OPPORTUNITIES FOR HARNESSING THE DEMOGRAPHIC DIVIDEND IN TANZANIA

Pathfinder International

Tanzania

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Defining the Demographic Dividend

- The Demographic Dividend is the economic benefit arising from a significant increase in the ratio of working-aged adults relative to young dependents.

- When birth rates decline significantly, the age structure shifts to have more working-aged adults, opening a window of opportunity for accelerated economic growth through increased productivity, greater household savings, and lower costs for basic social services for children.

Study Objectives

1. Examine Tanzania’s prospects of harnessing the demographic dividend in the light of Vision 2025 and aspirations to follow Malaysia’s development plan as articulated in the BRN initiative.
2. Explore the relative impact of various demographic and economic policies on the country’s development prospects between 2010 and 2050

Study Methodology

- **Data analysis**

- **Review of past and current economic and demographic opportunities and challenges**

- **Modeling of potential impact of the demographic dividend on socioeconomic development using the Future Group's DemDiv modeling tool**

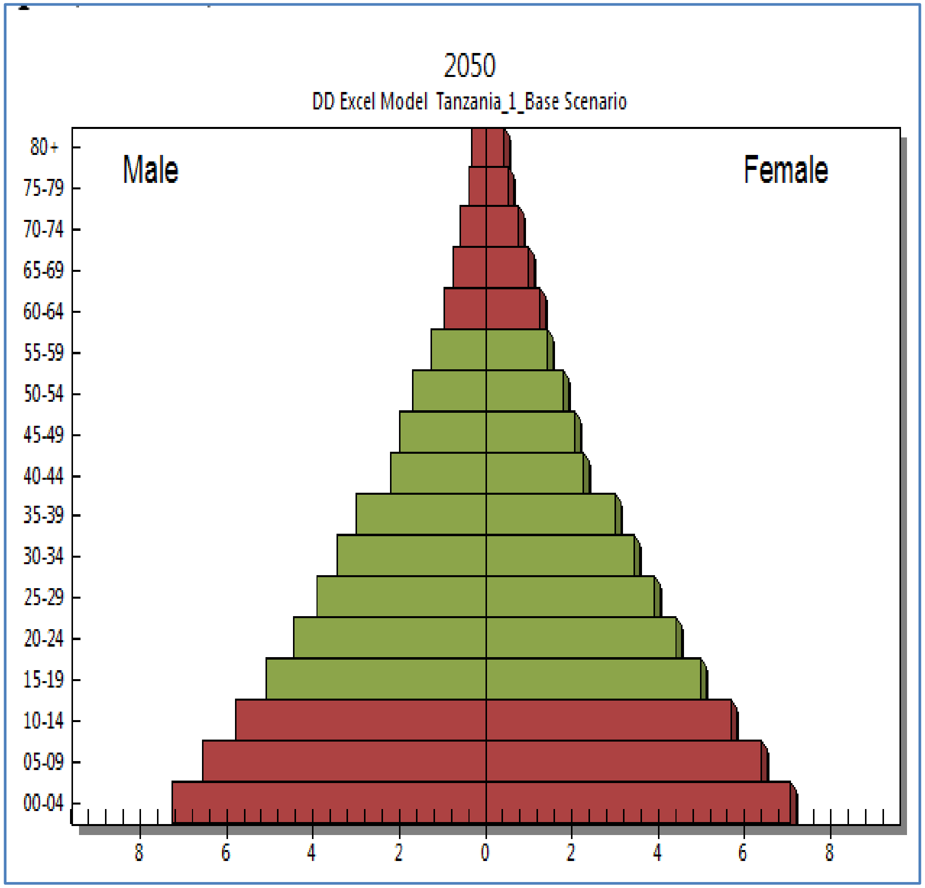
- **Determine key policy options** for harnessing the demographic dividend

Modeling Policy Scenarios

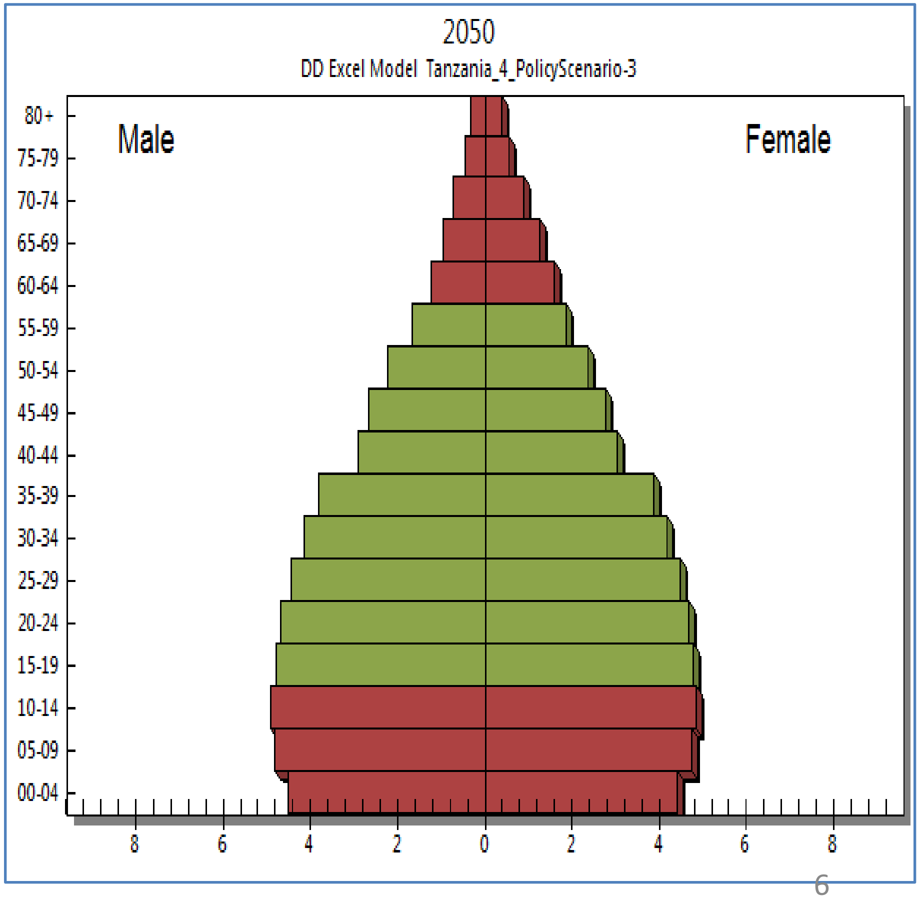
Scenario	Key characteristics
Business as Usual	Slow progress in economic reforms and demographic transition to continue
Economic Emphasis	Maximize Tanzania’s global economic competitiveness, and productive efficiency, and governance as outlined in Vision 2025 and BRN Initiative
Economic Emphasis and Moderate FP and Education	Maximize global economic competitiveness and improve investments in education and moderate investments to reduce fertility to the Malaysia fertility rate
Combined Economic and FP/Education Emphasis	Simultaneous prioritization of investments in Economic reforms as well as prioritization of FP and Education to reach the current levels for Malaysia and other middle income countries

Findings: The business as usual model will have a high child dependency burden while the combined model will provide a huge labour surplus by 2050

Business as Usual, 2050



Combined Scenario, 2050



Summary of Other Key Findings

Indicator	Baseline (2011)	Business as Usual	Economic Emphasis Only	Economic Emphasis & Moderate FP and Education Scenario	Combined Scenario
Total Population (million)	45	149	149	130	110
Population <15 (%)	44	39	39	35	28
TFR (Number of children per woman)	5.4	3.8	3.8	3.0	2.0
Per capita GDP (USD)	514	2,513	5,871	7,316	9,018
Life expectancy at birth	57.0	65.5	65.5	67.6	69.7
Dependency ratio	0.91	0.77	0.77	0.65	0.51
Gap between population 15+ and Employment - Millions	3	31	19	15	12
Percentage of labour force employed	88	66	79	82	85
Capital Formation US$	159	704	1,608	2,036	2,594

Population sizes will at least double in all EAC Member States by 2050

Past and Projected population size (Millions)				
	1960	2010	2050	2100
Burundi	2.8	9.2	26.7	56.3
Kenya	8.1	40.9	97.2	160.4
Rwanda	2.9	10.8	25.4	36.2
Tanzania	20.1	45.0	129.4	275.6
Uganda	6.8	34.0	104.1	204.6
TOTAL	40.7	139.9	382.8	733.1

Source: United Nations Population Division – Medium Variant UN Projections 2012 Edition

Urbanization is on the rise – what will this mean for socioeconomic development for East Africa?

Past & projected % of population living in urban areas			
	1960	2010	2050
Burundi	2	11	28
Kenya	7	24	46
Rwanda	2	19	39
Tanzania	5	26	50 (53%)
Uganda	4	15	34

Source: United Nations Population Division – Medium Variant UN Projections 2014 Edition

As fertility declines, child dependency ratios will decline and working age population will increase, creating a window of opportunity for accelerated economic growth

Past and projected trends in Child dependency ratios				
	1960	2010	2050	2100
Burundi	81	82	62	36
Kenya	93	78	50	31
Rwanda	97	84	45	27
Tanzania	88	86	60	30
Uganda	89	100	60	33

Source: United Nations Population Division – Medium Variant UN Projections 2012 Edition

Asian Tigers: Success Story

- Between ¼ to 1/3 of economic growth since 1970 in East and South East Asia can be attributed to the Demographic Dividend" **(**Bloom and Williamson, 1998; Mason, 2001)

- The economic success was made possible by sustained investments in **education, health, family planning, and economic reforms**

Reality Check: Africa's economic boom is not reducing poverty & creating enough jobs

- High levels of underemployment and reliance on the informal sector, especially among women and youth
- Heavy reliance on mining and mineral resources, which are often mismanaged and are not labour intensive
- Agricultural sector, which provides livelihood to most people, is still largely underdeveloped and vulnerable to climate change
- Rapid but poorly managed urbanization not effectively used as an engine for socioeconomic development
- "Better governance will need to underpin efforts to make growth more poverty reducing," (World Bank)
- **High child dependency burden is one of the key factors undermining development**

In order to EARN the demographic dividend countries like TZ should speed-up fertility decline and invest in the other four policy wheels

Source: Adapted from African Union Commission (2013)

YES, Tanzania can harness the demographic dividend, but much more needs to be done…

1. Enhance political will and investments for a strong family planning program, invest in education, and general empowerment of women
2. Enhance investments in public health for greater child survival and healthy workforce
3. Adopt economic policies and reforms that help develop industries of comparative advantage to ensure mass job creation and enhance savings and investments
4. Improve governance and accountable use of pubic resources – invest in people!

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