9	Shimla	59244	410	0	59654
10	Solan	47554	963	0	48517
11	Sirmaur	39681	926	0	40607
12	Una	35696	695	0	36391
Total		494230	6753	0	500983

Note: As on end-September, 2007
Source: Government of Himachal Pradesh

The main tasks with respect to mid-day meals that the state now has to undertake consists of providing kitchen sheds to schools and improving the contents of the meal. These two may be related in the sense that in the absence of a separate kitchen shed, the tendency would be opt for a less complicated meal, and *khichdi* suits this consideration. But, apart from sparing the children the monotony of consuming the same food every day, the government might think of balancing the

diet and taking care of known nutritional deficiencies (e.g., of iron) by providing for suitable variations. Our field visits also revealed some inadequacies with respect to kitchen utensils (which are not particularly relevant until a separate kitchen shed is provided) that need to be taken care of. Also, at present only one person is employed for the cooking; with separate kitchen sheds and variety in meals, an assistant may be required. Assistants to cooks are employed in many other states.

6. Additional Resource Requirements

In this section, we identify the supply gaps that are needed to be filled in the short to medium run and estimate resource requirements to cover these gaps. We do this by examining the major aspects of the supply side beginning with infrastructure, including supply of electricity, facility of drinking water, separate girls' toilet and at least 2 class rooms.

Table 2.12: Habitations and Access to Upper Primary School, 2006-07

Sl	District	No. of eligible school-less habitations for UPS	No. of primary schools (Govt. & Govt. Aided)	No. of upper primary schools (Govt. & Govt. Aided)	Primary & upper primary Ratio	No. of UPS eligible as per 2:1 ratio	Gap in UPS
1	Bilaspur	18	588	216	2.72	294	78
2	Chamba	42	1088	379	2.87	544	165
3	Hamirpur	3	506	256	1.98	253	-3
4	Kangra	54	1749	736	2.38	875	139
5	Kinnaur	5	188	77	2.44	94	17
6	Kullu	928	729	192	3.80	366	174
7	Lahaul-Spiti	3	206	63	3.27	103	40
8	Mandi	133	1720	590	2.92	860	270
9	Shimla	22	1611	617	2.61	806	189
10	Sirmour	16	966	285	3.39	483	198
11	Solan	35	756	272	2.78	378	106
12	Una	9	504	233	2.16	252	19
	Total	1268	10611	3916	2.71	5306	1390

Source: District Education Plan, Directorate of School Education, Himachal Pradesh.

As of 2006-07, there is no eligible habitation left without primary schools. Habitations eligible for EGS centres according to the population and distance criteria, but without any, number only 11. There are 267 EGS centres running in HP for 2 or more than 2 years. 20 EGS centres have been proposed to be upgraded to primary schools in the state in this year. Thus, at the primary level, access should be no more an issue. However, there is still some supply gap in terms of upper primary schools. Habitations eligible for new upper primary schools as per distance and population norms is 1268. Using an alternative norm of a 2:1 ratio of primary and upper primary schools, only Hamirpur district fulfils this norm and all other districts have some gaps

in terms of upper primary schools. According to this norm there is a shortage of 1390 upper primary schools in Himachal (Table 2.12).

Table 2.13: Infrastructure Gaps and Additional Expenditure Requirements

(Rs. Lakh)

Head	School Type	Number	Unit Cost	Total Cost
New Schools	Primary	30	4	120
	Upper Primary	1390	4	5560
Schools without Buildings	Primary	323	4	1292
	Upper Primary	636	4	2544
Single Class room schools	Primary	616	1.85	1139.6
	Upper Primary	422	3.7	1561.4
No Girls' toilet		9959	0.2	1991.8
No Electricity		7247	0.2	1449.4
No Drinking Water		1165	0.3	349.5
Total				16008

Estimated additional resource requirements for infrastructure (Table 2.13) consider the larger of the two estimates of additional upper primary school requirement to avoid any underestimation, along with a small number of additional primary schools required. The other gaps are as enumerated in the text[3], and the estimates are based on norms for various types of requirements. The total requirements on this count work out to about Rs. 160 crore.

Another – and probably the most important – aspect on the supply side relates to the teachers. As far as the pupil-teacher ratio is concerned, the standard 40:1 norm is not applicable to Himachal Pradesh because of its geographical characteristics. Thus essentially one has to estimate the number of teachers required according to the number and type of schools. If 30 new primary and 1390 new upper primary schools have to be set up, then there would be additional requirement of 4230 [(30 X 2) + (1390 X 3)] teachers in the state. As per information supplied by GoHP on shortfall in teachers (Table 2.14), there is already a requirement of 4402 teachers. Taking these two estimates together, if the average gross salary of the teachers be Rs. 7,500 per month then additional annual expenditure would be Rs. 7768.8 [12 X (4402 + 4230) X 7500] lakh. Further, a total of 26,268 children have been identified as with special needs, out of which 24,053 are already enrolled in various schools. To take special care of them, 179 resource teachers need to be appointed. Taking this into account, the teacher gap would increase by Rs. 161 lakh,

[3] All these infrastructure gaps are as per estimates supplied by the Government of Himachal Pradesh.

if they also get the same honorarium of Rs. 7500 per month. Altogether, the total teacher gap works out to Rs. 79.3 crore per annum.

Table 2.14: Position of Teachers by Category

Category	Sanctioned Posts	Filled up*	Vacant	Post for newer Schools	Total
JBT	23748	21953	1795		1795
TGT(ARTs)	7226	6690	536	29+33	598
TGT(NM)	4546	4191	355	29	384
TGT(M)	2442	2181	260	33	293
Drawing Master	4127	3839	288		288
PET	4105	3788	317		317
LT	2488	2092	396	33	429
OT	4259	3990	269	29	298
Total	52941	48724	4216		4402

* Including teachers appointed by Parent-Teacher Associations.

The issue of teachers' training ought to be important in Himachal Pradesh as it is one of the ways to improve quality of education at the elementary level, which should be the objective after securing universal access. The cost of imparting training to all the teachers is not that high also as compared to the total spending. All the upper primary teachers are at least junior basic trained (JBT) teachers in the state. Among 26,558 primary school teachers who are presently working, 90 percent are trained teachers. Only 2563 primary school teachers are not trained as of now, out of which 1338 have already received 60 days' training. The rest, who have not received any kind of training, number only 1032. However, 8632 new teachers have to be trained if they have not already completed JBT course. If per unit cost of teacher training is taken to be Rs. 1400 on an average, then the total cost of training works out to around Rs.135 lakh for all left out and new teachers. This estimate is not of annual expenditure, and can be spread over three or four years.

There are a total of 26,559 primary and 20,041 upper primary teachers working in the state. If we add 8632 new teachers along with them, the total figure would be 55,232. If all these teachers are given a small grant for upgrading their teaching skills as an incentive (as provided under SSA), mainly for the purpose of teaching-learning material (TLM), it could help improve the quality of education. If such teachers' grant be Rs. 500 per annum, the total annual expenditure for these grants would be Rs. 276 lakh.

In the area of mid-day meals, as mentioned above, a large number of schools would need kitchen sheds and utensils. However, no cost estimates are made here as the cost of required utensils would be small and rather easily covered, while kitchen sheds can be taken care of through the process of convergence of various schemes with mid-day meals. This responsibility can be given to the local bodies who can contribute the kitchen sheds through the various Centrally Sponsored schemes for poverty alleviation. The consolidated additional resource requirement for the identified gaps would then be as in Table 2.15. The annualised cost, assuming a four year spread of the divisible expenditures works out to Rs. 122.47 crore, not a very large amount. Moreover, out of this, much of the costs of infrastructure gap, teacher grant and Teachers' training can be taken care of under SSA, which is partly funded by the GoI. Normal growth of expenditure will also take care of part of the expenditure estimated. As such, at a rough guess, the state will have to worry about only about Rs. 90 crore or so per annum.

Table 2.15: Total Estimated Additional Cost Requirements

(Rs. Lakh)

Head	Total Cost	Annualised Cost (4 years)
Infrastructural Gap	16008	4002
Teacher Gap	7930 (Annual)	7930
Teacher Grant	276 (Annual)	276
Teachers' Training	135 (Medium-term)	39
Total (annual)		12247

The estimated total resource requirement for elementary education is not large compared to the actual expenditures incurred on elementary education in the state. This is only to be expected in a state that has already advanced as far as it has in the more expensive task of providing universal access. Allegorically speaking, the hardware is already in place and only the software needs to be worked out just right. It is the quality of education that must be focused upon now, and this is something that is not easily achieved through a standardised regimen. There are several aspects of quality and one of them is local involvement. The state has to now work towards really effective decentralisation including the BRCs, CRCs and parent-teacher committees. The local bodies, along with the delegated responsibilities, must be delegated some powers including that of monitoring.

III. HEALTH AND RELATED SERVICES

1. Status

The performance of Himachal Pradesh is better than the all-India level in terms of basic health indicators like IMR and MMR. In 2007, as per SRS, the state had an IMR of 47 in comparison to 55 at the all-India level. The National Family Health Survey (NFHS III) indicated an even better performance of the state than the all-India level with respect to IMR; 36 as against 57 in 2005-06. Even in terms of MMR, although there are no reliable estimates, output indicators closely related to MMR (like the rate of ante-natal care and institutional deliveries) suggests that the performance of the state is likely to be better than the all-India level (Table 3.1). In the recent past however, there has been a stagnation of IMR and basic preventive health services (like immunization and ante-natal care) in the state. IMR in the state declined only by about 2 between 2002 and 2006 (as per SRS) and increased by about 2 between 1998-99 and 2005-06 (as per NFHS).[4] Similarly, between the last two rounds of NFHS surveys, immunization rate in the state has declined by nearly 9 percentage points and ante-natal check-ups increased by a mere two percentage points (Table 3.1).[5] The stagnation of ante-natal care services in the state is also likely to have slowed down the rate of decline of MMR in the state in the recent past. With the slow progress in basic preventive services, the state is unlikely to be able to meet the state and the National-level targets on IMR and MMR.

An important factor contributing to the stagnation in preventive services and IMR is the negligible expansion of some of the basic health infrastructure required for extending preventive health care services in recent years in the state. Between 2000 and 2007, there has been no addition to female health workers/ANMs in Sub-Centres (SCs) and Primary Health Centres (PHCs) of the state.[6] These workers are crucial for extending immunization and ante-natal care services. The absolute number of female health workers/ANMs in SCs and PHCs declined from 1974 in the year 2000 to 1836 in 2007 (MoHFW, 2002 and MoHFW, 2007). This is particularly worrying as the state

[4] Data on IMR in 2007 (from SRS) however indicate a fall of 3 from 2006 to 2007 (50 in 2006 and 47 in 2007).

[5] A comparison of recent data from district-level household survey conducted by International Institute of Population Sciences (IIPS) in 2007-08 with data from the previous round of the same survey in 2002-04 also indicate stagnation in indicators like ANC care, immunization rate and safe deliveries.

[6] Recent data on the number of ANMs in the State however indicate a substantial rise in 2008.

is significantly short of the number of female health workers/ANMs required as per the national norms. As on March 2007, the state required additional 658 female health workers/ANMs in SCs and PHCs (which is more than a third of the existing number) to meet the national norms (MoHFW, 2007). Also, in the recent past, the number of SCs in the state (which play a crucial role in extending preventive services), has remained nearly constant. Between 2000 and 2007, while there has been an addition of 141 PHCs in the state, the number of SCs increased by only two in number from 2069 in 2000 to 2071 in 2007 (MoHFW, 2002 and MoHFW, 2007). Notably, in the year 2000, the state had a higher number of both SCs and PHCs than that required as per the national norms; thereafter, the state has focused on expansion of PHCs alone.

Table 3.1: 'Output' Goals - Maternal and Child Mortality in Himachal Pradesh

Indicator	Tenth Plan (by 2007)	National Population Policy (by 2010)	Current Status
Percentage Immunized against all vaccine preventable diseases	100	100	*NFHS 2005-06* 74.2(H.P.), 43.5 (all-India) *Change:* -9.2 (H.P.), 1.5 (all-India)
% of at least 3 ANC	90	100	*NFHS 2005-06* 62.6 (H.P.), 52 (all-India) *Change:* 1.7(H.P.), 8.2 (all-India)
% received at least two doses of TT	100	100	*NFHS 2005-06* 72.1(H.P.), 76.3 (all-India) *Change:* 5.9 (H.P.), 9.5 (all-India)
Institutional deliveries (%)	80	80	*NFHS 2005-06* 43 (H.P.), 38.7 (all-India) *Change:* 14.1 (H.P.), 5.1 (all-India)
Deliveries by trained persons (%)		100	*NFHS 2005-06* 47.8 (H.P.), 46.6 (all-India) *Change:* 7.6 (H.P.), 4.3 (all-India)

The low density of population in the state (primarily on account of the hilly terrain and forest cover) however, renders the national norms inadequate, and necessitates larger number of health facilities in the state than that suggested by the

national norms. In fact, even with larger number of health facilities than that suggested by the national norms, the radial distance covered by specific health facilities in the four (low density) districts of Kinnaur, Lahul and Spiti, Chamba and Kullu are enormous (Table 3.2). Three of these districts (excluding Kullu) have a high population of scheduled tribes and therefore it results in difficult access for the tribal population of the state. Besides, vacancies of doctors in tribal areas are significantly higher than non-tribal areas and this further reduces access (MoHFW, 2007). In 2007, nearly 50 percent of the sanctioned positions of doctors in the tribal areas of the state were vacant (MoHFW, 2007). Also, in general, with only 21 percent of the PHCs conducting deliveries in the state (IIPS, 2005) distance to institutions for deliveries appear to be particularly high. In tribal districts like Kinnaur, distance to institutions even for a basic service like immunization is even higher. In 2004, more than 50 percent of immunizations in Kinnaur were carried out in government hospitals (which exclude SCs, PHCs and CHCs) (IIRMR, 2004). These facts have implications for the level of ante-natal care and institutional deliveries in the state.

Table 3.2: District-wise Radial Distance Covered by Rural Health Facilities after Meeting the National Norms

(Km.s)

Districts	Radial distance served after meeting the National norms by		
	SCs	PHCs	CHCs
Bilaspur	1.79	3.71	7.87
Chamba	3.50	7.12	17.23
Hamirpur	1.53	3.85	8.34
Kangra	2.01	4.84	10.38
Kinnaur	7.86	9.85	26.07
Kullu	3.74	9.65	18.72
Lahaul & Spiti	11.06	17.74	38.32
Mandi	2.01	4.62	10.57
Shimla	2.50	4.64	14.83
Sirmaur	2.47	5.07	12.79
Solan	1.86	4.39	10.61
Una	1.83	4.73	9.47

The relatively better performance of the state in terms of IMR and MMR partially arises from the fact that the nutritional status of women in the state is better than the all-India level (Table 3.3). Although better, following the country-wide trend, improvement in the nutritional status among women (in the form of anaemia) has been negligible in the state between the last two rounds of NFHS surveys; this could be partially responsible for the stagnation of IMR in the state in the recent past. There has however been some improvement in the initiation of breastfeeding between the last two rounds of NFHS surveys and this has possibly contributed to

the higher improvement in nutritional status among children (in the form of anaemia) in the state than at the all-India level (Table 3.3). In general, the Integrated Child Development Services (ICDS) in the state has been argued to be effective and is often referred to as a successful model (CIRCUS, 2006). Apart from better nutritional status, the high literacy rate and low poverty levels in the state act as catalysts in achieving better health indicators. The effect of these variables is translated into better health achievements in various ways including lower birth rate, fertility rate and a relatively mature age of marriage. In this context, it is notable that the state has already met the national goals on the crude birth rate and fertility rate (Table 3.4).

Table 3.3: Nutritional Status among Women and Children (in the form of anaemia) in Himachal Pradesh

Indicator	2005-06 (NFHS III)	1998-99 (NFHS II)	Change
Percentage of women with any anaemia (age 15-49 in NFHS III) (ever married women in NFHS II)	43.3 (H.P.) 55.3 (all-India)	40.5 (H.P.) 51.8 (all-India)	-2.8 (H.P.) -3.5 (all-India)
Percentage of children with any anaemia (age 6-59 months in NFHS III) (6-35 months in NFHS II)	54.7 (H.P.) 69.5 (all-India)	69.9 (H.P.) 74.3 (all-India)	15.2 (H.P.) 4.8 (all-India)

In general, the issue of poor access to public health facilities in specific districts of the state need to be addressed urgently as bulk of the population is dependent on these facilities for health care. As per NFHS III, about 83 percent of the households in the state generally used public health facilities when 'they were sick' in comparison to 34 percent at the all-India level. Similarly, data from the National Sample Survey Organization suggests that unlike most other states, public facilities were used for bulk of the inpatient and outpatient cases in the state.

The level of morbidity in the state is lower than the all-India level for most diseases for which figures are available. The high altitude of the state restricts malaria transmission and therefore the reported cases of malaria are negligible. There has also been no reported mortality due to malaria in the recent past. In terms of tuberculosis also, the state has already achieved the targeted cure rate of 85 percent. Despite the achievement however, tuberculosis is considered to be an important cause of mortality in the state (GoHP, *Himachal Health Vision 2020*).

Table 3.4: Achievement of Himachal Pradesh with regard to various goals

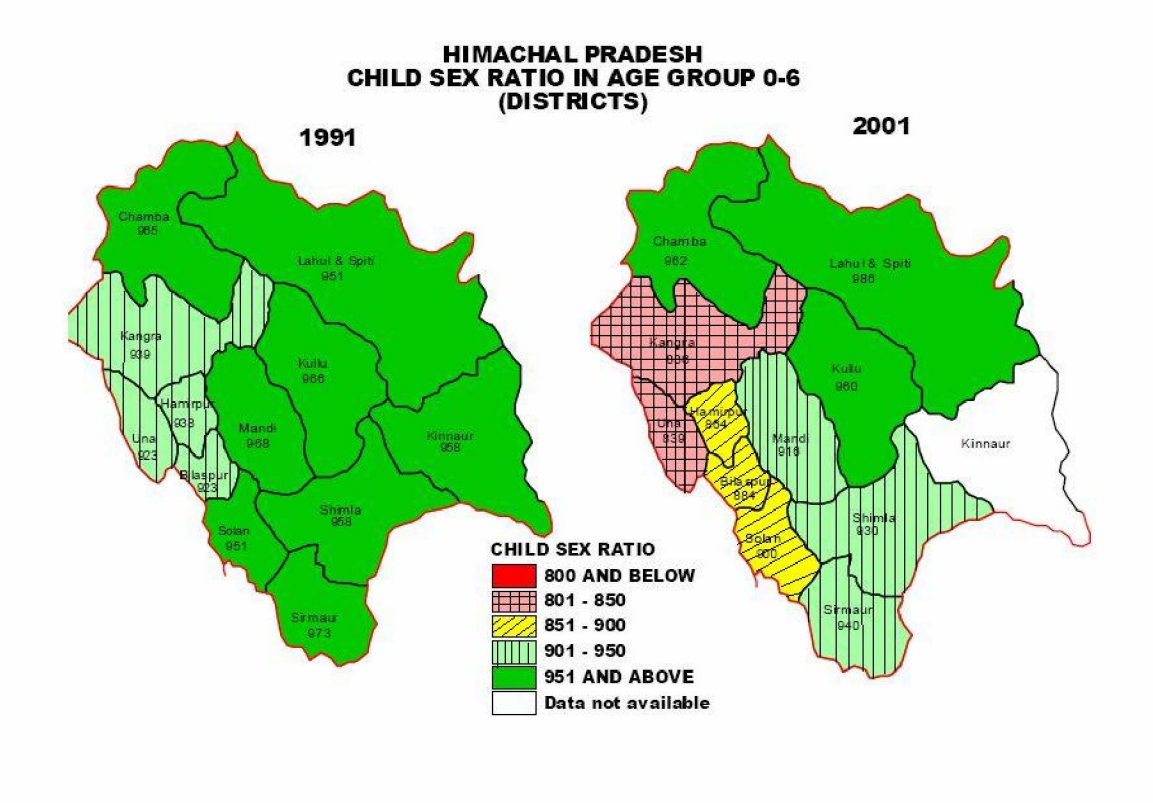
Indicator	*Millenium Development Goals (MDGs)*	*National Health Policy (by 2010)*	*Eleventh Plan (by 2012)*	*National Population Policy (by 2010)*	*National Rural Health Mission (NRHM)*	*Medium Term Goals for Himachal Pradesh*	*Status in Himachal Pradesh*
Infant mortality rate		30 per 1000 live births	28 per 1000 live births (by 2012)	Below 30 per 1000 live births	30 per 1000 live births	20 per 1000 live births (by 2012) (Eleventh Plan)	47 per 1000 live births in 2007 (SRS 2008) 36 per 1000 live births in 2005-06 (NFHS III) *Change* Between 2001 and 2006 was 2 (as per SRS) [all-India -9] Between 1998-99 and 2005-06 was -2 (as per NFHS) [all-India: 11]
Maternal Mortality Rate	Reduce by three quarters, between 1990 and 2015, the Maternal Mortality Ratio	1 per 1000 live births	1 per 1000 live births (by 2012)	Below 1per 1000 live births	1 per 1000 live births	1 per 1000 live births (by 2015) (Vision 2020)	Current Status unknown
Crude birth rate				21		16 by 2012 (Eleventh Plan)	17.4 in 2007 (SRS 2008) *Change* Between 2001 and 2006 was 2.2 (1.9 all-India level) (as per SRS)
Total Fertility rate			2.1	2.1		1.8 by 2015 (Vision 2020)	2.2 in 2005 (SRS 2006) *Change* Between 1998-99 and 2005-06 was 0.2 (as per NFHS)

Similarly, although the prevalence of acute respiratory infection (ARI) is lower in the state than at the country-level (IIPS, 2007), a study on the burden of diseases in the state carried out in 2001-02 indicated that ARI is one of the leading causes of deaths in the state (GoHP, 2001-02). A comparison of the prevalence of ARI in the state between the last two rounds of NFHS surveys indicates that there has been a significant decline in the prevalence of ARI in the recent past. The state also has a much lower prevalence of leprosy than the all-India level and has already achieved the targeted prevalence rate of less than 1 per 10,000 of population. In 2004-05, the prevalence rate of leprosy in the state was 0.37 as against a country average of 1.34. In HIV/AIDS also, the prevalence rate (PR) is low with PR less than 5 percent in high risk groups and less than 1 percent among ante-natal women (World Bank, 2007). In contrast, in the past, the incidence of diarrhoea and blindness (primarily due to deficiency of Vitamin A) has been argued to be higher in the state than the all-India figures (NFHS II and GoHP, 2001-2002), but no recent figures are available on these diseases/conditions to judge the present status. Importantly, in 2001, about 43 percent of the deaths in the state occurred due to diarrhoeal diseases, tuberculosis, other infectious diseases, low birth weight and ARI, most of which required effective primary health care (GoHP, 2001-02).

Access to safe drinking water in the state does not appear to be particularly poor. As per Census 2001, about 81 percent of the households in the state had access to safe drinking water (with source as tap, hand pump or tubewell 'within' or 'near' premises). However, in 2008, only about 57 percent of the habitations reporting were fully covered and about 33 percent partially covered in the state. Part of the low coverage of water supply in terms of habitations arises from the fact that about 46 percent of the habitations are relatively small and do not get classified as habitations as per the ARWSP scheme norms. In terms of sanitation however, the conditions in the state are marginally worse than the all-India level. As per Census 2001, about 67 percent of the households in the state did not have toilets; the figure is about 72 percent in the rural areas. The progress of construction of toilets under the total sanitation campaign was also relatively poor till about 2006-07, but has picked up significantly thereafter. By September 2009, only about 9 percent of households remained without toilets in the state.

2. A Related Issue of Sex Ratio

Figure 3.1



An important issue in the context of birth and death rate has been the fall in sex ratio in the state between 1991 and 2001. As per Census data, the sex ratio in the state declined from 976 in 1991 to 968 in 2001. Specifically, there was a significant fall in some of the districts bordering Punjab and Haryana like that of Una, Solan and Bilaspur caused mainly by the fall in child sex ratio (Figure 3.1). In fact, in the district of Solan the fall in sex ratio was as high as 56. Following 2001 however, data from registration of births indicate a tendency of marginal improvement in sex ratio of births, but still well below the sex ratio of the entire population in 2001. As per registration of births and deaths, the ratio of females to males born in the state increased from about 856 in 2001 to about 885 in 2006 (H&FW Department, 2006). Infant deaths are also relatively high in the case of girls. These trends are not natural and in all probability the result of the 'son preference' factor with all its attendant evils. With increasing ratio of females to males born in the State, the fall in the sex ratio is likely to arrested somewhat. Importantly

however, since 2001, data on registration of births do not suggest any improvement in the rank of the districts of Bilaspur and Una in terms of sex ratio but do suggest some improvement in the rank of Solan as well as Lahaul and Spiti.

That this is undesirable hardly needs stressing; the main question is: what can be done about it? Some pointers in this direction can be had from some pockets in Punjab, where this issue caught the attention of many. To reverse this, the administration started tracking each and every pregnancy through the network of health workers until well after birth along with strict action on illegal 'sex determination' tests. This course of action is reported to have had immediate positive results.

3. Public Expenditure on Health and Related Services in the State

(i) Health and Family welfare

In 2007-08, public spending on health and family welfare in Himachal Pradesh was about Rs. 686 per capita, which was more than double the level of public spending in well-performing states like Kerala and Tamil Nadu. The requirement of high level of public spending in the state partly arises from the fact that the state has a hilly terrain with large forest cover and relatively low density of population, which translates into a high cost of service provision. About 40 percent of the habitations in the state are not connected by all-weather roads (as of August 2008) and this adds to the cost of service provision. In general, while almost all the hilly states with large forest cover have a relatively high level of public health spending, even among these states, Himachal Pradesh spends relatively more (fourth after Sikkim, Mizoram and Arunachal Pradesh). The state however spent only about 1.46 percent of its GSDP on health and family welfare in 2007-08. Of the state's total budgetary expenditure, the state spent about 4.9 percent, which although higher than many other states, is lower than the target of 7 to 8 percent suggested by the National Health Policy (2002).

A comparison of the per capita public spending on health in the state with that of some of the other states suggests that public spending is less effective in the Himachal Pradesh than others. States like Jammu and Kashmir and Meghalaya, which are also hilly and have large forest cover, have achieved similar levels of IMR at a significantly

lower level of per capita public spending than in Himachal Pradesh (Table 3.5). Notably, these states are not particularly better off than Himachal Pradesh in terms of female literacy rate, poverty levels and road connectivity, which have important bearing on health outcomes (Table 3.5).

Table 3.5: Selected Indicators of Himachal Pradesh, Jammu & Kashmir and Meghalaya

State	Per capita public spending on health (Rs.) 2005-06	Infant Mortality Rate (IMR) 2006	Female Literacy Rate (%) 2001	Poverty (%) 2004-05	Habitations not connected by roads (%) 2008
Himachal Pradesh	612	50	68.08	10	39.3
Jammu and Kashmir	528	52	41.82	5.4	30.2
Meghalaya	453	53	60.41	18.5	48

Part of the relatively low effectiveness of public spending in the state could arise from the skewed composition of public spending on health. If one uses the classification provided by the National Health Accounts 2001, about 32 percent of the total expenditure on health and family welfare was towards tertiary health care services in 2004-05. This is high in comparison to the figure of 10 percent suggested by the National Health Policy, 2002. Also, more than 85 percent of the total public spending on health in the state is directed only towards meeting expenditure on salaries, wages and other office expenses alone, which is high in comparison to the proportion spent in a well-performing state like Tamil Nadu. This possibly results in low provision of medicines in government health facilities, which is reflected in the fact that nearly 89 percent of the total household health expenditure in the state was towards drugs and medicines (Planning Commission, 2008).

Notably, the additional expenditure incurred in the state by the centre through NRHM is relatively small (Table 3.6). In 2008-09, contribution of the centre in the total resources available in the state for health and family welfare was only about 18.8 percent. In this context, it is important to note that much of the new initiatives for the health sector being discussed under NRHM are under the RCH and NRHM flexible pool, which constitutes about 10 percent of the total resources available for health and family welfare in the state (Table 3.6). Importantly, about 7 percent of this is unspent balance

carried over from the previous year, indicating a low utilization of funds under the RCH and the mission flexible pool in the previous year. In 2007-08, only around 50 percent of the funds available under the RCH and the mission flexible pool were utilized by the state.

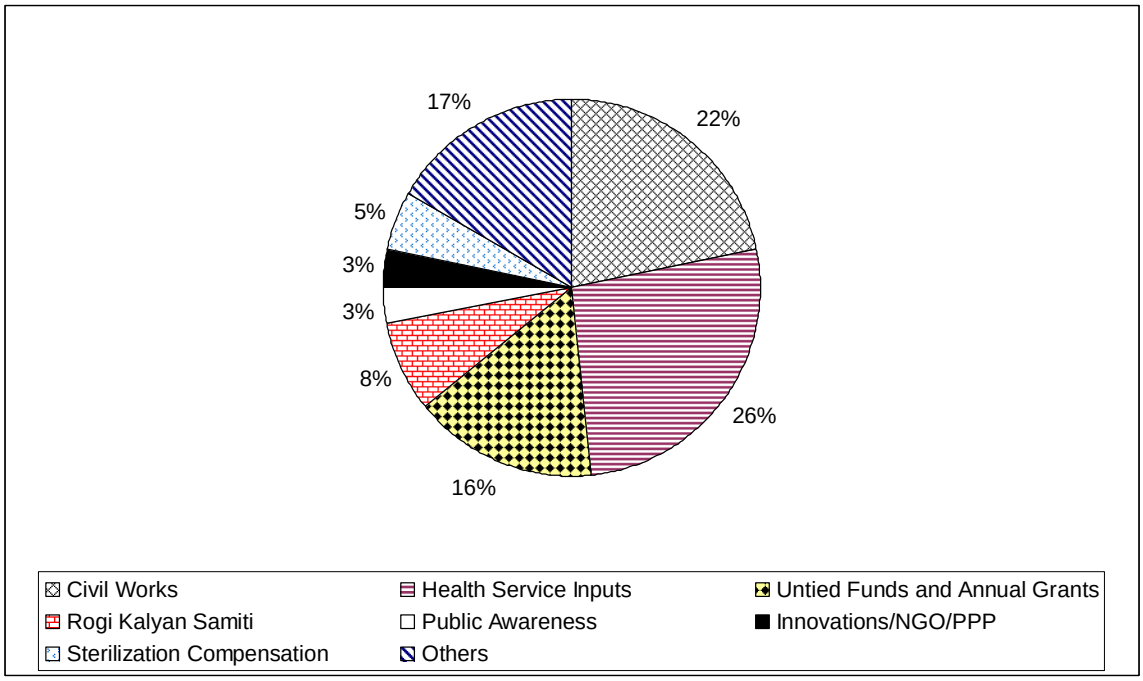
Table 3.6: Distribution of Total Resources Available - Health & Family Welfare, 2008-09

	Rs. Lakh	Percentage of Total
State's Budgetary Allocation (I)	**58638**	**81.2**
Total NRHM (GoI resource envelope) (II)	**13583**	**18.8**
Of which :		
RCH and NRHM Flexible pool	7425	10.3
Of which :		
GoI Resource Envelope	2504	3.5
Likely Unspent Balance on 1.4.2008	4921	6.8
Infrastructure maintenance	3925	5.4
Disease Control Programmes and Immunization	2233	3.1
Total (I+II)	**72221**	100

***Source**:* Budget Papers 2008-09, Government of Himachal Pradesh and Record of Proceedings of the National Programme Coordination Committee 2008-09, National Rural Health Mission, available at: http://mohfw.nic.in/NRHM/ROP_08_09/ROP_HP.pdf

Although small, expenditure under the RCH and the mission flexible pool supplements the state's expenditure on health infrastructure. In 2008-09, about 22 percent of the allocated funds were towards construction of health centres, specifically towards, SCs, PHCs and CHCs. An additional 26 percent of the funds were towards improving access to health facilities in the form of human resources, medicines, equipments and other infrastructure (Figure 3.2).

Figure 3.2: Activity wise distribution of allocation of funds under the RCH and Mission Flexible Pool 2008-09



(ii) Water Supply, Sanitation and Nutrition

The state spends a higher amount on water supply and sanitation than on health and family welfare. In 2005-06, the state spent about 7.52 percent of its total budgetary expenditure on water supply and sanitation, which ranks next only to Arunachal Pradesh. As a percentage of GSDP, the state spent about 2.16 percent (Rs. 853 in per capita terms) on water supply and sanitation, which is higher than most other states in India. Part of the requirement for high level of expenditure likely arises from the high cost of service provision (due to difficult terrain) in the state. With the small size of habitations and dispersed population, the unit cost of providing safe drinking water to every village is likely to be higher in Himachal Pradesh than most other states in India. In terms of nutrition, the state spent only about 0.16 percent of its total budgetary expenditure (0.05 percent of the state's GSDP and Rs. 18 in per capita terms) in 2005-06.

4. Requirement of Additional Resources in Health and Related Services

Himachal Pradesh has already met the national norms with respect to sub-centres (SCs), primary health centres (PHCs) and is close to meeting the norms with

respect to community health centres (CHCs). However, given the difficult terrain and poor connectivity of a large number of habitations, additional expenditure is possibly required for improving access to these institutions. One possible way of improving access would be through provisioning of ambulances in PHCs and CHCs located in areas which are reasonably connected by roads. As the number of PHCs and CHCs in such areas is not known, we assume that at least a third of the PHCs and CHCs would require new ambulances and estimate the cost. Further, we add the recurring cost to be incurred in SCs, PHCs and CHCs for filling up the vacant and additional positions of medical and para-medical personnel required to meet the Indian Public Health Standards (IPHS). At the same time, the quality of these basic health care institutions need to be improved for facilitating more institutional deliveries in PHCs and CHCs. Also, the proportion of health expenditure on non-salary items like drugs in the state is low in comparison to other well-performing states like Tamil Nadu and this call for a shift in the composition of expenditure. Besides, water supply and sanitation would also require additional investment for universal coverage with safe drinking water. With respect to nutrition, the state has already covered bulk of the malnourished children under the Integrated Child Development Scheme (ICDS) and does not require large investments. However again, the administrative costs are likely to be higher due to the difficult terrain and this may call for additional investment even in nutrition.

Our estimates suggest that providing an ambulance to a third of the PHCs and CHCs in the state would require an additional expenditure of Rs. 30 crore. This is based on the assumption that an ambulance for a PHC would cost Rs. 15 lakh and that for a CHC would cost Rs. 25 lakh approximately. We assume that about 20 percent of the capital cost would be required for meeting the recurring expenses every year. This calls for an additional expenditure of about Rs. 6 crore annually. For filling up the vacancies in SCs, PHCs and CHCs as per IPHS, we estimate (based on the unit costs outlined by NRHM (MoHFW, 2005), an additional requirement of Rs. 225 crore annually. This estimate is based on the requirement of manpower as per IPHS standards and the existing manpower indicated in the Bulletin on Rural Health Statistics 2007. For improving the quality of SCs, PHCs and CHCs, one needs to ensure IPH standards in all these facilities. However, due to lack of information on the current availability of equipments and other infrastructure, the additional expenditure requirement for improving these aspects cannot be estimated. Also, a detailed study on the unit costs of

service provision in the State is required to asses the additional expenditure required due to the relatively higher costs of service provision.

Due to difficult terrain and scattered households, we assume that at most 90 percent of the rural households can be provided access to safe drinking water. As per census 2001, about 80 percent of the households already had access to safe drinking water 'within or near premises'. If one assumes that the additional households covered by safe drinking water since 2001 would take care of the new households added in the state since 2001, the state would require an additional investment of about Rs. 167 crore. This is estimated by assuming a per capita provisioning cost of Rs. 3000. Further, we add about 10 percent of capital cost as required maintenance cost. Notably, 10 percent of households (that are excluded from the estimations) are spread over a large number of habitations and providing access to those households would possibly require a different approach. [7]

Providing all rural households with toilets will require an additional investment of Rs. 117 crore. For arriving at the estimate, the number of rural households that needs to be provided with toilets has been calculated by deducting the number of household toilets built under the total sanitation campaign until April 2008 from the total number of rural households without toilets reported in Census 2001. It is also assumed that the cost of building a toilet in a household is about Rs. 2000.

For improving nutritional status, we primarily focus on the resources required for providing nutritional supplements to all malnourished children in the age group of 0-6 and to pregnant and lactating mothers who are anaemic. Using the financial norms for providing nutritional supplements under ICDS, estimates suggest that the state needs to spend about Rs. 41 crore annually. In 2004-05, the state spent about Rs. 28 crore under ICDS. This indicates that an additional Rs. 13 crore is required to be spent annually to meet the basic nutritional needs.

[7] Based on coverage of habitations, the state has estimated an additional requirement of Rs. 2024 crore for converting all 'not covered' (NC) and 'partially covered' (PC) habitations to 'fully covered' (FC) habitations by 2012. Part of this additional expenditure would however be borne by the centre under the Accelerated Rural Water Supply Programme (ARWSP) and the Minimum Needs Programme (MNP).

Table 3.7: Additional Requirement of Resources in Health and Related Sectors

(Rs. crore)

	Capital cost	Recurring cost
Providing ambulance services in PHCs and CHCs	30/4=7.5	6
Filling up vacancies in SCs, PHCs and CHCs		225
Water supply	167/4=42	3
Sanitation	117/4=29	
Nutritional supplements		13
Total	78.5	247

Together, a minimum additional expenditure of Rs. 325 crore needs to be incurred each year towards health, family welfare, water supply, sanitation and nutrition (Table 3.7). This constituted about 1.2 percent of the State's GSDP in 2006-07. With the State spending around 1.6 percent of its GSDP on health and family welfare, this would mean that the State has to increase its expenditure to about 2.8 percent of its GSDP by 2012.

5. Distribution of the Benefits of Public Expenditure

It is generally accepted that the government expenditures must play a redistributive role to improve interpersonal equity within the economy. This would imply a deliberate biasing of the expenditures towards the poor, since the better-off need not depend on public supply of various services to the same extent by virtue of their higher income and the ability to pay a price for private supply of the same service. The incidence of public expenditure can be analyzed in terms of the distribution of the benefits of public spending across income classes to assess its success in supporting the poor. In this context, an approach that has been widely used for analysis is that of 'Benefit Incidence Analysis' (BIA). BIA combines information on the unit costs of providing public services with information on the use of these services to estimate the benefits derived by different groups of individuals or households. This section uses BIA to analyze the distribution of public spending on health facilities in Himachal Pradesh across expenditure quartiles in rural and urban areas.

Ideally, unit costs of each public service provided in health facilities and their utilization by households across income quartiles need to be measured for the analysis. However, non-availability of data on utilization of each public service provided in health facilities combined with the inability to decompose information on public spending on health facilities for individual services restricts the analysis to a relatively aggregate level. Specifically, the analysis here focuses on six services for which information on utilization was available from the 60th round of NSSO data for the year 2004: inpatient services (excluding childbirth), outpatient services, inpatient services related to childbirth, antenatal care services, postnatal care services and immunization services. A recent benefit incidence analysis of health expenditure in India (NCAER, 2002) argued on the basis of facility-level studies that in public hospitals, public expense on a single inpatient was about six times the expenditure on an outpatient. The corresponding expenses in PHCs and dispensaries were about half of those in public hospitals. Also, expenditure on ante-natal care, post-natal care and immunizations was argued to be half of that in PHCs and dispensaries. In our analysis, we have borrowed these norms from the NCAER study. However, as the 60th round of NSSO data does not provide information separately for PHCs and public hospitals, we assume that expenses for inpatient cases are in general, six times higher that the expense for outpatient visits, that for childbirth about half the expense of that of an inpatient visit for other cases and about one-fourth of that of an outpatient visit for ante-natal care, post-natal care and immunizations. As the 60th round of NSSO data does not provide information separately on immunizations from public and private sources either, we assume that immunizations from public sources across quartiles are in the same proportion as that of ante-natal care from public sources. The assumption is based on the fact that both ante-natal care and immunizations are part of maternal and child care activities provided by similar sources. The state's budgetary (revenue) expenditure on health culled out from the detailed demand for grants in budget documents is used, along with the norms taken from the NCAER study, to estimate the unit cost of each public service. Care is taken to include only expenditure that is directly incurred in health facilities. Again, following the NCAER study, we assume that half of the expenditure on disease control, and medical education and training, whose benefits accrue partly to people outside health facilities also, is incurred through health facilities. Also, expenditure on direction and administration is excluded as in the NCAER study. Budgetary receipts on payments from patients are

then deducted from the total state expenditure on health facilities to arrive the net public spending.

A conceptual problem in the methodology used arises from the fact that, apart from public services in health facilities for which information on utilization is available, there are services like family planning activities, which are provided in health facilities, yet no information on utilization of these services in health facilities across income quartiles is available. While this compels one to exclude these services from the utilization aspect in the analysis, the same cannot be excluded from public spending. To the extent that family planning services from public sources are used relatively more by the poorer sections of the population, the benefits of public spending on health facilities accruing to the poorer sections of the population are underestimated in the analysis.

Table 3.8: Distribution of Benefits of Public Spending for Healthcare

MPCE Quartiles	Inpatients	Out-patients	Ante-natal care	Immunizations	Total
		Rural			
lowest 25	26	20	22	36	21
25 to 50	19	16	14	21	17
50 to 75	26	26	28	26	26
highest 25	28	38	36	16	36
		Urban			
lowest 25	41	24	41	48	27
25 to 50	17	18	35	17	18
50 to 75	27	30	14	16	30
highest 25	15	28	9	20	26

The analysis suggests that the benefits of public spending accrue more to the richer half of the population in both the rural and the urban areas of the state (Table 3.8). However, in the rural areas, the benefits of public spending are more skewed towards the richer half of the population than in the urban areas. With more than 90 percent of the state's population residing in the rural areas, the lower reach of the poor to the benefits of public spending call for attention. Importantly, in the rural areas, even for a basic service like ante-natal care, the benefits accrue more to the richer sections of the population. The poor quality of public facilities in the rural areas (which is partially

reflected in the low percentage of institutional deliveries conducted in these facilities), is possibly responsible for the poor distribution of the benefits of public spending in the rural areas of the state. In the urban areas however, the tilt of the benefits of public spending towards the richer half is primarily driven by outpatient visits. With little access to facilities in the private sector, the skewed benefits accruing to the rich call for a policy focus on this aspect.

6. Summary and Conclusions

Himachal Pradesh performs relatively well in comparison to all-India average in terms of basic health indicators. However, these indicators have stagnated in the recent past. The stagnation has been associated with a negligible increase in some of the basic workers at the primary care level like the 'female health workers' or 'ANMs'. This is worrying, as the state faces a severe shortage of ANMs, who are crucial for effective primary care. The ineffectiveness of primary health care is also reflected in the fact that a substantial proportion of deaths in the state are due to basic diseases like diarrhoea and ARI. Although the Anganwadis in the state are argued to play an important role in services like immunization and are being increasingly focused upon for playing an important role in health services, the shortage of ANMs is likely to have affected the provisioning of primary care in the state. Besides, although the state has already met the national norms with respect to SCs, PHCs and CHCs, the difficult terrain and low connectivity of habitations pose difficulties in reaching these facilities and reduce accessibility. Further, vacancies of health personnel, particularly in some of the tribal dominated districts of the state make many of these primary level facilities non-functional.

The level of the state's health and family welfare spending, however, is one of the highest in the country. In per capita terms, the level in the state is more than double that of states like Kerala and Tamil Nadu. While part of the requirement of high expenditure in the state arises from the fact that the cost of service provision is higher because of the difficult terrain and low connectivity of habitations, there is some preliminary indication of low effectiveness of public expenditure in the state. States like Jammu and Kashmir and Meghalaya which also have a difficult terrain, have achieved similar levels of IMR at much lower levels of per capita expenditure. Part of the low effectiveness could possibly be attributed to the high share of public expenditure

directed towards the tertiary health sector and a relatively lower share towards the primary and the secondary health sector. The adverse effect of this is possibly reflected in the fact that the benefits of public spending accrue more to the richer half of the population, particularly in the rural areas. Also, as in most other Indian states, the non-salary component of public expenditure is low, which possibly lowers the overall effectiveness of public spending.

In the recent past, the primary attempt of the state has been to increase the number of health personnel in the form of doctors and nurses. The availability of such personnel is being sought to be achieved through proposals for increasing the number of seats in existing and setting up new medical colleges, nursing colleges and nursing schools. However, due to financial constraints, the state primarily depends on public-private partnerships for these initiatives. Specifically, setting up of new medical and nursing colleges/schools has been planned with the private sector. Also, for providing medical services in remote and backward regions, using the services of the private doctors have been planned for. Additionally, government land is being provided on lease to private parties for setting up health facilities in rural areas. In general, financial constraints have forced the state to depend on the private sector for a number of reform initiatives in the health sector. User charges have been resorted to in a limited way, but it has been more as an offshoot of the attempts at providing some administrative autonomy to health institutions through *Aspatal Kalyan Samiti*s. However, if these public-private partnerships do not materialize on a large scale and the state is unable to increase the number of health personnel, particularly that of health workers in the rural areas, the state may not be able to break out of the stagnation in some of the basic indicators. It may be necessary to think of additional ways of doing so; further empowering the concerned Standing Committees of PRIs (PARIKAS would become superfluous in that case) and the concept of health posts and/or habitation level trained resident health workers may work.[8] This is particularly relevant to tackle inadequate ante-natal checks and relatively low institutional delivery; an alternative system of intensive training of traditional village *Dai*s may be considered.

[8] The state decentralised health services somewhat in 2009 by involving PRIs in some of these services and provided for a lady health worker to be appointed at the village level to meet the shortage of ANMs. Further, the state has opted to designate *Anganwadi* workers as link workers instead of ASHA as recommended by the GoI.

VI. PUBLIC INTERVENTIONS FOR THE POOR

1. Introduction

Going by formal estimates (headcount) of poverty, it is not a major problem in the state; the 2004-05 estimate of the percentage of poor in the state was 9.96 using the uniform recall period method and even lower at 6.70 percent using the mixed recall period. Comparing methodologically similar estimates, the latest estimates show almost one percentage point reduction in poverty since 1999-2000 and a substantial 18.48 percentage point drop from 1993-94. It may be interesting to recall that poverty in the state had actually shown an increase between 1983-84 and 1993-94. However, it is obvious that since 1993-94, there has been a substantial reduction in poverty levels in the 11 years until 2004-05. This is a significant achievement of the state given the various constraints it has to face.

Reducing poverty is an endeavour that involves attacking the problem from several directions, probably the most sustainable and (in the long run) least expensive being substantial addition to the earning capacity of the poor. In the short run, however, there is no alternative to direct government interventions that puts basic needs within the reach of the poor and puts some money in their hands for purchases of necessities. Various programs for eradicating poverty and also bolstering their earning capabilities have been in operation for several years in different states of India with varying degrees of success; in Himachal Pradesh the degree of success has obviously been relatively high. Without going into causes and determinants of relative success and failure, it may be said that the state now has to ensure that (i) the remaining poor are not forgotten in the euphoria of success and (ii) the reduction in poverty is sustainable. Ensuring an educated and healthy citizenry is a large part of the tasks for the second objective. For the first, the direct poverty alleviation programs need to continue (as per the last BPL survey Chamba, Kangra, and Mandi districts had highest number and proportion of rural population below poverty line). In what follows in this chapter, we concentrate on some of the major programs for poverty alleviation.

As in the rest of the country, the major direct poverty alleviation schemes are those under centrally sponsored schemes in Himachal Pradesh. Prominent among them in terms of scale of operations are *Sampoorna Grameen Rozgar Yojana* (SGRY), National Rural Employment Guarantee Act (NREGA), *Swarnajayanti Gram Swarozgar Yojana* (SGSY) and *Indira Awas Yojana* (IAY). The performance and impact under each of these schemes is summarised below along with a brief assessment.

2. Schemes for Employment Generation: SGRY

SGRY (integration of Jawahar Gram Samriddhi Yojana and Employment Assurance Scheme) is a wage-employment programme launched by the central government in 2002 for the rural sector. Its primary objective is to provide wage employment to all rural poor who are in need of it and desire to do manual and unskilled work in and around their village/habitat. The programme is self-targeting in nature with preference given to the agricultural wage earners, non-agricultural unskilled wage earners, marginal farmers, women, members of Scheduled Castes/Scheduled Tribes, parents of child labour withdrawn from hazardous occupations, parents of handicapped children and adult children of handicapped parents who are desirous of working for wage employment.

Table 5.1: Physical and Financial Progress under SGRY

(Rs. lakh)

Year	Releases from			Total Expenditure	Utilisation (%)	Person-days generated
	Centre	State	Total*			
2002-03	2046.00	727.25	2773.25	2381.85	85.89	27.13
2003-04	2394.67	825.34	3220.01	3255.95	101.12	39.06
2004-05	2287.65	746.81	3034.46	3683.45	121.39	40.18
2005-06	1474.03	398.96	1872.99	1967.83	105.06	36.48
2006-07	1439.26	497.40	3063.12	2600.57	84.90	24.32
2007-08	1188.40	426.59	2386.80	1428.75	59.86	9.28

* Figures for 2006-07 and 2007-08 also include opening balance, funds for previous year received during the year and miscellaneous receipts. As such, the utilisation figures for these two years are not comparable with previous years.

The wage payment under this programme has both cash and kind (foodgrains) components. The programme is implemented as a centrally sponsored scheme on cost

sharing basis between the centre and the states in the ratio of 75:25 with respect to the cash component of the programme. Foodgrains are provided to the states free of cost. The performance of this programme in Himachal Pradesh can be initially assessed from the available information regarding its physical and financial performance (Table 5.1).

It is obvious that with the onset of the NREGA, the funds that were being channelled through SGRY have shrunk from 2005-06. The total receipts of the state as well as total availability of funds have decreased substantially since the inception of the scheme. However, a notable point about fund utilisation remains and on that score the state's performance has improved. The percentage utilisation of funds (against total availability) increased from 85.89 percent in 2003-04 to more than 100 percent in 2005-06. In terms of generation of employment, the decline in number of person-days generated is visible since 2005-06 in the physical performance data, as NREGA substituted the SGRY programme.

Given such a scenario, it becomes important to analyse the performance of NREGA in the state and see whether the loss in person-days of employment under SGRY has been taken care of by the NREGA. In particular, concern remains as to whether the districts bearing the major impact of the retraction of funds available for SGRY are being taken care of by NREGA. This aspect of implementation needs careful examination.

3. NREGA

In Himachal Pradesh, two districts out of 12, Chamba and Sirmour, were chosen in the first phase and identified for the implementation of NREGA at the initial stage. Two more districts – Kangra and Mandi – were added in the second phase. As mentioned above, these were the districts with relatively high incidence of poverty within the state. By the end of 2007, all the districts were included under NREGA. The officially reported performance of Himachal Pradesh in implementing the scheme during the previous year as obtained from the details given by the NREGA website (www.nrega.nic.in) are reported in Table 5.2.

Table 5.2: Detailed Progress of NREGA in Districts of Himachal Pradesh – 2008-09

(Employment Generated in lakh Person-days)

District	Scheduled Caste		Scheduled Tribes		Others		Total	Share of Women in col. 8	Share of Women in col. 8 (%)
	Person-days	Person-days (%)	Person-days	Person-days (%)	Person-days	Person-days (%)	Person-days		
1	2	3	4	5	6	7	8	9	10
CHAMBA	7.48	25.36	8.23	27.90	13.79	46.75	29.5	6.1	20.68
SIRMAUR	5.23	36.62	0.35	2.45	8.7	60.92	14.28	0.58	4.06
KANGRA	16.25	28.88	3.95	7.02	36.06	64.10	56.26	29.87	53.09
MANDI	20.84	37.37	0.54	0.97	34.38	61.66	55.76	27.72	49.71
BILASPUR	1.81	37.95	0.16	3.35	2.8	58.70	4.77	1.35	28.30
HAMIRPUR	3.4	34.69	0.03	0.31	6.37	65.00	9.8	3.23	32.96
KINNAUR	0.84	50.00	0.84	50.00	0	0.00	1.68	1.04	61.90
KULLU	2.46	35.96	0.66	9.65	3.72	54.39	6.84	2.58	37.72
LAHAUL & SPITI	0.1	9.52	0.95	90.48	0	0.00	1.05	0.41	39.05
SHIMLA	3.95	35.46	0.01	0.09	7.18	64.45	11.14	3.03	27.20
SOLAN	2.58	49.33	0.09	1.72	2.56	48.95	5.23	1	19.12
UNA	3.87	43.10	0.18	2.00	4.93	54.90	8.98	3.18	35.41
Total	68.81	33.52	15.99	7.79	120.49	58.69	205.29	80.09	39.01

Source: www.nrega.nic.in

As per official statistics, about 100 percent of the households that demanded employment have been issued job cards. Out of the total person-days of employment generated by the state under NREGA, 33.52 percent is for SCs, 7.79 percent is for the STs and 39.01 percent for women. With an expenditure of Rs. 332.27 crore, nearly 205.29 lakh person-days were generated under NREGA in the state in 2008-09. Of this, nearly 61 percent is spent on unskilled wages, another 33 percent on material and just 4 percent on semi-skilled wages (Table 5.3). However, utilization percentage in 2008-09 is around 66 percent. Since NREGA is a demand driven programme, this is not necessarily a shortcoming of implementation; all the same, the low employment generation in some of the districts may bear scrutiny by monitoring agencies.

Table 5.3: Financial and Physical Achievements under NREGA in Himachal Pradesh

(Rs. lakh)

	2007-08	2008-09
Opening Balance	854.88	6076.35
Release from Centre	5432.96	40939.56
State's Share	436.99	2866.12
Total Funds	7210.91	50090.16
Expenditure	5320.64	33227.64
Unskilled labour	3171.68	20337.81
Skilled Labour	574.86	1332.08
Material	1528.97	11151.28
Contingency	45.14	322.98
Other		83.48
Utilization (%)	73.79	66.34
Total Person-days Generated (Lakh)	40.36	205.29
SC (Lakh)	12.99	68.81
ST (Lakh)	2.93	15.99
Others (Lakh)	24.44	120.49
Women (Lakh)	11.5	80.09
Share of State's Contribution in Total (%)	7.44	6.54
Expenditure per Person-day (Rupees)	132	162

4. SGSY

IRDP, TRYSEM, DWCRA and other schemes were restructured and launched with the name *Swarnajayanti Gram Swarozgar Yojana* (SGSY) in 1999. The implementation of the scheme is shared by the financial institutions, *Panchayati Raj* Institutions, District Rural Development Agencies (DRDA), non-government organisations (NGOs), and technical institutions in the districts. These institutions are also involved in the process of planning, implementation and monitoring of the scheme. The scheme incorporates help from the NGOs in certain areas where there is an active participation by them in the form of self help groups (SHGs)[9] as well as in the monitoring of the progress of the *swarozgaris*, the beneficiary households and individuals.

The scheme targets the poorest of poor and embodies a policy designed for establishing a large number of micro enterprises in the rural areas. The list of BPL

[9] It may be of interest to note that another scheme sponsored by NABARD promoting SHGs was successfully in operation when SGSY was launched. The SHGs were overwhelmingly all-women (GoHP, 2002).

households identified through BPL census duly approved by *Gram Sabha* forms the basis for identification of families for assistance under SGSY. The objective of SGSY is to bring assisted families above the poverty line within three years by providing them income-generating assets through a mix of bank credit and government subsidy. The rural poor such as those with land, landless labour, educated unemployed, rural artisans and disabled population are covered under the scheme. Thus, the basic idea here is to develop sustainable income generating self-employment by the beneficiaries instead of providing them with jobs.

SGSY specifically focuses on the vulnerable section of the rural poor. Accordingly, the scheme provides for reservation for the SC/ST (of at least 50 percent), for women (40 percent) and the disabled (3 percent) among those assisted.

Table 5.4: Physical and Financial Progress under SGSY in Himachal Pradesh

(Rs. lakh)

Year	Releases			Total Expenditure	Subsidy	Other Expenditure	No. of Beneficiaries
	Centre	State	Total				
2000-01	431.87	143.94	575.81	667.38	622.60	44.78	11860
2001-02	216.67	72.24	288.91	764.93	598.12	166.81	9091
2002-03	318.63	111.23	429.86	593.07	437.24	155.83	5745
2003-04	304.77	106.54	411.31	642.77	531.88	110.89	7928
2004-05	487.42	162.48	649.90	745.25	617.74	127.51	8950
2005-06	448.75	135.74	584.49	678.32	555.34	122.98	8457
2006-07	481.96	107.52	589.48	630.01	427.91	202.10	5905
2007-08	651.98	245.95	897.93	617.25	418.13	199.12	5757

Source: Government of Himachal Pradesh

An analysis of the financial progress of SGSY in Himachal Pradesh (Table 5.4) shows that over the years expenditure has been consistently higher than total releases, except in 2007-08. Central releases show a significant dip in 2001-02 along with state releases (possibly a case of inadequate matching funds allocated by the state),

subsequent recovery (again in line with state releases) and a significant increase in both state and central releases in 2007-08. Expenditures, however, do not follow the same trend and exhibit a peak in 2001-02, when releases were the lowest. Subsidies show a clear declining trend over the years. The number of SHGs assisted also exhibit a declining trend overall, although there are year-to-year fluctuations. For individual *swarozgaris*, subsidy under SGSY is uniform at 30 percent of the project cost subject to a maximum limit of Rs. 7500, with maximum limit raised to 50 percent of the project cost or Rs. 10,000 in the case of SCs and STs. In the case of SHGs, the limit is 50 percent of the project cost or Rs. 10000 per beneficiary or Rs. 1.25 lakh overall, whichever is less.

There has been an increase in fund disbursement to individual *swarozgari*s and the credit subsidy ratio has actually increased over this period, increasing the average cost of funds under the scheme. The expenditure under SGSY in the state is in fact modest compared to other states. The number of *swarozgari*s has also started declining in latest two years (details in Table 5.4). The reasons for this trend would bear investigation. Of the total 5757 *swarozgari*s in 2007-08 (upto February), nearly 4738 are from SHGs and the remaining 1019 are individuals. 480 self help groups have taken up economic activity out of 744 SHGs in 2007-08. However, the details about the expenditure on training are not available separately; 'other' expenditures amount to about Rs. 2 crore.

5. Housing: Indira Awas Yojana (IAY)

With low density of population as also low levels of poverty, the housing problem is not large in the state in terms of scale. As per Census 2001, there were only 33,000 households living in dilapidated houses. Even with other classification of temporary and pucca buildings, only around 35,000 households are living in temporary and unclassifiable houses (Table 5.5). Of course, it must be remembered that given the climatic conditions in much of the state, proper housing is much more of a basic necessity in the state than in many others. Presence or absence of adequate housing can make the difference between life and death in a large part of Himachal Pradesh.

Table 5.5

Housing in Himachal Pradesh – Census 2001

Location	All Houses	Temporary and	Permanent

	Total	Good	Liveable	Dilapidated	Unclassifiable Houses in Col. 2	
1	2	3	4	5	5	6
Total	1,229,164	761,716	434,033	33,415	35,318	1,193,846
Rural	1,087,582	657,927	400,197	29,458	31,642	1,055,940
Urban	141,582	103,789	33,836	3,957	3,676	137,906

While the Centrally Sponsored Scheme of housing, *Indira Awas Yojana* (IAY), is the major housing scheme for the rural poor in India, it is supplemented by the state's own housing scheme called *Rajiv Gandhi Awas Yojana* in Himachal Pradesh. Under both the schemes Rs. 27,500 per household is given to construct a new pucca house. Also under both the schemes, the achievement against the target is more than 100 percent except in one year (2002-03). Table 5.6 shows that nearly 21,400 new houses under IAY and 20,977 new houses under *Rajiv Gandhi Awas Yojana* were constructed since 2000-01. Nearly 40 percent of the houses constructed were that of SC/ST families. The houses upgraded were 6866. Upgradation of new houses has been discontinued since 2005-06. With nearly 42,000 houses constructed since 2000-01, and only 35,000 living in temporary and unclassified houses in 2001, there seems to be no additional fund requirement for housing in the state.

Table 5.6

Physical and Financial Performance of Housing Schemes in Himachal Pradesh

(Rs. Lakh)

	New Houses				Upgradation of Kutcha Houses				Rajiv Gandhi Awas Yojana		
Year	Number of Houses Constructed	Releases from Centre	Releases from State	Total Expenditure	Number of Houses Constructed	Releases from Centre	Releases from State	Total Expenditure	Number of Houses Constructed	Releases from State	Total Expenditure
2000-01	2325	347.74	107.17	523.195	1391	96.16	32.06	134.33			
2001-02	2490	348.29	131.43	569.04	1362	91.12	30.37	137.64			
2002-03	2128	369.65	126.50	501.33	1266	91.56	30.51	125.33			
2003-04	2658	456.03	153.18	576.95	1183	113.99	38.00	119.17	975	599.94	375.54
2004-05	3085	593.07	197.69	816.39	1664	148.28	49.42	203.32	5198	1239.23	1263.01
2005-06	2929	592.84	256.05	792.91					4541	1174.39	1224.77
2006-07	3317	765.63	173.33	907.53					3793	1285.00	1175.66
2007-08	2508	789.78	242.28	833.95					6470	1740.24	1186.66

Source: Government of Himachal Pradesh

6. Budgetary Expenditure for the Poor: Classification by Intent

In this section, we examine recent trends in government expenditure, classifying it into three somewhat arbitrarily defined categories of (i) administrative expenditures, (ii) growth-oriented expenditures and (iii) poverty-oriented expenditures. While the first is essentially defined as commonly understood, the second covers those expenditures that are primarily intended to enhance the productive capacity of the state, e.g., on infrastructure. Thus, the impact of this type of public expenditure on the poor is expected to be generally indirect through the overall development of the state, somewhat akin to the 'trickle-down' theory. The last category includes those expenditures that are intended to alleviate poverty directly, either through transfer payments or through enhancement of capacity of selected poor/ backward groups. The classification is based on available information in the budget and some prior knowledge about various schemes. Obviously, there are several borderline cases, which have been resolved with subjective judgment, and therefore the classification can only be called indicative. Details of the procedure adopted are given in Sen and Chand (2004). The basic purpose of this classification is to form a rough idea about the focus of the government on the route chosen to better the conditions for the poor.

The classification of expenditure by intent into pro-poor, growth-oriented and administrative expenditures in Himachal Pradesh (Table 5.7) reveals that nearly half of the expenditure is administrative expenditure. Though it has come down from 50 percent in 2004-05 to 45 in 2006-07, it is still high compared to other states. Of the remaining 55 percent in 2006-07, nearly 30 percent is growth oriented and the remaining 25 percent is pro-poor expenditure. Of the total expenditure comprising 30.5 percent of GSDP, nearly 26 percent of GSDP is revenue expenditure and the remaining is capital expenditure. In all the three years of reference, net lending had been negative in the first two years and became positive in 2006-07. A little more than 50 percent of revenue expenditure is on administration. Since the poverty levels in the state are low, it is not surprising that developmental expenditure dominates the pro-poor expenditure in the revenue account of the government expenditure. Growth-oriented expenditure dominates in capital expenditure too (as is usually the case), but its share has declined from 66 percent in 2004-05 to 61 percent in 2006-07. As capital expenditure is substantially growth oriented, the administrative expenditure component is around 5 percent in all the three years. Total expenditure in real terms has been growing in these years, with the growth

being marginally faster than in GSDP, resulting in a small rise in the ratio of total expenditure to GSDP.

Table 5.7: Classification of Government Expenditure in Himachal Pradesh

Expenditure Categories	In Current Prices (Rs. lakh)			Shares (%) in					
				Respective Totals			in GSDP		
	2004-05	2005-06	2006-07	2004-05	2005-06	2006-07	2004-05	2005-06	2006-07
A: Revenue Expenditure	574007	625244	751537	100.00	100.00	100.00	24.93	24.58	26.56
1. Pro-poor Expenditure	128621	145535	177482	22.41	23.28	23.62	5.59	5.72	6.27
2. Growth-oriented Expenditure	130488	161957	193180	22.73	25.90	25.70	5.67	6.37	6.83
3. Administrative Expenditure	314898	317753	380874	54.86	50.82	50.68	13.68	12.49	13.46
B. Capital Outlay	65398	82076	110981	100.00	100.00	100.00	2.84	3.23	3.92
1. Pro-poor Expenditure	19533	26780	37168	29.87	32.63	33.49	0.85	1.05	1.31
2. Growth-oriented Expenditure	42883	50122	67684	65.57	61.07	60.99	1.86	1.97	2.39
3. Administrative Expenditure	2982	5173	6128	4.56	6.30	5.52	0.13	0.20	0.22
C. Net lending	-200	-784	235	100.00	100.00	100.00	-0.01	-0.03	0.01
1. Pro-poor Expenditure	-3	-2	28	1.32	0.20	12.07	0.00	0.00	0.00
2. Growth-oriented Expenditure	-198	-782	206	98.68	99.80	87.93	-0.01	-0.03	0.01
3. Administrative Expenditure	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00
D. Total Expenditure	639206	706536	862752	100.00	100.00	100.00	27.76	27.78	30.49
1. Pro-poor Expenditure	148150	172314	214679	23.18	24.39	24.88	6.43	6.77	7.59
2. Growth-oriented Expenditure	173174	211297	261070	27.09	29.91	30.26	7.52	8.31	9.23
3. Administrative Expenditure	317881	322926	387003	49.73	45.71	44.86	13.81	12.70	13.68

Source: Own computations based on budgetary data from *Finance Accounts* for the two years and *Estimates of State Domestic Product, Himachal Pradesh*, Directorate of Economics and Statistics, Government of Himachal Pradesh.

Even when overall expenditure pattern favours the growth-oriented strategy, different categories of expenditure could show different patterns. Social services by definition ought to be targeted as far as possible towards the poor, and the pattern of expenditure should conform to that. In the case of economic services, however, most of the expenditures are likely to be on physical infrastructure or improving physical productivity of the economy; such expenditures are less likely to be pro-poor.

Examination of public expenditures under these two categories (Table 5.8) confirms the *a priori* expectations to a large extent.

Table 5.8
Classification of Public Expenditure on Social/ Economic Services in Himachal Pradesh

Expenditure Categories	Amounts in Rs. lakh						Shares (%) in					
	Current Prices			1993-94 Prices			Respective Totals			in GSDP		
	2004-05	2005-06	2006-07	2004-05	2005-06	2006-07	2004-05	2005-06	2006-07	2004-05	2005-06	2006-07
Social services (Revenue + Capital + Net Lending)	216648	246323	303112	181410	202592	244840	100.00	100.00	100.00	9.41	9.68	10.71
1. Pro-poor Expenditure	122061	143141	177547	102207	117728	143414	56.34	58.11	58.57	5.30	5.63	6.27
2. Growth-oriented Expenditure	83139	91210	108808	69616	75017	87890	38.37	37.03	35.90	3.61	3.59	3.85
3. Administrative Expenditure	11449	11972	16757	9587	9847	13535	5.28	4.86	5.53	0.50	0.47	0.59
Economic Services (Revenue + Capital + Net Lending)	147030	172613	223243	123115	141968	180325	100.00	100.00	100.00	6.39	6.79	7.89
1. Pro-poor Expenditure	26090	29173	37132	21846	23993	29993	17.74	16.90	16.63	1.13	1.15	1.31
2. Growth-oriented Expenditure	89749	119468	151975	75151	98258	122758	61.04	69.21	68.08	3.90	4.70	5.37
3. Administrative Expenditure	31191	23972	34136	26118	19716	27573	21.21	13.89	15.29	1.35	0.94	1.21

Source: As in Table 5.7

Of the total expenditure of 30.49 percent of GSDP in 2006-07, nearly 11.89 percent of GSDP is on general and administrative services; the remaining 18.60 percent is on social and economic services. Considering expenditures on social services only, nearly 58 percent of the expenditure on social services is pro-poor, 36 percent is development oriented and the remaining 5 percent is on administration. In contrast, nearly 70 percent of the expenditure is growth oriented and only 17 percent is on pro-poor in nature in economic services (Table 5.8). The share of administrative expenditures is 14 percent in economic services. Thus, the expenditure patterns appear to be along the expected lines in general. The high share of administrative expenditures (including interest payments), however, may need a closer look. In some sense, it constitutes a leakage of public expenditure because for every rupee spent by the government, only about 50p end up as actual service provision. This is to a large extent because of high interest payments that are included in general services (as also in administrative expenditures in expenditure category A and D in Table 5.7) Keeping public expenditure level the same, a reduction in the expenditure on administrative

overheads would automatically raise the level of benefits received by the citizens from public expenditure.

7. Additional Fund Requirement for Wage Employment

The Government of Himachal Pradesh could generate 205.29 lakh person-days with a cash expenditure of Rs 332.27 crore in 2008-09 under NREGA. With a poverty ratio of 10 in 2004-05, nearly 6.14 lakh rural persons were below the poverty line in Himachal Pradesh. The number of man-days required to be generated under NREGA varies with the three estimates of BPL population, i.e. Planning Commission, BPL survey and the number of job card holders demanding wage employment. With a simple calculation based on the NREGA norms of 100 person-days with Rs 100 as the wage rate, the Government of Himachal Pradesh would require no additional funds towards wage expenditure to provide jobs for one person from each uncovered poor household as per Planning Commission estimates. However, if we take the BPL households as per BPL survey or the number of job card holders demanding employment under NREGA in 2008-09, the additional requirement shoots up to Rs. 12.59 or to 40.59 crore (Table 5.9).

Table 5.9: Additional Resource requirement Under NREGA for Himachal Pradesh

(Figures in lakh)

1	Population below Poverty Line	6.14
2	Converted to Households (3.97)	1.55
3	BPL households as per BPL census	2.82
4	Number of Man-days needed to Cover the entire Rural BPL population	
5	As per Planning Commission Estimates	154.66
6	As per BPL survey estimates	282.37
7	Number of job Cards Issued	8.5
8	Number of job card holders demanding employment	4.54
9	Man-days generated under NREGA	205.29
Deficit		
12	As per Planning Commission estimate [(5)-(9)]	-50.63
13	As per BPL survey [(6)-(9)]	77.08
14	As per number of people demanding employment [(8 x 100) – (9)]	248
Requirement of Additional spending on Unskilled Wages at the wage rate of Rs. 100 per day (Rs. lakh)		
15	As per Planning Commission estimate	Nil
16	As per BPL survey	7708
17	As per number of people demanding employment	24843
Additional Total Expenditure required Under NREGA (Rs. lakh)		
18	As per Planning Commission estimate	Nil
19	As per BPL survey	12593
20	As per number of people demanding employment	40589
Share of Additional State Contribution (10% of above) (Rs. lakh)		

21	As per Planning Commission estimate	Nil
22	As per BPL survey	1259
23	As per number of people demanding employment	4059

The computations in Table 5.9 are based on the assumption that one person from each poor household has to be provided a job under NREGA; alternatively, we consider the number of persons demanding employment. These jobs to be provided are further assumed to be unskilled ones, allowing estimates of required expenditure on unskilled wages based on alternative job requirements. These estimates of expenditure are scaled up to the total expenditure under the scheme using a scaling up factor derived on the actual expenditures of the previous year. Finally, again on the basis of available details, the state contribution in the total expenditure under the scheme is taken to be 10 percent (the rest being central contribution); this allows estimation of state level resource requirements under alternative estimates of jobs to be provided.

8. Public Distribution System

Food is the most basic necessity for everyone and a major part of the total consumption of the poor. Food security – availability of food at reasonable prices – obviously contributes to the well-being of the poor more than anything else. Naturally, along with direct poverty alleviation measures, an effective guarantee of food security has been an accepted method of making a dent on poverty. As in rest of the country, public distribution system (PDS) for foodgrains and some other basic necessities is operated in the state with the central government setting the broad parameters and the state government supplementing it. The system in the state has the usual categorisation of PDS consumers into APL and BPL; PDS coverage in Himachal Pradesh has been universal and does not exclude the people above poverty line. But in line with the targeted PDS or TPDS system initiated by the central government in 1997, the pricing of foodgrains varies for consumers under APL and BPL categories. TPDS has been further broad-based with the introduction of *Antyodaya Anna Yojana* with effect from March 2001 with additional benefits to the highly vulnerable sections and the poorest of the poor families. *Annapoorna* scheme has also been started to cover the aged people not receiving old age pension.

A total number of 14.47 lakh ration cards are ‘live’ at present (including the APL families), covering 70.25 lakh persons under the scheme through a network of 110

wholesale godowns and 4353 retail fair price shops in the state. Of these retail outlets, 2888 (66 percent) are managed by cooperatives, 1287 (29 percent) by individuals and the remaining by the *Panchayat*s, *Mahila Mandal*s (all-women Self help Groups) and government department(s) concerned. A significant number of APL households are actually utilizing the PDS scheme. Of total 14.47 lakh families covered under PDS, nearly 9.33 lakh (64 percent) are APL families. The remaining 36 percent are BPL families, one-third of which – about 1.97 lakh families – were given *Antyodaya* cards treating them as the poorest of the poor.

The issue price and consumer price varies across different types of card holders. In 2008, issue price of wheat was Rs. 2 per kilogram for AAY card holders, Rs. 5.15 and Rs. 6.10 for BPL and APL card holders respectively. The consumer price of wheat was Rs. 2, Rs. 5.25 and Rs. 8 respectively for AAY, BPL and APL families. The issue price of rice was Rs. 3, Rs. 5.65 and Rs. 8.30 respectively and the consumer price is Rs. 3, Rs. 6.85 and Rs. 9 respectively. The issue price and consumer price of sugar was the same across all categories at Rs. 13.5 per kilogram. All the cardholders get 15 kg. of wheat and 20 kg. of rice through the PDS outlets.

Table 5.10: Allocation and Lifting of Foodgrains in Himachal Pradesh – 2007-08

(MT/KL)

Commodity	Allocation	Lifting	Percentage Lifted
Wheat/ Atta (APL)	142402	117301	82
Rice APL	108460	101089	93
Wheat BPL	43615	41034	94
Rice BPL	78430	72949	93
Wheat AAy	32505	31455	97
Rice AAy	43340	43073	99
Levy Sugar	53804	54949	100
Kerosene	59521	56126	94
Dal Chana	15400	12977	84
Dal Urad	15400	12840	83
Dal Malka	15400	12243	80

Source: Government of Himachal Pradesh

The universal coverage appears to have involved substantial inclusion errors (non-BPL families getting benefits meant for BPL families) as also shadow ownership errors or ghost cards (Planning Commission, 2005). Leakage through ghost cards is estimated to be very high (more than 30 percent), leading to high leakage overall despite small leakages at other possible points. Himachal Pradesh is one of the few states with high levels of offtake as compared to allocations – lifting is nearly 90 percent of allocation in general (see Table 5.10) – and this is partly attributed to the ghost cards.

An independent evaluation of the extent of targeting and the benefits derived by the poor from PDS in terms of foodgrains can be made from the NSSO data reported in Table 5.11. The table shows clearly that the poor make use of PDS most: all households taken together obtain a significant part of their foodgrains only in the case of rice in rural areas, but that is largely because the BPL households obtain almost 84 percent of their rice consumption from PDS in rural areas. However, BPL households actually obtain a larger part of their consumption of wheat from non-PDS sources in rural areas; for non-BPL households, non-PDS sources are much more significant. In urban areas, BPL households depend heavily on PDS for their consumption of foodgrains (both rice and wheat), while non-BPL households' consumption from PDS is negligible. Together, the data clearly show that (a) BPL households depend heavily on PDS as a source of their foodgrain consumption and (b) the non-BPL households' dependence on PDS is quite small. Thus, the inescapable conclusion from the NSSO data is that the PDS system is both beneficial to the poor and is well targeted in the state.

Table 5.11: Average Consumption of Foodgrains from PDS and Other Sources

(Kilograms)

	BPL Households		All Households	
Category	PDS	Other Sources	PDS	Other Sources
Rural				
Rice	17	4	9.5	9.5
Wheat	13	16	6	22
Urban				
Rice	17	4	2	11
Wheat	17	12	1	18

Source: *Public Distribution System and Other Sources of Household Consumption*, Vol. I, N.S.S. Report No. 510, National Sample Survey Organisation, Government of India, 2007

Periodic supervision and quality checks help in effective targeting and quality maintenance of the foodgrains distributed. Of 534 samples checked by the department in 2007-08, nearly 76 samples failed the quality standards and the foodgrains from such outlets were withdrawn. Nearly 13,400 visits were made by the Directorate staff for making quality checks during 2007-08 in the state as per records. To reduce the operational cost of the fair price outlets, the transport cost from wholesale godowns to the retail outlets is borne by the state government.

9. Social Security: Old age pensions

Without family support, older persons with no income are not only poor but are also unable to take advantage of work-related poverty alleviation programmes. This is a problem the size of which depends on the extent social values (family ties) permit it and on life expectancy. The older persons among the poor have to be taken care of through direct transfers in a welfare state, since they cannot be expected to earn their keep through working. In the state, there are three types of pensions: National Old Age Pension (NOAPS) under a programme initiated by the Government of India, complemented by two programmes of old age pension and widow pension provided by the state government, besides a pension for aged leprosy patients. In 2006-07, the monthly pension under each of these categories was Rs. 200 per month and has now been enhanced to Rs. 300 per month, of which Rs. 200 is borne by the GoI and the rest by the state government.

Table 5.12: Social Security Pensions in Himachal Pradesh

	2004-056		2005-06		2006-07	
	Number of Beneficiaries	Expenditure (Rs. Lakh)	Number of Beneficiaries	Expenditure (Rs. Lakh)	Number of Beneficiaries	Expenditure (Rs. Lakh)
NOAPS	22700		22700		41342	
Old age Pension	97037	3666.84	104698	3237.39	85593	3650.44
Distress Relief Allowance	18103		21393		21856	
Widow Pension	56762	1415.95	61558	1475.07	61558	1532.7
Leprosy Pension	1880	45.75	1901	42.87	1901	42.15

Source: GoHP.

As per information provided by the GoHP, all the eligible applicants are being covered in the States under these categories. Total number of old age pensioners under NOAPS and state-level old age pension scheme is a little more than the estimated 65+

aged population in the state as per 2001 census (the state coverage is for persons 60 years old or older). Since there is complete coverage, any additional resource requirement would be necessary only when the pensions are revised upwards.[10] The current level of state expenditures on pension schemes is given in Table 5.12.

Per capita expenditure including postage charges is around Rs. 2500 per annum for all the pensioners except Leprosy Pensioners, whereas for the latter it is Rs. 2200 per annum. With recent increase in the rate of pension from Rs. 200 to Rs. 300, estimated expenditure under these schemes for the year 2007-08 would be around Rs. 8300 lakh as against budget allocation of Rs. 6477.52 lakh. Prior to the change in rate of pension, the actual expenditure in 2006-07 was around Rs. 5225 lakh.

[10] Some states have raised the monthly pension to Rs. 400.

V. FINANCING ADDITIONAL RESOURCE REQUIREMENTS

1. Introduction

One advantage of past achievements is that there is less to achieve in future, if the maximum is finite. There are also less axiomatic advantages, namely those relating to a snowballing effect of such achievements, both in the same sector as well as in other sectors. For example, the achievements of Himachal Pradesh in the area of elementary education has already created a groundswell of social awareness about education, and the state does not have to worry about demand side at all. Further, given the links between education and health outcomes, the job becomes considerably easier in the area of health, sanitation, water supply etc. This is a very distinct advantage, as for example, those who are struggling to raise the female literacy in Rajasthan would earnestly certify. Relative ease of achievement ought to translate into comparatively lower financial requirements as well, but this is subject to some caveats. Taking the case of elementary education again, while a more or less full enrolment implies little requirement in terms of additional schools and other related infrastructure, it also implies a large current expenditure on running the schools already in place. Thus, the focus shifts from additional expenditure required to the regular annual expenditures. In this sense, our estimated requirement of additional expenditures in various areas are of less significance in a state like Himachal Pradesh as compared to, say, Orissa. This is the background in which our (relatively small) estimates have to be seen. However, having stated that regular expenditures are more important than incremental ones at the present juncture, an assessment of the state's fiscal scenario is also in order, mainly to assess the capacity of the state – with and without central transfers – to be able to continue, as it were, in the same way as before.

2. Estimated Requirements and Available Resources

Putting the estimated resource requirements estimated in the three preceding chapters together, the annual requirements from the state's untied resources without any inflation adjustment work out to Rs. 455 crore per year for the next four years. This amount, it may be emphasised, is net of the estimated specific purpose grants that are available in connection with particular Centrally Sponsored Schemes. Adjusting for 5

percent annual inflation, the amounts would come to Rs. 455, 478, 502 and 527 crore respectively for the four years 2008-09 to 2011-12. Of these four years, 2008-09 is already in the past, while 2009-10 is also practically over. Estimates for the last two years would thus be conditional upon the estimated additional expenditures being met in the preceding two years. With a total expenditure (revenue + capital outlay) of Rs. 10656 crore in 2007-08, these amounts are only between 4 and 5 percent of the total expenditure. Assuming public expenditure growth by at least 10 percent per annum, these increases can be (and should have been) easily subsumed within the normal growth, the only requirement being that the growth in expenditure should be directed towards the same objects that have been incorporated in the estimates made here. Even otherwise, these amounts are not large enough to cause any major worry.

As noted earlier, it is the regular expenditures the continuation of which is somewhat dependent upon the state's fiscal situation. The broad parameters of the fiscal health of the state are given in Table 5.1. The dependency ratio is above 40 percent in all the years and is particularly high in two years, 2005-06 and 2006-07. In recent years, total revenue receipts have risen substantially, but the revenue expenditures have remained relatively stable at around 27 percent or lower of GSDP. The higher receipts have been used to finance capital expenditures and to reduce the deficit levels that were at very high levels until 2003-04. Total expenditures, after a drop in two years after 2003-04, have regained the level of around 31 percent of GSDP.

Table 5.1: Fiscal Summary – Himachal Pradesh

(Percentages to GSDP)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Receipts	19.4	21.7	19.4	19.2	20.1	25.5	27.4	28.4
Total Tax Revenue	6.8	7.2	6.5	6.9	7.8	7.7	8.0	8.5
Own Tax Revenue	4.7	5.3	4.7	4.8	5.4	5.8	5.8	6.1
Shared Central Taxes	2.1	1.9	1.8	2.2	2.3	1.9	2.2	2.5
Total Non-tax Revenue	12.7	14.4	12.8	12.3	12.3	17.8	19.4	19.8
Own Non-tax Revenue	1.1	1.2	0.9	1.4	2.6	2.7	4.7	5.7
Grants from Centre	11.6	13.3	11.9	10.9	9.7	15.1	14.7	14.2
Revenue Expenditure	27.6	26.7	27.2	27.0	25.1	25.2	26.7	25.7
Capital Outlay	3.5	3.8	4.5	3.8	2.8	3.2	3.9	4.4
Total Expenditure	31.2	30.5	31.7	30.7	27.9	28.3	30.6	30.1
Revenue Deficit	8.2	5.0	7.8	7.8	5.0	-0.4	-0.7	-2.6
Fiscal Deficit	11.8	8.8	12.4	11.5	7.8	2.8	3.2	1.7
Dependency Ratio* (%)	43.8	49.8	43.3	42.5	43.0	60.1	55.3	47.1

* Defined as (shared central taxes + grants from centre)/ total expenditure

Between 2003-04 and 2007-08, revenue receipts have risen by 9.2 percentage points (of GSDP); out of this, 3.3 percentage points are ascribable to increase in central grants, 1.3 percentage points to own tax revenues and 4.3 percentage points to own non-tax revenues. Thus, it would not be correct to say that the state's revenues are heavily dependent on central transfers. In fact, the dependency ratio, though high, is not unusually so; other states (including for example, the non-special category state of Orissa) have a similar dependency ratio. The latest trends are quite encouraging in the sense that the state's own revenue efforts have garnered more revenue than higher central transfers.

3. Pros and Cons

Of course, it remains true that the recent slowdown of the Indian economy is likely to have adverse effects on the state's own revenue mobilisation effects as well as central transfers. This is particularly so in the state because the newfound maturity of the state's finances depends heavily on the secondary sector, particularly manufacturing, which is the hardest hit by the recent slowdown. Even so, one must remember that the slowdown is only relative – no one's talking about a macroeconomic growth rate of less than 5 percent even during the slowdown. A real growth rate of 5 percent would probably mean a nominal growth rate of around 10 percent; as long as all the public finance aggregates maintain their proportion to GSDP, a 10 percent growth in expenditures in the short run should automatically follow, taking care of the normal increase.

There is no reason to believe that the central transfers will fall significantly either; while on the one hand the slowdown may reduce tax devolutions from the centre to some extent, the grants may in fact go up a little consequent upon the anti-recessionary step-up in central government expenditures including transfers to states. Tax devolutions now constitute less than 10 percent of the state's revenues, in any case.

A more substantive problem arises from the indebtedness level of the state. As per the statement presented to the state's Legislative Assembly on Medium Term Fiscal Plan by the Finance Department in March 2008, the state's outstanding debt as a percentage of GSDP was 65 percent; outstanding guarantees were another 10 percent or so. This level of indebtedness obvious restricts the fiscal space available, because

interest payments and debt repayments together gobble up much of the receipts. If expenditures are not restricted, deficits become the order of the day adding to the indebtedness and causing a fiscally destabilising cycle to gather pace. The state's medium term fiscal plan expects to bring down the level of indebtedness progressively, but the success in achieving this objective will depend on the level of fiscal deficits in the next few years, which in turn will depend on the ability to rein in expenditures. With a large army of state employees (according to some, the largest as a proportion of the population among Indian states) and a salary level of around 30 percent of the total expenditures, the fiscal flexibility is limited. This is further limited by a large pension bill of around 10 percent of the revenue expenditures. Interest payments, salaries and pensions – these three committed expenditures were estimated to account for around 54 percent of the total expenditure of about Rs. 10700 crore. Further, as Sanan (2004) explains, certain characteristics of the state and its political economy makes it extremely difficult to curb either the number of government employees or the wage (and pension) bill. This presents the real threat to sustaining human development in this high-achiever hill state; although the largest part of the major human development sectors like education and health are highly wage-intensive and thus somewhat taken care of by the protection to salaries, lack of complementary expenditures can reduce their effectiveness substantially. The state will have to remain alert that this does not happen.

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