



DEMOGRAPHIC DIVIDEND

Fiscal Policy Office

Ministry of Finance, Republic of Indonesia

Prof. Bambang P. Brodjonegoro

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Introduction

1. Declining fertility & infant mortality have changed Indonesian demographic structure, which are :
 - A. Reducing in the proportion of young unproductive ages (< 15 years).
 - B. Increasing in number of infants who survive to older ages.
2. This increases number working age population which are potential to increase productivity through the declining age dependency ratio substantially.
3. This condition leads to economic bonus of demography called “demographic dividend”. Which is the road to the opening of **window of opportunity** (an opportunity for human capital development).
4. Based on history, Indonesia’s window of opportunity had predicted open in 2020-2030, and
5. To prepare that time, Indonesian government have planned some policies, especially to improve the human resources.

Outline

1. Back ground

“Family Planning and Demographic Bonus”

2. Indonesian Government Fiscal Measures:

a. Health,

b. Schooling, &

c. Community Development

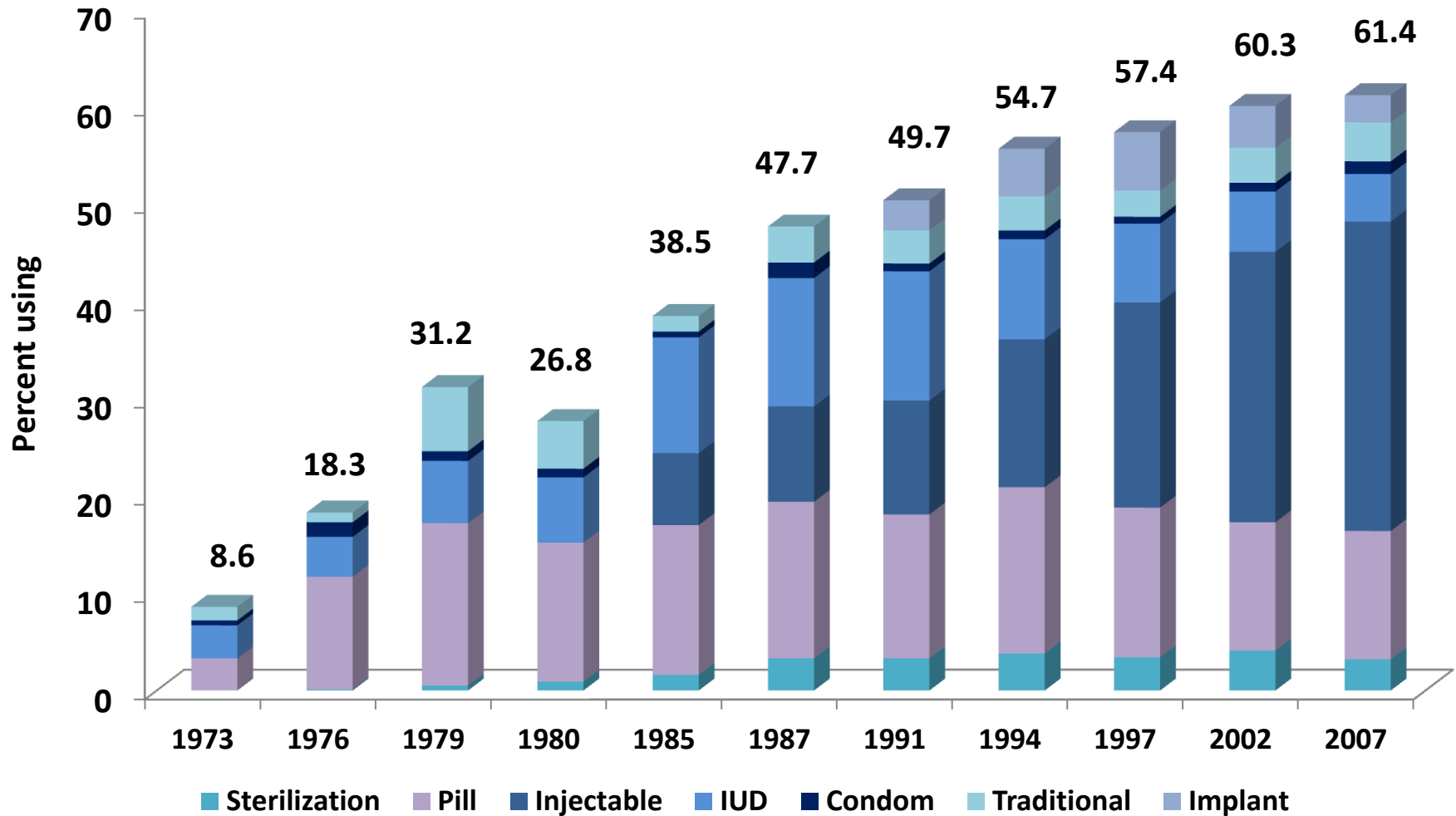
“The social and economic investments made by the Government of Indonesia (GOI) since the 1970s to improve the welfare of its population, particularly in health, schooling, nutrition, and community development”

Family Planning and Demographic Bonus

“Family Planning Indonesia leads to demographic transition which contributes to Demographic Dividend and economic growth”

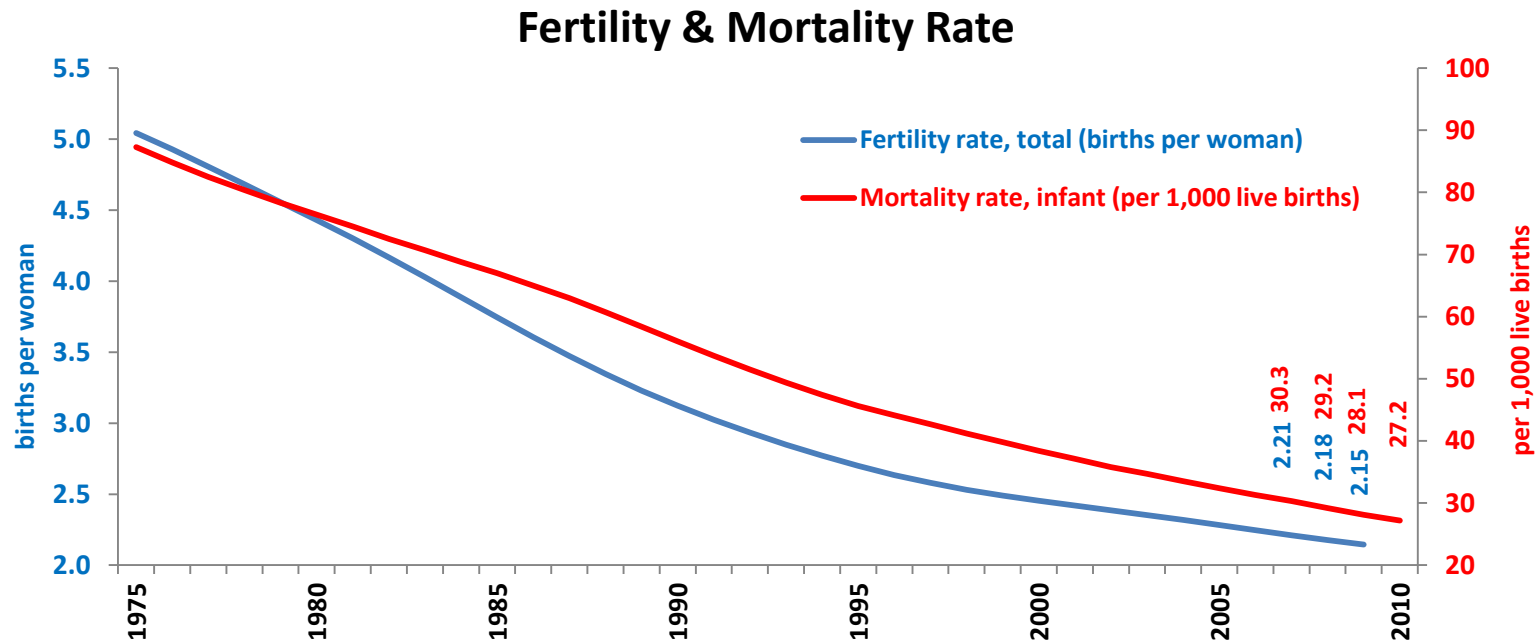
(Arsyad et.al., Tribute to Widjojo Nitisastro)

The introduction of new contraceptive methods, expands method choice and raises contraceptive prevalence.



Contraceptive use increases from virtually zero in 1960s to 57 per cent in 2007. Now one among two couples are using contraceptives.

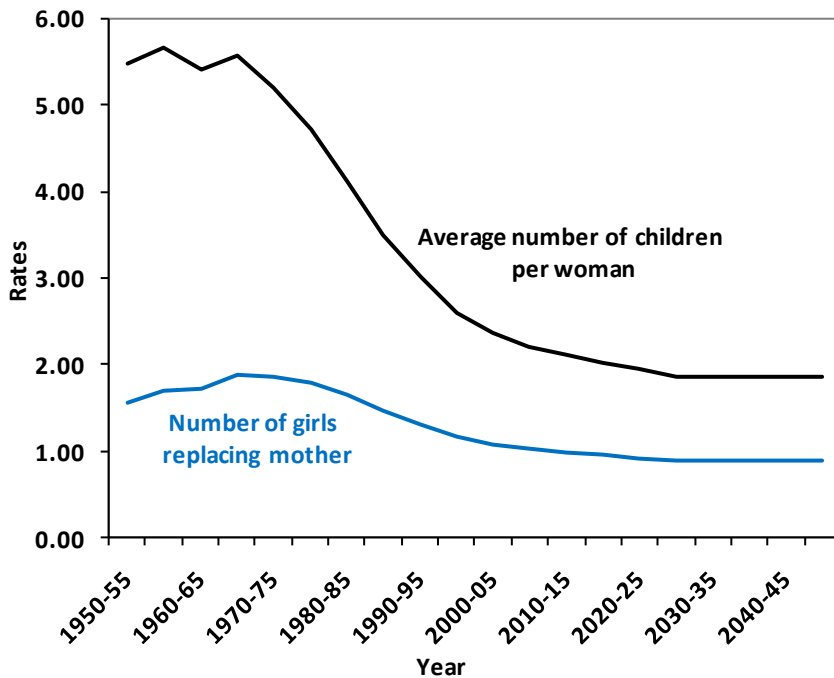
The impact of contraceptive use on the reduction of Fertility, but Mortality Rate



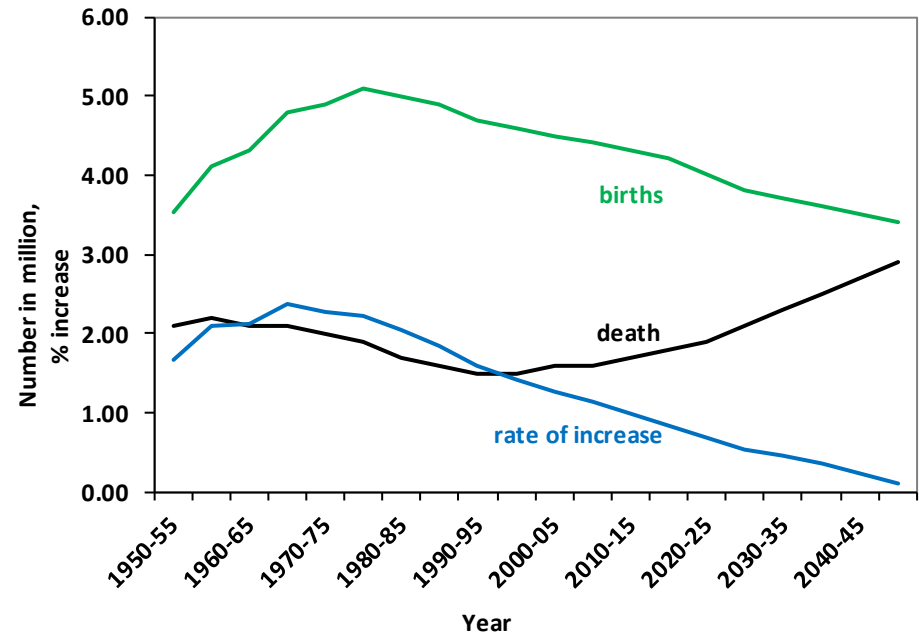
- The use of contraceptive has reduced the fertility,
- The reduction of fertility leads to the decreasing in infant mortality rate.
- The use of contraceptive prevents unwanted pregnancy, give women a portion to control the pregnancy, increase women's health and avoid maternal mortality..
- Besides investing in family planning program is beneficial for the future generations through better education and health for the children, because of small family size.

The impact of contraceptive use on the reduction of fertility and lead to demographic transition

Trends in TFR and NRR, Indonesia, 1950-2050



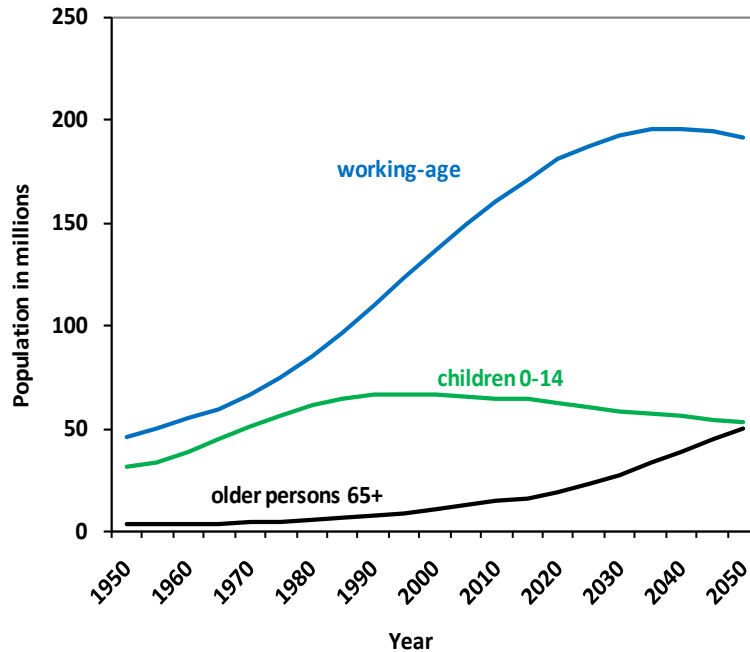
Projected annual number of births, death and rate of increase, Indonesia, 1950-2050



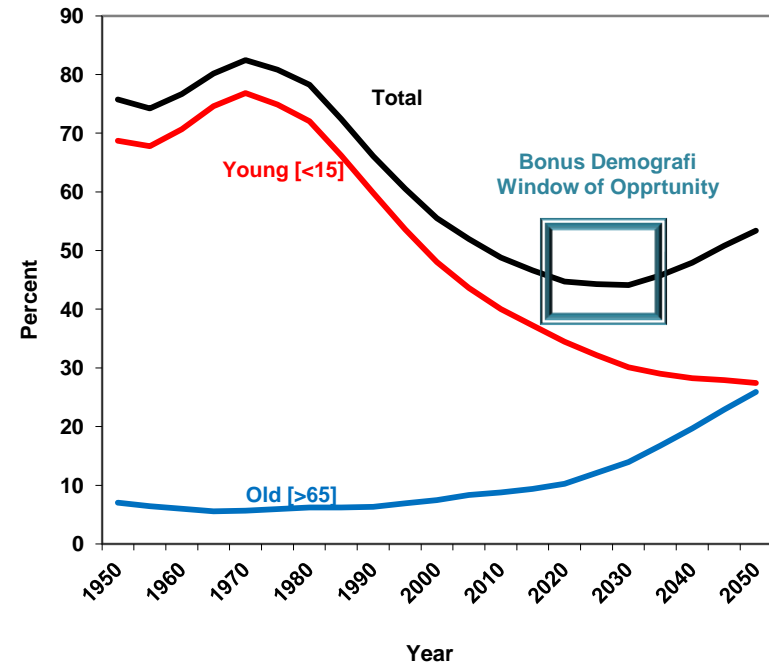
- Average number of children per woman decreases, so does the number of girls replacing mother (replacement level).
- At the same period, the rate of increase and the birth decreasing too, on the contrary the mortality number (death) is increasing due to ageing population.

Demographic Transition leads to explosion of working age which will bring the Windows of Opportunity in 2020-2030

Trend in number of children, working-age and older persons, Indonesia, 1950-2050



Dependency Ratio 0-14, 65+, total Indonesia 1950-2050

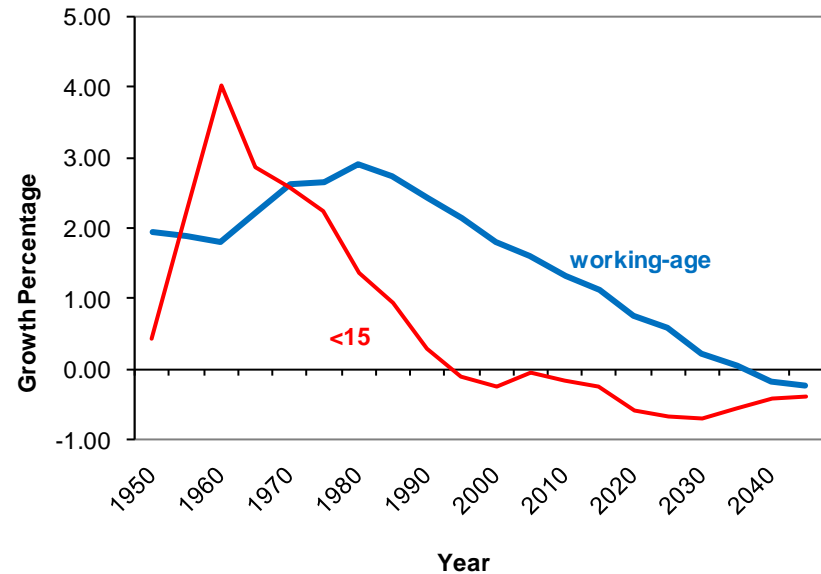


- Age Dependency Ratio at its lowest level → 44 young population compared to 100 workers
- The decline in proportion of children and increase in expectancy of life leads to explosion of workers especially the youth → an opportunity to facilitate economic growth
- Increases again after 2030 due to the rapid increase of older population.

Age dependency ratio and Demographic Bonus

1971	2000	2010	2020-2030	>2030
86 Children per 100 workers	54 children per 100 workers	51 children per 100 workers	44 children per 100 workers	>50 Increases again due to rapid increase of older people.

Working Age & Below 15 Year Old Citizen Growth Rate (Year on Year)



- Growth of workers exceeds growth of children, Indonesia, an opportunity to boost up economic growth 1950-2050.
- Abundant workers with productive employment will increase income per capita
- Increase in household savings lead to productive investment to open employment
- Small family value provides opportunity for women to enter labor market → increase household income.
- Large numbers of good quality human capital is an asset to economic growth

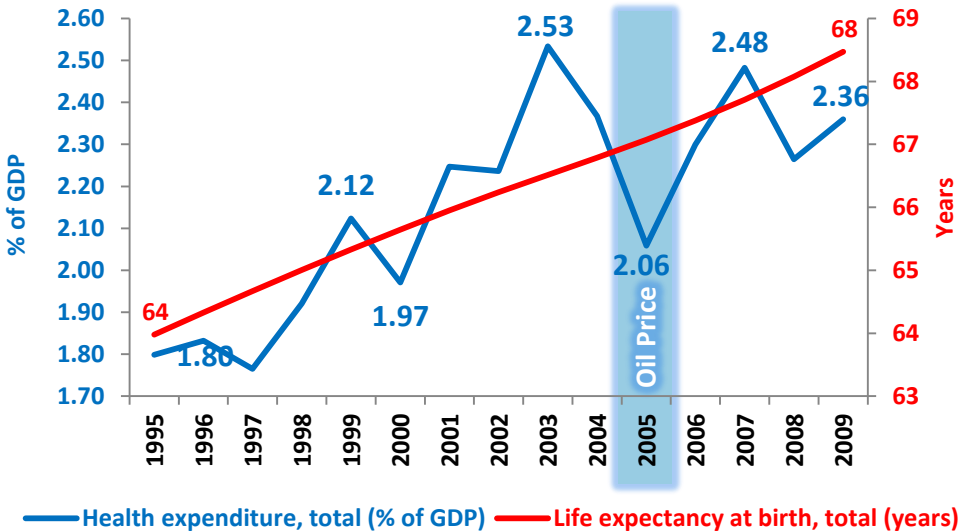
Indonesian Government Fiscal Measures :

Health

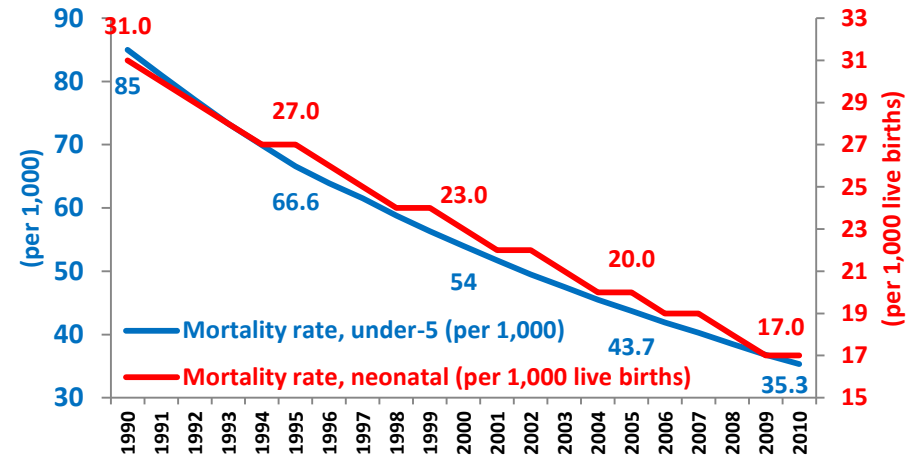
“Health, the greatest of all we count as blessings.”
(Ariphron)

Fiscal Policy in Health

Health Expenditure to Life Expectancy



Neonatal and Under-5 Mortality Rate



- Indonesia has raised health budget year by year in concern to improve the health of its citizen. It is indicated by the decreasing of Neonatal and Under 5 Mortality
- Since 2001 natural disaster has given Indonesia a lot of challenge, but still the percentage of malnutrition in recent years below the 1998 (crisis period) percentage.

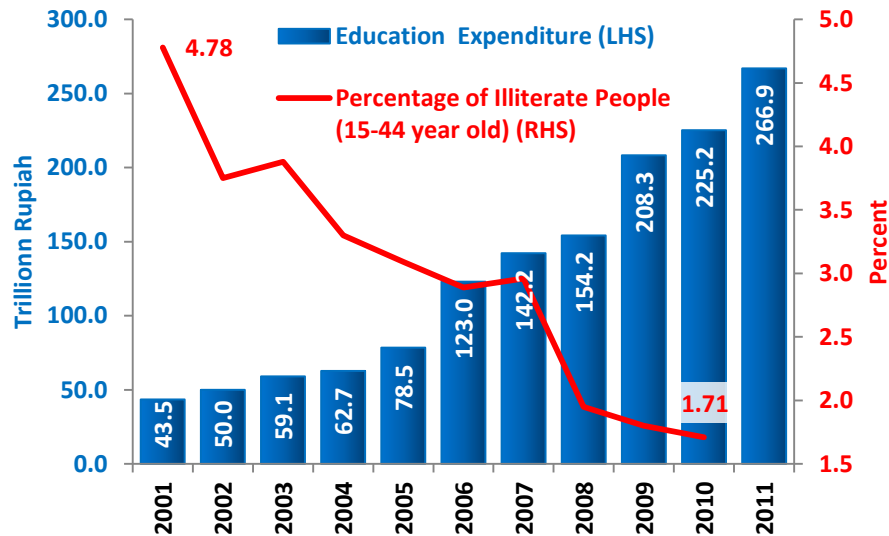
Indonesian Government Fiscal Measures :

Schooling

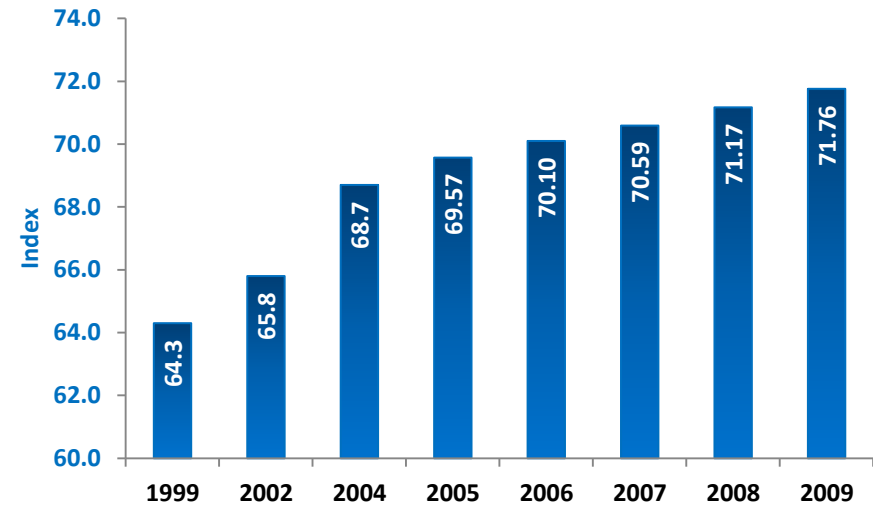
“A human life is a schooling for eternity.”
(Gottfried Keller)

Fiscal Policy in Education

Education Expenditure to Illiterate People



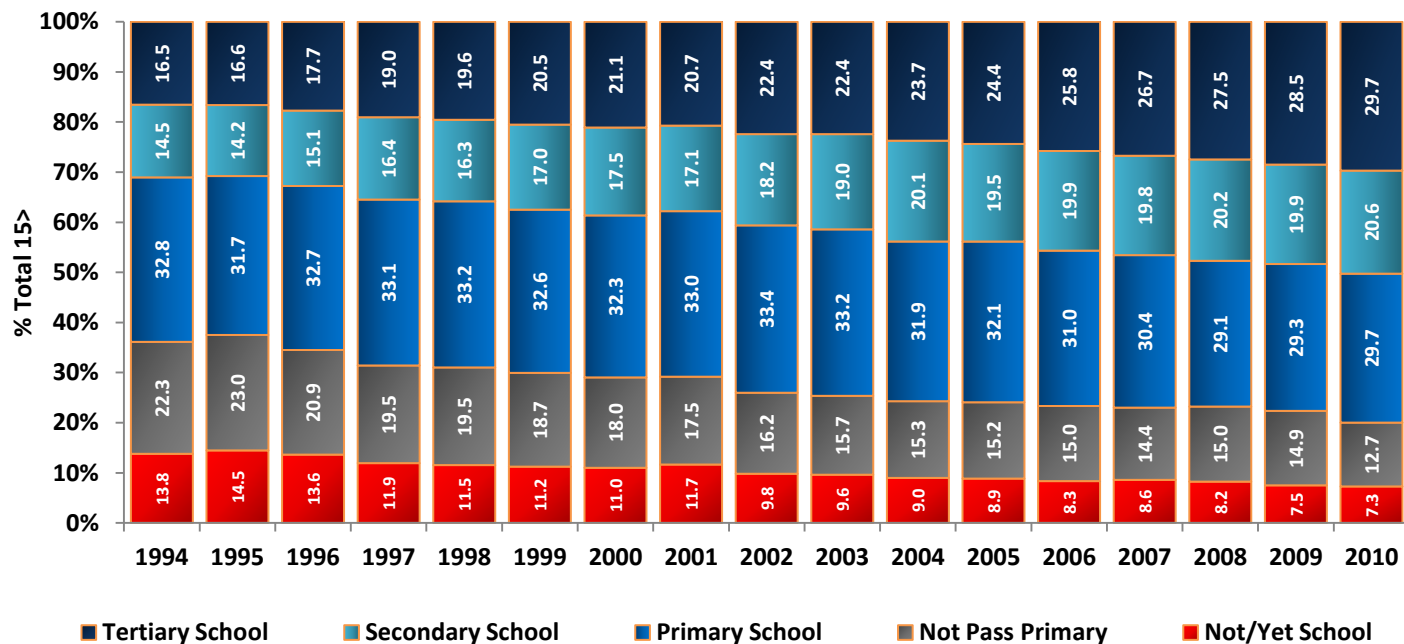
Human Development Index



- Government's efforts in raise the education budget (20% allocation of total expenditure as 2010 constitution mandate) has resulted the decline of illiterate people in productive age, thus increase the Human Development Index.
- Indonesia gradually improving their education budgets in it's budget spending.

Government Education Program...1

Above 15th Educational Attainment

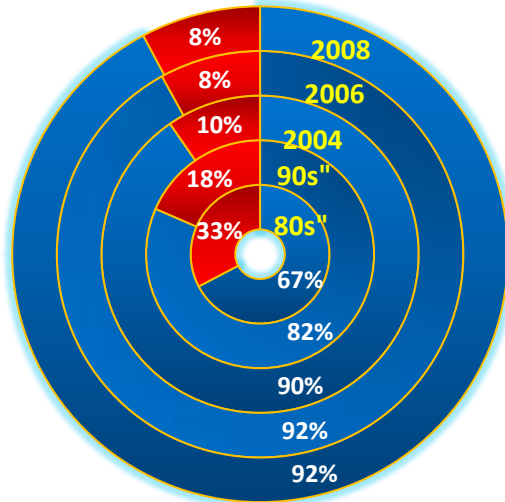


A 9-year compulsory education and out of school programs (Package of Study Group) are two elements that mutually supportive to the achievement of equal opportunities for education programs. These programs has proved a success story shown by the graph above.

- a. 9-years Compulsory Education started in 1994. This program requires that every citizen of Indonesia to attend school for 9 (nine) years old at the basic education level, ie from the first class level of Elementary School (SD) or Madrasah Ibtidaiyah (MI) up to 9th class level of Junior High School (SMP) or Madrasah Tsanawiyah(MTs).

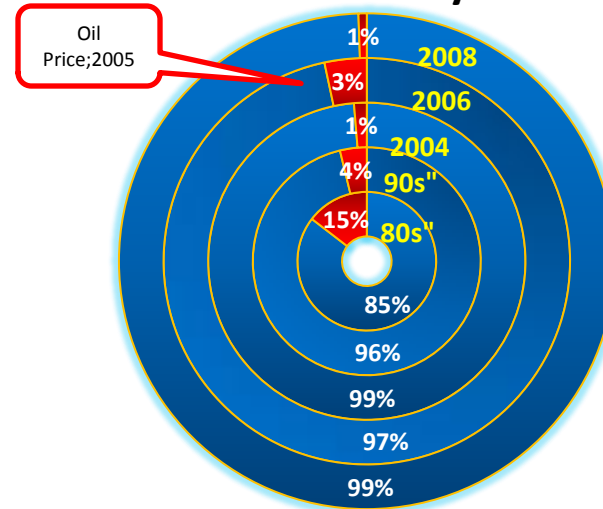
Government Education Program...2

Adult Literacy Rate



- Literacy rate, adult total (% of people ages 15 and above)
- Illiterate rate, adult total (% of people ages 15 and above)

Youth Literacy Rate



- Literacy rate, youth total (% of people ages 15-24)
- Illiterate rate, youth total (% of people ages 15-24)

- b. The Packed Study Group started in 1994, implemented in various institutions. It's purpose is to improve knowledge, attitudes, and basic skills for the community including school-age children who are lacking in access to formal. In 2004 National Education System Rule, Study Group is included in non-formal education category.

Thanks to both program,s the literacy rate of Indonesian citizen has increased against the Illiterate rate.

Indonesian Government Fiscal Measures :

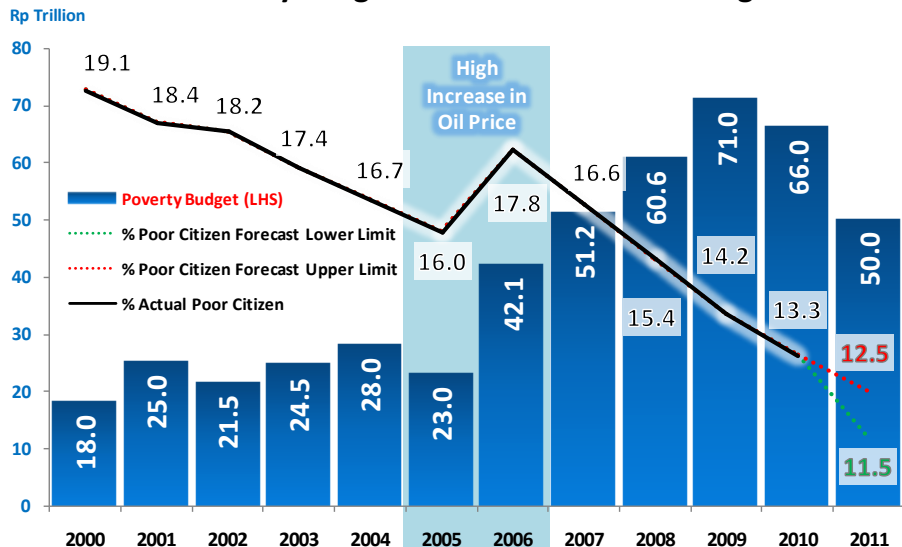
Community Development

“Community Development is a long-term value based process which aims to address imbalances in power and bring about change founded on social justice, equality and inclusion.”

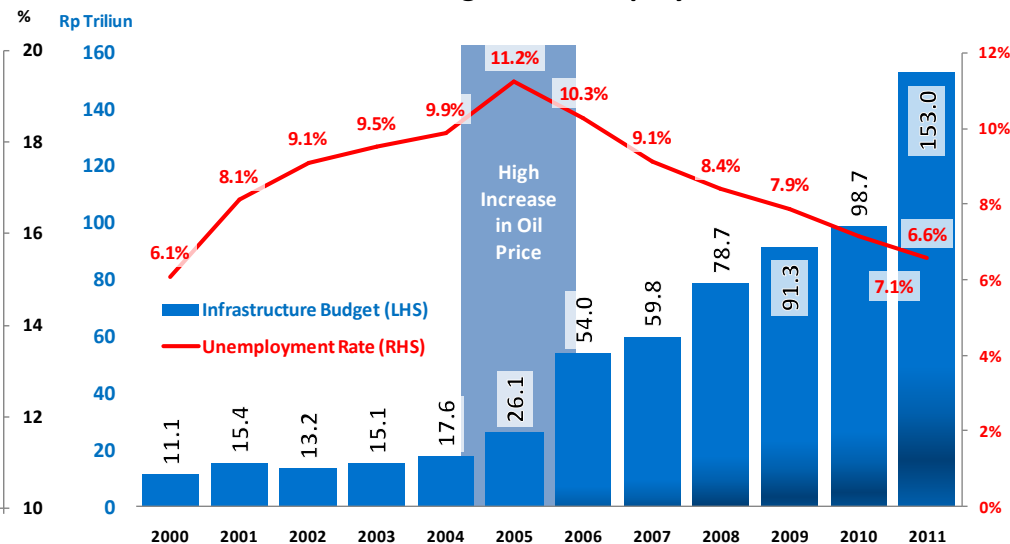
(National Occupational Standards for Community Development)

Fiscal Policy in Community Development

Poverty Budget & Poor Citizen Percentage



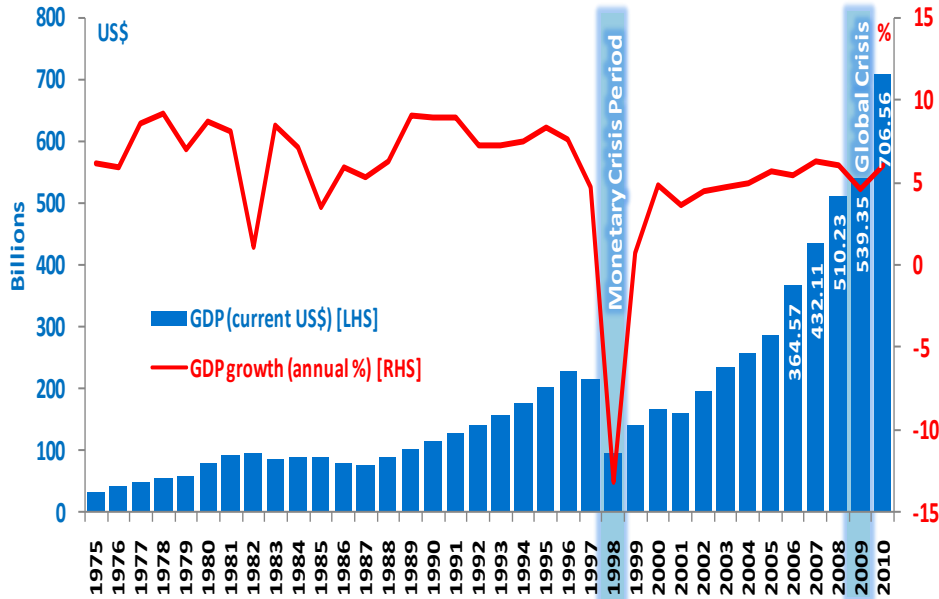
Infrastructure Budget vs Unemployment Rate



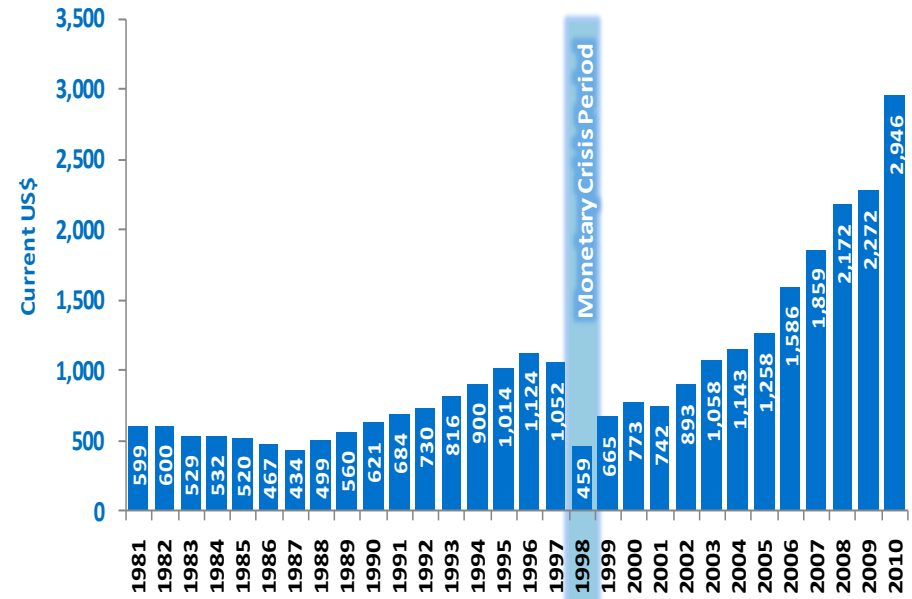
- Indonesia continues to fight against poverty and unemployment. This could be seen on Indonesia budget spending for those problems, which always tend to go up year by year.
- The impact of Indonesia's effort in enhancing the poverty elimination budget and unemployment is seen in the decreasing of percentage of poor citizens and unemployment rate.

Strong & Sustainable Economic Growth

GDP Current & Growth



GDP per capita



- Indonesia's Strong & Sustainable Economic Growth and population reduction result increasing in GDP per capita
- Indonesia GDP has risen since monetary crisis period, even with natural disaster in every region in Indonesia. Exp : Tsunami 2000-2001 & Earth Quake 2004 & 2009.
- Even the global crisis happens in 2008, Indonesia growth rate didn't affect too much.
- This is an evidence that Indonesia's economic has gotten stronger.

Conclusion

Conclusion

- Indonesia's investment in family planning helps to promote economic growth which is sustainable even in the era of global financial crisis.
- This sustainable economic growth is largely due to the increasing purchasing power because of small family size have been achieved.
- Therefore, social and economic programs which are supported by relevant and appropriate fiscal policy, that is the current Government Fiscal Policy, Indonesia would be ready to welcome and use the window of opportunity.

Thank You

Dankie