

Chapter XII

FINANCIAL IMPLICATIONS OF POPULATION GROWTH

A. Introduction

The financial structure of a country is a consequence as well as a determinant of economic development. Its actual relation to various economic and demographic aspects of life can be captured only within a complex model of socio-economic realities – a very complicated system, within which are numerous subsystems and a multitude of elements within each system. Such complex analysis, however, is beyond the scope of this chapter, which is intended only as a conjectural analysis of financial magnitudes as related to the projected demographic trends in Nepal.

The first financial magnitude of immense importance would be the volume of investment required to maintain the increased population. The relation between population growth, rate of investment and economic development has been a matter of much controversy in economic literature. Recent production function studies have shown that the major part of economic growth cannot be explained by traditional inputs such as land, labour and capital. According to Kuznets¹ no more than 10 per cent of the growth rate in a number of European countries, Australia and Japan can be accounted for by traditional input.

Kuznets also compiled data for 21 countries in Asia and Africa and 19 countries in Latin America.² In separate samples and in 10 countries together, he could find no significant negative correlation between population growth and growth of *per capita* product. In fact the coefficients were actually positive. Studies by economists like Conlisk and Huddle³, and Therwall,⁴ have all shown a more or less positive relationship between population growth and economic development in the long run.

In the case of Nepal, statistics on GDP growth rates are only available from 1964-1965, and the first census dates back only to 1911. Hence, it is not possible to undertake a time series analysis of the relationships between population growth rates and the rate of growth of GDP. However, a glance at the official policies on migration and land acquisition between 1768 and 1846 shows that immigration was encouraged.⁵ It was only in 1939 that first restrictions on cultivation of land appeared when orders were issued making prior permission necessary for cultivation of virgin lands in hill districts and Kathmandu Valley. Similar curbs were put on land cultivation in the Terai only in 1949.⁶ This shows that the relation between the rate of agricultural development and population growth in Nepal was positive until the late 1940s. By that time almost all the cultivable land was already distributed and population pressure began to build up.

B. Population and Investment

Economic development is usually conceived as a process which raises *per capita* income as well as total production. In Nepal, the existing standards of living are already too low and even the maintenance of the low level will be a difficult task in the face of rapid population increase. Any population growth requires some investment of available capital just to maintain the same level of *per capita* GDP. The higher the rate of population growth, the greater the proportion of available capital that must be used for investment simply to maintain constant *per capita* GDP and the less there is available to increase *per capita* GDP.

Table 99. Financial investment in organized sector and rate of growth in GDP

Year	GDP at current prices in millions of NRs	Gross investment in millions of NRs							Gross investment as percentage of GDP	At 1964/65 prices		
		Government sector ^a	Organized industrial sector		Agricultural sector		Commercial banks ^e	Total in organised sector		GDP in millions of NRs	Percentage increase in GDP from year to year	Rate of population increase
			NIDC ^b	private sector ^c	ADB and others ^d	private sector ^c						
64/65	5602	226.8	9.1	1.9	0.7	0.3	216.6	455.4	8.1	5602	-	-
65/66	6909	274.1	8.1	1.6	2.7	1.3	318.3	606.1	8.8	5996	7.0	-
66/67	6411	265.1	8.4	1.7	12.7	6.3	367.7	661.9	10.3	5902	-1.6	-
67/68	7173	281.1	3.9	0.8	11.2	5.6	403.4	706.0	9.8	5942	0.7	2.0
68/69	7985	337.0	1.4	0.3	13.2	6.6	463.0	821.5	10.3	6207	3.6	-
69/70	8768	466.7	9.5	2.0	38.4	19.2	550.9	1086.7	12.4	6367	2.6	-
70/71	8938	452.1	12.0	2.4	41.4	20.7	683.4	1212.0	13.6	6291	-1.2	-
71/72	10369	518.7	7.6	1.5	76.2	38.6	808.4	1451.0	14.0	6487	3.1	-
72/73	9969	557.3	14.2	3.0	68.2	34.3	997.2	1674.2	16.8	6456	-0.5	-
73/74	12808	706.6	23.1	5.0	76.4	38.2	1385.4	2234.7	17.4	6865	6.3	2.0
74/75	15074	916.5	53.8	10.8	181.8	90.9	2182.4	3436.2	22.8	7102	3.5	-
Age												
1964/65												
1974/75	9091.5							1304.2	14.35			
which foreign aid								2563.0 ^f	2.82		2.4	2.0

Sources: Annual budget speeches, Ministry of Finance; Nepal Rastra Bank, *Quarterly Bulletin* and "Report of the Board of Governors" 1961/62-1964/65.

a Expenditure in development budgets.

b Nepal Industrial Development Corporation.

c Investment by private sector in NIDC-aided projects

d The Agricultural Development Bank was established only in 1968, but other institutions – the Land Reform Savings Corporation and Co-operative Bank – existed before that and figures also include them.

e Annual gross credit is derived according to following formula: $\frac{\text{Opening outstanding balance} + \text{closing outstanding}}{2}$

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f Does not include indirect foreign loans not reflected in the annual budgets.

A country must increase its level of investment in order to speed up the rate of growth of its economy. But an increasing population tends to depress the rate of investment. The main source of capital formation is domestic saving effected through refraining from consuming some part of the current gross national product and diverting that part for the enhancement of future production or for the rendering of future useful services. Through imported capital also contributes to capital formation in a large number of developing countries, by and large the capital required for the development of a

country must be generated by the people through savings and the useful employment of these savings. Population growth itself tends to increase current consumption since an increasing volume of output has to be devoted each year to feeding and clothing the additional numbers. This results in a smaller volume of investment, which in turn means a smaller increase in national income.

As estimate of the financial investment and the rate of increase in GDP in Nepal for the period 1964/65 to 1974/75 is shown in table 99. it will be noted that a gross investment of 14.3 per cent

in the organized sector has been sufficient to generate an annual growth rate of only 2.4 per cent in the economy. With an average increase in population of 2.2 per cent per annum during the same period, the annual net increase in *per capita* GDP has been just 0.2 per cent. If the current rate of population growth of 2.5 per cent per annum were to continue unchanged, then a financial investment around 15 per cent of the GDP will be necessary merely to maintain real *per capita* GDP at its present level. A 2 per cent increase in *per capita* GDP would require a financial investment of 25 per cent of the GDP. This is a possibility which is quite remote from the Nepalese perspective.

It may also be noted that of the 14.3 per cent of the GDP that was invested in the past, 2.8 per cent constituted foreign grants and loans. In view of the declining prospects of receiving foreign aid and the limited capacity of the export sector to bear the increasing burden of debt-servicing, it would not be realistic to expect an increasing rate of financing from this sector. Thus, in Nepal, the capital needed for investment must come from savings generated by the domestic sector. Accordingly, it would appear that the lower the rate of growth of the population, the larger will be the proportion of GDP that could be saved and invested, which will help the economic performance of the country.

Apart from depressing the rate of investment, an increasing population adversely affects the distribution of investments. A substantial proportion of the resources available for investment in economic development have to be diverted to meeting the social needs of the rising population in the way of school buildings, houses, hospitals and sanitation systems, etc.

Investments in these fields compete with investments in the directly productive spheres and result in an allocation of resources unsuited to the needs of maximum growth. Such a maldistribution of resources would itself have cumulative depressing effects on the level of future investment. Nepal is already facing problems of this sort. Not only do the consumption needs of a growing population tend to depress the rate of investment but the social services, education, health and housing themselves make increasing claims on investment resources.

C. Expenditure on Social Services

In Nepal, the level of social development is very low and the Government is committed to providing the people with an expanded programme of education, health, housing and other social welfare measures. The country has been making an immense investment in education from the very start of its planned economic development. Health expenses have also claimed a large portion of the over-all government budget. It will be seen from table 100 that the share of expenditure on social services in the budget has increased from 16.0 per cent in 1961/62 to 22.6 per cent in 1977/78 and as a share of the Government's revenue, it has claimed as much as 30 to 40 per cent.

Even though a substantial proportion of the development and regular budget is spent on education and other social services, the enrolment rate for children aged 5-14 years is only around 30 per cent. The percentage of illiterates in the total population is still very high at about 81 per cent. One health post has to serve a population of about 28,100, while there is only one

Table 100. Expenditure on social services as a percentage of total revenue and total budget, 1961/62 – 1976/77

Financial year	Total revenue (millions of NRs)	Total budget ^a (million of NRs)	Expenditure on social services (millions NRs)				Social service expenditure as percentage of	
			Education	Health	Other social services	Total	Total revenue	Total budget
1961/62	90.2	223.4	13.2	8.9	13.6	35.7	39.6	16.0
1971/72	553.5	889.6	63.1	41.4	40.2	144.7	26.1	16.3
1972/73	615.9	982.8	90.0	47.3	57.6	194.9	31.6	19.8
1973/74	766.4	1226.3	113.1	58.4	61.2	232.7	30.4	19.0
1974/75	1008.4	1513.7	154.2	87.9	105.5	347.6	34.4	23.0
1975/76	1115.6	1913.4	229.4	126.5	106.5	462.4	41.4	24.2
1976/77 ^b	1321.3	2371.6	247.4	111.2	179.7	538.1	40.7	22.7

Sources: Ministry of Finance, annual budget speeches; Nepal Rastra Bank, *Annual Report 1961/62-1964/65*.

a Total of development and regular budgets (including foreign aid).

b Revised estimates.

doctor per 34,000 persons. Only 6 per cent of the population in 1976 had piped water facilities, of which 3.7 per cent were in the urban areas and 2.3 per cent in rural area. Only about 30 per cent of the children below school age were of normal nutritional standards, while about 42 per cent suffered from first degree malnutrition, 24 per cent from second degree malnutrition and 5 per cent from third degree malnutrition. Thus Nepal is among those developing countries which have the highest percentage of children suffering from third degree malnutrition. The infant mortality rate is one of the highest in the world and life expectancy one of the lowest.

Table 101 gives comparative data for selected social indicators for a few developing countries in the ESCAP region. It will be noted from this table that in 1976 Nepal was still trailing far behind the levels attained by other developing countries of the region in the period 1965-1970. clearly, the present social service infrastructure in Nepal is grossly inadequate. Therefore the Government will have to continue to emphasize the development of the social services in the country. Future expenditure on these services

will naturally be linked to the growth in the population.

In order to estimate the expenditure on social services during the next two decades or so, we have used the three sets of population projections prepared by Rajbanshi and Gubhaju⁷ (table 102). The assumptions made in these projections in regard to the future course of fertility and mortality are summarized in chapter VIII. In all three projections, mortality rates are assumed to decline and consequently life expectancies increase over the years covered by the projection. Net international migration has also been assumed to be nil during this period. The only variable in the three projections is the fertility rate. In the "high" projections it was assumed that age-specific marital fertility rates of 1971-1976 would remain constant throughout the projection period, while in the "medium" projections these rates were assumed to decline in such a manner as to result in a cumulative decline of 10 per cent in 20 years while in the "low" projection there will be a cumulative decline of 20 per cent during the 20-year period. The projections indicate that the population of Nepal would be around 26 million at the maximum and 24 million

Table 101. Some indicators of social infrastructure

	Unit	Nepal ^a	India	Indonesia	Sri Lanka	Thailand	Philippines	Peninsular Malaysia
Population per physician (1969)	persons	34049	5240	-	3690	8410	10220	423
Hospitals beds per 100000 population	numbers	17	59	69	313	82	81	36
Acceptors of family planning programme per 1000 women of ages 15-44 (1972)	percent	6.1	47.6	35.8	-	49.9	73.8	26
Infant mortality rates per1000 (1965)	numbers	158.5	139	87.2	55.8	31.2	72.4	5
Death rates per 1000 population	numbers	19	16.0 ^b	9.2	-	7.1	7.3	7
Per capita level of expenditure on health services (1970)	rupees	8.5	10.4	37.7	47.2	17.3	13.32	90
Enrolment ratio at all levels of education as percentage of total population aged 5-24 years (1967-1969)	percent	17	33.4	27.6	48	36.8	53	44
Adults literacy rate (1970)	percent	14	36 ^b	59.6	77.1	78.6	83.4	60

Sources: "Population policies and economic development", IBRD report, 1974; Leslie Corse Jr. and Deborah Oakley, "Consequences of population growth for health services in less developed countries-an initial appraisal" in *Rapid Population Growth: Research Papers* (Baltimore, The John Hopkins Press, 1971); *Population of the Republic of Korea*, Country Monograph Series No. 2 (ESCAP, 1975).

a Figures are for 1975, 1976.

b For 1973, extracted from IBRD economic report, May 1973.

Table 102. Trends in Population, 1971-2001 (Millions)

Year	Projected population		
	High ^a	Medium I ^b	Medium II ^c
1971	11.56	11.56	11.56
1976	13.08	13.08	13.08
1981	14.08	14.75	14.70
1986	16.83	16.67	16.50
1991	19.32	18.96	18.60
1996	22.38	21.71	21.04
2001	26.13	24.97	23.82

Source: B.S. Rajbanshi and B.B. Gubhaju, "Population projections for Nepal, 1971-2001" (Kathmandu, Tribhuvan University, 1976), table 9.

a Constant fertility.

b 10 per cent decline in fertility.

c 20 per cent decline in fertility.

at the minimum depending upon movements in fertility rates.

For a proper assessment of probable future investment requirements, however, it is necessary to go into the details of population structure and composition. Different sex and age

structure, as well as spatial distribution of population, have important bearings on the financial requirements. The percentage of people in different age groups to total population varies for different projections. Consequently, the projected number of school going children, the number of women in their fertile age group, as well as the proportion of older people, are different for each fertility rate assumption as is evident from table 102.

According to the high projection, the number of school children, the number of women in the fertile age group and the number of people in the labour force are expected to increase by 113, 85 and 92 per cent respectively by the year 2001 (see table 103). The medium projection results in an increase of 97 per cent for school children, 83 per cent for fertile women and 89 per cent for the labour force. The corresponding figures for the low projection are 90, 80 and 87 per cent respectively. Providing jobs for the doubled number of job seekers, family planning services for 5.6 million women in fertile age group, health facilities for 26million and minimum

education for school-age children will be a tremendous task. Even if the fertility rate is reduced by 10 or 20 per cent in 20 years, it will not make much difference in the magnitude of the problem. Given Nepal's natural resources, socio-economic structure and the quality of the human factor, the future prospects do not look encouraging. The Government will have to double its efforts on all fronts merely to keep Nepal where it is at present.

In order to make realistic estimates of expenditure on social services in the future, it is essential to examine carefully past developments and make plausible assumptions in regard to the future. In the past, education has claimed the largest share of public expenditure and it will continue to do so in the future. In the past, education has claimed the largest share of public expenditure and it will continue to do so in the future. At present, only about 45 per cent of the children in the primary school-going age group 5-9 years are enrolled in schools. The enrolments in the secondary schools constitute only about 11 per cent of children aged 10-14 years and about 23 per cent of the total primary enrolments. In all, only about 30 per cent of the children in the age group 5-14 years are enrolled

in schools. Compared with a large number of developing countries in the region, school enrolment rates in Nepal are very low. It will not be politically acceptable for this very low level to continue and there will be strong pressures to increase the present levels substantially. Economically too it will be advisable to increase present levels of enrolment and thereby improve the quality of the labour force.

The educational targets set by Asian countries in 1970 aim at universal primary education by 1980. For the purposes of the present estimates, it is assumed that Nepal will strive to achieve this target by the year 2001. in regard to secondary education, it is assumed that the sharpness of the educational pyramid will decrease at an accelerated rate and that the number of children in secondary education as a proportion of those enrolled in the primary grades will increase from the present level of 23 per cent to 40 per cent by the year 2001. in 1976, the number of students in higher educational institutions constituted only 2.6 per cent of the total number of school children. For the future it is assumed that the proportion will increase to 5.0 per cent in

Table 103. Projected total population, labour force, women aged 15-49 years, children of school age and total number of dependents, 1981-2001

Projection year	Total population	Labour force ^a	Women aged 15-49 ^b	School age children			Dependents	
				primary 5-9	Middle 10-14	Total	Number	Ratio ^c
1971 (Actual)	11556	6506	2776	1623	1326	2949	5351	82.2
1976 (Estimates)	13080	6886	3033	1656	1586	3242	6194	90.0
<i>Projections</i>								
<i>High</i>								
1981	14797	7791	3388	2121	1623	3744	7006	89.9
1986	16829	8680	3732	2365	2085	4450	8148	93.9
1991	19318	9983	4239	2706	2331	5037	9335	93.5
1996	22379	11455	4847	3167	2673	5840	10923	95.4
2001	26131	13201	5612	3764	3137	6901	12930	98.0
<i>Medium</i>								
1981	14746	7791	3388	2121	1622	3744	6954	86.3
1986	16666	8680	8680	2316	2084	4400	7985	92.0
1991	18959	9983	9985	2596	2283	5566	8976	86.9
1996	21707	11408	4825	2971	2565	5536	10298	90.3
2001	24927	13047	5538	3450	2943	6394	11845	90.8
<i>Low</i>								
1981	14696	7791	3388	2121	1622	3744	6904	88.6
1986	16503	8680	8680	2269	2084	4354	7822	90.1
1991	18599	9983	9983	2484	2236	4720	8616	86.3
1996	21035	11362	4803	2776	2455	5231	9672	85.1
2001	23818	12894	5466	3137	2750	5887	10924	84.7

Source: Bhabani S. Rajbanshi and Bhakta B. Gubhaju, "Population projections for Nepal, 1971-2001", Tribhuvan University, Kathmandu, 1976 (mimeo).

a Population aged 15-59 years

b Women in fertile age groups.

c. Total of 0-14 and 60 and over as proportion of those aged 15-59 years.

2001. The various assumption discussed above are summarized in table 101.

The expenditure on education has also been growing very fast in recent year. It has increased by almost 19 times between 1961/62 and 1976/77. the details of actual expenditure on education are not available. However, the expenditure per school child was derived by dividing the total expenditure on education, excluding the expenditure on higher education,⁸ by the number of school-going children. This method assumes that the structure of the

education budget will remain constant throughout the projection period.

It will also be noted that the cost of education materials, construction materials and labour has also increased rapidly over the years. In the absence of actual cost figures, the Indian wholesale price index is taken as an approximate measure of cost escalation during the period 1961/62 to 1970/71. The wholesale price index of India has risen from 100 in 1961/62 to 312 in 1970/71 giving an approximate annual rate of 8 per cent.⁹ It further assumed that the rate of cost increase will

remain constant at about 8 per cent until the year 2001.

At present, health services cover only a minor section of the population. As noted earlier, one health post serves a population of about 28,100. The Government plans to expand the health network to cover the entire country by 1991 and to increase the number of health posts so that one health post will have to serve a population of only 11,000. Nevertheless, considering the fact that the requirements for health and hospital facilities will increase over the years, it is considered reasonable to increase the number of health posts so as to achieve a health-post population ratio of 1:10,000 by the year 2001. This would mean that the number of health posts should increase from the present level of 466 to 2,382 by the year 2001 if population trends follow the pats assumed in the low projections and to 2,613 if assumption made for high projections remain valid.

The present level of family planning and childcare services is rudimentary and grossly inadequate to make a definite contribution towards fertility reduction and improvement in nutritional levels. There are only 197 health posts in the country providing integrated health services, including FP/MCH services. One FP/MCH health post has to cover 15,395 women aged 15-49 years. The proportion of women in the fertile age group 15-49 years accepting family planning methods is only 5.6 per cent. This is comparatively a low proportion, even for a developing country, and every effort should be made to increase the acceptancy rate. A reasonable target of providing FP/MCH services to only 10,000

women from each health post by the year 2001 will require the establishment of an additional 264 health posts.

As noted earlier, facilities for pure drinking water are limited to only a few big cities and only 6 per cent of the total population enjoy these facilities. It is the avowed policy of the government to make available these facilities to as large a section of the population as possible. Because, of the difficult terrain and scattered mode of living, supplying pure drinking water to the people in the hilly areas is very expensive. However, increased density of population will reduce the cost *per capita*. For the purposes of our present exercise, it is assumed that the supply of pure drinking water should be made available to 10 per cent of the population by 1981, 32 per cent in 1991 and to the entire population by the end of the century. In the absence of actual estimates on the cost of providing drinking water facilities in different areas, a very crude estimate has been made by dividing the total expenditure incurred on providing drinking water by the population served by these services.

As noted earlier, the population in the working age group is expected to increase from 6.9 million in 1976 to about 13.0 by the year 2001. This increase cannot be sustained by Nepal's land resources alone. If 96 per cent of the population continued to depend on agriculture as at present, the pressure on cultivable land would increase from 3.6 to 7.2 persons per hectare in 2001 if current fertility rates were to remain constant, and to 6.8 persons per hectare if there were to be a decline in fertility by 20 per cent. If the rate of urbanization continues at the same

Table 104. Assumed targets of educational achievements, 1976-2001.

	Children in primary school as percentage of total population of 5-9 years	Children in secondary schools as percentage of			Students in higher educational institutions as percentage of			Total school children and students in higher education as percentage of total population of 5-24 years				
		Children in primary schools	Total population of 10-14 a			School children	Total population of 15-24 years					
			I	II	III		I	II	III	I	II	III
1976 (Actual)	45	23	11	11	11	2.6	1.0	1.0	1.0	17	17	17
1981	60	25	22	22	22	3.0	1.6	1.6	1.0	25	25	25
1991	80	35	32	32	31	3.9	2.0	1.9	1.9	35	34	33
2001	100	40	60	59	57	5.0	4.3	5.1	4.8	47	46	44

a The proportion of primary and secondary school children is assumed while the proportion to total population in the relevant age group is derived. Therefore the percentage vary for different projections.

Table 105. *Per Capita* cost of social services to the Government ^a
(Nepal rupees)

	1976	1981	1991	2001
Per school child	170	250	540	1165
per Student in higher education	3948	5801	12524	27038
FP/MCH per fertile woman(15-49)	3.94	5.79	12.5	26.99
per health post providing FP/MCH integrated health services	61000	90000	194000	418000
per health post (FM/MCH expenses excluded)	369000	542000	1171000	2527000
Other health services Per capita	7.59	11.15	24.08	51.98
Drinking water per capita ^b	861	127	274	591
Other social services per capita	8.55	13.77	39.10	41.02

a Projected at an annual cost increment rate of 8 per cent. No increase in *per capita* expenditure at constant cost is assumed.

b Total expenditure on drinking water divided by 6 per cent of the total population served by the drinking water supply network.

Table 106. Projected government expenditure on social services, 2001
(millions of Nepal rupees)

	1976	Projection								
		1981			1991			2001		
		I	II	III	I	II	III	I	II	III
Education (except higher education)	154	398	398	398	1578	1514	1448	6139	5630	5117
Higher education	93	278	278	278	1428	1365	1315	7138	6543	5948
FP/MCH	12	22	22	22	72	71	70	234	232	229
Other health services	99	356	356	249	1527	1485	1444	6603	6310	6019
Drinking water	68	197	197	196	1715	1683	1651	15443	14758	14076
Other social services	112	204	204	202	755	741	727	2901	2772	2644
Total	538	1455	1455	1445	7075	6859	6655	38458	36245	34033
Projected revenue	1321	2650	2650	2650	15089	15089	15089	85927	85927	85927
Expenditure on social services percentage of revenue	40.7	54.9	54.9	54.5	46.9	45.5	44.1	44.8	42.2	36.6

rate as during the period 1961-1971, the density on cultivable land will be between 6.4 and 7.1 persons per hectare. Thus pressure on land will increase by at least 78 per cent while the overall density will increase by 82 to 100 per cent, depending on the changes in the levels of fertility. Whether this density could be sustained by land resources will depend on the volume of investment that can be made to improve the quality of the land as well as the farming skills of the people who inhabit it. The probability of making such remarkable progress in the agricultural field is remote. The rapid growth of the rural population is bound to increase the flow of rural-urban migrants, resulting in problems of urban unemployment, slums, delinquency etc., which are not very acute at present. The Government will therefore have to devote a substantial amount of resources to solving these problems. For the purposes of the present exercise a 4 per cent annual increase in expenditure on other social services over the years is assumed to be reasonable.

The estimated *per capita* cost of providing various types of social services in 1976 and the assumed *per capita* costs of such services during the projection period are summarized in table 105. the projected total government expenditure on social services on the basis of costs shown in table 106.

It will be noted from table 105 that, by the year 2001, the provision of satisfactory levels of social services to the people will cost the Government between NRs. 34,033 million and NRs 38,458 million or 39.6 to 44.8 per cent of the projected government revenue in that year. The expenditure on social services will increase by 170 per cent during the first five years 1976-1981, by 371 per cent between 1981 and 1991 and by more than 440 per cent in the next decade. The pressure on the Government, measured in terms of percentage of revenue required for providing social services, will be heaviest (about 55 per cent) in the five years. By 1991, only about 44 to 47 per cent of the revenue will be devoted to social services, these proportions declining to 40 to 45 per cent by the year 2001.

The projected expenditure on social services also indicates that even though during the first five years the costs involved are almost the same for all three projections of the population, in the next decades the differences appear to be substantial. A 10 per cent decline in fertility in 20 years will enable the Government to save NRs 2,213 million in expenditure on social services in the year 2001, while a decline of 20 per cent in the fertility rates will result in a saving of NRs 4,425 million. These saving will amount to 2.6 per cent and 5.2 per cent respectively of the revenue.