

# SCALING THE HEIGHTS

Social Inclusion and Sustainable Development  
in Himachal Pradesh

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WORLD BANK GROUP



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## Foreword

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We are often asked: “what does social inclusion and sustainable development look like?” While the question really doesn’t have a clear answer, because it is so context-specific, we use Himachal Pradesh as something of a benchmark. This small Himalayan state in India stands apart in advancing sustainable green growth as well as social inclusion. It has achieved and maintained a degree of equality—across income, caste, tribe and gender—that is admirable by any standard. The state and its citizens have created public goods of global significance, such as by vowing to become “carbon neutral” by 2020 and by their remarkable sense of environmental consciousness. There are few countries in the world where governments have banned the use of plastic bags and smoking in outdoor public spaces, and where citizens and the state jointly enforce the ban, such as in Shimla, the capital of Himachal Pradesh.

The fact that Himachal Pradesh has achieved good outcomes in health, education, gender equality, and access to rural infrastructure is well known in India, but no single piece of work has actually analyzed why this may be the case. It is true that central government funds, due to its “special category” status, have allowed Himachal Pradesh a degree of fiscal flexibility. But why did it spend so responsibly? Why did it focus on public service delivery and on improving outcomes? Why is the state as accountable to its citizens as it is? This report peels through to many of the underlying drivers of Himachal Pradesh’s social inclusion. In that sense, it is the first macrosocial analysis of Himachal Pradesh that sets the context, then paints a picture, looks to the likely drivers of future progress, and finally, prognosticates on the way ahead.

*Scaling the Heights: Social Inclusion and Sustainable Development in Himachal Pradesh* tells us that commitment of the state and progressive policies

are important, and that they are achievable. It points to land reforms as a critical factor in enabling all groups to take part in rising prosperity. It tells us about legislation that has protected the environment, and about policy that ensures that citizens share benefits in a new phase of infrastructure-driven growth. It moves away from the fatalism contained in explanations of social exclusion that imply that culture, social norms, and practices are immutable. In short, *Scaling the Heights* demonstrates that the state can be the foremost propeller of social inclusion.

At the World Bank, we have committed to ending extreme poverty and boosting shared prosperity. Himachal Pradesh shows us that great strides can be made in reducing extreme poverty within a generation, while at the same time, sharing prosperity even with groups that were historically left behind. That is a powerful demonstration for other contexts. It also helps us think of shared prosperity as income growth, sustainability, and inclusion of traditionally disadvantaged groups. The World Bank Group is proud of its long-standing partnership with Himachal Pradesh. Our Country Partnership Strategy for India has social inclusion as one of its pillars and we are committed to sharing knowledge across different contexts. This documentation of Himachal Pradesh's journey will stand us all in good stead.

Yet, as Himachal Pradesh forges ahead, it will have to deal with new challenges. This is because social inclusion is an ongoing process, where progress in one area will inevitably affect others, and new issues will arise as a consequence of previous successes and new realities. Himachal Pradesh's previous achievements create confidence in its ability to maintain the kernels of success and to adapt to the state's new development context. While the narrative contained in this report is primarily intended as an assessment of the state's track record of social inclusion, it will be an important resource for other states and countries that have committed to their own journeys in the same direction.

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## Abbreviations

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AGEI	Adolescent Girls Employment Initiative
AGI	Adolescent Girls Initiative
AIDS	acquired immunodeficiency syndrome
APL	above poverty line
ASER	Annual Status of Education Report
BCG	Bacillus Calmette–Guérin
BPL	below poverty line
CAG	Comptroller and Auditor General of India
CAS	casual labor
CLAP	Community-Led Assessment, Awareness, Advocacy and Action Program
CLTS	community-led total sanitation
CPS	Country Partnership Strategy
CSS	centrally sponsored schemes
DHS	Demographic and Health Survey
DPT	diphtheria, pertussis and tetanus
EF	Employment Fund
FLFP	female labor force participation
FSE	farm self-employed
GDP	gross domestic product
GoHP	government of Himachal Pradesh
HPMC	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation
IAS	Indian Administrative Service
ICDS	Integrated Child Development Services

IHDS	India Human Development Survey
IIPA	Indian Institute of Public Administration
IIPS	International Institute for Population Sciences
ITIs	Industrial Training Institutes
LADC	Local Area Development Council
LADF	Local Area Development Fund
LFPR	Labor force participation rate
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
MTA	mother-teacher association
NCERT	National Council of Educational Research and Training
NFHS	National Family Health Survey
NFSE	nonfarm self-employed
NGO	nongovernmental organization
NLF	not in labor force
NSDC	National Skills Development Corporation
NSS	National Sample Survey
OBCs	Other Backward Classes
ODF	open defecation free
PDS	public distribution system
PROBE	Public Report on Basic Education
PSIA	Poverty and Social Impact Analysis
PTA	parent-teacher association
R&D	research and development
REG	regular wage labor
SCs	Scheduled Castes
SRS	Sample Registration System
SSA	Sarva Shiksha Abhiyan
STs	Scheduled Tribes
T&E	training and employment
TFR	total fertility rate
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
WBG	World Bank Group

## Summary

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Infrastructure is likely to be the main engine of growth in India, and the Himalayan state of Himachal Pradesh is no exception. Simultaneously, the discontents of infrastructure—both potential and actual—have been salient in India’s public discourse for some time now, as they have been elsewhere. Concerns and questions have been raised about whether infrastructure-led development will exacerbate traditional forms of exclusion; whether it will be environmentally sustainable; whether benefits will be shared equitably; whether such growth will respect institutions or assist in building new and effective ones; and whether citizens will have a voice in decisions about timing and location of infrastructure, as well as in other processes. In short, will infrastructure-led growth be “inclusive”?

Himachal Pradesh has the reputation of being stable, inclusive, cohesive and well-governed and it stands apart in many respects from its neighbors in northern India. It has additionally, achieved remarkable growth, especially in the last two decades, which has been accompanied by very good human development outcomes. Despite being a predominantly rural society, educational attainment in Himachal Pradesh for instance, is among the best in the country; poverty headcount is nearly one-third of the national average; life expectancy is 3.4 years longer than the number of years an average Indian expects to live; and, per capita income is the second highest among “special category” states in India. Underlying its strong economic and social development outcomes is Himachal Pradesh’s commitment to expand access to public services to the remotest areas, across tough, hilly terrain and its strong institutional foundations. Inter-group disparities are low in a state where traditionally disadvantaged groups such as the Scheduled Castes (SCs) and Scheduled Tribes (STs) make up a solid 30 percent of the population.

## Main messages

1. Himachal Pradesh is a success story in poverty reduction and has some of the best human development outcomes in India.
2. Historically excluded groups such as Scheduled Castes (SCs), Scheduled Tribes (STs) and women have better access to markets and services in Himachal Pradesh than they do in most other states.
3. The state is on a path of high growth that will likely be driven by sectors such as energy, watershed development, tourism and industrial development. While growth is expected to result in significant economic gains, it can also entail potential costs.
4. Himachal Pradesh's previous record shows that it has effectively balanced economic growth with social inclusion, and achieved this because it had fiscal space, an accountable bureaucracy and leadership, and a cohesive society.
5. Going forward, Himachal Pradesh is poised to build on its strong foundations, but will also deal with unresolved issues from the past and new issues of social inclusion and sustainability. It will need to strike a balance between the aspirations of its citizens, who have high expectations from their government, and the state's new path of high-growth.

Clearly, Himachal Pradesh's formal and informal institutions have remained robust to change; yet literature that can help understand *why* it has had such a positive trajectory is lamentably sparse. Are its development outcomes merely a coincidence of history and culture, or are there actions that can be replicated elsewhere? Can we predict whether good outcomes will sustain in the wake of change and in a new phase of infrastructure-driven growth? How can policy maintain the state's previous successes as new and different types of development challenges arise, while also addressing the areas in which the state has traditionally lagged behind? This report explores answers to these questions within the context of the evolution of state policies and the changing demographic profile and development context of Himachal Pradesh.

*Scaling the Heights: Social Inclusion and Sustainable Development in Himachal Pradesh* is a macrosocial account of the state's achievements over the past several decades. Simultaneously, it is an interdisciplinary attempt to un-

derstand the confluence of factors that allowed Himachal Pradesh to move toward social inclusion and sustainable development. The report peels through the underlying drivers of the state's success, including for instance, the state's much celebrated social fabric and its strong institutional foundations that have enabled it to remain inclusive and stable. In doing so, the report serves as a strong, empirical demonstration for other states and countries that are going through similar transitions.

The report focuses on three main questions based on *looking back*, *understanding why*, and *prognosticating*:

1. Has Himachal Pradesh's success in reducing poverty and its progress in social and human development outcomes been noteworthy enough to generate confidence in its track record of delivery?
2. What have been the institutional and policy foundations of Himachal Pradesh's outcomes? Why has Himachal Pradesh achieved relatively good outcomes?
3. What are the likely issues for sustainability of social and human development and for environmental outcomes as the state ramps up its infrastructure-led growth trajectory? Will the previous correlates of success remain robust to the rapid churning taking place across Himachal Pradesh?

The main argument of *Scaling the Heights* is that given Himachal Pradesh's positive record of social development and human development outcomes over the last few decades, the chances that the future will be a reflection of the past are high.

## Has Growth in Himachal Pradesh Been Inclusive?

“Inclusion” or “social inclusion” is not easy to measure. It is all too often many things to many people. A recent report *Inclusion Matters: The Foundation for Shared Prosperity* (World Bank, 2013b) defines social inclusion as “the process of improving the ability, opportunity, and dignity of people disadvantaged on the basis of their identity to take part in society.” It points out that individuals and groups seek to be included in three interrelated domains—markets, services and spaces—which form the microcosm of their lives and represent both barriers to and opportunities for inclusion. *Scaling the Heights* focuses on two of these three domains. For markets, it focuses on land and labor, which are two key areas of exclusion for disadvantaged

groups, especially in the Indian context. For services, it focuses on education, sanitation, health and infrastructure that have all witnessed fairly dramatic improvements in Himachal Pradesh. It does not dwell on the idea of spaces, except to highlight ways in which women in the state have claimed social and political spaces over a period of time.

A sharp decline in poverty heralded the greatest change towards social inclusion in Himachal Pradesh. This occurred especially in rural areas, where over 90 percent of the state's population lives. Between 1993–94 and 2011, rural poverty in Himachal Pradesh declined from 36.8 percent to 8.5 percent—a fourfold decline, impressive by any standard. Admittedly, while rural poverty continued to decline after 2004, urban poverty changed only marginally between 2004 and 2011. This poverty decline moreover, benefitted all social groups across rural and urban areas.

Land reforms that were first introduced in the 1950s and deepened in the early 1970s, have perhaps been the foundation for social inclusion in Himachal Pradesh. Almost 80 percent of rural households in the state possess some land; distribution of land across social groups is also more equal in Himachal Pradesh compared to its neighbors and to the rest of India. Perhaps because of this, Himachal Pradesh also has relatively smaller landholdings on average, with the majority of households in the state possessing less than one hectare of land, and medium and large farmers accounting for only 4 percent of all landholdings. Crucially, SCs who have been historically over-represented among the landless, and often bound in a range of oppressive relations with landowners, elsewhere in India, tend to own land in Himachal Pradesh. The differential between them and other groups in terms of average landholding size has converged over time.

The labor market in Himachal Pradesh has been another area for relatively more inclusive outcomes, when compared to elsewhere in India. Men's employment rates are similar to the rest of the country and to neighboring states, but the bigger success story is in women's employment. In 2011–12, about 63 percent of rural women in Himachal Pradesh reported themselves as being employed. This places Himachal Pradesh second in female labor force participation in the country, after Sikkim, and significantly above the all-India average of 27 percent. In urban areas, the female labor force participation rate in Himachal Pradesh was much lower, at 28 percent in 2011, in keeping with the "classic" Indian pattern, but was nonetheless, double that of neighboring states. In fact, urban women's employment in Himachal Pradesh was at exactly the same level as those in urban areas of Kerala and Tamil Nadu. Much of this is driven by the fact that women in rural areas in Himachal Pradesh are more than twice as likely as their male counterparts to report themselves as

being self-employed in agriculture. But urban women are also more likely than their counterparts in neighboring states to have regular salaried jobs.

Himachal Pradesh's high rates of labor force participation are driven by two major factors. First, a large public sector gave jobs to citizens as part of an implicit social contract, and this is borne out in the data. Almost half of urban men and one-fifth of urban women in Himachal Pradesh had regular salaried jobs in 2011; further, among those who were employed in 2011, almost one-third held public sector jobs. In contrast, only 10 percent of all employed Indians work in the public sector. The high wage bill that Himachal Pradesh consequently incurs is reflected in the state's budget numbers. The second reason for Himachal Pradesh's high employment rates is that agriculture is still the mainstay of its largely rural economy, and predominantly agricultural economies tend to have higher labor force participation rates.

Also interesting is the fact that inter-group inequalities in occupational distribution are much lower in Himachal Pradesh when compared to other northern Indian states. Half or more of the population in each social group holds agricultural jobs, mostly a reflection of the fact that many people in Himachal Pradesh own and work on land. While the SCs have a higher proportion of persons engaged in manual jobs, the differences between them and other social groups are much less pronounced compared to neighboring states. Further, an increasing proportion of SCs in Himachal Pradesh seem to have opted out of casual work and have become more likely to be employed in general, during the period 2004–2011. Horticulture seems to have been responsible for many positive outcomes with SCs initiating cultivation of apples and such other high-value, off-season fruits and vegetables. However, SCs lag behind when it comes to the kind of “regular jobs” they land up with, getting fewer professional jobs than those who belong to the general category.

In terms of education, Himachal Pradesh outperforms its neighbors and many other Indian states. Its success in education is well known from the policy literature and data from the National Sample Survey (NSS) 2011–12 suggest that Himachal Pradesh has the lowest share of individuals with no education among northern states, a trend that holds across all social groups in rural areas. Himachal Pradesh also made substantial progress in improving its primary and secondary schooling outcomes in the decade between 1993–94 and 2004–05, and thereafter in post-secondary educational attainment. The progress in educational attainment among historically excluded groups is particularly notable. More members of the SCs and STs have completed secondary or higher levels of schooling, both in urban and rural areas, compared to other states, including southern states such as Karnataka and Tamil Nadu. Urban Himachal Pradesh recorded huge progress, where the share of resi-

dents with post-primary education increased across social groups, especially among STs. Finally, the state's success in increasing female education is also significant, despite the fact that there are continuing disparities between men and women in rural areas. In sum, not only did the past two decades see an improvement in educational attainment, but the improvement was larger in magnitude among traditionally excluded groups.

There has also been steady progress in health and sanitation in Himachal Pradesh. This reflects its efficiency in delivering services that have a strong foundation of community involvement. Himachal Pradesh has the lowest infant, child and under-five mortality rates among northern Indian states. In immunization coverage, it stands out nationally and in comparison with its neighbors, in having three-fourths of its children fully vaccinated, as opposed to less than half of all Indian children being so. In the field of sanitation, where India trails countries far below its income level, Himachal Pradesh is something of a trail-blazer. Its rapid progress has made it the first state in northern India that is close to being “open defecation free.” Data from the NSS 2011–12 suggest that more than 70 percent households in rural areas and nearly all households in urban areas had access to an improved source of toilet in 2012. Other accounts indicate that a community-led total sanitation (CLTS) approach, combined with strong leadership and champions, as well as a move away from a subsidy-based approach, enabled change in behaviors and increasingly made “open defecation” an unacceptable practice in the state.

Finally, improvements in rural infrastructure played a role in propelling the state's progress in human development outcomes, and in doing so, towards social inclusion. In spite of its adverse terrain and scattered settlements, nearly all households in Himachal Pradesh had electricity in 2005–06, according to the National Family Health Survey (NFHS). Data from the NSS 2011–12 further show that virtually all households in rural areas in Himachal Pradesh have access to an improved source of drinking water.

## **Understanding “Why”: The Possible Drivers of Social Inclusion in Himachal Pradesh**

Himachal Pradesh has had a solid foundation of underlying conditions that have contributed to its path towards social inclusion; yet, most remain undocumented. For example Himachal Pradesh's status as a “special category” state and the attendant central allocations of funds is cited as a reason for its investments in service delivery. This has certainly given the state government easier access to funds through large-scale development programs. Yet,

this cannot explain *why* Himachal Pradesh invested its resources responsibly and accountably, *why* these investments led to positive outcomes, and *how* the state maintained inter-group equity in access to markets, services and political spaces. Other states also have special status and receive large central grants, but their outcomes are not nearly as good as those of Himachal Pradesh.

In addition to availability of funds, there are other reasons for Himachal Pradesh's successful journey towards social inclusion and sustainable development. It has a unique and "benevolent" system of governance where hierarchies stay intact, but local level accountability is high and citizens have both voice and leverage. Despite its feudal past, the state is seen as caring for its citizens, who in turn, give it unstinting loyalty. There are few protest movements and conflicts are resolved informally, even as the state takes care of basic needs. Himachal Pradesh also has a culture of closeness and transparency, which makes for strong and accountable local institutions, even when it does not necessarily make for devolution of functions or raising resources from the local level. Finally, the state's distinct and difficult topography has meant that local administration with the Indian Administrative Service (IAS) officers and state civil officers at the helm, have to continually innovate to remain functional, given that districts and sub-districts can get cut off from the state capital under inclement weather conditions.

Himachal Pradesh's hilly terrain has resulted in a unique context of political and economic cohesion in other ways as well. The state has very low density of population that lives mostly in small villages. When combined with the difficult terrain, the smallness creates incentives for collaboration, reinforces inter-dependence, helps transcend caste divisions, and strengthens networks across different groups. It also binds the citizens in a common social and religious attachment to the Himalayas, its flora, fauna and water sources. The Himalayas are central to the Himachali identity and tie the citizens in a bond of social cohesion.

In general, small size makes states and countries more manageable, but is not an unequivocal harbinger of good outcomes. Other Indian states with similar topography, smaller populations and low population density (such as Tripura, Meghalaya, Manipur and Nagaland) do not come close to Himachal Pradesh in outcomes. The same is true for many other small countries the size of Himachal Pradesh. In the case of the latter, smallness has meant that politicians, administrators, service providers and citizens are in close physical proximity, which makes for greater accountability and transparency, especially when accompanied by the fact that inequalities in land and other assets are low. But small size can be a double-edged sword. For instance, while it may have been easier in Himachal Pradesh to transform informal institutions into

formal ones, due to its size and closeness, personal contacts and a “culture of informality” has created expectations of patronage and favoritism in administrative and governance processes in recent years. Such expectations have to do in particular, with access to government jobs, or transfers and appointments of state employees.

The nature of social stratification in Himachal Pradesh and the numerical composition of social groups have also minimized social conflict. Although the caste system is deeply entrenched, some characteristics mediate for greater social solidarity. First, the proportion of SCs in Himachal Pradesh is much higher than the national average, at 25 percent, and second only to Punjab. However, unlike other states, SCs in Himachal Pradesh, for the most part, own land, and have benefitted from the rapid decline in poverty. Their numerical strength, access to land and their inclusion in the progress of the state has preempted the possibility of caste based assertion or conflict. Second, although STs in Himachal Pradesh are in a *lower* proportion than the national average, their comparatively high socioeconomic status makes them a strong group. Third, Himachal Pradesh is fairly homogenous in its religious composition. About 95 percent of the local population is Hindu. This preponderance of Hindus has made religious competition an unlikely political or social force, despite the fact that religion itself and religious norms continue to exercise strong social control.

Social inclusion has also been possible due to positive norms around gender that have enabled strong participation of women in development programs. This is linked to a culture where female seclusion is not as normative as it is in neighboring states. Data from the NFHS 2005–06 show that 65 percent of urban women in Himachal Pradesh and 56 percent of rural women participate in household decisions. When combined with a strong tribal ethos, diverse marriage patterns and the accompanying autonomy for women, it has been easier for Himachal Pradesh to enlist women’s participation in programs such as sanitation, immunization, and other health-related campaigns than it has been for neighboring states. Finally, women in Himachal Pradesh have a strong tradition of protest movements against environmental degradation and male alcoholism.

At the crux of Himachal Pradesh’s path towards social inclusion and sustainable development is a committed state. Several policies of the state government attest to the fact that the state government is conscious of potential caste divisions and ensures that cohesion remains a priority. Land reforms are a case in point. Other, smaller schemes also point to the consciousness of the government in trying to ensure that new social divisions do not destabilize the state’s historically cohesive society. Most recently, as an example, there

were press reports that the government would provide cash incentives for inter-caste marriages and that traffic policemen were asked not to wear their (caste identifying) surnames on their name badges.

## Looking Ahead: Sustaining Social Inclusion and Sustainable Development in Himachal Pradesh

In the coming years, Himachal Pradesh will have a different development context than before; one that will likely test its social and institutional moorings. This is because reforms often create winners and losers, or introduce new ways of life that may disrupt previous structures. Future economic development is expected to come from large investments in infrastructure, notably in the power sector, in addition to tourism and agro-business. The state government is also investing in a range of rural development programs, including in community-based watershed management, so as to maintain growth in the primary sector. In addition, new issues of social *inclusion* and of social *exclusion* can emerge as a result of Himachal Pradesh's previous successes. For instance, while the work of primary education seems nearly done, ensuring that the large youth cohorts have adequate skills for jobs is (and will continue to be) a key policy issue. At the same time, as Himachal Pradesh's agricultural landscape becomes more productive through agri-business, it will be important to keep an eye on household food security since over one third of the children under the age of five suffer from malnutrition.

Urban growth will be an inevitable part of Himachal Pradesh's growth in the coming years, whereas currently, it is the least urbanized of Indian states. Cities and towns afford greater economic opportunity and better educational prospects, but in Himachal Pradesh many social development and human development outcomes currently appear worse in urban areas. These include poverty levels among SCs and STs and higher mortality of girls compared to boys. Second, the state has until now made good progress in the provision of essential infrastructure like water, sanitation, education and health in rural areas. Unless urban growth is well planned, there are chances of these gains stalling for urban residents. Finally, urban areas are also home to migrants who come from other parts of the country or from neighboring countries like Nepal. While there is no comprehensive data on migrants in Himachal Pradesh, small surveys indicate that migrants are likely to have poorer outcomes.

Balancing the needs of growth with social and environmental sustainability, especially in the wake of significant economic transformation and changes in population structure, will be an important challenge for Himachal Pradesh.

Field work undertaken for this report showed that while people's attitudes toward economic development are positive, their support for future development is conditional on the extent to which the state's social and environmental assets will be protected. Participants in our discussions displayed a strong sense of pride in their state and its accomplishments, but almost every discussion led to a conversation on the interplay between development and the environment. Realizing this challenge, the state government has put in place a generous system of benefit sharing for hydropower projects. Its success and the broader approach to hydropower development will depend on fair implementation, the transparency with which new projects are commissioned, and the extent to which local residents see a joint purpose in the development of new infrastructure.

There are, additionally, areas where Himachal Pradesh has not been able to replicate the progress made in health and education coverage, one of which is malnutrition among children. While Himachal Pradesh has been among the best-performing states in reducing the proportion of underweight children between the two rounds of the NFHS surveys (1999 and 2005–06), from 43.6 percent to 36.5 percent, more than one-third of Himachal Pradesh's children continue to be either underweight or stunted. Another worrisome trend, and in many ways a puzzle in Himachal Pradesh, is the dramatic decline of female children compared to male. This is despite the fact that women's health and wellbeing have shown considerable progress in Himachal Pradesh over the years. The state has, for example, completed its fertility transition and fertility rates are well below replacement level. In such a context and one where education, health, sanitation and overall growth are all examples for others to emulate, the excess mortality of female children comes as a surprise. The sharp decline in sex ratios adverse to girls, implicates sex selective abortions and gross neglect of female children in a fertility regime characterized by a preference for small families and a strong bias towards sons.

Demographic trends in Himachal Pradesh also mean that the state currently has a youth bulge. As of the 2011 Census, almost 20 percent of Himachal Pradesh's population is between the ages of 15–24. Their aspirations for jobs are still anchored in the public sector, which is unlikely to be the driver of employment for reasons of economic and fiscal sustainability. It is also well recognized that while Himachal Pradesh has done well in education, its record in tertiary education has been less impressive, except in the field of agricultural and veterinary sciences. With the growth of infrastructure, industry and tourism, a different set of skills will be needed for local youth, if they are to share in the bounty that growth will confer. Apart from the economic and social needs of young people, another area—that of women's employment—

needs attention. It cannot be taken for granted that high overall employment rates among women will be sustained as the private sector becomes a more important provider of jobs. Moreover, it is not clear whether the needs that arise from women's care responsibilities will be addressed, so that their time is freed up to undertake market work.

Even as the present youth bulge is of policy concern, a rising median age in the state suggests that very soon, Himachal Pradesh will have a high share of the elderly. While persons aged 60 and above constituted just 7.4 percent of Himachal Pradesh's population in 1961, it is projected that they will constitute 14.7 percent of the state's population in 2026. This will have implications for the labor market and for economic growth, as well as for the care of the elderly and their caregivers, who are most likely to be women. When combined with increasing urbanization, larger cohorts of older people may imply a change in living arrangements. In a society where women do most of the caregiving, the pressures of elderly parents may well have implications for women's access to economic opportunities. On the fiscal side, social pensions for the elderly could become a major burden, with larger numbers of those eligible. On the side of epidemiology and the burden of disease, the state will have to deal with infectious diseases and childhood-related illnesses on the one side, and on the other, also have to cope with geriatric illness and non-communicable diseases. This would require a fresh look at existing health facilities, which are currently doing a good job in tackling the former set of diseases.

Himachal Pradesh has been a cohesive society so far, but it is important to realize that power dynamics may change in light of other trends. As reforms progress and changes take place in other arenas, chances are that caste-based norms will also change. Any impact this may have on social cohesion as well as group dynamics can be mediated by public conversations around caste and its changing role. Finally, political power and social stratification are intrinsically linked in Himachal Pradesh. Reforms are likely to bring in new players into the socio-political milieu. These could be previously non-dominant castes, a new middle class, migrants from other states, private companies and their employees, non-governmental organizations, to name a few possibilities. It is important for the state government as well as for opinion leaders and citizens of Himachal Pradesh to be prepared for such possibilities and their likely implications.

Finally, change brings with it huge transformations in the expectations, aspirations and ambitions of citizens, that need to be managed. Expectations and aspirations are double-edged swords, where on the one hand, people seize new opportunities and make better lives, but on the other, when expectations are not matched with reality, it can lead to frustration. Our qualitative work shows that Himachalis have high aspirations for their state, but they are anx-

ious about the effect that rapid development will have on their values and culture. The biggest fear seems to be that rapid progress may lead to a loss of tradition and values like honesty. While people trust their politicians, there are some anxieties and wishes, particularly around large infrastructure projects. For instance, a source of anxiety is the perceived manner in which land is being bought and sold; another is the desire for a better-regulated tourism sector, since citizens seem to believe that unprofessional and untrained tourist guides “bring Himachal a bad name.”

A tribal man interviewed by the authors in Nirsu, near Shimla, succinctly summed up the hopes and fears of citizens during a period of reform: “My only hope for Himachal is that the culture of trust is kept alive.”

Much of the churning in Himachal Pradesh that may accompany reforms can be managed if the kernels of success remain intact or adapt to the state’s new development context. These include, among others, transparency and accountability at the local level; independence of the bureaucracy; incentives for innovation; and good implementation. This report closes with a quote from *Inclusion Matters: The Foundation for Shared Prosperity*, which illustrates that many of the policy issues faced by Himachal Pradesh are shared globally and notes that Himachal Pradesh is well positioned to build on its previous successes and continue moving forward:

From an economic perspective, future policy will need to provide rapid and effective responses to expanding numbers of youth and the elderly, while fulfilling the basic needs of an increasingly urbanized and unequal population, without leaving a large carbon footprint for the generations to come. From a political perspective, it will be essential to understand the changing attitudes, behaviors and demands of the youth and middle class, and to create new opportunities and mechanisms for greater participation in decision making. At the same time, responsive governance and careful targeting of public services to a new profile of (global) citizens will be essential. From a social perspective, future policies and institutions will need to promote the affiliation of different social groups with the evolving social, political and economic reality of increasingly diverse societies.

# 1. Introduction

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*“Nobody is a crorepati (millionaire) or a beggar... everyone has a house.”*

*“No one makes anyone suffer. No one suppresses the poor. Everyone is happy in their own place.”*

*“The culture here is very open and trusting. If you forget your bag in a market, in all likelihood you will find it.”*

Interviews in rural Kufri and Nirsu, Shimla District

Infrastructure is likely to be the main driver of growth in India, and the Himalayan state of Himachal Pradesh is no exception. Simultaneously, the discontents of infrastructure—both potential and actual—have been salient in India’s public discourse for some time now, as they have been elsewhere. Concerns and questions have been raised about whether infrastructure-led development will exacerbate traditional forms of exclusion; whether it will be environmentally sustainable; whether benefits will be shared equitably; whether such growth will respect institutions or assist in building new and effective ones; and whether citizens will have a voice in decisions about timing, location of infrastructure, and other processes. In short, will infrastructure-led growth be “inclusive”?

Contemporary Himachal Pradesh exemplifies the dynamics and the consciousness of sustaining historical gains in social inclusion during a period of anticipated growth. In the early 2000s, the state embarked upon a new phase of growth, driven by infrastructure. Policy focused specifically on harnessing hydroelectric capacity, developing watersheds, tourism and industry, while si-

multaneously working to make growth sustainable and inclusive. Realizing the concerns around its new growth trajectory, the government of Himachal Pradesh (GoHP) put in place a number of innovations to ensure that citizens participate in the change process and reap the benefits. Himachal Pradesh is also ahead of many other Indian states as well as other countries, in creating public goods of global significance. For instance, it has vowed to become “carbon neutral” by 2020; it is the first state in India to have banned the use of plastic bags; and climate and environmental preservation appear to be collective responsibilities of the state and its citizens (The Economic Times 2012; see appendix A for an illustrative set of policy actions). These are not trivial developments by any measure. But do we anticipate these pursuits to be “win-win” solutions? And how would we know? This report tries to answer these and other related questions, framed in terms of a Poverty and Social Impact Analysis (PSIA) (see appendix B for methodology). It is simultaneously a look back at Himachal Pradesh’s track record of outcomes during a period of economic reform as well as a projection of the expected effects of the big push for infrastructure-led growth.

While grounded in the context of Himachal Pradesh and the priorities of GoHP, this analysis is also in tandem with the World Bank Group’s (WBG) twin goals of ending extreme poverty and boosting shared prosperity. It is widely documented that Himachal Pradesh has reduced poverty successfully, but its progress in sharing prosperity is also noteworthy. This report identifies the kernels of shared prosperity and social inclusion in Himachal Pradesh. It is in line with the WBG FY2013–17 Country Partnership Strategy (CPS) for India, the overarching goal of which is “to help India accelerate poverty reduction and increase shared prosperity, so that more and more people, regardless of gender, caste, or whether they live in villages or cities, or in low-income or more advanced states, can enjoy the benefits of more balanced growth and development” (World Bank 2013a). This report draws its conceptual foundations from a global report on social inclusion, *Inclusion Matters: The Foundation for Shared Prosperity* (World Bank 2013b), which asks questions such as: Who should be included, and in what? What does the idea of social inclusion add to the idea of poverty reduction? What can propel change toward social inclusion? This report is an empirical application of these concepts and questions in the context of Himachal Pradesh.

The opening quotations in this report attest to Himachal Pradesh’s reputation as a stable, inclusive, cohesive, and well-governed state that stands apart from its peers in northern India. Himachal Pradesh has maintained a good track record for growth and human and social development outcomes,<sup>1</sup> especially in the last two decades. When it gained statehood in 1971,<sup>2</sup> the

growth rate of its real per capita income was significantly lower than the national average, and the primary sector accounted for 60 percent of its economy. In the early 1990s, the state underwent major structural change, spurred by infrastructure investments largely financed by central government funds allocated to Himachal Pradesh because of its “special category” status.<sup>3</sup> These investments were accompanied by concerted policy efforts through the 1990s to promote private sector growth, especially in the industry and tourism sectors.<sup>4</sup> As a result, the secondary and tertiary sectors grew at 7.2 percent and 8.9 percent annually between 1993–4 and 2005–6, compared to 3.3 percent growth in agriculture (World Bank 2007). At the same time, agricultural activities became more focused on niche sectors, such as horticulture and floriculture. Since the early 1990s, the annual growth rate in Himachal Pradesh has remained consistently above the national rate for India, as well as above those of neighboring states Punjab and Haryana. From 2005–6 to 2013–14, Himachal Pradesh grew at 7.8 percent per year, and its slowdown during 2012–14 (to around 6 percent annually) is similar to national trends (GoHP 2014).

Himachal Pradesh’s strong economic performance has been accompanied by notable progress in social and human development outcomes as well. Similar to post-1990 economic indicators, the development indicators for Himachal Pradesh surpass those of its neighbors and the rest of India, largely as a result of government investments in public service delivery (Sanan 2008; World Bank 2007). Despite being a predominantly rural society with only 10 percent of the population living in urban areas, the literacy rate in Himachal Pradesh is 90 percent among males and 76 percent among females. Poverty headcount is nearly one-third of the national average; life expectancy is 3.4 years longer than the national average; and per capita income is the second highest among “special category” states in India (GoHP 2014). Accordingly, the 2011 Indian Human Development Report ranks Himachal Pradesh third among Indian states in human development, after Kerala and Delhi. Although some group-based disparities exist, particularly along caste and gender, Himachal Pradesh also has a better female-to-male ratio than the national average, at 974 females per 1,000 males (compared to the national average of 940). As discussed later, though, child female-to-male ratios remain adverse to girls across many parts of Himachal Pradesh.

As in other contexts, there has been a gradual shift in Himachal Pradesh’s policy direction, although some elements have remained intact despite change. While policy reforms during the 1960s and 1970s focused primarily on building basic infrastructure as a way of overcoming the state’s geographical constraints (particularly a road network to achieve greater connectivity), efforts since the 1980s and 1990s have explicitly targeted private sector involvement, especially in industry and tourism. This has resulted in a gradual transforma-

tion of the state from an agrarian economy to a more diversified one. At the same time, the second round of policy reforms during the 1990s incentivized agricultural activity in strategic primary commodities, such as horticultural goods and tropical fruits. In the last decade or so, the state's development paradigm has shifted further toward utilizing its hydropower potential and even greater private sector participation in the state economy. This change partly reflected an effort to make better use of the state's natural assets, and partly a fiscal necessity to generate more revenue. Yet, the focus on service delivery, provision of employment by the state, and the tradition of local accountability remained intact. In a peculiar way, the very actions that led to social inclusion earlier became fiscally unsustainable, necessitating a new round of reforms, as described later in this report.

When Himachal Pradesh found itself on the cusp of a new development trajectory in the early 2000s, there were concerns about the social and environmental sustainability of this new path. The new growth agenda of the GoHP was expected to result in significant economic gains, but it also entailed some potential costs. On the one hand, the reliance of the economy on public spending and investments, and the perceived role of the state government as the employer of first resort, continued to pose a risk for public finances and intergenerational debt. The new growth model could potentially address some of these risks through resource mobilization, rapid growth, and increased fiscal space. On the other hand, the selected model of development also involved some potentially adverse impacts. As noted by Sanan (2004), rising pollution in industrial areas, suspicion of inequalities in access to markets and public services, and the growth of an educated but underutilized workforce have led to greater sensitivity regarding productivity losses, environmental degradation, and social disparities. In 2007, the World Bank recommended augmenting the state's capacity to manage its economic resources more efficiently, while continuing to preserve the fragile Himalayan ecosystem and keeping citizens at the core of development (World Bank 2007).

In response to concerns about its development model, GoHP has made several policy changes to make growth more sustainable. In many ways these changes build upon the gradual policy shift that had been going on for nearly two decades, corroborated in successive five-year plans and budget speeches since the early 1990s. Four sectors were identified as the main drivers of growth: energy, rural development, tourism, and industry. The period after the early 2000s was marked by a series of government initiatives aimed at increasing productivity and private sector involvement in these four sectors (see appendix A for details). The World Bank served as a partner in these efforts by both providing financial and technical support that cut across these

key sectors as well as identifying the social and environmental risks posed by growth and suggesting ways to manage them. GoHP has also complemented its macro vision with a variety of policies, rules and acts of environmental sustainability, which suggests a culture immersed in environmental awareness and preservation, as well as sensitivity to lingering citizen concerns about the new growth trajectory.

The sustainability of GoHP's chosen development path rests critically on a robust understanding of the potential impacts of the new drivers of growth, as well as on citizens' response to the rapid economic change. Underlying Himachal Pradesh's economic and social development outcomes, and the evolution of its development model, is its reputation as a cohesive society with good governance (Sanan 2003). Its institutions have historically been robust to change; yet literature that can help understand *why* its outcomes are better than those of its neighbors, or *how* the subsequent reform programs contributed to these outcomes, is lamentably sparse. It is important to understand why good outcomes have been achieved in some areas, but not in others, and what role policy played in this process if we are to hold up Himachal Pradesh as an example of social inclusion. Are its development outcomes merely a coincidence driven by history and culture, or are there kernels of actions that can be replicated elsewhere? Can we predict whether good outcomes will remain robust to change and to the new phase of infrastructure-driven growth? How can policy maintain the state's previous successes as new and different types of development challenges arise, while also addressing the areas in which the state has traditionally lagged behind? This report explores answers to these questions within the context of the evolution of state policies and the changing demographic profile and development context of Himachal Pradesh.

## 1.1. Key questions, data, and methodology

This report is, first, an attempt to understand the progress that Himachal Pradesh has made over the last few decades. Second, it is an attempt to simultaneously analyze the correlates and drivers of good outcomes in Himachal Pradesh—the root elements in the state's social fabric and in its historical and institutional foundations that have enabled it to remain inclusive and stable. The main argument is that, given Himachal Pradesh's trajectory toward social inclusion, as demonstrated by its social development and human development outcomes, there is a strong chance that the future will be a reflection of the past. This has implications for other states and countries that are attempting

similar reforms. The report focuses on three main questions based on *looking back, understanding why, and prognosticating*:

1. Has Himachal Pradesh's success in reducing poverty and its progress in social and human development outcomes been noteworthy enough to generate confidence in its track record of delivery?
2. What have been the institutional and policy foundations of Himachal Pradesh's outcomes? Why has Himachal Pradesh achieved relatively good outcomes?
3. What are the likely issues for sustainability of social and human development and for environmental outcomes as the state ramps up its infrastructure-led growth trajectory? Will the previous correlates of success remain robust to the rapid churning taking place across Himachal Pradesh?

Evidence on the impacts of the economic transformation that is taking place across Himachal Pradesh is sparse, anecdotal, or based on micro level studies. For example, studies on environmental change in the Kullu Valley, where, since the early 1990s, major infrastructure investments and commercialization of natural resources have occurred,<sup>6</sup> document impacts on the Himalayan ecosystem resulting from large infrastructure projects (Cole and Sinclair 2002; Sinclair 2003; Sinclair and Diduck 2000) and commercial tourism centers (Batra 2002; Gardner 2002). Other studies show that levels of environmental activism and community resistance to development projects have increased over time in Himachal Pradesh (Gaul 2001; Chhatre and Saberwal 2006; Lozecznik 2010; Agrawal and Chhatre 2007; Fischer and Chhatre 2013). A few studies focus on the mixed impacts of some of the reforms implemented over the years. For instance, commercialization of common pool resources has been associated with an increased role for women in forest preservation (Bingeman 2001; Cranney 2001). Similarly, development of the road network in Kinnaur, Chamba, and Kullu districts has not only reduced transportation costs and contributed to rural incomes, but it has also produced a range of environmental externalities, such as landslides, deforestation, and exposure to construction debris (Sarkar 2010).

Documentation of the institutional drivers of Himachal Pradesh's success is also thin, incomplete, or focused on individual sectors. Some studies reflect on the state's economy, culture, and political landscape (see, for instance, Ahluwalia [1998], Verma [1995], Negi [1993], and Tiwari [2000]). *The Himachal Pradesh Human Development Report* (GoHP 2002) maps the education,

health, and infrastructure indicators of Himachal Pradesh and assesses the state's performance in poverty reduction, governance, and livelihood generation through the late 1990s. The district human development reports for Shimla, Kangra, and Mandi do the same at the district level for subsequent periods. Other studies focus on development outcomes in specific sectors and highlight the rapid improvements that occurred through the 1990s and early 2000s, including in school participation rates in rural areas (Drèze and Kingdon 2001) and in health and sanitation outcomes (Sanan 2010). Finally, there are thematic reports published by different agencies within GoHP that outline the objectives and outreach of specific development programs as well as monitor the progress made in human development indicators.

There is, nonetheless, a history of ethnographic and other forms of qualitative work that captures the diversity of Himachal Pradesh's social organization and helps understand the state's progress. For instance, Parry's (1979) seminal work *Caste and Kinship in Kangra* remains instructive to this day. Ethnographic studies on religious practices across Himachal Pradesh (Vidal 1989; Conzelman 2006) and on the link between local deities, village authority, and the state's governance structure (Berti 2009; Sax 2006) are other examples in this genre. Still other ethnographic work focuses on the identity, traditions, and customs of specific groups of Himachalis, such as the Gaddis (Newell 1961; Bhasin 1990), Pangwalas (Singh and Bhasin 1983), and Gujjars (Chatterjee and Das 2013), trader-pastoralists of Kinnaur (Singh 2004). There are moreover, detailed accounts of women's status, marriage practices, and access to property in rural Himachal Pradesh, such as in Sharma (1980), Sethi (2010), Snehi (2011) and Singh (2011). Recent qualitative work also documents the role of women and other social groups in rural development, including the high level of participation by women in local decision making and natural resource management (Cranney 2001; Bingeman 2001; Girard 2014), and in organizing social movements against commercialization of natural resources (Gupta and Shah 1999) as well as against commercialization impacts on tribal groups (Saberwal 1996).

Building on this diverse body of work, this report adds to the empirical and policy literature through an interdisciplinary macrosocial analysis of the state's progress and its challenges. It represents the first stage of a two-stage policy research program, where the second stage will assess a select group of recent reform actions taken by GoHP (see appendix B). This report uses data from the National Sample Survey (NSS), the National Family Health Survey (NFHS), and the India Human Development Survey (IHDS) to examine changes in: land and labor markets; access to education, health, and sanitation services; and overall poverty reduction. It also uses qualitative data from focus

group discussions and key informant interviews held in the districts of Shimla and Solan to elicit citizens' reactions to the state's chosen development path. Finally, the report draws on the authors' discussions with over 300 persons from different backgrounds, who had different interests, during 2012–14. These included government officers, academics, civil society and private sector representatives, and community members.<sup>7</sup>

How do we benchmark Himachal Pradesh's progress? Himachal Pradesh is a positive outlier in terms of its social and human development outcomes compared to other states in northern India. Moreover, when initial results of the analysis were presented to the state government and discussed with local communities, there seemed to be a sense of puzzlement as to why Himachal Pradesh was being compared to other northern Indian states instead of the more progressive southern Indian states. Clearly, Himachal Pradesh's goals and aspirations as a state are high, albeit without too much fanfare in terms of publicizing its own achievements. Perhaps it is because of the lack of fanfare that these achievements have not been comprehensively analyzed. The analysis presented in this report, therefore, compares Himachal Pradesh both with its northern Indian neighbors as well as with the southern states of Kerala, Tamil Nadu and Karnataka, with which Himachal Pradesh shares some common traits and achievements. In some cases, the report compares Himachal Pradesh to other countries as well.

The macrosocial analysis presented in this report moves away from the fatalism contained in explanations of social exclusion that imply that culture, social norms, and practices are immutable. While this narrative on Himachal Pradesh is primarily intended as an assessment of the state's track record regarding social inclusion policy and its implementation, this report also aims to inform other states and countries that have begun their journey toward greater social inclusion. It demonstrates that change toward social inclusion is possible, and, furthermore, that the state can be the foremost propeller of social change. The concluding chapter of this report looks at the road ahead for Himachal Pradesh, based on its transitions over past decades.

## 2. Poverty and Social Inclusion during a Period of Economic Growth

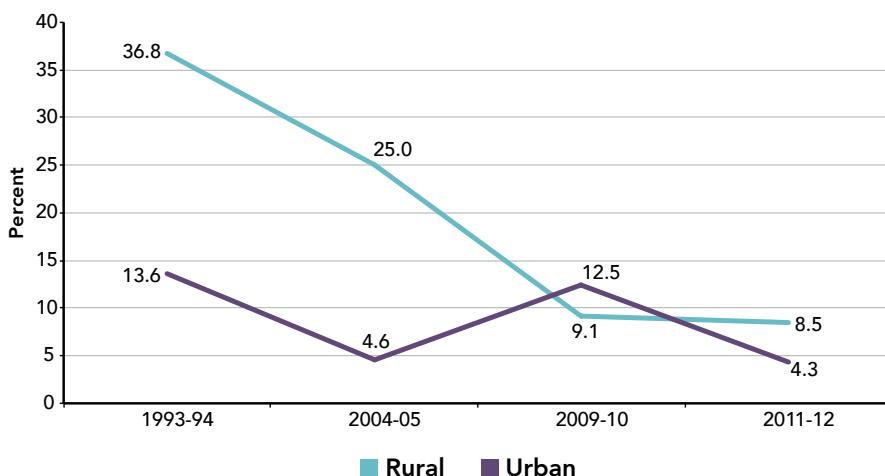
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The terms “inclusion” and “social inclusion” have become popular, especially so in the last decade, but they are not easy to define or to quantify. They imply something other than, or perhaps more than, poverty reduction. Let’s take the term “social inclusion,” which can mean many things to many people. The report mentioned earlier, *Inclusion Matters: The Foundation for Shared Prosperity* (World Bank 2013b), defines social inclusion as: “the process of improving the ability, opportunity, and dignity of people disadvantaged on the basis of their identity to take part in society.” This leads to the question: *who* are these people that seek to be included? In Himachal Pradesh, as in most of India, these groups have distinct identities—Scheduled Castes (SCs), Scheduled Tribes (STs), and women (World Bank 2011). The proportion of SCs and STs in Himachal Pradesh is much higher than the national average. Combined, they comprise nearly 30 percent of the state’s population; yet, historically Himachal Pradesh has had relatively low intergroup disparities or intergroup conflict compared to neighboring Punjab and Uttar Pradesh. The focus in Himachal Pradesh on ensuring the inclusion of historically disadvantaged groups has been particularly salient.<sup>8</sup>

One of Himachal Pradesh’s achievements toward social inclusion has been its success in raising people out of poverty over the two decades leading up to 2011. Himachal Pradesh is still predominantly rural, and between 1993–4 and 2011, rural poverty (using the poverty line suggested by the Tendulkar Committee) declined from 36.8 percent to 8.5 percent—a fourfold drop, which is impressive by any standard (figure 2.1). Yet, while rural poverty continued to consistently decline after 2004, urban poverty changed only marginally

between 2004 and 2011. The overall poverty decline has benefitted all social groups across rural and urban areas, but some noticeable patterns emerge. While poverty among SCs and STs in rural areas declined, in terms of levels, rural poverty was still highest among SCs at 16.5 percent and among STs at 9.5 percent (table 2.1). STs residing in urban areas, and, to some extent, SCs, who had very low poverty rates to start with, nevertheless saw an increase in poverty. The biggest gains in poverty reduction were recorded for Other Backward Classes (OBCs) in rural areas, among whom the poverty headcount dropped from 19 percent in 2004 to a mere 2.3 percent in 2011. Before speculating on the reasons for these patterns, further analysis is necessary to better understand the dynamics of urbanization and socioeconomic status of the historically most excluded groups.

**Figure 2.1. Fourfold Decline in Himachal Pradesh's Poverty Rate, Greatest Gains in Rural Areas**



*Source:* NSS rounds 50, 61, 66, and 68.

*Note:* Planning Commission compares 2004-5 and 2011-12, because 2009-10 was a year of severe drought. Data refer to poverty headcount, that is, ratio of the poor population to total population.

Table 2.1. Poverty Decline Benefitted All Social Groups

	Rural		Urban	
	2004–5	2011–12	2004–5	2011–12
STs	35.4	9.5	2.4	4.0
SCs	39.5	16.5	9.2	9.9
OBCs	19.0	2.3	10.8	9.9
Others	18.3	7.0	2.5	1.7
All	25.0	8.5	4.6	4.3

Source: NSS rounds 61 and 68.

Note: Data refer to poverty headcount, that is, the ratio of the poor population to total population.

Qualitative work in select rural areas shows that citizens are both cognizant and appreciative of the investments in physical and social infrastructure made by the government. The most visible signs of progress are in the form of all-weather roads and new schools and colleges. Participants in focus group discussions spoke about better options to earn a living than they had earlier, including jobs in hotels and in the services sector, on hydropower projects and horticulture farms. Women spoke about the availability of banking and credit sources and how these had contributed to their improved economic status. Participants interviewed for the qualitative study, moreover, felt that the implementation of development programs was largely efficient and, for the most part, fair. In other words, they pointed to a transformation in the state that seemed to have occurred within a generation, and attributed changes to government investments and the rise of new economic opportunities.

In assessing the nature of social inclusion in Himachal Pradesh, it is important to identify the domains in which inclusion and exclusion take place. *Inclusion Matters* (World Bank 2013b) points to three interrelated domains for inclusion: markets, services, and spaces. These domains are the microcosm of the lives of individuals and groups and they represent both barriers to and opportunities for social inclusion. This report focuses on two of these three domains—markets and services. In terms of markets, the focus is on land and labor markets, two key areas of exclusion for disadvantaged groups in the Indian context. In services, the focus is on education, sanitation, health and infrastructure, all of which have witnessed fairly steady improvements in outcomes. This report does not dwell on the idea of “spaces,” except to

highlight ways in which women have claimed social and political spaces over time. It does not, for instance, address the issue of political participation by excluded groups.

## 2.1. Land market

Throughout history, land has been an important driver of exclusion worldwide, and India is no different. For instance, the roots of the exclusion of STs lie, for the most part, in their alienation from their traditional lands and forests. SCs have historically been over-represented among the landless and have been bound by a diverse range of oppressive relations with landowners (see for example, Mandelbaum 1970). Conversely, in addition to economic benefits, land confers status and standing, as well as political power, especially in states where the remnants of feudal culture are still intact. There is also a link between the large inequalities in landholding patterns and poor human development outcomes (Desai et al. 2010).

Himachal Pradesh is predominantly agrarian, albeit with small farm sizes. The southern part of the state has numerous valleys, while upper reaches consist of high mountains that receive heavy snowfall and are covered with forest. In fact, nearly two-thirds of the land in Himachal Pradesh is marked as “reserved forest” and is unusable for agriculture. The terrain is also dominated with hills of varying altitudes and with rocky soil. As a result, less than 20 percent of the total area is cultivated, and cultivated areas are almost entirely rain fed. Given these limitations, Himachal Pradesh has one of the highest proportions of multiple cropping, as well as one of the highest cropping intensities in India.

Early policy reforms that reduced inequality in land relations have perhaps been the foundation for Himachal Pradesh’s good outcomes in subsequent years. Given the importance of land in what is primarily an agrarian society with natural constraints on land use, policy makers in Himachal Pradesh implemented reforms early in the development process. This also perhaps preempted the rise of social disparities. Land reforms were first introduced in the 1950s and deepened in the early 1970s, constituting possibly Himachal Pradesh’s greatest push toward social inclusion (box 2.1). In addition to the reforms, state land revenue rules framed in 1975 continue to forbid the sale or lease of land to nonresidents, unless they use land for farming purposes in compliance with the strict criteria outlined by the state’s agriculture and horticulture departments. Selling or leasing land for residential purposes is strictly prohibited, with exemptions only for those individuals who have worked in

### Box 2.1. Land Reforms in Himachal Pradesh: Result of Decisive Legislation and Its Implementation

Starting in the 1950s, a series of laws were enacted that led to wide-ranging changes in land ownership patterns. The Abolition of Big Land Estates and Land Reforms Act in 1953 gave proprietary rights to almost 57,000 tenants from 281 large estates (GoHP, undated b). The act confiscated land from those who owned above a certain threshold. The land from these large holders and local rulers was transferred to tenants by paying the former a compensation totaling 24 times the land revenue paid on the land (Agarwal 2010). The next big change came in 1966, when some areas of the former Punjab were merged with Himachal Pradesh. Due to disparities in land laws between the two regions, Himachal Pradesh passed the Transferred Territory Tenants (Protection of Rights) Act in 1968, which protected the interests of tenants in the merged areas and prevented them from being evicted. In 1972, two national laws were passed: the Tenancy and Land Reforms Act and the Ceiling on Land Holdings Act. The first called for abolition of intermediaries and banned the transfer of land to non-agriculturalists. It mandated that those who had been cultivating land for the last 12 years would get proprietary rights to the lands they tilled, if they paid a nominal price for these rights. All other tenancies were declared “unresumable,” meaning that the ejection of tenants was completely banned. The maximum rent a tenant was required to pay the landowner was fixed at one-fourth of the annual produce of the land—cash or kind (Agarwal 2010). The Ceiling on Land Holdings Act fixed ceilings on various lands and defined tenants who could not be evicted. Ceiling limits, which conformed to national guidelines, varied from region to region based on soil conditions, land productivity, nature of crops sown, irrigation facilities, and others (Bhatnagar 1981). The implementation of the Ceiling Act has been controversial, both in Himachal Pradesh and in many other states. Anecdotal evidence suggests that landowners were able to evade ceiling laws before they were implemented by dividing the land among the family members within the household.

*Source:* Bhatnagar 1981; Agarwal 2010; GoHP (undated b).

Himachal Pradesh for more than 30 years or other eminent persons, as recommended by the local body or committees set up specifically for this purpose. These rules were mainly intended as a safeguard for the residents of Himachal Pradesh and to ensure that “outsiders” do not engage in environmentally unsustainable living or businesses. But anecdotal evidence points to some concerns regarding the ban on land sales to outsiders, especially as the price of land continues to rise in Himachal Pradesh. Residents are also apprehensive that this law may lead to increasing “benami” transactions (fictitious transactions undertaken in the name of a third party, where the real buyer or seller’s name may not appear at all).

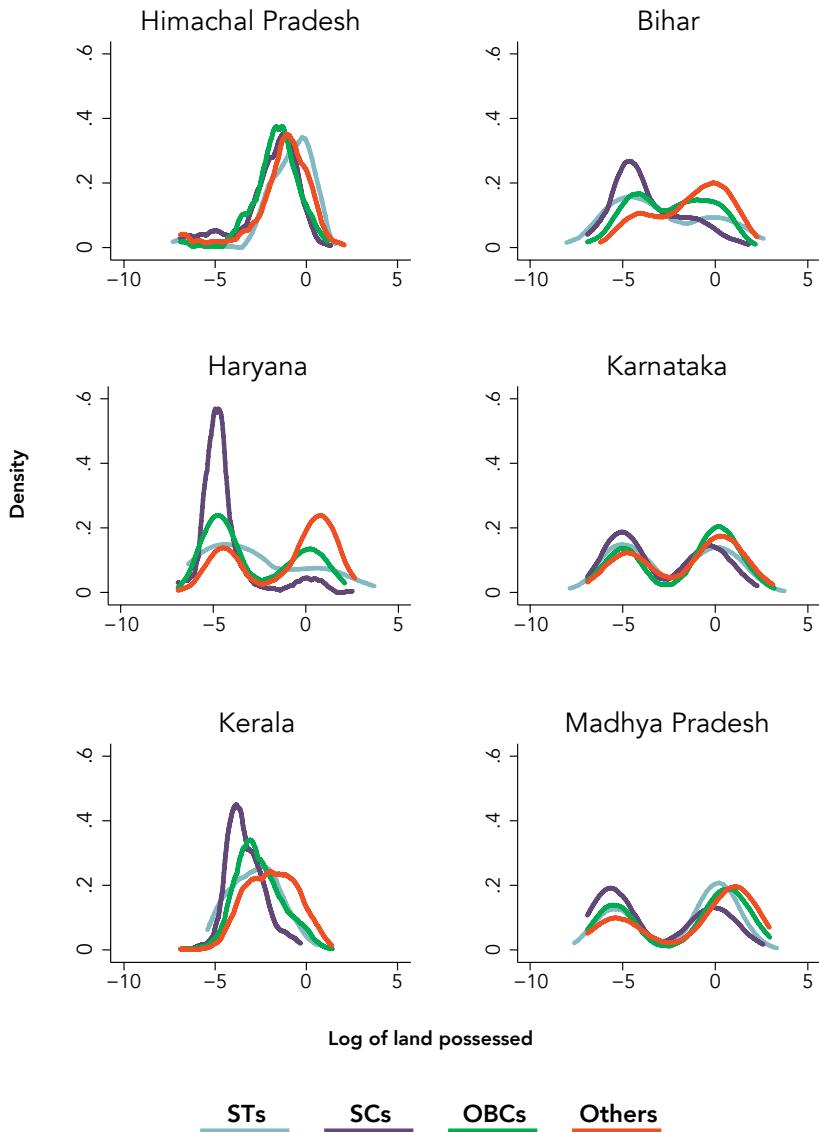
Land reforms in Himachal Pradesh have ensured that a majority of the state’s population (nearly 80 percent) possesses some land. Perhaps because of this, the distribution of land across social groups is more equal in Himachal Pradesh compared to its neighboring states and the rest of India. This is clear from the kernel density curves shown in figure 2.2.<sup>9</sup> First, the curves for Himachal Pradesh are the closest to a bell shape, with a considerably large number of households holding average plot sizes and only a small group holding extremely large or extremely small plots. In comparison, the curves for neighboring states such as Punjab and Uttar Pradesh, as well as the curves for all of India, have two humps, suggesting large inequalities between those who hold small parcels (between 0.002 and 1 hectare; negative values on the log scale) and those who hold larger plots (1 hectare and above; positive values on the log scale). Second, the position and the ranges of the curves for Himachal Pradesh on the horizontal axis (particularly, the clustering around the log value of zero) indicate that the average landholding size in Himachal Pradesh is quite small (0.43 hectares).<sup>10</sup> This plot size is smaller than neighboring northern states and also the national average, which stands at 0.67 hectares. Third, land ownership patterns are very similar across different social groups in Himachal Pradesh, as shown by the nearly overlapping curves for all social groups. This is not the case in any other state, where SCs tend to hold marginal plots.

A unique aspect of land distribution in Himachal Pradesh is that, unlike other states, STs in Himachal Pradesh own large chunks of land. In fact, they represent the second largest group among households holding parcels greater than 1 hectare. This is indicative of the nature of the tribes that reside in Himachal Pradesh and the fact that they are not among the poorest, as is the case in many Schedule V areas.<sup>11</sup> Over 12 percent of STs and 15 percent of the general category (others) in Himachal Pradesh have holdings larger than 1 hectare; the corresponding share is only 3–4 percent for SCs and OBCs. But Himachal Pradesh also stands out in land ownership by SCs and OBCs. Even in Kerala and Tamil Nadu, which otherwise have similar land distribution

patterns (albeit with even smaller average plot sizes), the SCs and OBCs have considerably smaller landholdings than STs and the general category. The distribution of landholdings among STs in Himachal Pradesh, however, has gradually worsened since 1983, with STs becoming more concentrated in the small landholding category, despite the fact that they had higher mean landholdings in 1983 compared to all other groups (figure 2.3). On the other hand, while SCs still possess the smallest land parcels on average, the differential in the size of average landholding of SCs and other groups has converged over time.

Yet, the nature of the land reforms, the extent to which they benefitted historically excluded groups, and the quality of land that was redistributed are still debated in the literature (Bhatnagar 1981; Agrawal 2010). During the authors' qualitative fieldwork for this report, some respondents in a predominantly SC focus group complained about inequalities in the quality of land allotted to traditionally disadvantaged groups. In the words of one of them, "Dalits [SCs] have very few economic avenues. They were given land under land reforms but the quality of land they received was very poor, generally uncultivable."

Figure 2.2. Land Distribution across Social Groups More Equal in Himachal Pradesh Compared to Other States and All India, 2011–12



Source: NSS round 68.

Note: The graph presents values of land possessed in hectares, which were trimmed by 0.2% at upper end. The density scale for Punjab is different than the density scale for other states because Punjab has very few observations for STs.

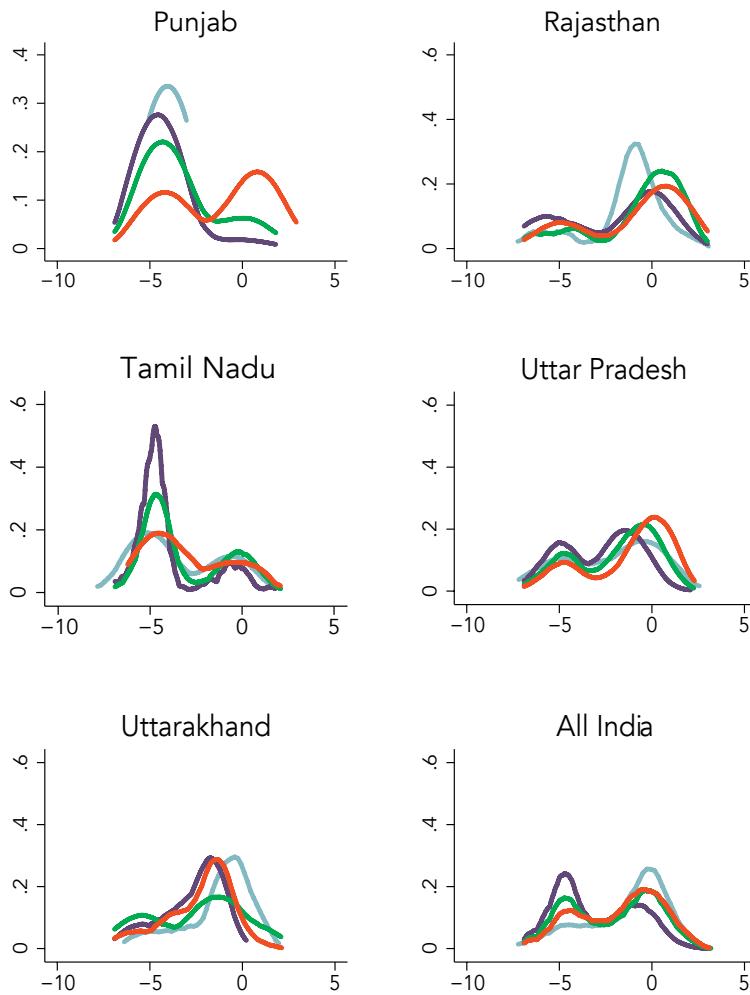
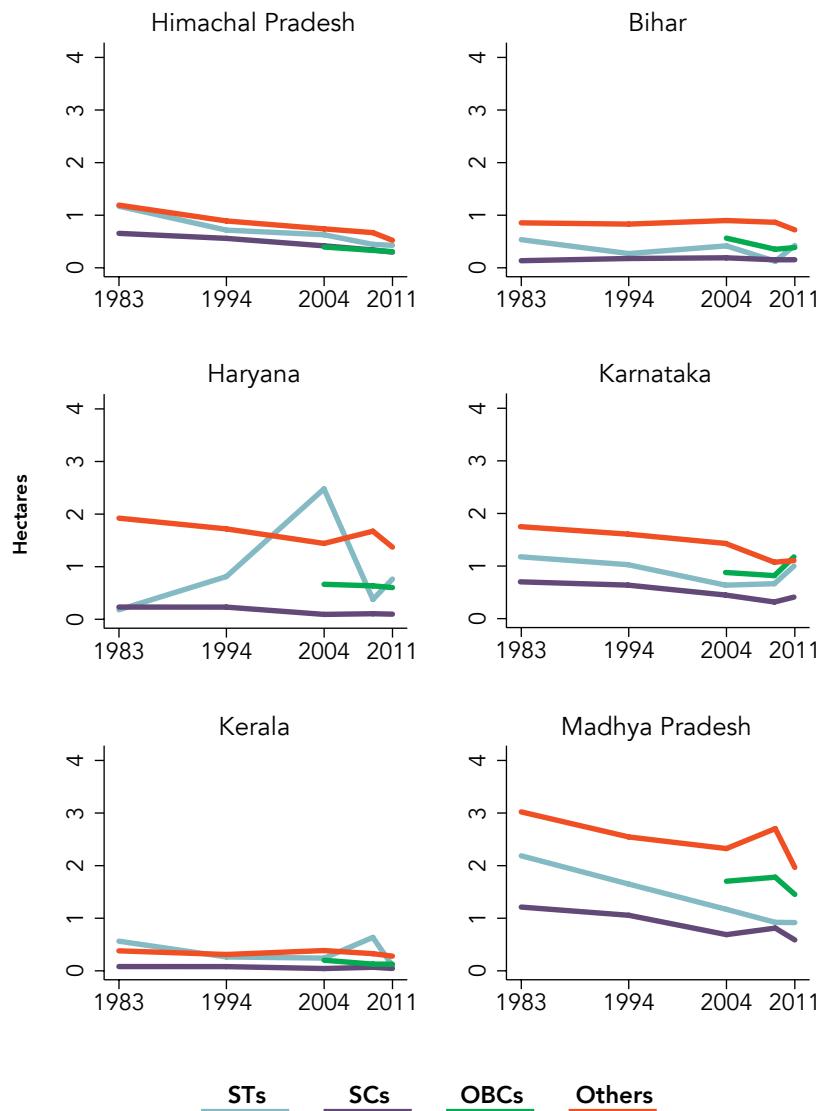
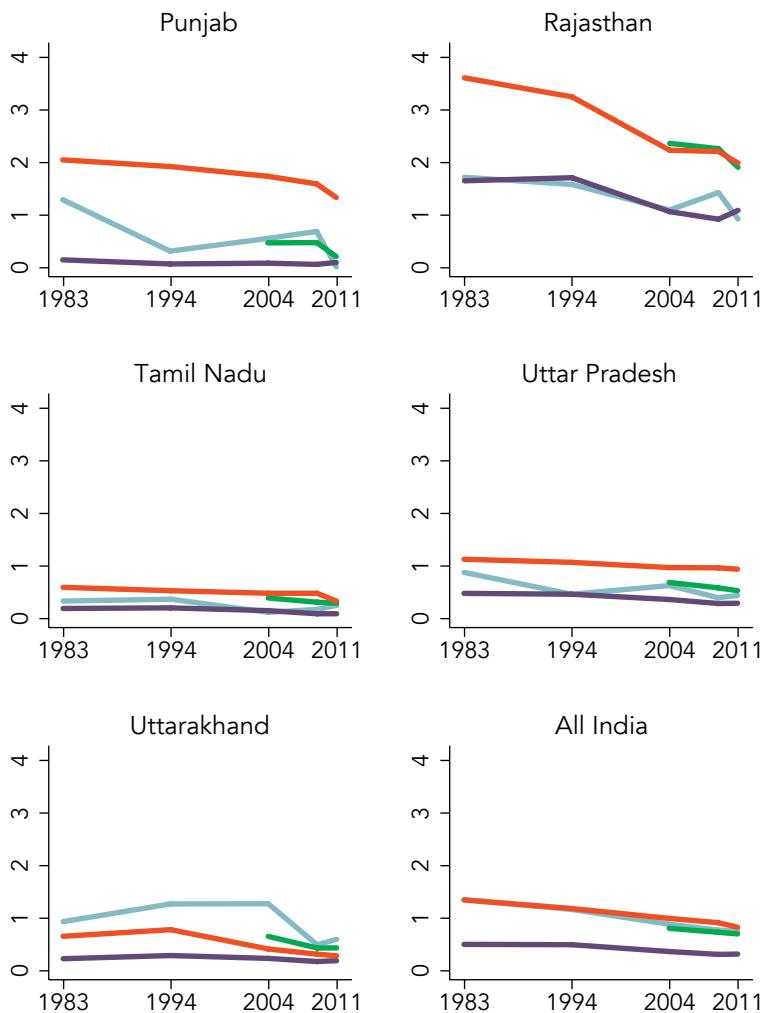


Figure 2.3. Average Land Owned by Social Groups in Himachal Pradesh Converged during 1983–2012



Source: NSS rounds 38, 50, 61, 66, and 68.

Note: The graph presents values of land in hectares, which were trimmed by 0.2% at upper end. In NSS, data for OBCs were not available before 2004.

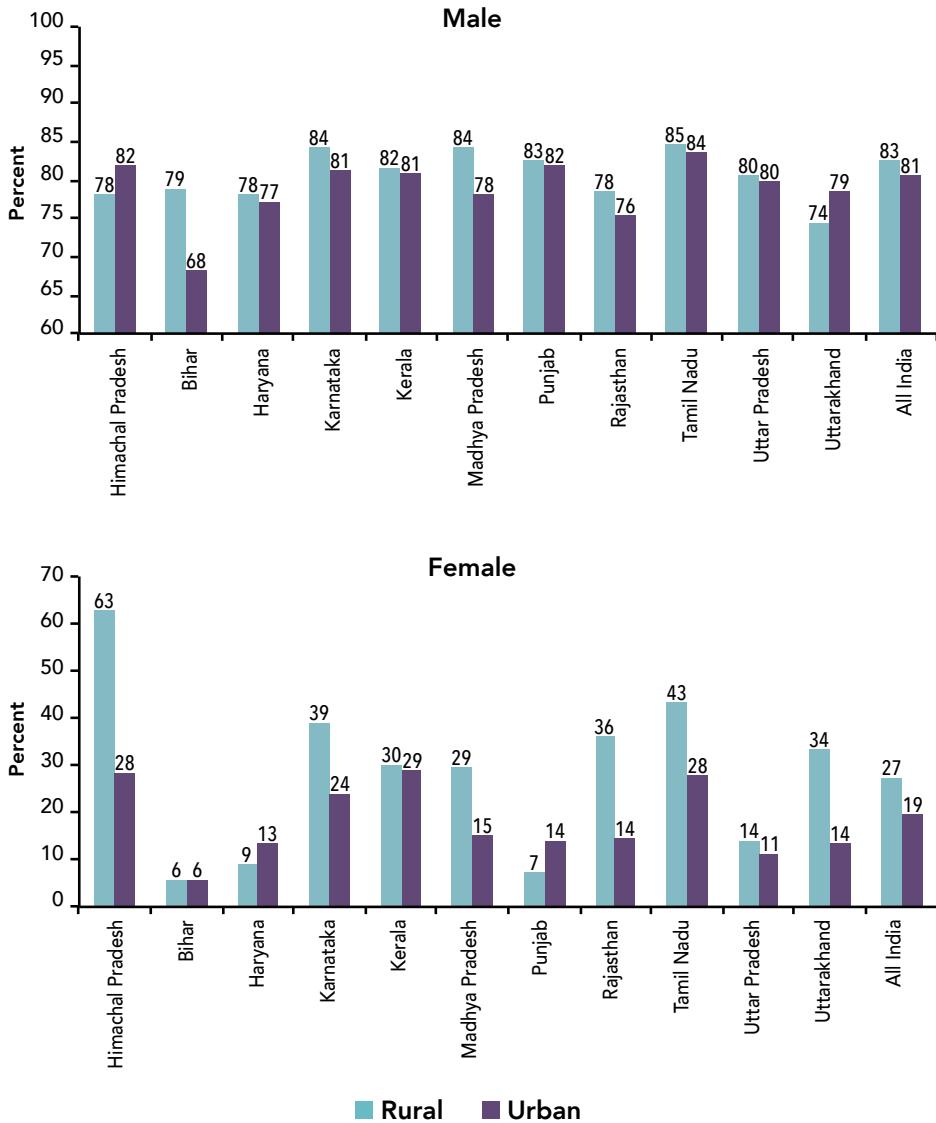


## 2.2. Labor market

Employment rates have been high in Himachal Pradesh ever since it attained statehood. From 1983 up until 2011, the labor force participation rate (LFPR) for men hovered around 87 percent in rural areas and 73 percent in urban areas. In rural Himachal Pradesh, the male LFPR in 2011 was similar to that in neighboring states, but slightly below the national average, while in urban Himachal Pradesh, it was higher than both other northern states and the national average (figure 2.4, top panel). Yet, the bigger success story is in women's employment. In 2011–12, about 63 percent of rural women in Himachal Pradesh reported themselves as being employed (figure 2.4, bottom panel). This places Himachal Pradesh second in female labor force participation (FLFP) in the country, after Sikkim, and significantly above the all-India average of 27 percent, and the average for northern Indian states of 25 percent. In urban areas, the FLFP rate in Himachal Pradesh was much lower, at 28.3 percent in 2011, in keeping with the "classic" Indian pattern, but nonetheless, was still double that of neighboring states and above the rates seen in many other states. In fact, urban women's employment in Himachal Pradesh was at exactly the same level as those in urban areas of Kerala and Tamil Nadu, and higher than Karnataka. Much of this is driven by the fact that women in rural areas in Himachal Pradesh are more than twice as likely as their male counterparts to report themselves as being self-employed in agriculture (figure 2.5). But urban women are also more likely than their counterparts in neighboring states to have regular salaried jobs.

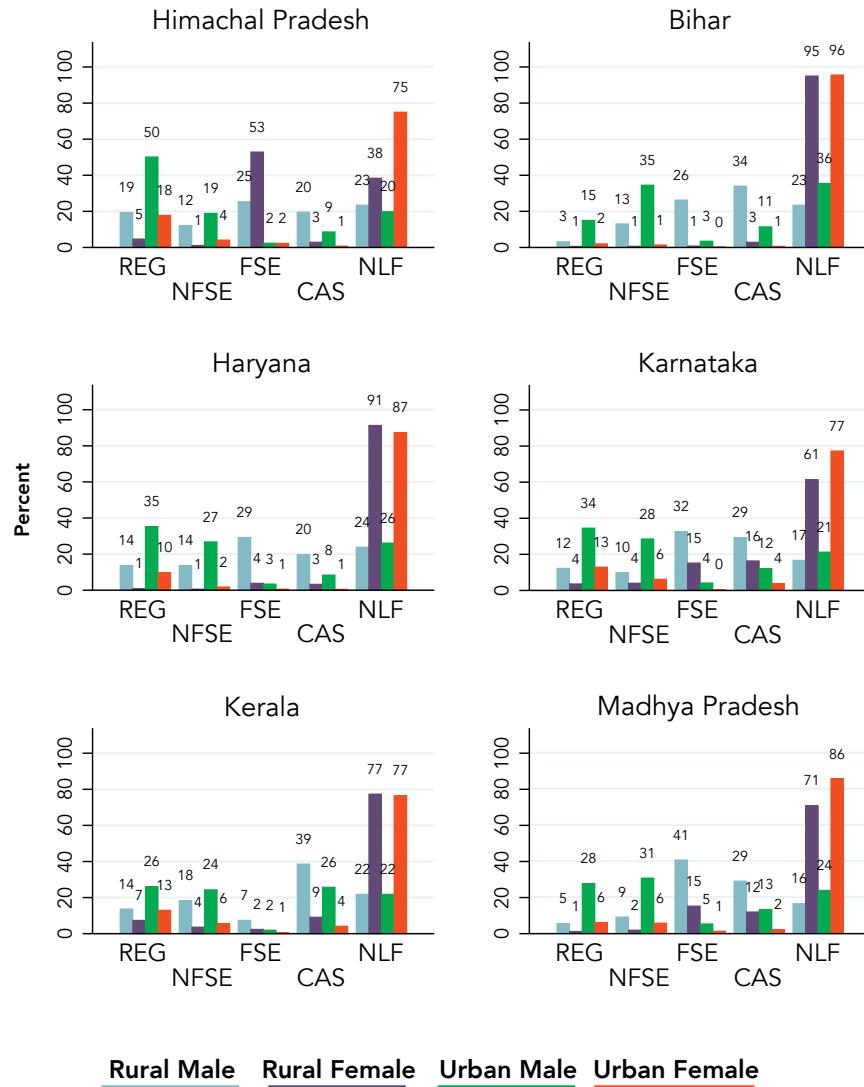
Himachal Pradesh's high rates of labor force participation are driven by two major factors. First, a large public sector gave jobs to citizens as part of an implicit social contract (Parry 1979; Verma 1995), and this is borne out in the data. Figure 2.5 shows that Himachal Pradesh has a higher proportion of workers in regular jobs compared to neighboring states and to the country as a whole. Almost half of urban men and one-fifth of urban women in Himachal Pradesh had regular salaried jobs in 2011. Figure 2.6 further shows that among those who were employed in 2011, almost one-third held public sector jobs. Our estimations, based on NSS data, suggest this to be a consistent trend since 1983. In contrast, only 10 percent of all employed Indians work in the public sector. The high wage bill that Himachal Pradesh consequently incurs is reflected in the state's budget numbers. Expenditure on salaries and wages alone accounted for slightly over 23 percent of GoHP's budget for the financial year 2011–12. When pension payments were added, the total wage bill came to about 32 percent of the budget (CAG 2012a).

Figure 2.4. Female Labor Force Participation in Himachal Pradesh Higher Than Other States and National Average, 2011–12



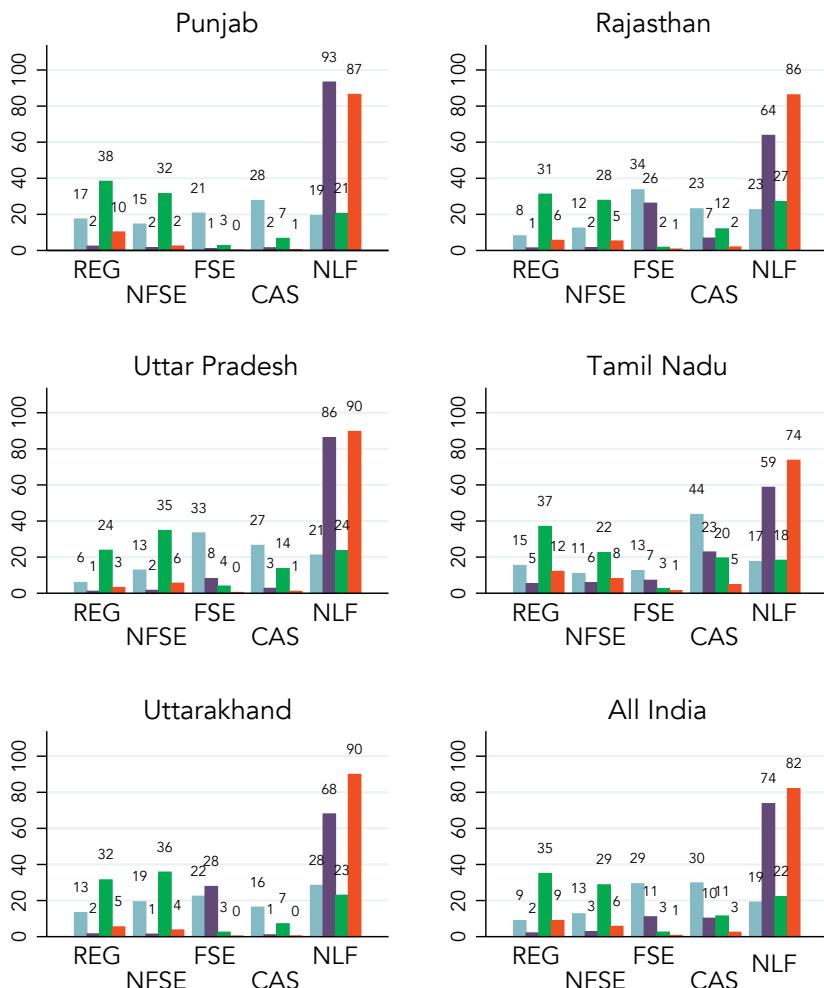
Source: NSS round 68.

Figure 2.5. Higher Proportion of Himachal Pradesh Workers in Regular Salaried Jobs, More Rural Women Self-Employed Farmers

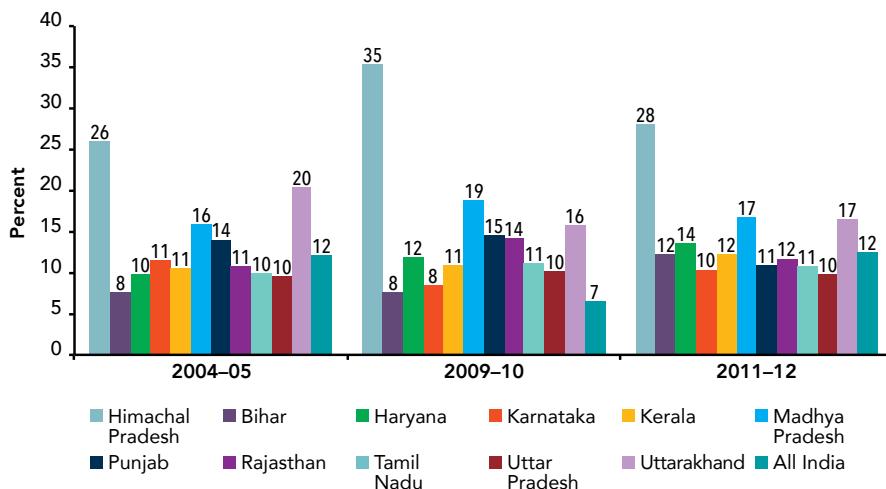


Source: NSS round 68.

Note: Year 2011–12. REG = regular wage labor; NFSE = nonfarm self-employed; FSE = farm self-employed; CAS = casual labor; NLF = not in labor force.



**Figure 2.6. Share of Public Sector Jobs in Himachal Pradesh Higher Than Other States and National Average**



Source: NSS rounds 61, 66, and 68.

Note: Figure shows public employment as a percentage of total employment. Compared to other northern India states and the three southern comparators, Himachal Pradesh has much higher levels of employment in the public sector, but compared to other “special category states,” it is much lower.

The second reason that employment rates in Himachal Pradesh are so much higher than in other states is that agriculture is still the mainstay of Himachal Pradesh’s largely rural economy, and predominantly agricultural economies tend to have higher labor force participation rates. Further, the growing agribusiness sector in Himachal Pradesh has had positive job outcomes. Himachal Pradesh has been known for its apples and other fruits, but it recently also ranks as one of the major flower producing states. Ancillary products, such as mushrooms, ginger, honey and hops, too have become popular, helping local village economies. A large number of farmers in Himachal Pradesh have started growing off-season vegetables, such as tomatoes and mushrooms, for markets in neighboring states (GoHP undated c). In addition, farmers in many parts of the state have taken to floriculture and dairy farming. This growth in agribusiness has been part of GoHP’s strategy. The state has invested in agricultural research and training, expanded extension services, and created a network of support institutions, such as the Himachal Pradesh Horticultural Produce Marketing and Processing Corporation (HPMC), and research and development (R&D) institutions, such as the University of Horticulture and Forestry, GoHP

also insulates farmers from market fluctuations by smoothing potential shocks through a number of policies (Sharma 2011). As a result of a growing demand and state intervention, jobs in horticulture as a percent of all agricultural jobs increased from 0.9 percent in 1983 to 28 percent in 2009–10 (Kumar, Kumar, Singh and Shivjee 2011). Sharma (2011) also points out that the shift toward growing fruit and vegetable crops in Himachal Pradesh has had a positive impact on household income for all categories of landowners, including on “submarginal” farmers (those who own up to half a hectare of land).

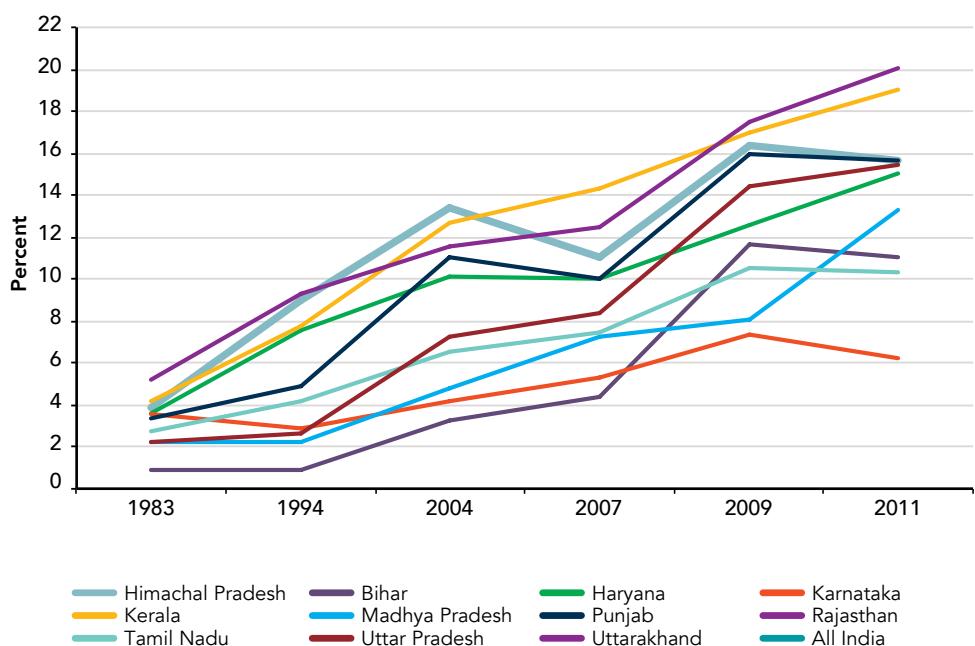
Fieldwork by the authors in Solan district revealed that fruit and flower cultivation has positively transformed communities. Successful entrepreneurial initiatives involving cultivation of vegetables, fruits, and flowers are common. For example, among the respondents interviewed were three brothers. A few decades ago, on a small plot of land, the three brothers jointly began a business growing and selling flowers. Over the years, their business grew into a profitable venture. They co-opted members of their extended family and now have their own distribution chain with vehicles to transport flowers to florists in Delhi and other big cities. The local horticulture university played an important role in their success by providing technical assistance and inputs such as seeds and fertilizer.

As in many other states, the construction sector has been another key agent for growth and jobs in Himachal Pradesh. It employed large numbers of workers between 1983 and 2004, despite slowdowns in 2004 and again after 2009 (figure 2.7). At almost 16 percent, Himachal Pradesh has one of the highest shares of workers in the construction industry. However, the sector has been quite volatile in recent years, and this poses a concern for the stability of these jobs. On the other hand, it is unclear the extent to which the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), which guarantees 100 days of unskilled manual wage work to every rural household in India, influences household labor force participation. Himachal Pradesh has the fifth highest participation rate in the scheme (that is, share of rural households who worked as part of the scheme) across all states of India. It also has the third lowest rationing rate (that is, the share of rural households that wanted to work but did not get it [Dutta, Murgai, Ravallion and de Walle 2012]).<sup>12</sup>

Notwithstanding changes in the occupational structure, Himachal Pradesh has more inclusive employment outcomes across social groups compared to other states. For instance, intergroup disparities in occupational distribution are much lower in Himachal Pradesh compared to other northern Indian states (figure 2.8). In particular, half or more of the population in each social group holds agricultural jobs; mostly a reflection of the fact that many people in Himachal Pradesh own and work on land. While the SCs have a higher

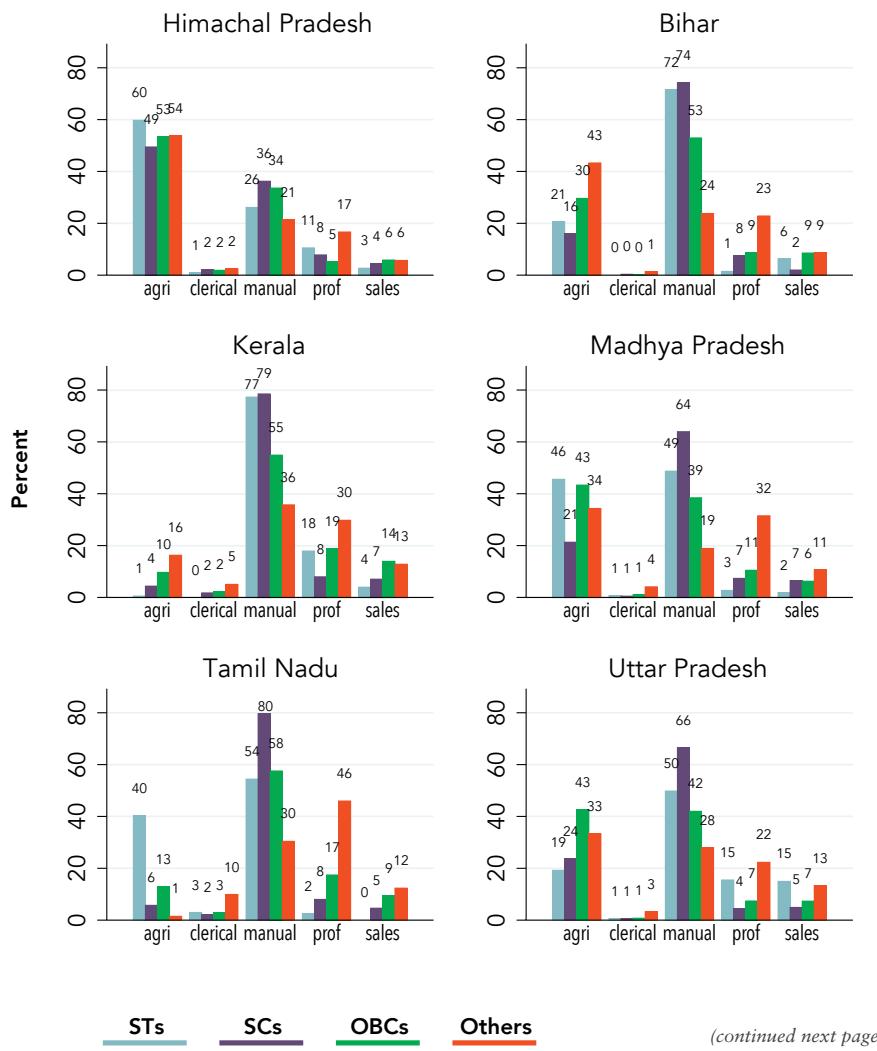
proportion of persons engaged in manual jobs, the differences between them and other social groups are much less pronounced compared to neighboring states. Further, more SCs in Himachal Pradesh seem to have withdrawn from casual labor during 2004–11, and instead moved into regular jobs or worked on farms. However, SCs still lag behind in the type of regular jobs they are able to find; far fewer SCs are employed in professional jobs compared to workers from the general category. Yet, the fact that a significant proportion of SCs work on farms, is in stark contrast even to some of the southern states, such as Tamil Nadu and Kerala, where very few SCs are engaged in agriculture. In most states, the majority of SCs do manual jobs.

Figure 2.7. Construction Sector Jobs Increased during 2004–07 and Flattened after 2009



Source: NSS rounds 38, 50, 61, 64, 66, and 68.

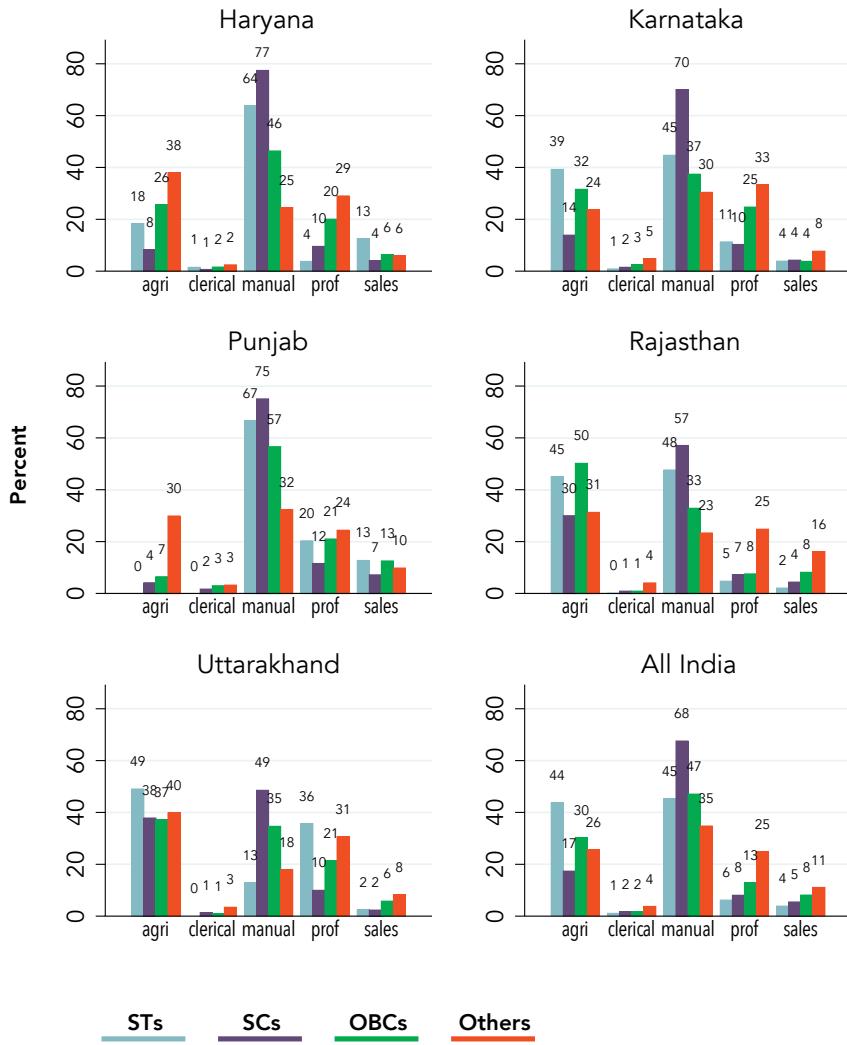
Figure 2.8. Himachal Pradesh's Employment Outcomes More Inclusive Compared to Neighboring States, 2011–12



Source: NSS round 68.

Note: Occupations are aggregated at one-digit NCO-2004 codes into five broad categories: agri = agricultural (6), clerical (4), manual (7, 8, 9), prof = professional, managerial (1, 2), and sales (5) (numbers in parentheses are NCO-2004 codes).

Figure 2.8. Himachal Pradesh's Employment Outcomes More Inclusive Compared to Neighboring States, 2011–12 (continued)



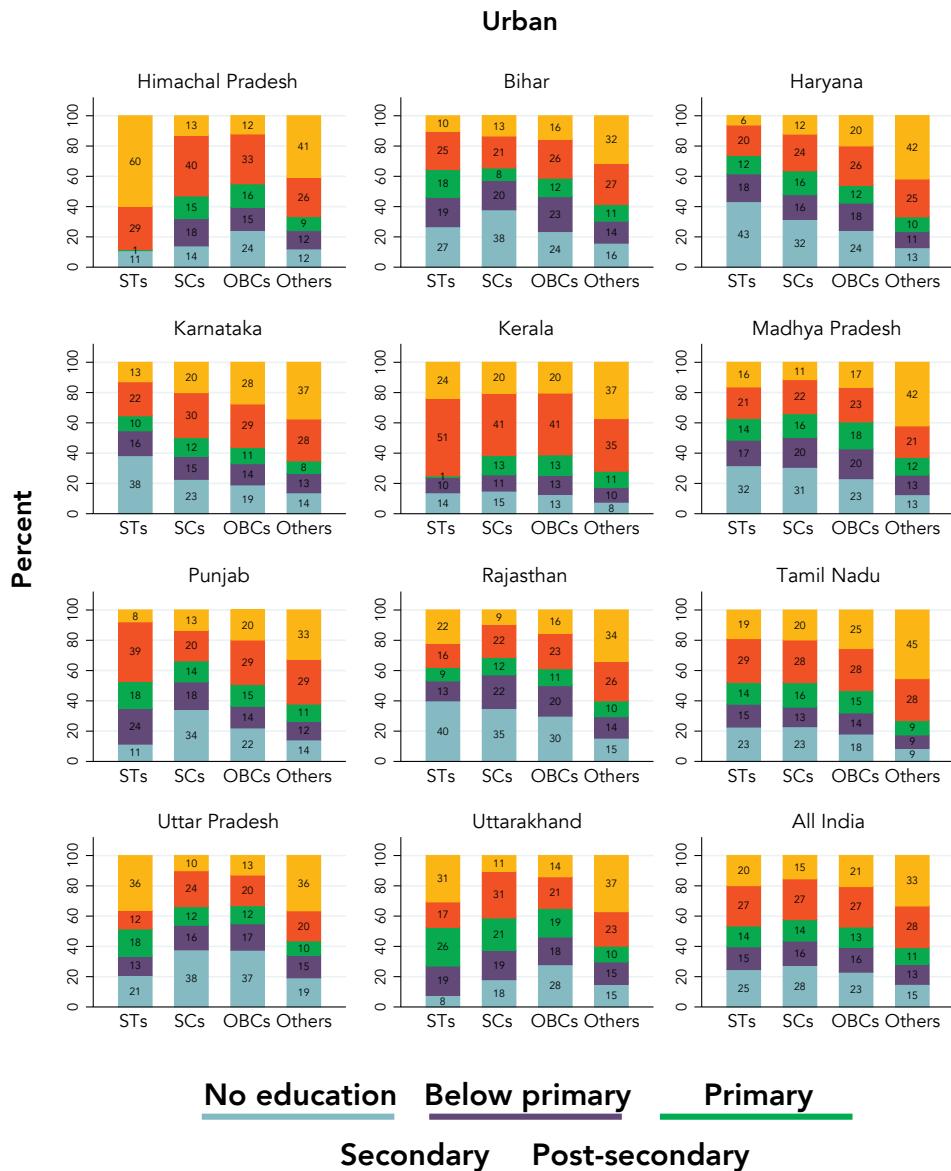
## 2.3. Education

That Himachal Pradesh has outperformed other Indian states in education is well known in the policy literature. Drèze and Sen (2011) point out that Himachal Pradesh started its journey much later than Kerala or Tamil Nadu, but has rapidly caught up, pointing to a “revolution” in education, which they ascribe to GoHP’s strong policy support. Data from the NSS (2011–12) suggest that among northern states, Himachal Pradesh has the lowest share of individuals with no education, a trend that holds across all social groups in rural areas. Himachal Pradesh made substantial progress in improving its primary and secondary schooling outcomes in the decade between 1993–4 and 2004–5, and thereafter in post-secondary educational attainment, which doubled for all social groups. While less than one-third of Himachal Pradesh’s rural population had no education in 2011, in most other neighboring states, that number was nearly two-fifths or half of the population. Furthermore, the overall proportion of residents with post-secondary education was the highest in Himachal Pradesh in 2011 across northern states (except urban Haryana)—nearly 15–17 percent of the rural population and 31 percent of the urban population had received post-secondary education.

The progress made by Himachal Pradesh in educational attainment among historically excluded groups is particularly notable. More members of the SCs and STs had completed secondary or higher levels of schooling, both in urban and rural areas, compared to other states, including southern states such as Karnataka and Tamil Nadu (figures 2.9 and 2.10). The only state that did marginally better regarding educational attainment of these excluded groups (particularly the SCs) was Kerala. There was huge progress in urban areas, where the share of residents with post-primary education increased across social groups, especially among STs (figure 2.10). For STs in rural areas as well, the share of those with secondary education increased from 6 percent in 1993–4 to 22 percent in 2011–12. In sum, not only did the past two decades bring an increase in educational attainment, but the increase was higher among traditionally excluded groups.

Himachal Pradesh’s success in increasing female education is also noteworthy, but there are remaining disparities between men and women in rural areas. Nearly 17 percent of urban and 30 percent of rural women in Himachal Pradesh had received no education in 2011. While these figures are better than those of other states, there are large gender inequalities when comparing men’s and women’s educational opportunities in rural areas. The proportion of uneducated rural women in Himachal Pradesh is twice as large as the proportion of uneducated rural men. But these gender differentials disappear at

Figure 2.9. Himachal Pradesh's Educational Outcomes for Excluded Groups Better than in Other States, 2011–12



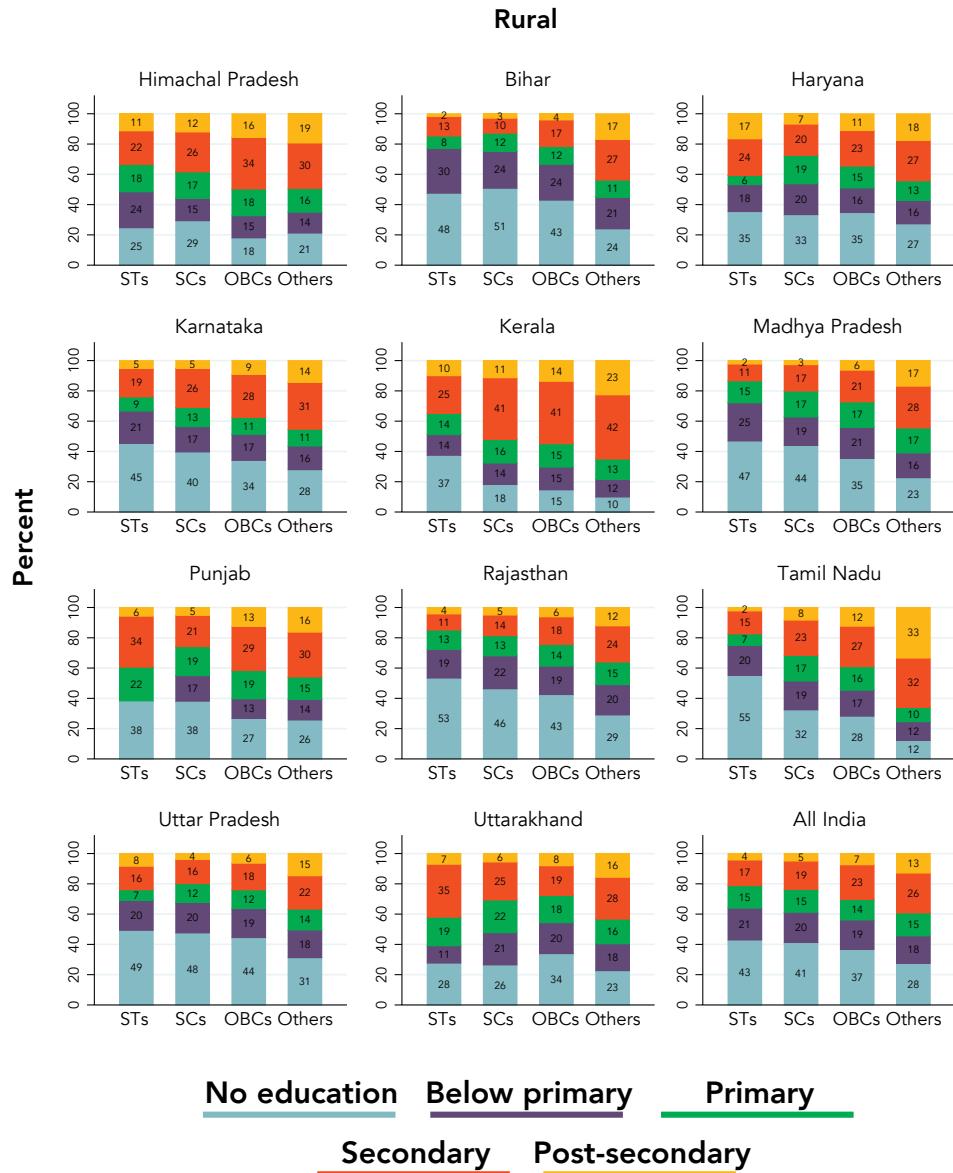
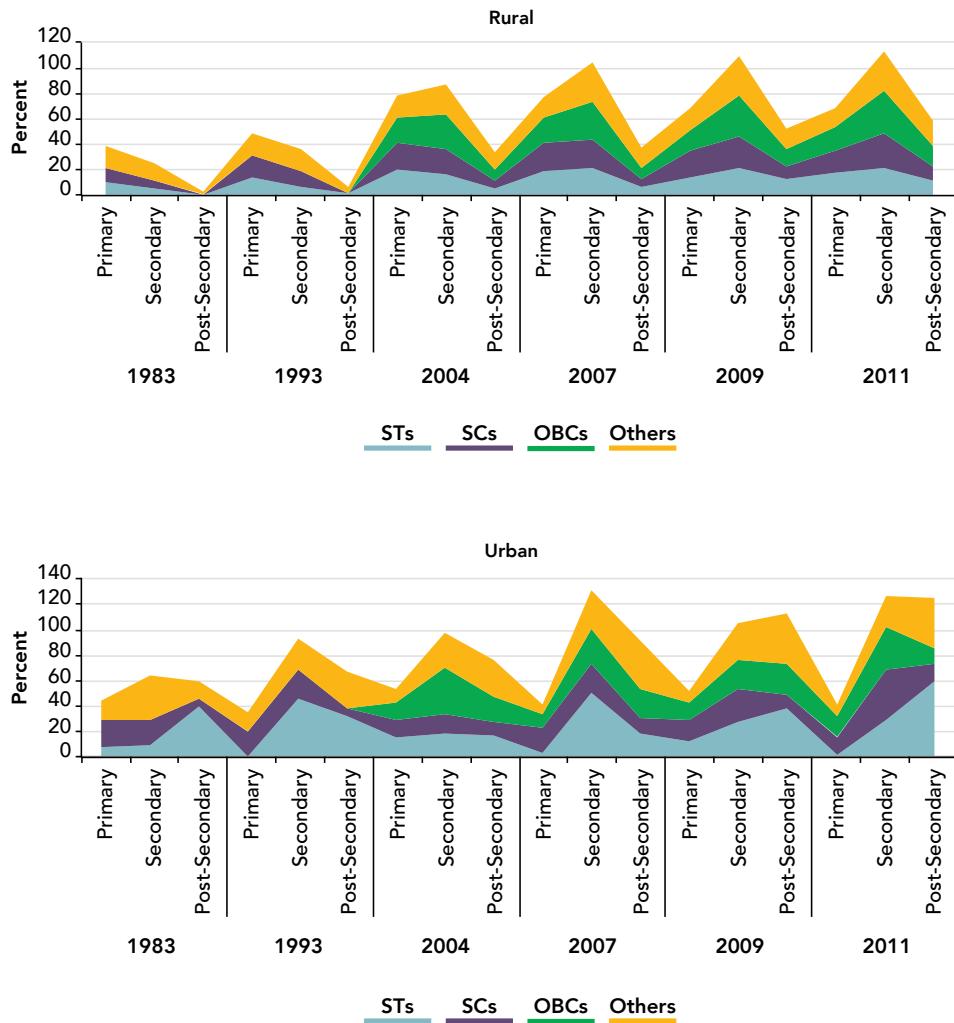


Figure 2.10. Largest Improvements in Educational Attainment among Traditionally Excluded Groups in Himachal Pradesh (Urban and Rural, 1983–2011)



Source: NSS rounds 38, 50, 61, 64, 66, and 68.

Note: Cumulative percentages for each social group

the secondary level, suggesting that the inequality in education is primarily driven by older cohorts.

The reasons behind Himachal Pradesh's successes in education are unclear, but the state certainly has a long history of innovations in education, and several factors seem to have played a role. For instance, GoHP was determined to provide access to the remotest areas by adapting central government criteria and norms to its topographical realities. Moreover, GoHP held district officers accountable for educational outcomes in their areas. Social factors seem to have been important as well. For instance, the Public Report on Basic Education (PROBE) project attributed Himachal Pradesh's success in education outcomes to the existence of effective parent-teacher associations (PTAs) and community involvement in the maintenance and improvement of school buildings (PROBE 1999). Analyzing the PROBE survey that was conducted across Himachal Pradesh, Bihar, Madhya Pradesh, Rajasthan, and Uttar Pradesh quantitatively, Drèze and Kingdon (2001) found that while household characteristics (such as parental education and dependency ratios) were the primary determinants of school attendance in Himachal Pradesh's neighbors, village characteristics were just as important as household characteristics in Himachal Pradesh. In particular, Himachal Pradesh had lower student-teacher ratios, better teaching standards, and more active PTAs relative to its neighbors. It also has better community infrastructure (piped water, electricity, post office, phone, and a waterproof school building) and women's associations. Drawing on field-work across northern India, Mangla (2014) points out that the flexible bureaucratic norms in Himachal Pradesh facilitated these positive outcomes. For instance, unlike Uttarakhand, a neighboring hill state which has not been as successful on education, senior officials in the education department in Himachal Pradesh work closely with communities and with civil society organizations.

## 2.4. Health

Health indicators in Himachal Pradesh have also shown steady progress and are yet another testament to strong state commitment and efficient service delivery. Himachal Pradesh has made massive investments in its health infrastructure, which is one of the best in the country in terms of per capita availability. Infrastructure, although laudable, is merely an input. The state has recorded consistent progress in outcomes as well. Take the case of immunization, where Himachal Pradesh stands out among its neighbors and also at the national level. By 2005, almost three quarters of the children in Him-

achal Pradesh were fully vaccinated, compared to less than half of all Indian children. Coverage for the Bacillus Calmette–Guérin (BCG), a vaccine against tuberculosis, and the first doses of diphtheria, pertussis and tetanus (DPT) and polio vaccines, moreover, exceeded 90 percent.

Childhood mortality in Himachal Pradesh also recorded steady improvements, particularly between 1971 and 2001, although it hit a plateau thereafter. While under-five mortality rates are the lowest among northern Indian states, they are still worse than those in Kerala and Tamil Nadu. A closer look at childhood mortality patterns suggests that high levels of neonatal mortality drive Himachal Pradesh's somewhat lackluster performance compared to Kerala and Tamil Nadu. In fact, after the first month of birth until their first year, children in Himachal Pradesh have a clear survival advantage, even compared to Tamil Nadu (table 2.2).

Self-reports of health condition and awareness of health issues are also better among residents of Himachal Pradesh than they are among residents of neighboring states. Nearly 62 percent of those interviewed in Himachal Pradesh for the IHDS in 2004–5 said that their health condition was “good” or “very good,” compared with 52 percent in Haryana and 48 percent each in Punjab and Uttar Pradesh. Himachal Pradesh also has high levels of public awareness of health issues. For example, knowledge and awareness of AIDS (acquired immunodeficiency syndrome) among married women in Himachal Pradesh is widespread; nearly 84 percent of ever-married women aged 15–49 reported that they were aware of AIDS, compared to a national average of 55 percent (IHDS 2004–5).

Investments in health infrastructure and service delivery networks in the early years of Himachal Pradesh's statehood were instrumental in achieving its positive health outcomes. These investments were effective in terms of outreach, despite the hilly terrain. Data from the NFHS 2004–5 indicate that a majority of households use government health facilities when they are sick. Nearly 83 percent of people in Himachal Pradesh use public facilities, compared to only 34 percent in India as a whole. This is solid evidence of user satisfaction with the public health system. The IHDS also shows that a large proportion of people in Himachal Pradesh use public facilities, although the proportion is not as large as reported in the NFHS. This discrepancy could well be the result of how the question was asked in the two surveys. So, nearly 56 percent of the sample interviewed for IHDS in Himachal Pradesh in 2004–5 preferred government health personnel over private practitioners, primarily because about one-third of its villages had a primary health center, not just a health sub-center (figure 2.11).

Malnutrition levels are relatively low in Himachal Pradesh compared to the national average, but more than one-third of the state's children continue to be underweight or stunted. According to the NFHS 2005–6, malnutrition levels in Himachal Pradesh (measured along the three anthropometric indicators of nutritional status) are more or less in line with the levels observed in other northern states, although lower than the national average (table 2.3). In fact, Himachal Pradesh has been among the best-performing states in reducing the proportion of underweight children between the two rounds of the NFHS surveys (1999 and 2006), from 43.6 percent to 36.5 percent. Yet, more than one-third of Himachal Pradesh's children continue to be underweight or stunted, that is, measure 2 standard deviations below the international norm for weight-for-age and height-for-age, respectively. Moreover, in recent years, some reports suggest that progress toward reducing malnutrition has been sluggish. Data provided by the Ministry of Women and Child Development

**Table 2.2. Childhood Mortality in Himachal Pradesh Lower Than National Average and Neighboring States, But Neonatal Mortality High**

State	Neonatal mortality	Post-neonatal mortality	Infant mortality	Child mortality	Under-five mortality
<b>Himachal Pradesh</b>	<b>27.3</b>	<b>8.9</b>	<b>36.1</b>	<b>5.6</b>	<b>41.5</b>
Bihar	39.8	21.9	61.7	24.7	84.8
Haryana	23.6	18.1	41.7	11.1	52.3
Karnataka	28.9	14.3	43.2	12.1	54.7
Kerala	11.5	3.8	15.3	1.0	16.3
Madhya Pradesh	44.9	24.7	69.5	26.5	94.2
Punjab	28.0	13.7	41.7	10.8	52.0
Rajasthan	43.9	21.4	65.3	21.5	85.4
Tamil Nadu	19.1	11.2	30.4	5.3	35.5
Uttar Pradesh	47.6	25.0	72.7	25.6	96.4
Uttarakhand	27.6	14.3	41.9	15.5	56.8
<b>India</b>	<b>39.0</b>	<b>18.0</b>	<b>57.0</b>	<b>18.4</b>	<b>74.3</b>

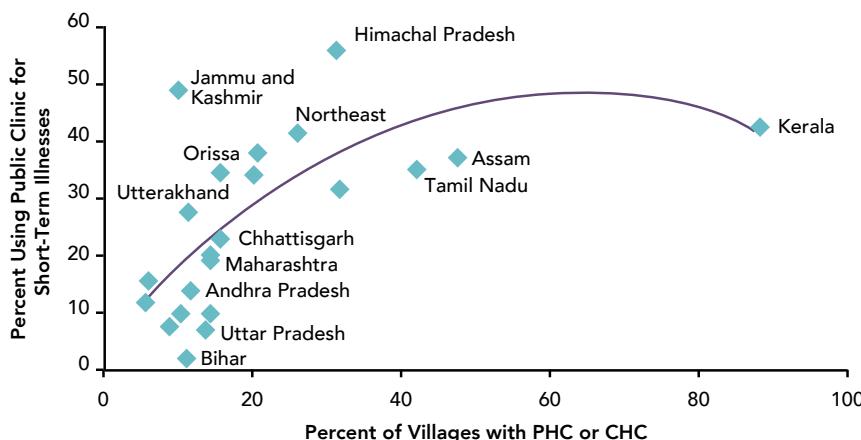
*Source:* NFHS-3 2005–6.

*Note:* Neonatal mortality—probability of dying in the first month of life; Post-neonatal mortality—probability of dying after the first month of life, but before the first birthday; infant mortality—probability of dying before the first birthday; child mortality—probability of dying between the first and fifth birthdays; and under-five mortality—probability of dying before the fifth birthday.

for a report commissioned by the Comptroller and Auditor General of India (CAG) suggest that nearly 34 percent of children in Himachal Pradesh under age five were underweight in 2011, almost similar to the levels seen in 2005–6 (CAG 2013).<sup>13</sup>

Himachal Pradesh has taken steps to reduce malnutrition, primarily through its well-functioning Integrated Child Development Services (ICDS). For instance, GoHP has been spending substantially more than the funds released by the central government toward the supplementary nutrition component under the ICDS program (CAG 2013). Among the ICDS/anganwadi centers sanctioned in Himachal Pradesh to provide supplementary nutrition and preschool education to children, nearly all are operational, and absenteeism among workers is reportedly low. Further, Himachal Pradesh has a well-functioning universal public distribution system (PDS) that provides not only food grains, but also pulses and oil to both below poverty line (BPL) and above poverty line (APL) families (Drèze and Sen 2011; Drèze and Khera 2012). Whether the subsidized food made available to families through the PDS has had a beneficial impact on children’s nutrition is a matter of debate,<sup>14</sup> but it is certain that a majority of households in Himachal Pradesh rely on the PDS and use it to fulfill their food requirements, a finding confirmed both

Figure 2.11. Himachal Pradesh Ahead in Availability and Use of Public Health Facilities



Source: Desai et al. (2010), based on IHDS 2004–5 data.

Note: PHC: Primary Health Centre; CHC: Community Health Centre.

Table 2.3. Malnutrition in Himachal Pradesh Below National Average, But Still An Urgent Issue

State/country	Height-for-age			Weight-for-height			Weight-for-age			Mean Z-score (SD)	
	% below -3 SD	% below -2 SD	Mean Z-score (SD)	% below -3 SD	% below -2 SD	% above +2 SD	Mean Z-score (SD)	% below -3 SD	% below -2 SD	% above +2 SD	
Himachal Pradesh	16.0	38.6	-1.5	5.5	19.3	1.1	-1.0	11.4	36.5	0.5	-1.6
Bihar	29.1	55.6	-2.1	8.3	27.1	0.3	-1.4	24.1	55.9	0.1	-2.2
Haryana	19.4	45.7	-1.8	5.0	19.1	1.4	-1.0	14.2	39.6	0.2	-1.7
Karnataka	20.5	43.7	-1.7	5.9	17.6	2.6	-1.0	12.8	37.6	0.5	-1.6
Kerala	6.5	24.5	-1.1	4.1	15.9	1.2	-0.9	4.7	22.9	0.4	-1.2
Madhya Pradesh	26.3	50.0	-2.0	12.6	35.0	1.0	-1.6	27.3	60.0	0.1	-2.3
Punjab	17.3	36.7	-1.5	2.1	9.2	1.5	-0.5	8.0	24.9	0.5	-1.2
Rajasthan	22.7	43.7	-1.7	7.3	20.4	1.6	-1.1	15.3	39.9	0.4	-1.7
Tamil Nadu	10.9	30.9	-1.1	8.9	22.2	3.6	-1.0	6.4	29.8	1.9	-1.3
Uttar Pradesh	32.4	56.8	-2.2	5.1	14.8	1.2	-0.8	16.4	42.4	0.1	-1.8
Uttarakhand	23.1	44.4	-1.8	5.3	18.8	2.3	-0.9	15.7	38.0	0.3	-1.7
India	23.7	48.0	-1.9	6.4	19.8	1.5	-1.0	15.8	42.5	0.4	-1.8
Bangladesh	16.1	43.2	-1.8	2.9	17.4	0.9	-1.0	11.8	41.0	0.3	-1.7
Nepal	20.2	49.3	-1.9	2.6	12.6	-	-0.8	10.6	38.6	-	-1.7

Source: India NFHS-3 2005-6; Bangladesh Demographic and Health Survey (DHS) 2007; Nepal DHS 2006.

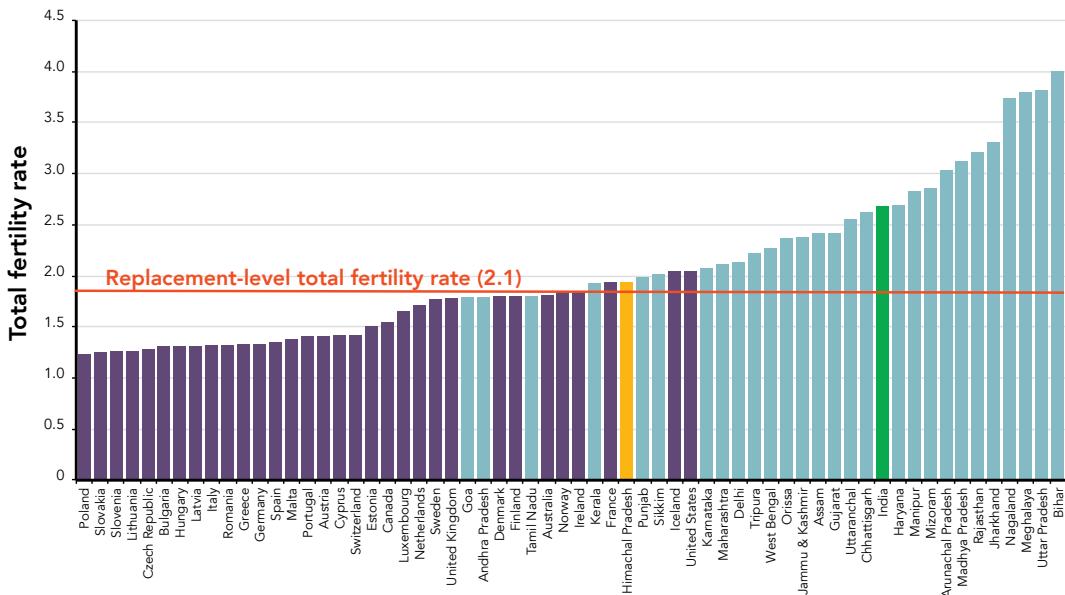
Note: Percentage of children under age five classified as malnourished according to three anthropometric indices of nutritional status: height-for-height, weight-for-age, by state and for India, for 2005-6. Percentage below -2 SD includes children who are below -3 SD from the International Reference Population median.

by this report's fieldwork and independent studies (Drèze and Khera 2012). However, there is room for improvement. The CAG evaluation of the ICDS across states conducted in 2011 suggests that Himachal Pradesh spends significantly less per beneficiary, per day, on supplementary nutrition than the central government norms require: it spends Rs. 3.07 per beneficiary, per day compared to the norm of Rs. 4.21. Moreover, not all beneficiaries eligible for supplementary nutrition are covered (CAG 2013).<sup>15</sup>

Women's health and well-being in Himachal Pradesh have also shown significant progress. The state has completed its fertility transition, and fertility rates are well below replacement. In fact, Himachal Pradesh's total fertility rate (TFR), at 1.9 children per woman, looks exactly like that of France and is lower than that of the United States (figure 2.12).<sup>16</sup> Fertility decline is not just an important health issue; it has broader social implications on women's status and gender equality. While there is little empirical evidence on what drove the fertility decline in Himachal Pradesh, it is likely that a mix of a well-implemented family planning program, high levels of female education, and a general decline in demand for children was responsible. In fact, the overall status of women, their participation in social movements, and their relatively higher levels of labor force participation all contributed to this outcome. That said, it is interesting that Punjab, with fertility rates that are just slightly higher than those of Himachal Pradesh, does not have the same positive outcomes in terms of female labor force participation, attainment of females in higher education, or overall female-to-male ratios.

Perhaps one of the most worrisome trends, and in many ways a puzzle in Himachal Pradesh, is the stark absence of female children compared to male. As discussed in this report, Himachal Pradesh has made significant progress in reducing both fertility and infant mortality. Additionally, in a regime where education, health, sanitation, and overall growth are all models for others to emulate, the higher mortality of female children comes as a surprise and a conundrum (box 2.2). Back in the late 1990s, Himachal Pradesh received international kudos because its female-to-male ratios seemed to be approaching parity since 1901, and demographers predicted that this progress would continue (Cohen 2000). But, in fact, the 2001 census showed an unexpected dip in overall female-to-male ratios for Himachal Pradesh.<sup>17</sup> Much more worrisome has been the sharp decline in female-to-male ratios among children (figure 2.13). Indeed, from 1981 to 2011, the number of females to every 1,000 males plummeted. Such a sharp decline implicates sex-selective abortions and gross neglect of female children, although not female infanticide, in a fertility regime that is characterized by a preference for small families and a preference for sons (Jha et al. 2006).<sup>18</sup> However, it is true that stated preferences for sons

Figure 2.12. Fertility Rate in Himachal Pradesh Similar to that in France and Lower than that in the United States



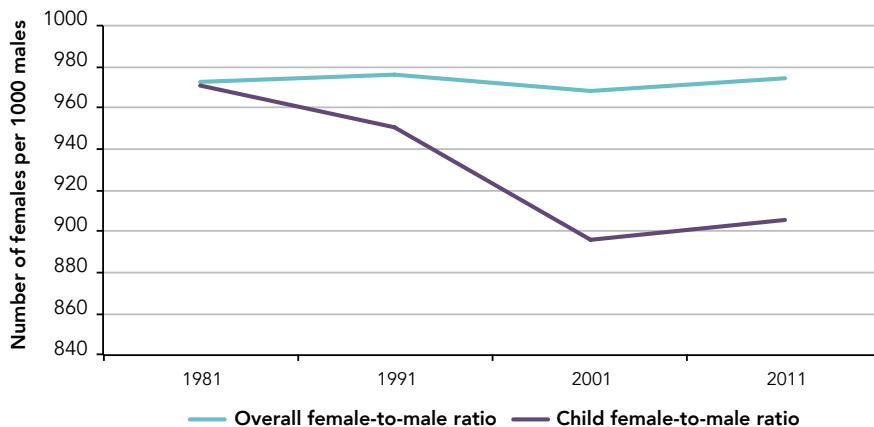
Source: Adapted from World Bank (2011), based on several data sources (Australia: Australian Bureau of Statistics; Canada: Statistics Canada; European countries: Eurostat (data for 2008); India and states: NFHS; selected countries: Demographic and Health Surveys).

Note: Data refer to 2005 or the closest available year.

seem to have declined from 1992 to 2005, when the first and third rounds of the NFHS were conducted (John, Kaur, Palriwala, Raju and Sagar 2008). This change in attitude seems to have gone hand-in-hand with a slight improvement in the number of female children to every 1,000 male children between the 2001 and the 2011 censuses, but GoHP will need to keep a close watch to ensure this trend continues to improve.

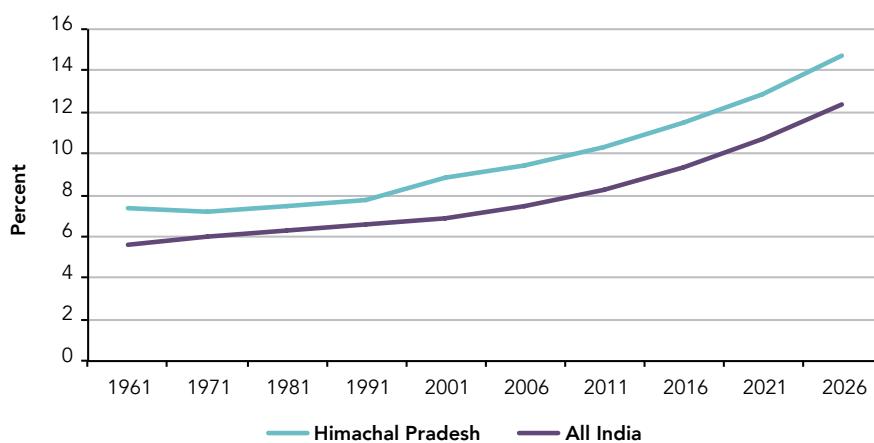
The needs of an aging population will be an important driver of social policy in Himachal Pradesh in the next decade and beyond. Subaiya and Dhananjay (2011) project that the median age in 2016 will be highest in Kerala and Tamil Nadu (37 years), followed by Himachal Pradesh (35 years). Furthermore, while persons aged 60 and older constituted just 7.4 percent of Himachal Pradesh's population in 1961, they will make up 14.7 percent in 2026 (figure 2.14). This will have implications for the labor market and economic growth, as well as for the care of the elderly and their caregivers, who are most likely to be women.

Figure 2.13. Sharp Loss of Young Girls Compared to Boys, 1981–2001



Source: Census of India, different years.

Figure 2.14. Share of Elderly Higher in Himachal Pradesh and Rising Faster Than National Average, 1961–2026



Source: Based on Subaiya and Dhananjay (2011).

### Box 2.2 Claiming Space, One Step at a Time: Mixed Tale of Gender Equality and Women's Empowerment in Himachal Pradesh

Himachal Pradesh has a strong track record supporting women's empowerment and gender equality, compared to its neighbors and to the rest of India. From access to health and education to participation in the labor market and in community decision making, being born in Himachal Pradesh brings distinct advantages for women and girls. But there is more to this story. In some areas women's outcomes are actually poor, and in others areas women are continuing to make progress, claiming more spaces, one step at a time.

The positive development narrative in Himachal Pradesh holds true, for the most part, for women's access to markets and services. Part of the explanation lies in cultural factors and part of it is a reflection of the state's overall development and investments in public service delivery, which, among other groups, benefited women. For instance, availability of water and fuel sources in remote areas probably translated into reduced time for women and girls in fetching these resources, allowing more time on well-being enhancing activities. GoHP has also invested in a number of programs that target women, such as safety nets for widows and poor women. Further, GoHP offers financial incentives for girls to attend school and puts communities in charge of monitoring enrollment and retention of girls in schools. GoHP also focused on increasing toilet facilities, which is likely to have had a positive impact on girls' school attendance (UNICEF 1994).

In light of its longstanding policy and program efforts, it is hardly surprising that Himachal Pradesh looks "different" from the rest of India in many gendered outcomes. For example, it has one of the highest rural female labor force participation rates in India, with up to two-thirds of its rural female population (and up to 70 percent of its secondary school-educated rural female population) working or actively looking for work over the past three decades, as shown earlier. Himachal Pradesh's fertility rate is very low, which has positive ramifications on the well-being of women and girls. Unlike other neighboring states, girls in Himachal Pradesh are not married off at very young ages. Only 12 percent of women (aged 20–24) were married before the age of 18 in

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2005–6, compared with 40 percent in Haryana and over 50 percent each in Rajasthan, Uttar Pradesh, Chhattisgarh, and Madhya Pradesh.

Although Himachal Pradesh's progress in women's access to markets and services has been impressive, especially considering its difficult topography, there are gaps in other areas. Perhaps the starker divergence from the overall trend toward greater gender equality is the female-to-male ratio at birth. Despite improvements in recent years, sex-selective abortions in Himachal Pradesh are very much in evidence, especially in urban areas. New gender-based inequalities seem to be emerging in the labor market and in education, two areas in which Himachal Pradesh previously had made significant progress. For example, our analysis of the NSS data shows that the gender gap in labor force participation is twice as large in urban areas compared to rural areas. Women appear to face multiple disadvantages in urban areas, where they are mostly employed in jobs with lower status and wages (such as teaching, clerks, assistants, and servants), while their male counterparts dominate higher-ranking public service positions.

Still other trends contribute to a mixed picture. For example, women in Himachal Pradesh have a long history of community activism, one example of which is their strong role in resisting commercialization of forests. This form of assertion in public spaces resonates with their agency in the private sphere, where the NFHS shows that 65 percent of married urban women and 50 percent of married rural women report participating in household decisions. Again, according to the NFHS, adolescent pregnancy is very low at 3–4 percent in Himachal Pradesh, compared to 15 percent in neighboring states. A strong body of ethnographic work points to marriage patterns in Himachal Pradesh as playing a salutary role on women's overall status (see, for instance, Sethi [2010], Snehi [2011] and Singh [2011]).

Data on spousal violence against women in Himachal Pradesh presents a puzzling picture. The NFHS indicates that only 6–7 percent of ever-married women in Himachal Pradesh report experiencing spousal violence. This is much lower than the neighboring states of Uttar Pradesh, Rajasthan, and Madhya Pradesh, where levels of spousal violence hover at around 40 percent. The prevailing discourse in Himachal Pradesh and the work of government agencies and nongovernmental organi-

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zations (NGOs) consider these numbers to be unrealistic and likely underreported. The Himachal Pradesh Human Development Report (GoHP 2002) suggests that the incidence of crimes against women is in fact quite high. The IHDS 2005–6 also reports a higher prevalence of spousal violence, where 29 percent of respondents believed that it was common to beat women under certain conditions, if for example, they went out without permission. Recently there have been a large number of press reports of rapes in Himachal Pradesh, where previously such reports were few. Whether these reports reflect increased awareness and reporting or higher incidence is difficult to say. What is evident is that going forward, proactive policy and programmatic interventions are needed to prevent domestic violence, improve women's ownership of assets, and make a dent in the adverse child female-to-male ratios to move toward greater gender equality in Himachal Pradesh.

*Source:* Authors' compilation based on NFHS-3 (2005–6), IHDS (2005–6), NSS round 68, GoHP (2002), and UNICEF (1994).

## 2.5. Sanitation and infrastructure services

A discussion of Himachal Pradesh's success in health and education is incomplete without a focus on its rapid progress in sanitation. Sanan (2010) points out that, in 2003, Himachal Pradesh lagged behind other states in the area of sanitation. Today, it is the first state in northern India that is close to being “open defecation free” (ODF). Similarly, our calculations from the NSS in 2011–12 suggest that more than 70 percent of households in rural areas and nearly all households in urban areas had access to an improved source of toilet in 2012. This includes access from sources such as “flush/pour flush toilet to piped sewer system/septic tank/pit latrine,” “ventilated improved pit latrine,” “pit latrine with slab,” and “composting toilet.” A dedicated survey on sanitation facilities in Himachal Pradesh found that by 2011, 98 percent of schools had toilets (Sanan, Chauhan, and Rana 2011). Different accounts suggest that a community-led total sanitation (CLTS) approach, combined with a number of champions and a move away from a subsidy-based approach, enabled “sustainable sanitation” and cultural change where open defecation became unacceptable (Hueso González 2013). Box 2.3 highlights some of the channels through which these successes emerged.

General improvements in rural infrastructure, and not just in sanitation, have probably played a role in propelling Himachal Pradesh's progress in human development, social inclusion, and overall well-being. Despite adverse terrain and scattered settlements, nearly all households in Himachal Pradesh covered by the NFHS had electricity in 2005–6. Data from the NSS of 2011–12 suggest that virtually all households in rural areas of Himachal Pradesh had access to an improved source of drinking water. A large body of literature highlights the role that infrastructure services, such as safe drinking water and electricity, play in improving health and education outcomes and in giving, particularly women, more leisure time, which in turn has positive impacts on their well-being. For example, during fieldwork conducted by the authors, female respondents spoke about how the arrival of electricity and cooking gas reduced long hours in the kitchen. The availability of drinking water in homes, likewise, is believed to have decreased women's work loads, who then do not need to trudge long distances to bring water for their households. Similarly, as pointed out earlier, the availability of toilets in schools is known to be positively correlated with girls' school attendance (UNICEF 1994). While there are no studies that look at the role of infrastructure in improving health and education outcomes in Himachal Pradesh, the existence of social services and the speed with which improvements took place indicates that they must have impacted human development outcomes as well.

### Box 2.3 Himachal Pradesh: A Sudden Trail Blazer in Total Sanitation

While Himachal Pradesh has a good record on human development indicators and access to public infrastructure and services, its performance in sanitation was quite dismal until a few years ago. According to the NFHS, only 40 percent of rural households in Himachal Pradesh had access to any toilet facility in 2005–6. In early 2005, the GoHP adopted a new approach to provide better rural sanitation. It moved away from providing subsidies to households to construct toilets to one that provided entire communities with incentives to build toilets. In other words, the state did away with subsidies for toilet construction to below poverty line (BPL) households and instead treated toilet construction as a local community responsibility—a public good. The logic was that subsidies divided communities and defeated the purpose of collective action.

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The new community-led total sanitation (CLTS) approach focused on igniting shock and shame among communities that practiced open defecation, so they would end the practice through collective action. It was led by the belief that when communities are shocked into realizing the impact of open defecation on their own and their neighbors' health, they would also realize that the practices of individuals affect the community as whole (Robinson 2006; Kar and Chambers 2008). Successful communities were given monetary awards for becoming open defecation free (ODF), which could then be used to reimburse costs incurred by poor households to construct toilets. To ensure that the award was based on demonstration of sustained behavior change, it was disbursed in two tranches: the first at the initial stage of being declared ODF, and the balance on an evaluation after one year.

Whether Himachal Pradesh's success with the CLTS approach can be replicated at a national level is hard to say. O'Reilly and Louis (2014) argue that it represented a unique confluence of multiple elements: the environmental context, government policies and proximate social relations, all of which served as key factors for influencing toilet adoption and sustainability. First, there was political will at the local government level. Meeting targets and winning the award was a matter of pride. Local level officials and leaders were trained at the local, block, and district level in global and national discourses around the need for sanitation, all of which played a role in the campaign for total sanitation in their communities. Second, exposure to more urban lifestyles through government jobs and migration, as well as proximity in small communities, created social pressure on households to build toilets. Third, government investments in other infrastructure services like water and the environmental context (with soil quality in Himachal Pradesh supporting pit toilets) also helped. Finally, and perhaps most importantly, local bodies constantly innovated to achieve their goal of securing an ODF status. For example, in instances when shock and shame did not work (where monitoring open defecation across scattered settlements was difficult), a handholding approach was adopted, to help individual households facing genuine obstacles to constructing toilets.

*Sources:* Kar and Chambers 2008; O'Reilly and Louis 2014; Robinson 2006; Sanan 2010; Sanan, Chauhan and Rana 2011.



### 3. Understanding “Why”: The Possible Drivers of Social Inclusion

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*“We have a good society. We live peacefully. We don’t fight.”*

*“People here are good to each other; they respect each other, stand by for one another, and go to each other’s marriages.”*

*“Anyone who can eat two meals thinks (they are) rich.”*

As told to the authors in Kufri, Shimla District

Previous chapters documented Himachal Pradesh’s successes in human and social development outcomes and argued that the state has both a strong track record of pushing reform as well as sound institutional foundations that portend well for its future. The discussion attempted to answer, at least partially, for each outcome, what may have brought about the change. This penultimate chapter takes a broad, macrosocial view of Himachal Pradesh’s progress and attempts to understand the underlying conditions that made it possible.

#### 3.1. Special status and fiscal space

Himachal Pradesh’s track record of positive outcomes in social inclusion is often attributed to government investments in infrastructure, public employment, and public services. Its status as a special category state allowed GoHP to expand infrastructure and service delivery through large-scale development programs (Sanan 2008). Central grants that accounted for nearly 25 percent

of the GoHP budget and 45 percent of its revenue expenditure in 2011–12 have undoubtedly played a major role in building a robust foundation for growth and human development in Himachal Pradesh (CAG 2012a). In addition to receiving grants from the central government, state agencies also receive direct credits on account of centrally sponsored schemes (CSS), such as the Sarva Shiksha Abhiyan (SSA) and the MGNREGS.

Yet these transfers do not explain *why* GoHP invested its resources responsibly and accountably, *why* such investments led to positive outcomes, and *how* the state maintained intergroup equity in access to markets, services, and political spaces. There are other states with special status which receive large central grants, but their outcomes are not as good as those of Himachal Pradesh. There are likely institutional foundations, which, in addition to the fiscal flexibility enabled by the central government transfers, led to Himachal Pradesh's success in social inclusion.

### **3.2. Tradition of a strong, benevolent, accountable state**

Himachal Pradesh has historically been “ruled” by a set of largely benevolent, feudal entities, primarily from the Rajput caste. Therefore, building on the institutions from its history, Himachal Pradesh has a unique form of democratic governance, where hierarchies are intact, but citizens have both voice and leverage (Verma 1995; Negi 1993). Local-level accountability is high, and local institutions have played a strong role in the delivery of services by initiating and leading changes in behaviors and norms. In a “classical” view of decentralization and local accountability, or to those unfamiliar with the context, Himachal Pradesh may seem top-down and hierarchical. For instance, it ranks lower than the national average in the Panchayat Devolution Index (IIPA 2013). A culture of closeness and transparency has led to strong and accountable local institutions, even when they may not make for devolution of functions or raising resources from the local level.

So, what seems to be a paradox is actually a unique form of democratic decentralization that is specific to Himachal Pradesh's context. This form of governance is based on a clear, though unwritten, social contract, where citizens repose trust in a state that has historically looked out for them. For instance, citizens expect the state to provide a range of entitlements, from public employment to basic services. In turn, citizens give unstinting loyalty to the state—there are few protest movements, conflicts are resolved informally, even

as basic needs are taken care of by the state. Central government transfers clearly made such entitlements possible.

### **3.3. Independence of the bureaucracy**

Local-level accountability in Himachal Pradesh is underpinned by a strong administrative tradition. Like Rajasthan, which also had a culture of benevolent feudalism, the Indian Administrative Service (IAS) officers and state civil officers in Himachal Pradesh have had a degree of independence that allowed them to innovate. This independence was perhaps more pronounced in Himachal Pradesh because, given the topography and climate, districts and sub districts could often get cut off from the state capital and had to innovate to remain functional.

The initiative and independence of the bureaucracy is evident in a number of areas. For instance, Mangla (2014) cites examples of officials in the education department in Himachal Pradesh, who, jointly with civil society, created programs for educating migrant children from poor states like Rajasthan and Uttar Pradesh. He also notes that officials “are encouraged to draw upon local knowledge and adapt policies according to local needs, which may involve bending the rules” (Mangla 2014, 13). Second, officials at the block level (below the district), are seen as assets because of their knowledge of local realities and are given authority and support to make decisions. Finally, the bureaucracy is encouraged to interact freely with the community to elicit ideas regarding local issues and come up with solutions. Going forward, maintaining this strong tradition of an independent and collaborative bureaucracy will be a key ingredient for sustaining reforms.

### **3.4. High incidence of public sector jobs**

The fact that almost a third of Himachal Pradesh’s jobs are in the public sector has had mixed results for social inclusion and sustainability. First, it has enabled the hiring of a large number of service providers, such as doctors, nurses, teachers, and other local-level functionaries. In turn, this allowed GoHP to expand service delivery. Yet, the mere supply of personnel is not enough for good service delivery outcomes. Himachal Pradesh combined this with a high degree of accountability, which it expected from such personnel, as documented later in this section. Second, public sector employment has been associated with high labor force participation rates and perhaps has enabled

a greater dent in poverty. Third, the large number of public sector jobs has led to a sense of entitlement among citizens, leading them to perceive the state as the employer of first resort, while simultaneously leading to enhanced trust in, and loyalty to, the state. Concomitantly, high levels of public employment have been associated with a mistrust of the private sector and the perception that private sector jobs are unreliable. Finally, the high wage bill associated with the large public sector has led to a situation where state provision of jobs is no longer sustainable.

### **3.5. Difficult, hilly terrain results in unique context of political and economic cohesion**

Located in the northwest region of India, at altitudes ranging from 400 to 7,000 meters above sea level, most of Himachal Pradesh is inaccessible or uninhabited. Hilly terrain, dense forests, and transportation costs constrain opportunities for growth and cause hardship to its residents. This is especially true in the high mountain region in the northern part of the state. Himachal Pradesh also has a very low population density; residents live mostly in villages that are organized into small settlements of 25–30 households. Most of these settlements tend to be dominated by a single caste, and the combination of around 15 settlements forms a panchayat. The smallness of the rural settlements and the difficult terrain create incentives for collaboration and reinforce interdependence, helping to transcend caste divisions and strengthen kinship networks across different groups. The setting also binds the citizens within a common social and religious attachment to the Himalayas, and their flora, fauna, and water sources. The Himalayas are central to the Himachali identity and tie the citizens in a bond of social cohesion (Negi 1993).

### **3.6. Small size makes many things possible, but is also a mixed blessing**

Small size is a blessing in many respects; it makes states and countries more manageable. Other Indian states with similar topography, and with smaller populations and low population density (such as Tripura, Meghalaya, Manipur, and Nagaland), also produce good outcomes. On the other hand, Uttarakhand, which has an environmental and social milieu very similar to Himachal Pradesh's, but with a larger population and area, performs much worse than Himachal Pradesh. Its small size has certainly helped Himachal

Pradesh, particularly making it more manageable from an administrative and supervision perspective. Its small size also means that politicians, administrators, service providers, and citizens are in close physical proximity. It is well known in Himachal Pradesh that local politicians are accessible and there are close social ties between them and their constituents (Verma 1995; Parry 1979). This provides greater accountability and transparency, especially when accompanied by the fact that inequalities in land and other assets are low. But small size entails both costs and benefits. For instance, while it may be easier for a small state to transform informal institutions into formal ones, personal contacts can become more important than political ideology or political parties. In recent years, this “culture of informality” has created expectations of patronage and favoritism in administrative and governance processes, particularly regarding access to government jobs, transfers, and appointments (Sharma 1999).

### **3.7. Women’s participation and gender norms**

The participation of women in development programs and their access to markets, services, and spaces is linked to a culture where female seclusion is not as normative as it is in neighboring states. The NFHS-3 (IIPS 2010) notes that 65 percent of urban women in Himachal Pradesh and 56 percent of rural women participate in household decisions. When combined with a strong tribal ethos where women have greater decision-making roles within the family, it has been easier for Himachal Pradesh to enlist women’s participation in programs such as sanitation, immunization, and other health-related campaigns than it has been for neighboring states. For instance, Drèze and Kingdon (2001) found that existence of women’s groups at the village level had positive effects on educational attainment. Women in Himachal Pradesh also have a strong tradition of protest movements against environmental degradation and male alcoholism. In what is considered a reinvention of the Chipko movement (where, during the 1980s, women in Uttarakhand hugged trees to symbolically save them from being cut), women in Himachal Pradesh are known to tie “rakhis” or threads to trees as a mark of siblinghood and protection.

### **3.8. Caste and religion foster social cohesion**

The structure and composition of caste and religion in Himachal Pradesh are also unique compared to other states, although there is a great deal of het-

erogeneity within the state. While caste is as deeply entrenched in Himachal Pradesh as it is in other states of northern India, some characteristics in Himachal Pradesh foster greater social solidarity. Three aspects stand out: SCs, STs, and the role of religion.

First, the proportion of SCs in Himachal Pradesh is much higher than the national average, and second only to Punjab. SCs comprise 25 percent of the population and have about 56 different communities. However, unlike other states, SCs in Himachal Pradesh, for the most part, have land and have benefitted from the rapid decline in poverty, as noted earlier. Their numerical strength, access to land, and their inclusion in Himachal Pradesh's social and economic development have lowered the chances of caste-based assertion or social conflict. Yet, at the community level, practices around caste are quite pronounced and are tied up with religious norms that pervade both private and public spaces. For instance, there are fairly strict rules on inter-marriage and inter-dining in the rural areas of Himachal Pradesh. Social segregation for religious occasions is an accepted norm. In a strange way, this solidifies the status quo, sets clear rules of engagement between castes and functions as a means of social control, where few transgress the status quo (Parry 1979).

In a second unique feature, the proportion of STs in Himachal Pradesh is lower than the national average. STs account for 5.7 percent of the state's population. But the nature of the ST communities is very distinct from other areas of India (whether Schedule V or Schedule VI areas)<sup>19</sup> and their relatively high socioeconomic status makes them a strong social group. A majority of the eight ST communities are concentrated in the upper districts of Kinnaur, Lahaul Spiti, and parts of Chamba district (Parmar 1992). In Kinnaur, for instance, STs are the dominant social group, both numerically and in terms of their influence.

Finally, Himachal Pradesh is unusually homogenous in its religious composition. About 95 percent of the local population is Hindu, whereas all other religious groups—Muslims, Buddhists, Sikhs, Christians, and Jains—combine for around 5 percent of the total population. This preponderance of Hindus has made religious competition an unlikely political or social force. Religion itself and religious norms continue to exercise strong social control. In fact, many religious institutions have been accorded semiformal status and have been integrated into the local governance structure (Berti 2009). Examples include “devta committees” (headed by the local deity, who is a person with divine characteristics), “kardar sanghs” (the association of village gods’ administrators), “Dusshera committees” (which organize the festival of Dusshera and finance all costs associated with it, including toward religious ceremonies, cultural programs, residents’ and deities’ trips to the capital), and similar reli-

gious groups that also have social and political roles (Berti 2009; Parmar and Rana 2003).<sup>20</sup>

### **3.9. Social inclusion: long-time priority of the government**

Policies, as distinct from programs, in Himachal Pradesh, attest to the fact that the government is conscious of potential caste divisions, and it wants to ensure that equality and cohesion, not just poverty reduction, are priorities. For example, land reforms were initiated soon after Himachal Pradesh became a state, and SCs, who were overrepresented among the landless in other states, were given land during this process of redistribution (discussed earlier in box 2.1). This had the effect of building trust among a very large social group and cemented both inclusion and cohesion across the state. Similarly, GoHP allocated special funds and implemented a range of rural programs for the development of tribal groups, especially from the Fifth Five-Year Plan onward (Parmar 1992). Today, similar policy tools are in effect in the context of the state’s infrastructure-led growth model, of which hydropower investments are a key component (box 3.1). Other, smaller schemes point to GoHP’s perseverance in trying to ensure that caste does not become a divisive force across the state’s population. For instance, recently there were press reports that GoHP would provide cash incentives for inter-caste marriages and that traffic policemen were asked not to wear their (caste identifying) surnames on their badges.

### **Box 3.1. Sharing the Benefits of Infrastructure-Led Growth: Himachal Pradesh's Local Area Development Fund and Cash Transfer Scheme**

Among all recent reform initiatives undertaken by GoHP in the context of its infrastructure-led growth model, one of the most ambitious changes took place in the hydropower sector. Because of its five major river basins, Himachal Pradesh's hydropower sector has significant potential for expansion. The 2006 Hydropower Policy, which supplemented the Electricity Act of 2003, introduced a policy framework that regulates harnessing the state's hydropower capacity through investments in small, medium, and large hydropower projects. The objective of the policy is to provide earmarked funds for welfare schemes and a regular stream of revenue for income generation in project-affected areas, as well as to ensure that hydropower-led growth across Himachal Pradesh brings benefits not only to investors, but also to local communities.

The policy requires that hydropower developers set aside funds equivalent to 1.0–1.5 percent of project cost for investing in community-driven infrastructure projects in the project area during implementation. The funds can be accessed by communities through Local Area Development Councils (LADCs), which are composed of representatives from relevant government departments, project developers, and project-affected areas.

Based on lessons learned from the implementation of the 2006 Hydropower Policy, the guidelines have been updated successively in 2009, 2011, and 2013 to clarify the amount of funds to be received by each type of project as well as to promote local participation in LADCs and increase the transparency of decisions on the use of funds. Following best practices in global benefit sharing, the revised guidelines clarify what is considered a “project-affected zone” and provide an unambiguous formula for calculating the amount contributed to each Local Area Development Fund (LADF).<sup>a</sup> The guidelines also require the members of project-affected communities to agree on a list of preferred welfare schemes or infrastructure projects and to get them approved at public Gram Sabha meetings before the funds can be accessed. Simultaneously, numerous government agencies, district and panchayat authorities, and elected community representatives are mandated by GoHP to oversee

*(continued next page)*

the implementation of the policy and the workings of the LADCs, providing checks and balances.<sup>b</sup> GoHP has also developed a comprehensive communication strategy to announce these changes and publicly commit to the implementation of its policies.

In addition to strengthening collective benefits that accrue to communities through LADFs, the revised benefit-sharing guidelines also extend cash transfers to households living in project-affected areas. They require hydropower companies to transfer 1.0 percent of the power generated in hydropower plants to the public energy authority and mandate the latter to transfer the revenue generated from selling it to the LADF in each project-affected area. As per the latest guidelines announced in 2013, half of these additional funds get distributed as annual cash transfers to every household that lived in the project-affected area during the lifetime of the project, while the other half is distributed to households in proportion to the amount of land acquired by the project in each Gram Panchayat. To ensure that these cash payments have the maximum impact for poverty reduction, both streams of cash payments follow a progressive distribution procedure, where 85 percent of the proceeds are distributed equally to every household included in each Gram Panchayat’s family registry records, but the remaining 15 percent are distributed as additional benefits to households officially classified as below poverty line (BPL). Also, grievance redress mechanisms are in place to record and address any grievances arising from the management or distribution of the cash transfers.

*Source:* World Bank 2012, 2014a; GoHP 2006, 2009, 2011, 2013b.

*a.* The share of funds to be allocated to each affected project area is based on the extent of private land used for project components, including submergence of land, if any; the extent of land affected by underground components; the extent of land used for infrastructure; the stretch of the river stream that may be impacted; and the population of each community or panchayat.

*b.* Under the revised guidelines, there are state-level committees headed by the Principal Secretary of Power to monitor the operation of the LADF and adherence to the guidelines and timelines for depositing the funds. The Directorate of Energy is the nodal agency at the state level to keep track of LADF activities and to manage the allocation of revenue generation from the 1.0 percent of free power to the concerned LADC. Further, there is a project-level LADC for each project, headed by the deputy commissioner, and consisting of district-level officers of concerned departments, elected members of affected panchayats, and the chairman and vice chairman of Zilla Parishad and Panchayat Samitis. The schemes under LADF are implemented by the Gram Panchayat, the government department or the project developer, with the final decision resting with the Gram Panchayat. LADC is responsible for: verifying contribution to LADF from project developers; overall management; control and administration of LADF; monitoring, approval, and execution of the schemes; finalization of annual action plans; and review of progress of administrative and statutory clearances.



## 4. Looking Ahead: Sustaining Social Inclusion and Sustainable Development in Himachal Pradesh

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Himachal Pradesh's transition toward an infrastructure-led growth model, accompanied by myriad social and economic changes, is likely to have implications for social inclusion and sustainability. However, Himachal Pradesh is not alone in its policy reform efforts or in its attempts to overcome challenges on the path to improving social inclusion. World Bank (2013) takes a global look at the issue and points out that some of the salient macro trends of the last decades—demographic, spatial, economic, and knowledge—have had profound ramifications for inclusion. Across the world, many macro-level changes have been faster and deeper in the last two decades than in the preceding four decades, and this may also hold true for Himachal Pradesh.

Periods of change create new objective and subjective realities, as societies are reshaped by far-reaching transitions and transformations. For instance, changing age structures or new economic growth trajectories can lead to new forms of exclusion, but also create new opportunities for inclusion. Among other possibilities, new groups emerge, power relations often change, new values and norms take root, and new rules of the game are forged. Major transitions also have an effect on subjective realities, namely on people's attitudes and perceptions. World Bank (2013) notes that "since people act on the basis of how they feel, these attitudes and perceptions matter for inclusion...feelings of being included and respected by others, or being heard by the state, are central to the opportunities people access, the way in which they take part in

society, and the way the state responds to them.” Periods of change often need a new social contract.

## 4.1. Channels of change in Himachal Pradesh

In the coming years, Himachal Pradesh is likely to have a different development context than it has had in the past. Niche agricultural sectors, like floriculture and horticulture, have played a big role in the success of Himachal Pradesh. The introduction of incentives to private industry has accelerated the growth of nontraditional economic sectors and resulted in an unprecedented growth for small and medium enterprises, especially in the lower districts such as Solan.<sup>21</sup> Even as all of these changes unfolded, Himachal Pradesh continued to maintain its cohesive and inclusive society because of its egalitarian land ownership (which allowed excluded groups such as SCs to receive benefits from commercial farming) and good governance (which ensured equity in accessing markets, such as labor, and in services, such as health and education). Future economic development in Himachal Pradesh is expected to come from large investments in infrastructure, notably in the power sector, in addition to tourism and agribusiness. GoHP is also investing in a range of rural development schemes, including community-based watershed management projects, to maintain growth in the primary sector. These changes could significantly impact Himachal Pradesh’s development context.

New issues of social inclusion and of social exclusion may emerge as a result of Himachal Pradesh’s previous successes. For instance, as this chapter later discusses, the state’s reduced fertility and better life expectancy will lead to larger cohorts of older populations, and ensuring their inclusion in society and the economy will be a major social policy issue for Himachal Pradesh. Similarly, while the work of primary education seems nearly done, education quality has become an increasingly worrisome issue (Sood 2003). The *Annual Status of Education Report* (ASER) 2013, based on a survey conducted by the ASER Centre, shows that while learning outcomes are better in Himachal Pradesh than in most states, nearly 40 percent of the state’s children in classes VI–VIII cannot do simple arithmetic operations such as division. This is worse than the levels seen in states such as Mizoram (28 percent; ASER Centre 2014). Similarly, the official National Achievement Survey conducted by the National Council of Education Research and Training (NCERT 2012) suggests that the average reading comprehension score for class V students in Himachal Pradesh is well below that of other states (241 out of 500 compared to 278 for Tamil Nadu and 282 for Uttar Pradesh).<sup>22</sup>

Because of Himachal Pradesh's new growth path, which is expected to be driven by large infrastructure projects, with potential externalities on the environment, governance and social relations, some of the state's past gains may be at risk of erosion. As shown in this report, Himachal Pradesh has historically managed to maintain favorable and socially equitable outcomes for its citizens, especially in comparison to its neighbors, mainly due to consistent government efforts, the social and political organization of Himachal Pradesh, and an accessible and responsive state government. Citizens' aspirations in Himachal Pradesh are not mediated by caste in the same way as they are in other northern states. However, these foundations for good outcomes are likely to be tested, since reforms inevitably create winners and losers or introduce new ways of life that may disrupt the previous structures.

World Bank (2013, 210) summarizes the challenge of social inclusion: "Social inclusion is and will always be a work in progress, as some challenges of inclusion are met even as others arise."

*What are the likely channels of change in Himachal Pradesh, in concrete terms?*

Urban growth will inevitably impact Himachal Pradesh's growth and development in the coming years, whereas currently it is the least urbanized of India's states (Registrar General of India 2011b). Urban centers typically afford greater economic opportunity and better educational prospects, but in Himachal Pradesh, where urban areas are still developing, many social development and human development outcomes seem worse. These include a rise in poverty levels among SCs and STs and lower female-to-male ratios among children. Second, the state has made excellent progress in the provision of essential infrastructure and services in rural areas, such as water, sanitation, education, and health. Unless urban growth is well planned, there are chances that these gains will erode for urban residents.<sup>23</sup> Finally, urban areas are also home to migrants from other parts of the country as well as Nepal. While there is no comprehensive survey on migrants in Himachal Pradesh, limited evidence indicates that migrants are likely to have poorer outcomes. A survey conducted to assess the extent of rural sanitation coverage in Himachal Pradesh found that open defecation was significantly higher among migrants (usually agricultural labor), with a rate of 42 percent compared to 12 percent for the average rural household.

As Himachal Pradesh's agricultural landscape becomes more productive through agribusiness, it will be important to keep an eye on household food security and children's nutrition. Kumar and Prashar (2012) indicate that the area under cultivation for cereals, grams, and other pulses has been declining

in Himachal Pradesh, with a shift toward high-value commercial crops such as vegetables, fruits, and flowers. A change in cropping patterns could mean that households cut back on food production for their own use, in turn adversely affecting their families' nutritional status. While Himachal Pradesh has a strong PDS, neither the PDS nor the Integrated Child Development Services can, by themselves, make a dent in malnutrition, which currently afflicts one-third of the state's children. In this regard, the state government can learn from interventions that have worked elsewhere (box 4.1). Simultaneously, Himachal Pradesh is increasingly facing "second generation problems" around horticulture and floriculture, such as declining soil fertility, competition from cheaper imports and produce grown in poly-houses, and mounting pressures on existing infrastructure such as roads and market yards. Both agricultural technology and outreach will play a role in monitoring and ensuring food security as Himachal Pradesh pushes forward on its agribusiness path.

Balancing the needs of growth with social and environmental sustainability will perhaps be the greatest challenge for Himachal Pradesh as it simultaneously goes through social transformation. Our qualitative fieldwork indicates that people's attitudes toward economic development are positive, but their support for future development is conditional on the extent to which the state's social and environmental assets will be protected (box 4.2). Participants in our focus group discussions displayed a strong sense of pride in their state and its accomplishments, but almost every discussion led to a conversation on the interplay between development and the environment.

As pointed out earlier, the notion of environmental sustainability is closely linked to the social, economic, cultural, and religious identity of Himachalis. The Himalayas, which are more than just a mountain range, seem to bind Himachalis by their shared vision of priorities for Himachal Pradesh. A review of 144 hydropower projects involving private sector participation in Himachal Pradesh suggests that a significant number among them lag behind on compensatory afforestation while also neglecting maintenance of aquatic ecosystems and nearby ground aquifers. Furthermore, during site inspections, 22 of the 34 projects were found to have fallen short of providing the prescribed 70 percent employment to the local residents (CAG 2012b). Realizing the challenges of balancing infrastructure-led growth with environmental and social sustainability, GoHP has put in place a generous system for benefit sharing (box 3.1). The success of the benefit-sharing scheme and the broader approach to hydropower development, however, will depend on fair implementation, the transparency with which new projects are commissioned, and the extent to which local residents see a joint purpose in the development of new infrastructure.

### Box 4.1. Malnutrition among Young Children: Some Recent Lessons

Malnutrition is a stubborn scourge in many countries, and it is one that defies easy solutions despite the many attempts. Take, for example, deworming, which is being globally pushed through health posts or day-care centers. Deworming programs are increasingly gaining currency in India as a mechanism to reduce anemia among children. The government of India has also been providing nutritional supplements such as vitamin A, zinc, and iron to children enrolled in anganwadis.

A second method that is increasingly popular is to train mothers to change behaviors. When combined with incentives for anganwadi workers, sharing knowledge around nutrition can have a powerful effect on reducing malnutrition. An experiment in a slum in Chandigarh did both: in one treatment group, mothers received books containing recipes in the local language developed by a local nutritionist. In the second treatment group, anganwadi workers were given bonuses for children whose weight they were successfully able to increase. Both the information and the incentive treatment groups were combined in a third group; and all three were compared to a control group. Results showed that malnutrition reduced significantly for children in the combined group and the effect persisted even after the end of the experiment (Singh 2013).

A third approach is based on incentives to mothers to track the nutritional status of their children. A pilot financed by the World Bank in Bangladesh, *Shomphob* (or “possible” in Bangla), provided monthly cash transfers to poor mothers if they attended monthly awareness sessions on nutrition and regularly monitored the growth of their children under three years. The cash transfers, made over 20 months, were accompanied by robust communication and monitoring and evaluation activities, and made special efforts to ensure the participation of the poorest households. An evaluation of the pilot showed that the intervention had reduced the incidence of wasting among children who were 10–22 months old at the start of the program by nearly 40 percent. Compared to a control group, participants also reported a significant rise in food expenses, especially on proteins (World Bank 2014b).

*Source:* Singh (2013); World Bank (2014b).

Himachal Pradesh has seen a rapid demographic transition, but is poised to confront next generation demographic issues. Currently, its fertility rate, which looks like that of France, combined with its low mortality rate, means that the age structure of the state has undergone a change. Going forward, this change is likely to become even more pronounced. The proportion of children in the population will be smaller, and the proportion of those above the age of 60 will be larger. This will have implications for the care of the elderly, especially given that Himachal Pradesh is traditional and the elderly usually live jointly with their children and grandchildren. When combined with increasing urbanization, living arrangements are likely to change even more. In a society where women do most of the caregiving, the pressures of elderly parents may well have implications for women's access to economic opportunities. On the fiscal side, social pensions for the elderly are likely to be a major burden, with more people reaching eligibility. Regarding epidemiology and the burden of disease, the state will have to deal with infectious diseases and childhood-related illnesses on the one hand, and, on the other, have to cope with geriatric illness and non-communicable diseases. In parallel, neonatal mortality continues to be a challenge for Himachal Pradesh and will need concerted action if the state's overall childhood mortality rates are to improve.

Currently, 19.3 percent of Himachal Pradesh's population is between the ages of 15 and 24 (GoHP 2013a). Their aspirations for employment are focused mainly on the public sector, which is unlikely to be the engine of future employment for reasons of economic and fiscal sustainability. On the other hand, while Himachal Pradesh has been very successful in primary and secondary education, its record in tertiary education has been less impressive, except in the field of agricultural and veterinary sciences. With the growth of infrastructure, industry and tourism, a different set of skills will be needed for local youth if they are to partake in the bounty that growth will bring. Otherwise, the private sector will be unable to absorb local labor into specialized jobs, and will look outside Himachal Pradesh. GoHP is well aware of this and has put in place a number of mechanisms to address any potential skills gap. It may be worthwhile to explore whether companies that locate in Himachal Pradesh could be encouraged to provide on-the-job training to local youth as part of their corporate social responsibility.

Ensuring that its large, educated youth cohort has adequate skills that match existing job opportunities is an important policy issue. A recent assessment by the National Skills Development Corporation (NSDC), in collaboration with the consulting firm KPMG, suggests that while human resources are needed in sectors like tourism, construction and hydropower, young people in the state do not have the requisite skills to work in these sectors. For

### Box 4.2. Balancing Growth with Environment: Discussions in Two Villages

Qualitative fieldwork was conducted in two districts, Shimla and Solan, in preparation for the second, forthcoming phase of this study. The excerpts below capture concerns as articulated in two villages of Shimla: Kanoornala, close to a major tourist center (Kufri), and Nirsu, a village close to the site of a hydropower project (Rampur).

Participants were asked to cite the two most negative events in their community over the last few years. Almost all of them in Kanoornala spoke about the shortage of water and unpredictable rain and snow. They used a simple allegory to discuss how weather patterns were changing: “Earlier Shimla (the capital city) received snow on the 25th December each year. Now, snow is unpredictable and also less,” said one respondent. People also spoke of drying rivers, despite Himachal Pradesh being a water-abundant state. These problems were felt more acutely in Nirsu, the village close to the hydropower project site. Respondents in the village spoke about a perpetual cloud of dust, and more people complained of chest infections, resulting in flu-like symptoms. They also noted that temperatures had risen and soil productivity had declined, which in turn would hurt the production of almonds in the village.

Besides air and noise pollution, residents of Nirsu spoke about cracks in their homes as a result of blasts at the project site. They described the earth around their houses as being “shaky.” Roads were damaged and the village had become a dumping ground for sand from the project. Weighing the pros and cons of the hydropower project, a man in Nirsu said:

*We have benefited from the project. People have got jobs. They are constructing houses to give on rent (to project staff). The demand for milk has increased so people have started rearing cows. They are also getting good prices for their vegetables. But local people are bearing the burden even as Himachal Pradesh gets fame (for being an energy rich state). Agriculture has deteriorated. We have only received a part of the compensation for cracks...Outsiders (people who do not belong to the state) don't keep the area clean. (But) how can you expect others to love our community as their own (dusaron ka ilaka kyun pyaara hogya)?*

Source: Authors' focus group discussions.

some hydropower projects in Kinnaur, for instance, there is a shortage of auto electricians. Similarly, licensed drivers for heavy vehicles are hard to find and have to be brought in from the Mandi district or other states. The lack of a workforce with the needed skills constrains the private companies that are mandated to hire at least 70 percent of their workforce from among Himachal Pradesh's residents. Some companies have tried to overcome their human resource crunch by setting up their own Industrial Training Institutes (ITIs), but these initiatives are few and far between. Overall, Himachal Pradesh faces a significant shortfall in training infrastructure and the courses on offer, especially for semiskilled work. In addition, a youth aspiration study carried out for the same assessment suggests a clear mismatch between student aspirations and the job opportunities available in the state, with a significant majority among those interviewed showing a preference for jobs in the public sector (NSDC 2013).

Addressing the skills challenge will be crucial as Himachal Pradesh moves forward, both for fulfilling the employment aspirations of a large youth cohort and for inducing a shift away from public to private employment. Further, GoHP may need to launch information and communication campaigns to manage expectations around the diminishing likelihood of public employment. Both the government and the private sector will need to establish trust and confidence in private sector jobs and private companies in general. Lessons from initiatives in other countries, such as the Adolescent Girls Employment Initiative in Nepal, can help (box 4.3).

Progress in achieving gender equality has been one of Himachal Pradesh's important successes, but female-to-male ratios (adverse to girl children) remain a cause of concern, despite the fact that there have been improvements. Adverse female-to-male ratios and a strong preference for sons point to a likely "north Indian contagion" that Himachal Pradesh will need to guard against in other areas as well. In this regard, experience from states like Maharashtra, which succeeded in improving its female-to-male child ratios in districts such as Kolhapur, from under 800 girls per 1,000 boys to over 900 in the decade between the two censuses, can be useful. Gains in Maharashtra are attributed mostly to a five-point health program targeting problem areas to "save the girl child." Salient elements of the program included: spreading awareness among elected representatives and women already having a girl child; using different platforms to spread the message; keeping track of pregnant women; and making female-to-male ratios a priority topic on the agenda during meetings of local organizations and agencies. Women also received, as an incentive, a kit consisting of first clothes for the girl child, necessary medicines, and health tips before discharge from the primary health care center.

### Box 4.3. Training Girls in Nepal: The Adolescent Girls Employment Initiative

The Adolescent Girls Employment Initiative (AGEI) in Nepal is part of the World Bank-supported Adolescent Girls Initiative (AGI), which is currently underway in eight low-income and post-conflict countries. The AGI originated from a commitment made by the Bank in 2008 to promote gender equality through sustainable increases in young women's labor force participation and earnings.

The initiative built on the capacity and experience of the Employment Fund (EF) in Nepal, which had been working successfully with private training and employment (T&E) providers to offer opportunities for both young men and women. Payment to the T&E providers was outcome based and included additional incentives for training and placing socially and economically disadvantaged youth. The financing was structured such that providers were paid 40 percent on training completion of all participants, another 25 percent of the agreed amount at verification of gainful employment at three months; and the remaining 35 percent when at least 80 percent of participants confirmed gainful employment at six months. Providers were additionally required to undertake a rapid market assessment to determine demand for skills in particular markets and were paid incentives over and above the agreed amount if they placed youth from disadvantaged communities (Dalits, Janajatis in Nepal) and poor families. The AGEI innovated on the structure set up by EF by adjusting the incentive and payment scheme (higher incentives if providers trained young girls, especially from disadvantaged families); improving on the communication and outreach strategy so more parents send their girls for training; and adding cognitive and noncognitive skills training, especially for women (including sessions on decision making, violence, and reproductive health) (Rajabhandry 2013).

As of 2013, AGEI had trained nearly 4,500 adolescent girls aged 16–24 in over 80 trades, provided additional training in life skills, and had helped about 3,000 find gainful employment. An impact evaluation of the initiative comparing girls who did and did not receive training suggested that the former were more likely to be employed and earned more than the latter. Furthermore, they were also likely to exert greater control over their earnings (Ahmed, Chakravarty and Lundberg 2014).

*Source:* Ahmed, Chakravarty, and Lundberg (2014); Rajabhandry (2013).

Another potential area of concern is women's employment. While women's labor force participation in Himachal Pradesh is higher than in other states, it cannot be assumed that this pattern will sustain as the private sector becomes a larger employer. In addition, it is not clear whether the responsibilities that arise from women's roles as caregivers will be addressed to enable them to undertake more lucrative market work. These issues have yet to receive attention or policy response, and hence, may emerge as challenges to progress in gender equality in Himachal Pradesh.

Social stratification in Himachal Pradesh is different from that in other states in northern India and has worked well for social cohesion, but it is important to realize that power dynamics may change in light of other trends. Not only is the numerical strength of SCs and STs larger in Himachal Pradesh, but their socioeconomic status is also higher than that of their counterparts in neighboring states. In addition, policy measures have sought to integrate them into the state's social fabric, leading to greater stability and cohesion. That said, caste-based norms are strong in Himachal Pradesh and have been instrumental in ensuring that various castes maintain their traditional place in terms of intermarriage, inter-dining, and other socio-religious practices. Going forward, as reforms progress and changes take place in other areas, chances are that caste-based norms will also change. Any potentially disruptive impact these changes may have on social cohesion and group dynamics can be mediated, to some extent, by public conversations around caste and its changing role. Finally, political power and social stratification are intrinsically linked in Himachal Pradesh. Reforms are likely to bring new players into the sociopolitical milieu. These individuals and groups could be from a previously non-dominant caste, a new middle class, migrants from other states, private companies and their employees, or NGOs, to name a few possibilities. It is important for GoHP as well as for leaders and citizens of Himachal Pradesh to be prepared for such possibilities and their possible implications.

Finally, change brings huge transformations in the expectations, aspirations, and ambitions of citizens. Expectations and opportunities are double-edged swords: people want new opportunities so they can make better lives, but when reality does not live up to expectations, it can lead to frustration. The case of public employment in Himachal Pradesh, which has been almost an entitlement for its citizens, is a good case in point. Going forward, it is unlikely that the generous public employment trend will be sustainable, so GoHP needs to inform citizens of this likely change and promote private sector alternatives. Our qualitative work shows that Himachalis have high aspirations for their state, but they are anxious about the effect that rapid development will have on their values and culture. The biggest fear seems to

be that rapid progress may lead to a loss of tradition and values like honesty. While people trust their politicians, there are already murmurs of dissent, particularly around large infrastructure projects. One of the major sources of anxiety is the manner in which land is being bought and sold. It is possible that the earlier sense of transparency and trust will be eroded by what locals consider are opaque land deals among private persons and the government. Citizens of Himachal Pradesh also expressed their desire for a better-regulated tourism sector, since they seem to believe that unprofessional and untrained tourist guides “bring Himachal a bad name.” A tribal man interviewed by the authors in Nirsu succinctly summed up the hopes and fears of citizens during a period of reform: “My only hope for Himachal is that the culture of trust is kept alive.”

Much of the churning in Himachal Pradesh that may accompany reforms can be managed if the kernels of success remain intact or adapt to the state’s new development context. These include, among others, transparency and accountability at the local level; independence of the bureaucracy; incentives for innovation; and good implementation. This report closes with a quote from *Inclusion Matters* (World Bank 2013b, 151), which illustrates that many of the policy issues faced by Himachal Pradesh are shared globally and notes that Himachal Pradesh is well positioned to build on its previous successes and continue moving forward:

From an economic perspective, future policy will need to provide rapid and effective responses to expanding numbers of youth and the elderly, while fulfilling the basic needs of an increasingly urbanized and unequal population, without leaving a large carbon footprint for the generations to come. From a political perspective, it will be essential to understand the changing attitudes, behaviors and demands of the youth and middle class, and to create new opportunities and mechanisms for greater participation in decision making. At the same time, responsive governance and careful targeting of public services to a new profile of (global) citizens will be essential. From a social perspective, future policies and institutions will need to promote the affiliation of different social groups with the evolving social, political and economic reality of increasingly diverse societies.



## Appendix A: Illustrative Examples of Recent Reforms

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While efforts to spur growth in the secondary and tertiary sectors date back to the early 1980s, GoHP implemented major policy reforms and other actions in the early 2000s to strengthen its economy. For example, the introduction of private sector incentives in the Industrial Policy of 2003 and 2004, which included tax exemptions on incomes and capital investments as well as transport subsidies for industrial enterprises, resulted in an increase in the number of small and medium enterprises across Himachal Pradesh. This increase occurred particularly in the low plains, such as Solan district, where proximity to neighboring states and low transportation costs led to an estimated 7,000 new industrial projects and 270,000 jobs between 2003 and 2011 (GoHP, undated a). Similarly, the Tourism Policy of 2000 and 2005 aimed to increase tourism's contribution to Himachal Pradesh's gross domestic product (GDP) from 8 to 15 percent through tax exemptions, increased public investments in transportation, cultural heritage preservation, and new tourism activities (GoHP 2005). In the rural sector, the Integrated Water Development Project was extended into the mid-hills areas through the Mid-Himalayan Watershed Development Project in 2005. This expanded the coverage of community-based microwatershed methods to an additional one-third of the state, accounting for more than half of Himachal Pradesh's cultivated land (GoHP undated c).

One of the most ambitious reform initiatives took place in the hydropower sector. Home to five major river basins, Himachal Pradesh is endowed with significant hydropower potential. The 2006 Hydropower Policy, which supplemented the Electricity Act of 2003 (regulating the production and distribution of electricity across Himachal Pradesh), established an overarching

framework for harnessing the state's full hydropower capacity (21,000 MW) through private investments in small-, medium-, and large-scale dams. From a fiscal perspective, hydropower is expected to provide GoHP significant amount of nontax revenue. The electricity generated is also considered an important input for industrial growth in Himachal Pradesh, as well as providing power to its residents and enabling GoHP to expand its social programs.

The regulatory framework for allotting hydropower projects incorporated a series of cash and noncash initiatives to attract investors under a “build-operate-transfer” arrangement for large hydropower projects (greater than 5 MW). Under this arrangement, GoHP would acquire and allocate land for hydropower development and, in return, collect royalties and dividends from the highest bidding developer for a period of 40 years. After this period, the ownership of the plant would be transferred to GoHP. Although large projects were open for international competition, the policy reserved small-scale hydropower projects (less than 2 MW) for competition among local companies and cooperatives. In addition, GoHP gave priority to local firms or partnerships for medium-scale projects (2–5 MW). The hydropower policy also incorporated provisions aimed at protecting local residents from the economic, social, and environmental risks associated with hydropower development. The provisions included a variety of local mechanisms for managing environmental and livelihood-related risks as well as the sharing of monetary and other forms of developmental benefits with the local residents, collectively called “benefit sharing” (box 3.1).

The benefit-sharing schemes were implemented in the context of larger policy reforms that were also supported by the World Bank during 2011–14. For instance, the reforms toward a green growth model built on Himachal Pradesh's commitment in 2010 to shift toward a sustainable growth model that incorporates climate change adaptation as well as its goal to become a carbon neutral state by 2020. To that end, GoHP established a series of initiatives to institutionalize climate change adaptation, ranging from state-level institutions to community-level efforts. For example, it constituted a state-level Governing Council and Executive Council on Climate Change, which oversees climate change-related work and prepared a climate change strategy and action plan. Himachal Pradesh also established a program called Community-Led Assessment, Awareness, Advocacy and Action Program (CLAP) for Environment Protection and Sustainable Development, which seeks to mobilize communities to prepare their own environmental development plans.

GoHP also introduced a series of initiatives designed to enhance environmental stewardship. These include the adoption of an environment master plan to: promote a regional approach based on vulnerability assessments and

identification of ecologically fragile zones to guide development plans; establish the Centre for Climate Change and Disaster Management and a State Resource Information Centre to serve as a repository for all databases on the environment, natural resources, and climate change; introduce a program to promote the use of compact fluorescent lamps for energy conservation; introduce environmental studies into school curricula; ban polythene carry bags and use of plastic waste, which has been implemented throughout the state; establish the Himachal Pradesh Environment Fund as a voluntary fund for environment protection, conservation, and restoration; implement the mountain-ecosystem advocacy initiative to provide a platform for discussions among Himalayan states; require mandatory rainwater harvesting in all newly constructed buildings; and ban the use of coal and fossil fuels for space heating, which has increased need for electric heating, among others.



## Appendix B: Methodology

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Poverty and Social Impact Analysis (PSIA) is an approach for assessing the poverty, distributional, and social impacts of policy reforms, with a focus on poor and vulnerable groups. If conducted before the reform process, PSIA can provide a sound empirical evidence to inform the design and sequencing of alternative policy options. If undertaken during or after the reform, it can help assess or monitor the actual impacts of the policy, suggest ways to mitigate adverse effects, and help decision makers understand the likely impacts of future reforms. Since PSIA generates evidence to inform policy dialogue and decision making, it can also be a useful tool for building local ownership and public support for reforms.

The design of this PSIA was influenced by the complexity of the transition taking place across Himachal Pradesh, which posed a number of methodological challenges. First, since the implementation of multiple policy reforms takes place over time, welfare and social impacts of this transition are likely to unfold continuously, making it difficult to capture them through a single study or to attribute observed changes to any particular policy. Second, the attribution challenge is complicated by possible mixed impacts stemming from the multi-sectoral nature of the change taking place across Himachal Pradesh, which is targeting rural development along with a major effort to transform and shift the economy toward secondary and tertiary sectors. Third, some of the sectors under reform are geographically dispersed and more likely to produce statewide impacts (such as productivity and employment effects of watershed and tourism reforms, respectively), whereas others are heavily concentrated in certain districts and blocks whose impacts will be felt at the community level (such as social and environmental impacts of hydropower

development or economic impacts of benefit sharing). Finally, some of the impacts of the reform program cannot be captured in a PSIA focused on Himachal Pradesh, because their impacts will go well beyond, as in the case of hydropower developments providing electricity to other parts of the country.

In light of these considerations, the PSIA was designed as a multistage, mixed-methods study to capture three main aspects of the state's new development trajectory: (1) a macrosocial analysis of the state's previous accomplishments and the road ahead; (2) residents' perceptions regarding Himachal Pradesh's new development trajectory and ongoing changes taking place across Himachal Pradesh; and (3) community- and household-level responses to a selective group of reforms that are key to the transition of Himachal Pradesh, namely, in the hydropower and watershed sectors.

The first stage of the PSIA, presented in this report, documents Himachal Pradesh's development outcomes over time, based on analysis of the National Sample Survey (NSS) and by drawing on other surveys and the relevant literature. This analysis is complemented with qualitative accounts from the authors' field trips and discussions with approximately 300 key informants, individually and in groups, in the Shimla and Solan districts. The key informants included government officials, academics, civil society and private sector representatives, as well as members of communities visited during the pilot fieldwork for the second phase of the PSIA or during other field trips. The authors also held discussions with a group of researchers who conducted background ethnographic work for this report, with the participation of 124 key informants across the Mandi, Kinnaur, Bilaspur, Shimla, and Solan districts. In addition, the authors participated in three workshops organized by GoHP that included representatives from various governmental agencies.

The key informants interviewed by the authors were affiliated with, among others, the Directorate of Energy; Department of Forests, Environment, Science, and Technology; Department of Rural Development and Panchayati Raj; Department of Agriculture; Department of Planning; Aryabhatta Geo-Informatics and Space Application Centre; Agro Economic Research Centre, Himachal Pradesh University; Indian Institute for Advanced Studies; Community-Led Assessment, Awareness, Advocacy, and Action Program (CLAP) for Environment Protection and Sustainable Development; Himachal Pradesh Power Corporation; SJVN Limited; Mid-Himalayan Watershed Development Project; Rampur Forest Committee Management Project; and representatives of local districts, blocks, and villages.

The second stage of the PSIA will assess the welfare and social impacts of benefit sharing and community-based watershed management at the household and community levels. Focusing specifically on districts affected by the

changes in the hydropower and watershed sectors, a sample of 1,400 households will be analyzed to assess the change in household welfare and community coping mechanisms. In addition, key informant and focus group interviews will be analyzed in relation to any spillover effects resulting from hydropower development and the establishment of improved community watershed management. The qualitative interviews and focus group discussions are expected to elicit local residents' experiences regarding the changes taking place across Himachal Pradesh as well as spearhead a form of community monitoring.



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## Notes

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1. Human development is defined as the process of enlarging people's freedoms and opportunities to improve their well-being (UNDP 1990; Haq 1995). Basic universal capabilities that are essential to human development are good health, access to knowledge, and a decent material standard of living. Accordingly, basic measures of human development are health, education, and income. Social development is defined as the process of transforming institutions to empower people. The social development approach emphasizes the need to promote development that empowers people by creating more accountable institutions and more inclusive, cohesive, and resilient societies.
2. The province of Himachal Pradesh came into being in 1948 when 30 erstwhile princely states integrated into a centrally administered territory. Although its territory grew several times in the 1950s and 1960s, the most significant change occurred in 1966, when the Hindi-speaking areas of Punjab merged with Himachal Pradesh. This not only doubled Himachal Pradesh's territory and population, but also created a more diverse society and added areas with different levels of development. Himachal Pradesh officially gained statehood in 1971.
3. After becoming a state in 1971, Himachal Pradesh received large grants from the central government that enabled successive state governments to make investments in social and economic infrastructure. "Special category" status is granted by the National Development Council (India) to states based on their physical and demographic characteristics, such as low resource base, hilly and difficult terrain, low population density, or strategic location. The special category states are eligible for financial assistance from the central government in the form of development grants, tax concessions, and debt relief schemes.
4. Efforts to spur growth in Himachal Pradesh's secondary and tertiary sectors date back to the early 1980s, when the central and state governments introduced a series of incentives for private sector growth in industry and tourism. These goals were pursued through several policy actions, including the Special Incentive Package of 2003, the New Industrial Policy of 2004, and the Tourism Policy of 2005 (see appendix A).
5. The share of urban population in Himachal Pradesh increased from 7.6 percent in 1981 to 8.7 percent in 1991, but has remained at 10 percent since 2001 (GoHP 2013a).

6. A 1994 study conducted by the University of Manitoba and University of Delhi in the Kullu district involved collaborative research and action to promote environmental sustainability, engaging universities, government agencies, NGOs, unions, educational institutions, and local residents. A significant amount of the literature on environmental management in Himachal Pradesh is derived from this study (Gardner and Sinclair 2003).
7. The authors conducted interviews with approximately 300 key informants, individually and in groups, in the Shimla and Solan districts. The authors also held discussions with a group of researchers who conducted background ethnographic work for this report with the participation of 124 key informants across the Mandi, Kinnaur, Bilaspur, Shimla, and Solan districts. In addition, the authors participated in three workshops organized by GoHP in Shimla, which included representatives from various governmental agencies. See appendix B for more details.
8. Many other groups, such as older persons, those with disabilities, widows or undocumented migrants, to name a few, are also at risk of exclusion (and efforts have been made for their inclusion as well), but this report does not focus on them.
9. The data on land ownership presented in figures 2.2 and 2.3 were trimmed at the top 0.2 percent to exclude extremely large plots from the figures. This cutoff threshold was chosen instead of the top 1 or 2 percent because of the fact that landholdings in Himachal Pradesh are generally small (ranging from 0 to 11.5 hectares) and do not include many extreme values.
10. The average landholding statistics discussed in the text are based on the entire distribution, including the large plots that are not shown in figures 2.2 and 2.3.
11. Schedule V of the Indian Constitution identifies special privileges for areas where the majority of the population are STs. It underscores the area-based approach that Indian states follow in addressing tribal issues.
12. Participation in MGNREGA in Himachal Pradesh was 33.4 percent in 2009–10, and the rationing rate was estimated at 20.2 percent for the same year. The states with better participation rates than Himachal Pradesh were Madhya Pradesh, Andhra Pradesh, Chhattisgarh, and Rajasthan. The states with lower rationing than Himachal Pradesh rates were Rajasthan and Tamil Nadu. Himachal Pradesh had better indicators in terms of the participation of and the rationing among the poor compared to other states in India (Dutta, Murgai, Ravallion and de Walle 2012).
13. Estimates from the ministry may not be strictly comparable to those derived from the NFHS. However, according to the ministry's own data, nearly 38 percent of children in Himachal Pradesh were underweight in 2007, close enough to the estimate of 36.5 percent recorded in NFHS 2005–6.
14. See, for instance, Himanshu and Sen (2013) and Virmani and Singh (2013) for two opposing views.
15. Himachal Pradesh has some experience in monitoring nutrition outcomes. For example, in 2007, GoHP launched a pilot to test hemoglobin levels among adolescent girls covered under the Kishori Shakti Yojna—a program to empower adolescent girls by improving their health and nutrition. The test results were shared with beneficiaries and communicated in a manner so they could take care of their diets to augment their hemoglobin levels, with a follow-up test every six months. Additionally, in the same year, GoHP launched the Kuposhan Nivaran Abhiyan, an initiative to gauge the level of malnutrition among children in the state—it measured the weight of all children who were administered polio drops under the polio vaccination drive. Evaluation of these pilots can provide future direction for policies to counter malnutrition.

16. The 2009 estimates of the Sample Registration System show that the total fertility rate has held steady in HP at 1.9 children per woman (SRS 2011).
17. There is some variation in female-to-male ratios across the 12 districts of Himachal Pradesh. According to the 2011 census, districts with the lowest female-to-male ratio are Solan and Kinnaur, at 884 and 818 females per 1,000 males, respectively. On the other hand, three districts have ratios above 1,000, namely Kangra, Mandi and Hamirpur, with ratios of 1,013, 1,012, and 1,096 females per 1,000 males, respectively. Kangra and Mandi are also the most populous districts in Himachal Pradesh (Registrar General of India 2011a).
18. Another study conducted by an NGO in Himachal Pradesh's Kangra district found that if the first child in a household was female, there was considerable birth spacing between the first born and the second born than if the first child was male. A longer duration to the next child suggested the possibility of female feticide in between births to ensure that the second born was male.
19. Schedule V of the Indian Constitution identifies special privileges for areas where the majority of the population are STs. Schedule VI is different - it applies special privileges to tribals who reside in the northeastern states of India, where tribal groups are the majority in states founded on tribal status. Both Schedule V and VI underscore the area-based approach that Indian states follow in addressing tribal issues.
20. See the Himachal Pradesh State Development Report on use of devta committees as local governance institutions, and Berti (2009) for use and transformation of religious institutions in political leadership ([http://hal.inria.fr/docs/00/61/38/54/PDF/CHAPTER\\_4\\_Kings\\_Gods\\_and.pdf](http://hal.inria.fr/docs/00/61/38/54/PDF/CHAPTER_4_Kings_Gods_and.pdf)).
21. The Solan district accounted for 69 percent of industrial investments in Himachal Pradesh and 38 percent of nonagricultural jobs in 2011, making it the fastest growing industrial area in the state. Between 2003 and 2013, more than 7,200 new (small, medium, and large) industrial projects and 285,000 jobs were created in this district (GoHP undated a).
22. Interestingly, while the MTAs and PTAs have pushed demand for schooling, communities have not used them to demand better quality education. This partly reflects parents' preference to send their wards to English medium, private schools and partly their reluctance to take on teachers who are not only members of the local community (in most cases), but are also unionized and hold political clout.
23. A CAG review of Himachal Pradesh's Urban Development Department suggests that selecting suitable encumbrance-free sites in towns to implement programs such as the Integrated Housing and Slum Development Programme is a major challenge and may lead to complete nonutilization or underutilization of budgetary funds (CAG 2012b).





Himachal Pradesh stands apart from many other Indian states with its strong track record of social inclusion and sustainable development. It has made remarkable progress in reducing poverty, delivering services and maintaining low levels of caste, tribe and gender based disparities. It has taken concrete steps toward 'green growth' and is moving towards carbon neutrality by 2020. Yet, little is known about why or how this small Himalayan state has been such an exemplar. And will these outcomes sustain in the context of the state's current infrastructure-led growth?

*Scaling the Heights: Social Inclusion and Sustainable Development in Himachal Pradesh* assesses Himachal Pradesh's progress, tries to understand why it performed the way it did, and prognosticates on the road ahead. In doing so, it serves as a powerful empirical demonstration for other states and countries that have begun their journey in the same direction.

