

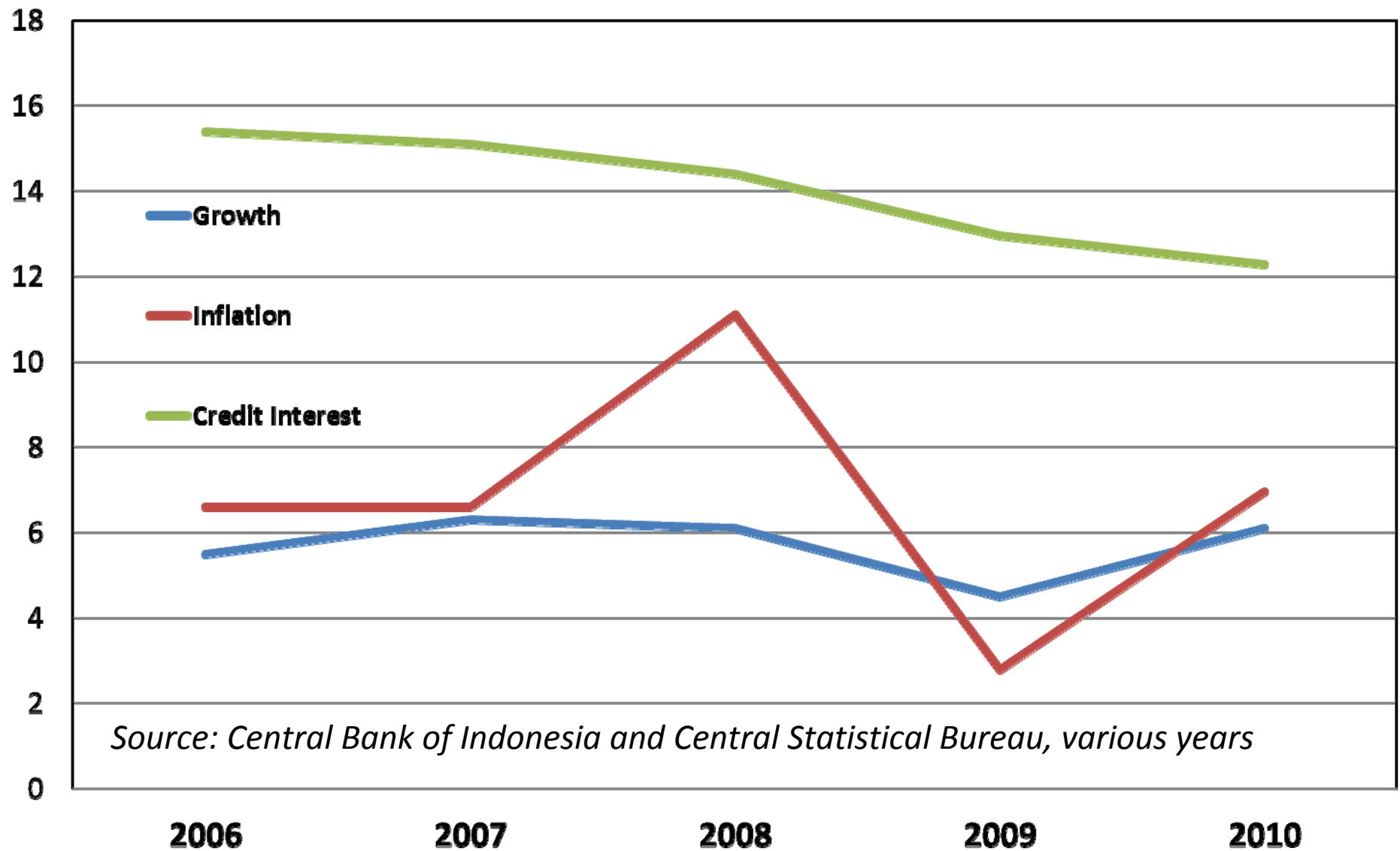


NATIONAL
TRANSFER
ACCOUNTS

Preliminary analysis on fiscal sustainability of social security in Indonesia using Generational Accounting

- Overview of Indonesia economy
- Public finance structure
- Changing in age structure, male and female
- Principal of social security in Indonesia
- Generational Account in Indonesia

Trends in Economic Growth, Inflation, and Interest 2006-2010





Government Revenue Structure

(% GDP)

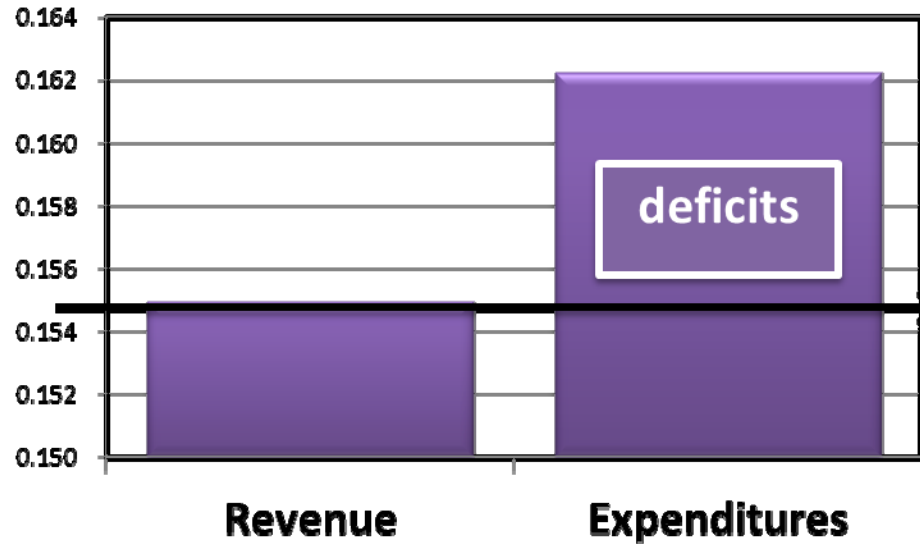
		2006	2007	2008	2009	2010
1	Tax	12.7	12.4	12.3	11.6	11.6
	a Domestic Tax	12.3	12	11.7	11.3	11.2
	Income Tax					5.5
	Value added Tax					3.2
	Tax on Assets					0.4
	Tax on asset transfers					0.1
	Costumes					1.0
	Other					1.0
	b International Trade Tax	0.4	0.4	0.6	0.4	0.4
2	Non-Taxes	6.9	5	5.7	3.9	3.8
	a Natural Resources	5	2.6	3.9	2.5	2.6
	b Government Owned Enterprises	0.7	0.6	0.6	0.5	0.5
	c Other	1.3	1.2	1.2	0.9	0.8
3	Grants					

Government Expenditures Structure (%GDP)

Type of Expenditures	2010
Central Government Expenditures by type	
<i>Consumption</i>	3.8
<i>Investment</i>	1.3
<i>Payment for Interest</i>	1.4
<i>Subsidy</i>	3
<i>Grant</i>	0.004
<i>Social Transfers</i>	1.1
<i>Other</i>	0.3
Transfers to Local Government	5.4
Grant	
TOTAL	16.2

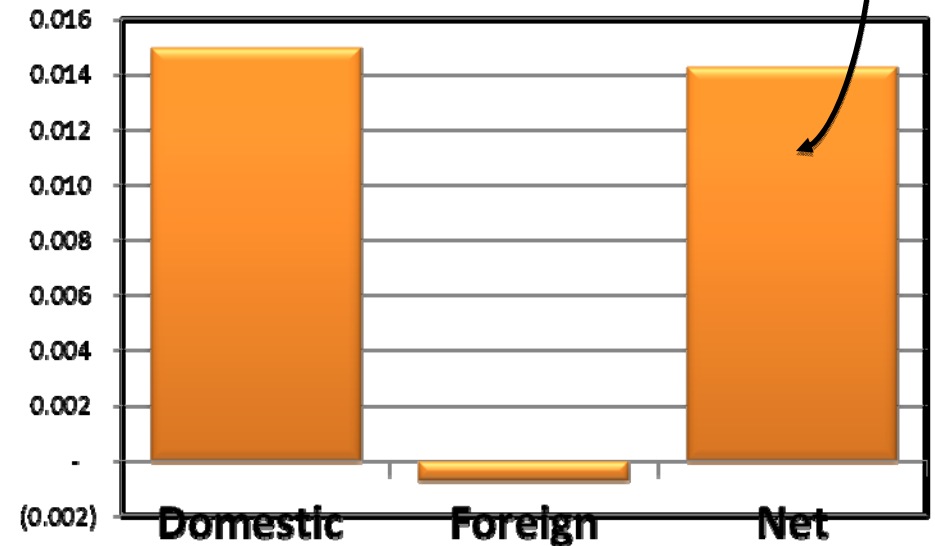
Type of Expenditures	2010
Central Government by Function	10.9%
<i>Public Services</i>	7.3
<i>Defense</i>	0.3
<i>Public order and Safety</i>	0.2
<i>Education</i>	1.4
<i>Health</i>	0.3
<i>Social security and welfare services</i>	0.1
<i>Housing and community amenities</i>	0.3
<i>Recreation, culture, and religion</i>	0.04
<i>Fuel and energy</i>	
<i>Agriculture, forestry and fishing</i>	
<i>mining, manufacturing and construction</i>	
<i>transportation and communication</i>	
<i>others</i>	0.9

Financing the Deficits



Current deficits:
0.7 %)

Current deficits are financed either by domestic or foreign debt.



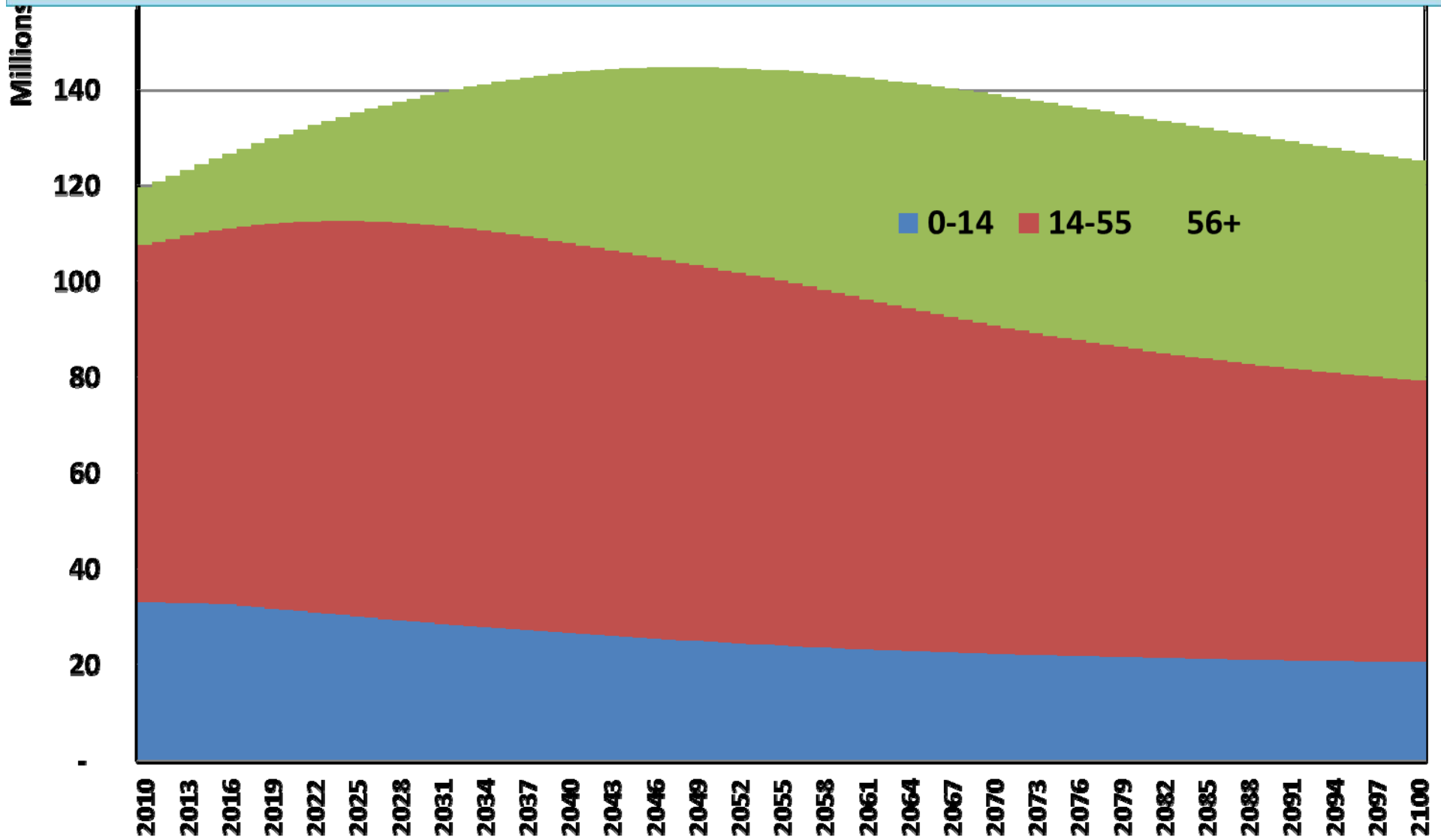
Population Indicators 2010

(Source: UN Population Division)

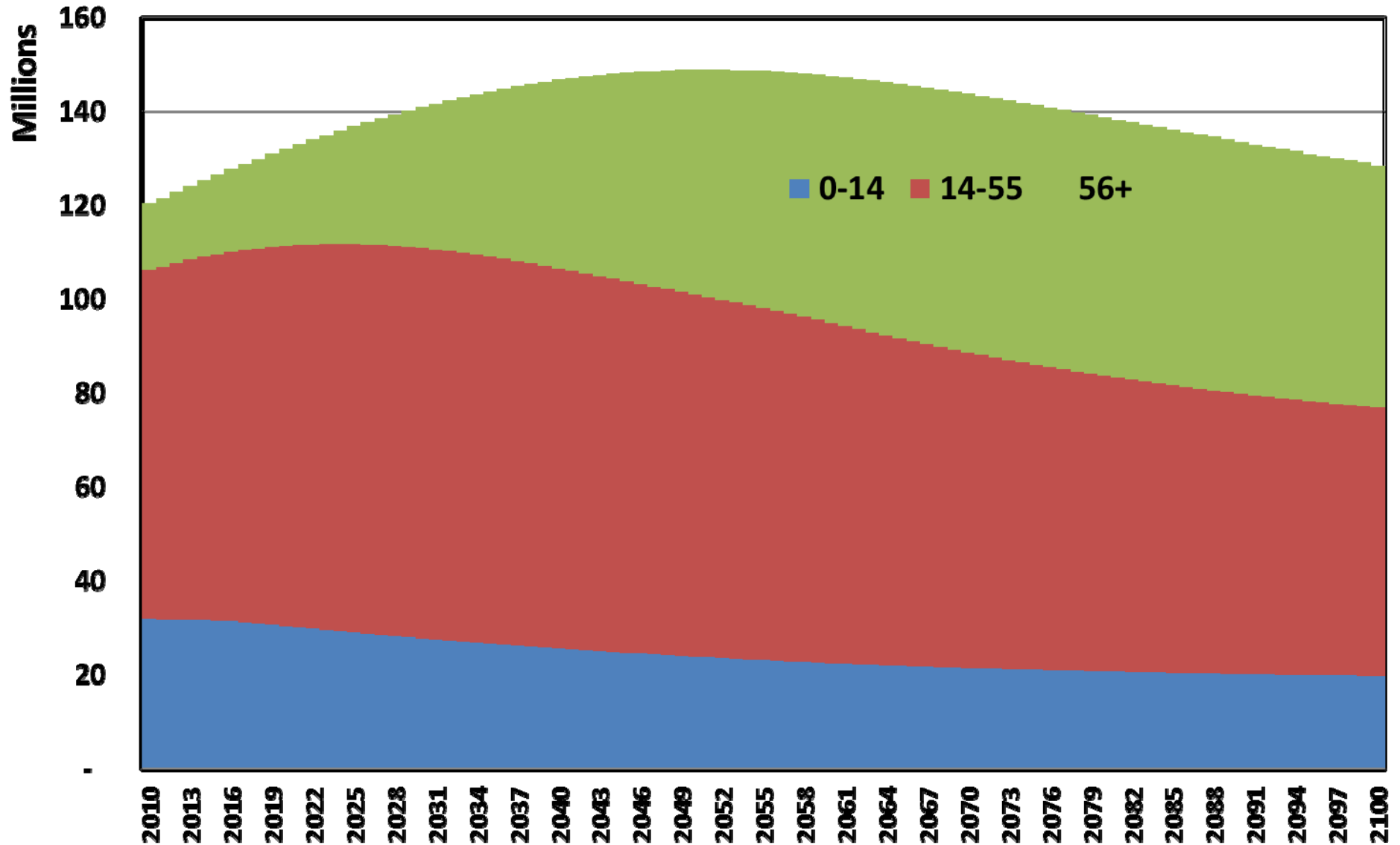
- Total Fertility Rate 2.18
 - Malaysia 2.78
 - Thailand 1.63
 - Vietnam 1.89
- Life expectancy at birth for Male 66.3 and Female 69.4
 - Malaysia Male 71.2 Female 75.7
 - Thailand M 70.2 Female 77.1
 - Vietnam Male 72.3 Female 76.2



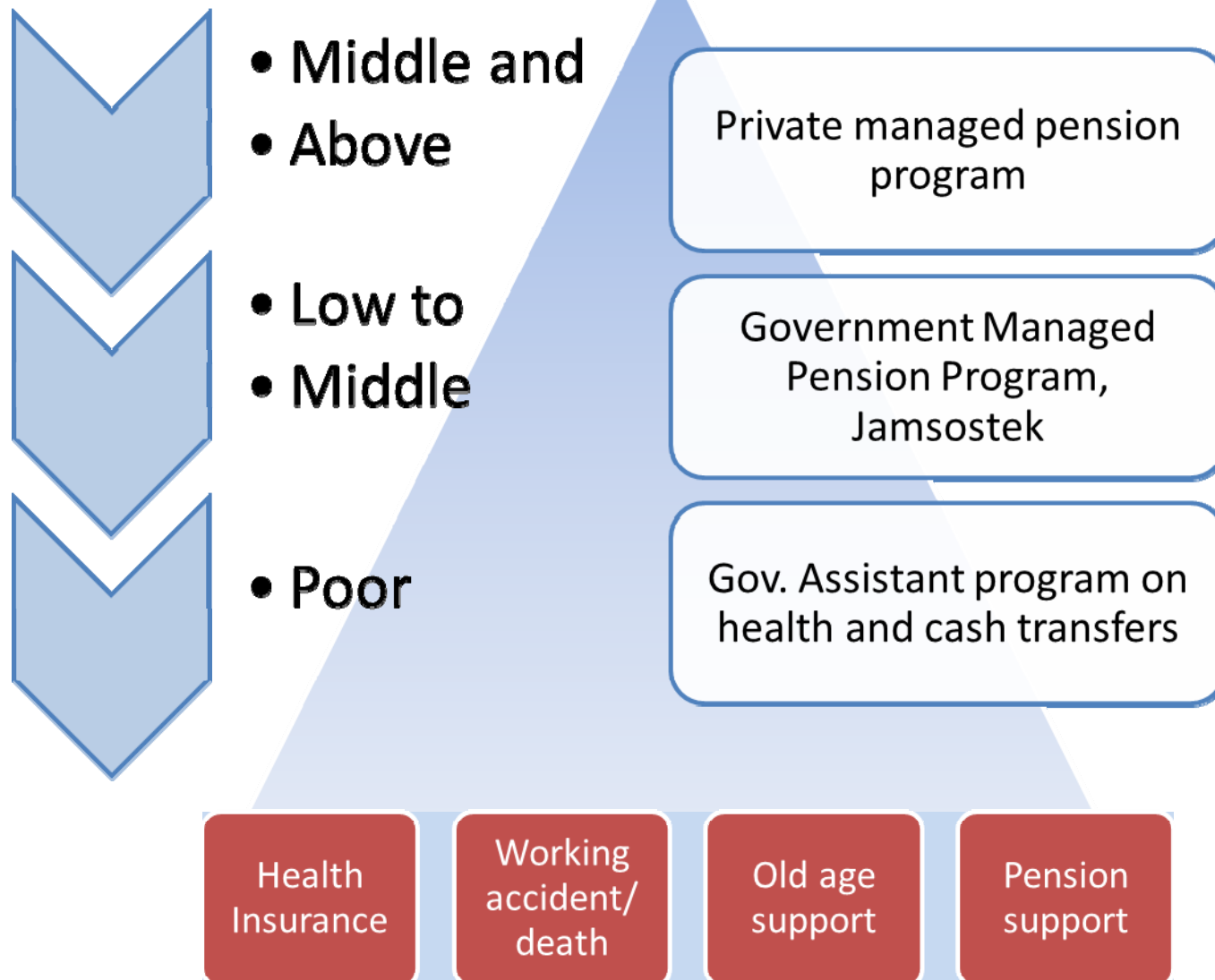
Changing in Age Structure in Indonesia, Male, 2010-2100, Millions



Changing in Age Structure in Indonesia, Female, 2010-2100, Millions



Principal of Social Security in Indonesia (Law 40/2004)





Features of health insurance

- Percentage of wages (employed) or certain amount for self-employed
- Government subsidizes the poor
- Health services including promoted, curative, preventive, rehabilitative

Gov. Social Assistance

(as part of the National Social Security)

Social Transfers

Health

Education

Cash
Transfers

Other

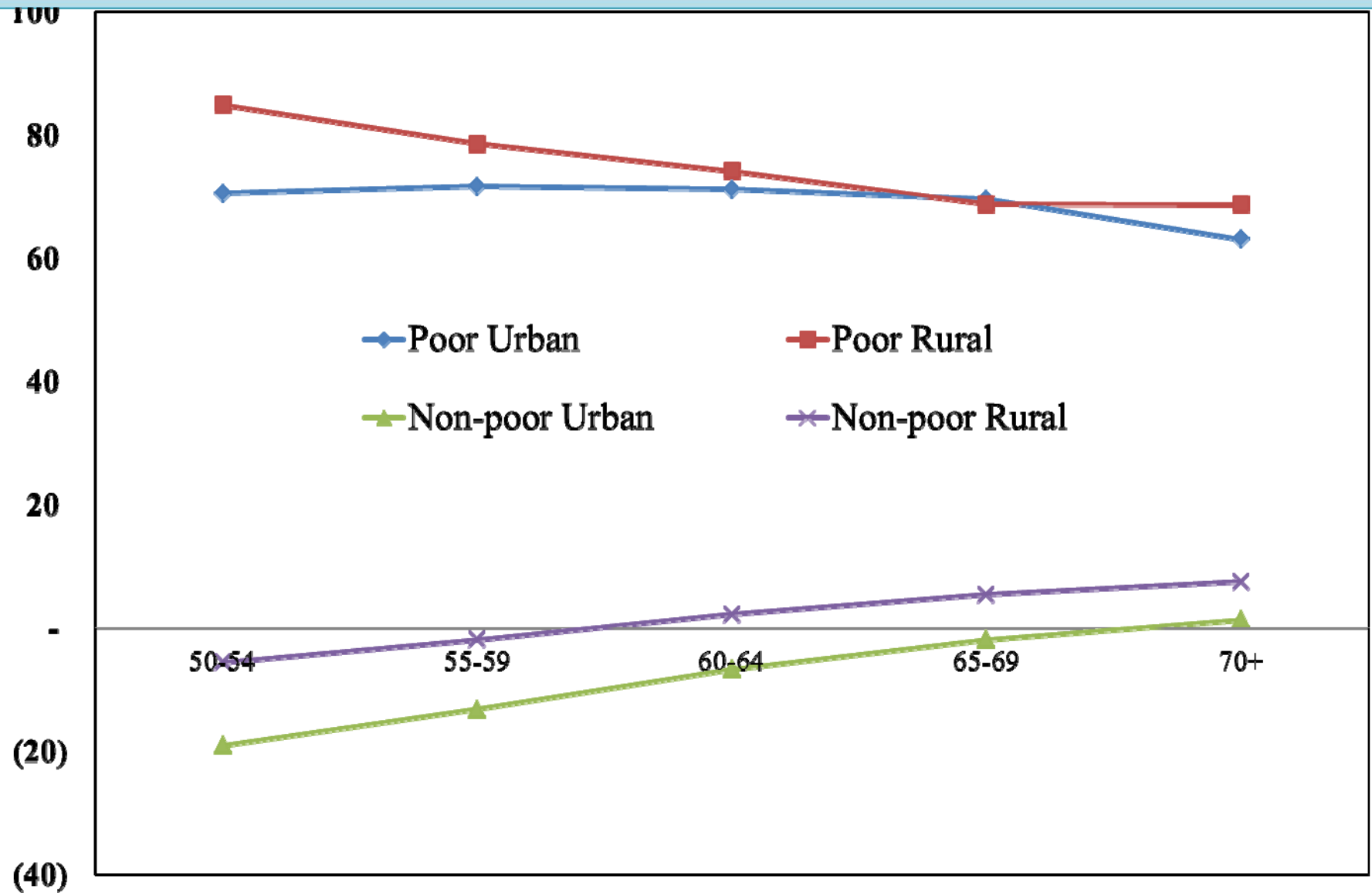
Insurance for
the poor
(Askeskin)

Scholarships

Block grant
for schools

Government obligation is to fund
the medical support for the future
as part of the social security

Percentage of consumption supported by public transfers



Ratio of Public Transfers to Annual Central Gov. Budget

		2005	2006	2007	2008
Health					
	Central	1,6%	2,8%	2,3%	1,5%
	Health insurance	1,4%	1,2%	1,1%	0,8%
	Local	NA	NA	3,4%	3,3%
Education					
	Central	8,1%	10,3%	7,3%	6,1%
	Local	NA	NA	9,5%	9,0%
	Social Transfers including scholarships and block grant for schools	6,9%	9,3%	7,2%	6,3%

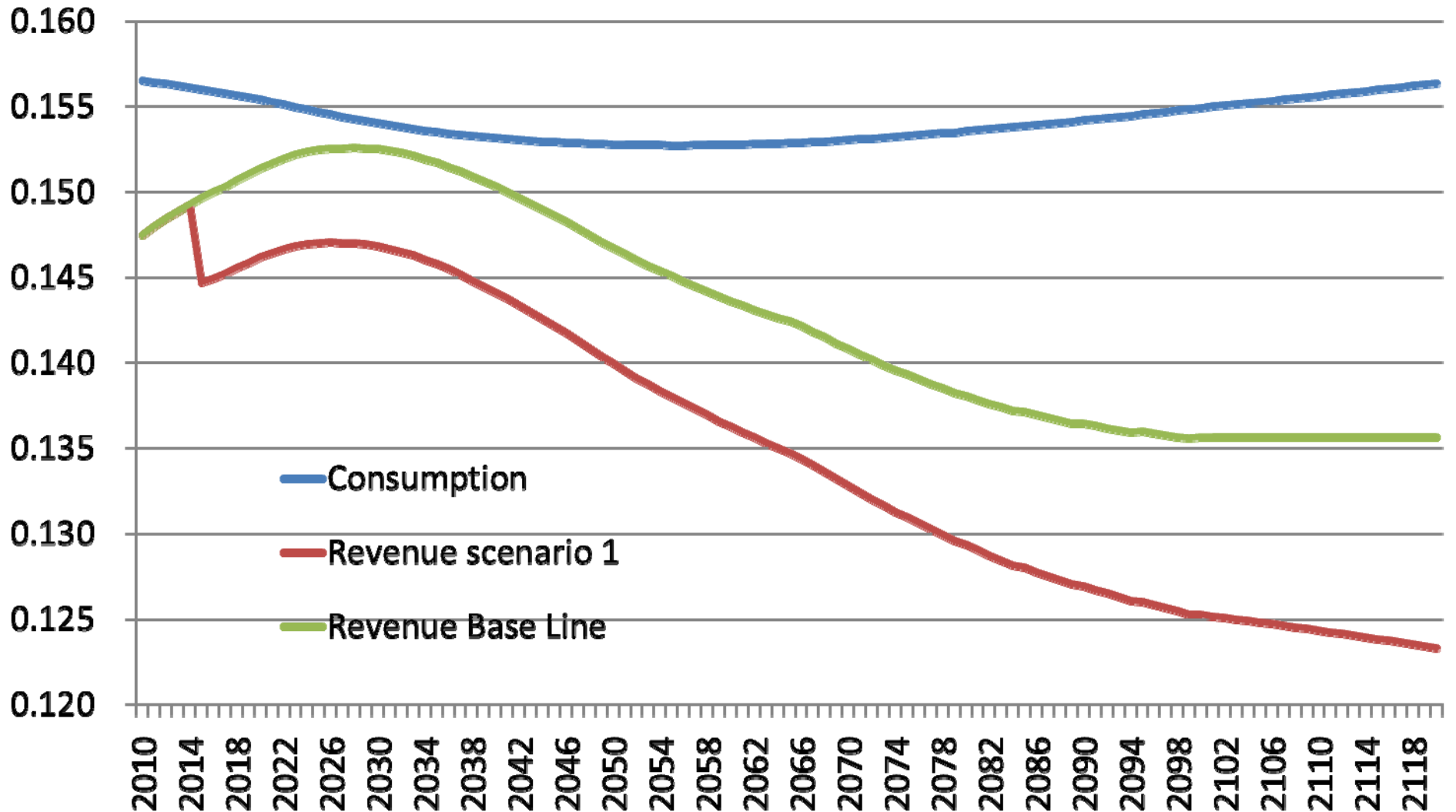


GENERATIONAL ACCOUNT IN INDONESIA

- Current fiscal deficits are maintained at low level (max at 1%) (baseline: in 2010 deficit was 0.7%)
- Health expenditures including health subsidy for the poor is 0.3% of GDP
- Results from GA
 - Generational Imbalance = 16
 - Under current policy, tax adjustment will be needed as much as :
 - 6.3% in 2020
 - 7.9% in 2030
 - 9.4% in 2040

- Government will need to provide public medical health (among other things) for the poor
 - Public medical for the poor is placed as public transfers and one of the benefit of the social security
 - Assuming that the public medical health around 0.7% of GDP → totally 1% of GDP including the public health services
 - As comparison, education expenditures is about 1.4% of GDP

Projection of Consumption and Revenue (%GDP) with new fiscal policy



- Generational Imbalance = 26 %
- Under current policy, tax adjustment will be needed as much as :
 - 13% in 2020
 - 16% in 2030
 - 19% in 2040
- That does not include the other scheme of social security

- No conclusion yet.
- This preliminary research is subject to revision by providing more fine assumptions that reflect
 - Current public transfers program
 - Policy options on public transfers constrained by the current Law on Social Security in Indonesia



THANK YOU