



Conference Proceeding of IRSA 2014

The 12th IRSA International Conference
Political Economy of Regional Development in Indonesia

2-3 June, 2014, Makassar,
South Sulawesi-Indonesia



FAKULTAS EKONOMI
UNIVERSITAS HASANUDDIN



Indonesian
Regional
Science
Association

ISSN 2088-7418

12th IRSA INTERNATIONAL CONFERENCE PROCEEDING

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editor: Djibril Tajibu

Setting & Layout: Djibril Tajibu

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Published by Economic Faculty

Hasanuddin University

Jln. Perintis Kemerdekaan Km. 10,

Tamalanrea, Makassar 90245

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FOREWORD

Greetings from Local Organizing Committee (LOC)



It is the great honor as Chair of the Local Organizing Committee, I will be delighted to welcome you to the 12th Indonesian regional Science Association (IRSA) conference from 2 - 3 June, 2014 in Makassar, the capital of South Sulawesi Province, Indonesia and hosted by the Faculty of Economics and Business, Hasanuddin University (FEB UNHAS).

The city of Makassar is the largest city in east Indonesia. Capital of South Sulawesi, Makassar enjoys a central location in the Indonesian archipelago. In fact, ever since the 14th century Makassar was already known as a thriving sea port where merchant vessels from far away China, India and Cambodia. Meanwhile, in this southern peninsula of Sulawesi, the Bugis, Makassar and Mandar ethnic groups, known for their seafaring prowess and boat building skills, had already developed powerful kingdoms that encouraged trade, fishery, rice cultivation as well as literature and the arts. The Bugis epic poem *I la Galigo* is a recognized masterpiece in Bugis literature, as are the graceful dances and bright silk costumes of court dancers with their richly decorated accessories of wide gold bangles. .

This conference in 2014 marks a new departure and perhaps a new future. For the first time it is being held in Sulawesi, East Indonesia. Many of you have travelled far to attend this meeting, and we hope you will feel your trouble has been rewarded. We have an excellent selection of papers from all over the world from many of the world's experts, embodying the consolidation of tested ideas as well as the latest advances in the subject. These will be set in context by a glittering array of keynote and invited speakers.

The conference is the event of the Indonesian section of the IRSA and will be a venue for regional scientists and researchers of various different disciplines from countries and beyond to share research findings and discuss current topics on the regional aspects of various global issues. The conference theme is "Political Economy of Regional Development in Indonesia". As one of the biggest regional science conference in the world, the IRSA 12th Conference will be attended by around 300 researchers and academicians from Indonesia and other countries who will share their expertise and find out about the latest research on regional science and regional development policies.

On behalf of the Local Programme Committee, I am glad to acknowledge the hard work of the members of the Local Organising Committee in putting the programme together and making all the arrangements, and to accept their hospitality. It is my privilege and pleasure to welcome you all to the 12th Indonesian Regional Science Association Conference here in Makassar. I thank all of them for their sacrifice and contribution, especially the Steering Committees, and the Ministry of National Development Planning / BAPPENAS.

I hope you have an excellent opportunity to exchange knowledge and to make and renew friendships at the conference. Finally, I would like to thank all sponsors and exhibitors for your support in making the 12th Conference of IRSA the landmark event it has become.

Best Wishes,

Dr. Abd Hamid Paddu

Chair of Local Organizing Committee

Greetings from Faculty of Economics, University of Hasanuddin

It is my great pleasure to welcome you to the 12th Indonesian Regional Science Association Conference. This event is proudly organized by Faculty of Economic Hasanuddin University and Indonesian Regional Science Association (IRSA).

Economic Faculty is the oldest faculty in Hasanuddin University and strives to be one of the best economic faculties in Indonesia and in the world. One of the efforts is by conducting this International Conference. It is a great honor specifically for economic faculty and Hasanuddin University, generally, to be trusted to hold such a great conference. We believe that this event will give us the opportunity to increase our standing in the eye of international academia. For that, we would like to thank you IRSA for giving as the chance to hold this event.

The main objective of this international conference is to explore the challenges and obstacles in political economy of regional development, and improvement in the people's welfare, more than 10 years after the implementation of Indonesia's decentralization policy. The conference will facilitate open discussions and debates, the transfer of knowledge, strategies for policy formulation, and networking amongst researchers and policy-makers. Moreover, this event also intends to facilitate academicians in Indonesia to be a part of international communities.

I hope this conference will contribute to the development in Indonesia. Together with other academicians, policy makers and practitioners alike, we are ready to face the challenges ahead of us and to be part of the team to build a better future of our nation. To achieve this, this conference should be a great opportunity to exchange the knowledge and the information in many aspects.

Finally, let me wish you an enjoyable time here in Makassar and I hope you will all have fruitful sessions and discussion. On behalf of the Economic Faculty and UNHAS, I welcome you to this conference.

Prof. Dr. Gagaring Pagalung

Dean of Faculty of Economics, Universitas Hasanuddin

Greetings from the Indonesian Regional Science Association (IRSA)



Dear friends and colleagues,

On behalf of the Indonesian Regional Science Association, it is a great pleasure to welcome you to Makassar, Indonesia, The 12th IRSA International Conference, 2-3 June, 2014. The theme of this year's conference - The Political Economy of Regional Development in Indonesia - is very timely because the people will use their democratic right to decide the country's political leadership for 5 years to come.

IRSA was established in 1997 and now has been recognized as one of the few academic organizations that has been actively promoting the advancement of research through broad participations of researchers across the country. Every year since its establishment, IRSA annual conference has been always attended by a large number of regional scientists from all over Indonesia. A network of regional scientists facilitated by IRSA has now grown to reach a critical mass of scientists from various disciplines that can play a major role not only in the academic arena through research and publications, but also contribute to the evidence-based regional development policies nationally, regionally, and locally.

As I understand, this year's conference will be attended by around 200 regional scientists from all over Indonesia and beyond. I do hope that the conference participants can use this opportunity to learn from other regional scientists and extend their research network for further opportunities.

Finally, on behalf of IRSA I wish that you will enjoy the conference program and your visit this lovely city. Welcome to Makassar!

Prof. Armida Alisjahbana

President of Indonesian Regional Science Association

CONFERENCE AGENDA

The 12th Indonesian Regional Science Association (IRSA) Conference

<u>Date: Monday, 02/Jun/2014</u>				
8:00am - 9:00am	Registration			
9:00am - 9:30am	OPE: Location: Ballroom	Opening	Ceremony	
9:30am - 10:15am	KEY: Location: Ballroom	Keynote	Speech	
10:15am - 10:30am	PROF. ARMIDA ALISJAHBANA President of IRSA / Minister of National and Development Planning Agency (BAPPENAS) / Padjadjaran University			
10:15am - 10:30am	Coffee Break			
10:30am - 12:00pm	PLE-1: Location: Chair: Arief Anshory Yusuf , Padjadjaran University; arief.yusuf@fe.unpad.ac.id	Plenary	Session	1 Ballroom
	PROF. IWAN JAYA AZIS Cornell University / Asian Development Bank (ADB) <i>Mea Culpa</i> PROF. ARI KUNCORO University of Indonesia (UI) Complex Interplay of Factors in the Institutional Model of Decentralization: Theory and Application <u>Iwan Jaya Azis</u> Asian Development Bank (ADB), Indonesia			
12:00pm - 1:00pm	Luncheon			
1:00pm - 3:00pm	PAR-1A: Housing, Education, Transportation and other Infrastructures Location: Room A Identifying Infrastructures Critical to MP3EI Continuity During and Post Civil Contingency <u>Prananda Navitas</u> Sepuluh Nopember Institute of Technology, Surabaya, Indonesia The Relationship between Tax Compliance and Tax Education <u>Ida Zuraida</u> Training Tax Center, Ministry of Finance, Indonesia The Effectiveness of Economic and Social Infrastructures in	PAR-1B: Political Economy and Governance of Regional Development Location: Room B The Implementation of Good Government Governance for Welfare of society on Local Government in South and South-East Sulawesi. <u>Abdul Hamid Habbe</u> , Mulyati Akib, Sitti Haerani, Yohanis Rura Faculty of Economic and Business of Hasanuddin University, Indonesia The Implementation Sandalwood (Santalum Album L) Conservation Strategies in Timor Tengah Selatan District of Nusa Tenggara Timur Province <u>Nursalam Jeppu</u>	PAR-1C: Poverty, Inequality and Inter-regional Disparities Location: Room C The Implication of Interregional Income Disparity on Household Health Quality: The Case of Indonesia <u>Hilda Leilani Masniarita Pohan</u> Parahyangan Catholic University, Indonesia Inequality Impact on Industrialization in Indonesia : A Study across All-provincial Region <u>Davy Hendri¹, Heru Gunawan²</u> 1: Islamic Economic Department, IAIN Imam Bonjol, Padang; 2: Ministry of Industry of Republic of Indonesia	PAR-1D: Public Policy, Regional and Urban Planning and Regional Development Location: Room D The Economy-Wide Impact of Increasing Natural Gas Production and Utilization on the Indonesian Economy Djoni Hartono¹, Nurkholis¹, Aldi Hutagalung² 1: Universitas Indonesia, Indonesia; 2: University of Twente, Netherlands Impact of Health Insurance on Saving and Consumption Expenses in Indonesia (Evidence from Indonesian Family Life Survey) <u>Sunaryati -</u>

	<p>Improving the Development of Higher and Lower Income Regions <u>Dominicus Savio Priyarsono</u>, Ida Bagus Perdana Kumara Bogor Agricultural University, Indonesia</p> <p>Managing Education at the District Level: The Dynamic Picture in the Decentralization Era of Indonesia <u>Asri Yusrina</u>, Palmira Permata Bachtiar SMERU Research Institute, Indonesia</p>	<p>University of Nusa Cendana Kupang, Indonesia</p> <p>Do the Rate of Profit and Organic Composition in Central Java Industry Increase in the Long Run? A Test of Heterodox Political Economy Perspective <u>Bhimo Rizky Samudro</u>, Yogi Pasca Pratama Sebelas Maret University Surakarta, Indonesia</p> <p>Poverty or Politics: A Study of Targeted Community-Based Development Programs in Indonesia <u>Ingrid</u> - Petra Christian University, Indonesia</p>	<p>Local Government Reform and Poverty Reduction in Indonesia: A Case Study of Regional Coordinating Team for the Eradication of Poverty (Tim Koordinasi Penanggulangan Kemiskinan Daerah) <u>Sirojuddin Arif</u> Northern Illinois University, Indonesia</p>	<p>UIN Sunan Kalijaga, Indonesia</p> <p>The Role of Birth Order in Infant Mortality in Indonesia 2012 <u>Rudi Salam</u> Institute of Statistics, Jakarta, Indonesia</p> <p>Effect of Hereditary Risk of Cardiovascular Diseases to the Individual Willingness to Pay of Health Insurance Premium <u>Restiatun Massardi</u> Tanjungpura University, Indonesia</p>
	<p>PAR-1E: Public Policy, Regional and Urban Planning and Regional Development Location: Room E</p> <p>Regional Public Expenditure Strategy and its Implication on Regional Economic Growth, Poverty Rate, and Human Development Index <u>Mansur Afifi</u> Faculty of Economics University of Mataram, Indonesia</p> <p>Electoral Accountability of Local Government in Post-Decentralized Indonesia: Does Economy Matters? <u>Rumayya Batubara</u> University of Western Australia, Australia</p> <p>Budget Process and Performance of Public Budget of Local Government in Indonesia <u>Harryanto Endhy</u> Faculty of Economics, Hasanuddin University, Indonesia</p> <p>The Low of Human Resources Quality: Evidence From The Textile and Food</p>	<p>PAR-1F: Public Policy, Regional and Urban Planning and Regional Development Location: Room F</p> <p>The Effect of Human Development Index Indicators on Economic Growth in Central Sulawesi Province <u>Junaidin</u>¹, <u>Mohammad Ahlis Djirimu</u>², Andi Darmawati Tombolotutu³ 1: Regional Development Planning Agency (BAPPEDA) Central Sulawesi, Indonesia; 2: Department of Economics & Development Study, Faculty of Economics, Tadulako University, Indonesia; 3: Faculty of Economics, Muhammadiyah University of Palu, Central Sulawesi, Indonesia</p> <p>A Survey Study of Indonesian Local Public Financial Management Capacity Building Programs' impact on Local Financial Annual Report Performance <u>Kodrat wibowo</u>¹, bambang Juanda², Lenard Milich³ 1: padjajaran university, Indonesia; 2: Bogor Institute of Agriculture; 3: GIZ</p> <p>Health Care Financing Reforms Across Districts in Indonesia</p>	<p>PAR-1G: Regional / International Trade, Finance and Inflation Location: Room G</p> <p>Patronage Buying Motives of Coffee shop's in Makassar: (Study on Customer-Upper Middle Class) <u>Kasnaeny Karim</u> STIM Nitro Makassar, Indonesia</p> <p>Accuracy of Discrete Time Hazard Model With And Without Incorporating Macroeconomics Variable in Predicting Insolvency After Crisis: Evidence from Indonesian Regional Banks <u>Erie Febrian</u> Universitas Padjadjaran, Indonesia</p> <p>Towards ASEAN Economic Community: Revitalizing Indonesia's Position in Financial and Customs Cooperation <u>Wempi Saputra</u>, Ari Cahyo Trilaksana Center for Policy Analysis and Harmonization, Ministry of Finance, Indonesia</p> <p>Inflation and Inflation</p>	<p>PAR-1H: Spatial Model & International Trade, Finance Location: Room H</p> <p>Energy Pricing Policies in Indonesia: A Computable General Equilibrium Model <u>Djoni Hartono</u>¹, Tony Irawan², Ahmad Komarulzaman³ 1: Universitas Indonesia, Indonesia; 2: Bogor Agricultural University, Indonesia; 3: Universitas Padjadjaran, Indonesia</p> <p>Indonesia's moratorium on palm oil expansion from natural forest: Economy-wide impact and the role of international transfer <u>Mark Horridge</u>², <u>Arief A. Yusuf</u>¹, Louise Roos², Ahmad Komarulzaman¹, Martin D. Siyaranamual¹, Irlan A. Rum¹ 1: Universitas Padjadjaran, Indonesia; 2: Victoria University, Australia</p> <p>Trade Map and Competitiveness Analysis of the Indonesian Garment Products in International Market <u>Alla Asmara</u>, Yeti Lis</p>

	<p>Industries Industrial Intensity and Elasticity of Substitution in The Central Java Province <u>Agung Riyardi</u>, Bambang Setiaji Faculty of Economics and Business, Muhammadiyah University of Surakarta, Indonesia</p>	<p>Sri Budiati¹, Athia Yumna¹, Nila Warda¹, Robert Sparrow², Asep Suryahadi¹, Arjun Bedi³ 1: SMERU Research Institute, Indonesia; 2: Crawford School of Public Policy, Australian National University; 3: International Institute of Social Studies, Erasmus University Rotterdam</p>	<p>Uncertainty: The Case of Indonesia <u>Mochammad Firman Hidayat</u> Ministry of National Development Planning (BAPPENAS), Indonesia</p>	<p>Purnamadewi, Tanti Novianti, Anggi Meiri Bogor Agricultural University, Indonesia</p>
		<p>Competitiveness Issues in Indonesia Haryo Aswicahyono¹, Hal Hill², Edimon Ginting³, Priasto Aji³ 1: Centre for Strategic and International Studies (CSIS), Indonesia; 2: Australian National University, Australia; 3: Asian Development Bank (ADB), Indonesia</p>		<p>Social Responsibility Accounting: A Way to Sustainable Development (Case Study of PT. Semen Tonasa in South Sulawesi) <u>Amiruddin Antong, Valentino Aris, Hijir Ismail</u> Hasanuddin University, Indonesia</p>
3:00pm - 3:15pm	Coffee Break			
3:15pm - 5:15pm	<p>PAR-2A: Housing, Education, Transportation and other Regional Infrastructures Issues Location: Room A</p> <p>Municipal Bond as the Financing of MRT Jakarta Project <u>Eko Nursurachman, Hadi Setiawan</u> Fiscal Policy Agency, Ministry of Finance, Indonesia</p> <p>The Use and Usefulness of BOS Program <u>Vita Febriany, Nina Toyamah, Mayang Rizky</u> Lembaga Penelitian SMERU, Indonesia</p> <p>Top Gear Race: The Estimation of Society's Choice on Transportation Mode <u>I Wayan Sukadana, Amrita Nugraheni Saraswati, I Gusti Ayu Putri Anggara Indraswari</u> Udayana University, Indonesia</p> <p>Public Housing Policy for Low-Income Communities in Indonesia <u>Rita Helbra Tenrini</u> Fiscal Policy Office, Ministry</p>	<p>PAR-2B: Political Economy and Governance of Regional Development Location: Room B</p> <p>Influence of Macroeconomic Indicators Against Poverty Rate In Moluccas Province <u>Elsina Huberta Aponno, Zany Irayati Aunalal, William G. M. Louhenapessy</u> Hasanuddin University, Indonesia</p> <p>Creating Middle Class as Political Economy Choice <u>Windhiarso P.A. Putranto^{1,3}, Indra^{2,3}</u> 1: Central Bureau Statistics, Indonesia; 2: Bogor Agricultural University, Indonesia; 3: University of Indonesia, Indonesia</p> <p>Politically Driven Budget Cycle in Indonesia: Can the Voters be Influenced? <u>Vid Adrison</u> LPEM FEUI, Indonesia</p> <p>Corporate Social Responsibility PT. Free Port Welfare of Community District</p>	<p>PAR-2C: Poverty, Inequality and Inter-regional Disparities Location: Room C</p> <p>Regional Inequalities of Indicators of Employment and Wages in Indonesia <u>Zulfan Tadjoeeddin</u> University of Western Sydney, Australia</p> <p>Analysis of Poverty Determinant in West Jawa Province <u>Sartika Djamaluddin</u> Faculty of Economics, University of Indonesia, Indonesia</p> <p>Empowerment of Small Industrial Tempe for Poverty Reduction <u>Rusdarti</u> Semarang State University, Indonesia</p> <p>Interregional Allocation of Capital with Spillover Effects in the Indonesia's Pre- and Post-Crisis Economy <u>Mitsuhiko Kataoka</u> Chiba Keizai University, Japan</p>	<p>PAR-2D: Public Policy, Regional and Urban Planning and Regional Development Location: Room D</p> <p>The Impact of Local Government Expenditure on Local Economic Growth in a Pre-Decentralization and Post-Decentralization Period; The Case on Subnational Governments in Indonesia <u>Dewa Putu Ekayana</u> Fiscal Policy Office, Ministry of Finance, Indonesia</p> <p>What Drives Local Service Delivery Performance in Indonesia? <u>Blane Lewis¹, Neil Andrew McCulloch², Audrey Sacks¹</u> 1: The World Bank, Indonesia; 2: Australian Embassy, Indonesia</p> <p>Implications of Inequality on Targeting Performance: Evidence from Decentralized and</p>

<p>of Finance, Indonesia</p>	<p>Mimika Papua Province Syarifuddin Said, Musafir Yala, Normiyati - Hasanuddin University, Indonesia</p>		<p>Centralized Social Protection Programs in Indonesia Armand Arief Sim, Radi Negara, Asep Suryahadi SMERU Research Institute, Indonesia</p> <hr/> <p>The Deconcentration of Small-Scale Industry in Jakarta Metropolitan Region Zulqadri Ansar Bandung Institute of Technology, Indonesia</p>
<p>PAR-2E: Public Policy, Regional and Urban Planning and Regional Development Location: Room E</p> <p>The Impact of Double Taxation for The Central and Local Taxes (Case Study of Restaurant and Hotel Tax) Benny Gunawan Ardiansyah Fiscal Policy Office, Ministry of Finance, Indonesia</p> <hr/> <p>Intergovernmental Transfer and Income Redistribution: The Impact of General Purpose and Special Purpose Grant on Income Inequality and the Role of Public Participation on Local Governance Martin Hasiholan Lumbantobing Ministry of Finance, Indonesia</p> <hr/> <p>Effective Transition to Climate Change Adaptation Through Capacity Building Enhancement in Indonesia: Learning from Developing Countries Rahayu Yoseph-Paulus Regional Development Planning Agency (BAPPEDA) Kendary City, Indonesia</p> <hr/> <p>The Definition of Related Party in Taxation Cases in Indonesia Muhammad Rifky Santoso</p>	<p>PAR-2F: Regional / International Trade, Finance and Inflation Location: Room F</p> <p>The Relationship Between Technical Efficiency and Pricing in the Indonesian Banking Sector Nury Effendi¹, Rina Indiasuti², Maman Setiawan³ 1: Universitas Padjadjaran, Indonesia; 2: Universitas Padjadjaran, Indonesia; 3: Universitas Padjadjaran, Indonesia</p> <hr/> <p>Competitiveness Analysis and Indonesia Policy Strategies Towards ASEAN Economic Community 2015 Etty Soesilowati, Dyah Maya Nihayah, Deki Aji Suseno, Nurjannah Rahayu Kistanti Semarang State University, Indonesia</p> <hr/> <p>Economic Growth, Regional Revenue (PAD), and General Allocation Fund (DAU), of Allocation of Capital Expenditure Darmawati Juanda¹, Riny Jefri², Ratna Sari¹ 1: Hasanuddin University, Indonesia; 2: Makassar State University, Indonesia</p> <hr/> <p>The Cooperative Banks and Rural Banks in Italy: A Model of Development Based on the Mutuality, Localism and Democracy</p>	<p>PAR-2G: Regional / International Trade, Finance and Inflation Location: Room G</p> <p>An Econometric Assesment National and Provincial Inflation in Indonesia Under Inflation Targeting Framework (2005:07-2013:12) Yoke Muelgini Fakultas Ekonomi dan Bisnis Universitas Lampung, Indonesia</p> <hr/> <p>A STUDY OF INDONESIA'S EXTERNAL ADJUSTMENS USING MONETARY APPROACH 2000-2012 Abdul Hamid Paddu Hasanuddi University, Indonesia</p> <hr/> <p>The Effects of Commodity Export Prices on The Exchange Rate Adjustment in Indonesia Indraswati Tri Abdi Reviane Hasanuddin University, Indonesia</p> <hr/> <p>Comparative Advantage and Export Market Prices Integration of Indonesia and Malaysia Ni Putu Wiwin Setyari Udayana University, Indonesia</p>	<p>PAR-2H: Urban, Agriculture and Rural Development Location: Room H</p> <p>Three Models of Public Private Partnership in Agriculture Sector Dominicus Savio Priyarsono, Eka Puspitawati Bogor Agricultural University, Indonesia</p> <hr/> <p>Viability of Organic Farming: Case Study of West Java province Noknik K Herawati, Januarita Hendrani, Siwi Nugraheni Universitas Katolik Parahyangan, Indonesia</p> <hr/> <p>Institutional Arrangements of SRI (System of Rice Intensification) Method through Payments for Environmental Services to Increase Food Production and Urban Water Availability in Jatiluhur Irrigation Area Luh Putu Suciati¹, Bambang Juanda¹, Akhmad Fauzi², Ernan Rustiadi³ 1: Regional & Rural Development Planning Science, IPB, Indonesia; 2: Department of Resource and Environmental Economics, IPB, Indonesia; 3: Center for Regional System Analysis, Planning and Development</p>

	Ministry of Finance, Indonesia	Giuseppe Confessore^{1,2}, Maurizio Turina³, Sandro Turina^{1,2,4} 1: National Research Council, Roma, Italy; 2: Department of Engineering, University of Rome Tor Vergata, Roma, Italy; 3: European University of Rome, Roma, Italy; 4: Consortium Between Italian Mutual Insurance and Assistance (COMIPA), Roma, Italy		(CrestPent),IPB, Indonesia Using the Profit and Maximization Cost Minimization: Case Study Sub-District III Banyuasin Banyuasin Lamazi Sauki, Febrianty Mustafa, Eva Novaria Sriwijaya University, Indonesia
5:15pm - 7:00pm	Free Time			
7:00pm - 9:00pm	Gala Dinner			

Date: Tuesday, 03/Jun/2014				
8:00am - 8:30am	Registration			
8:30am - 10:30am	<p>PAR-3A: Housing & Political Economy Location: Room A</p> <p>Drops of Happiness: How Indonesian Value Water Access in Their Household <u>Anissa Rahmawati</u> Padjajaran University, Indonesia</p> <hr/> <p>Cemetery Management in Jakarta for Its Impact on Its Surrounding Regions <u>Raditya Hari Murti</u> Laboratory of Espace Nature et Culture, University of Paris IV, France</p> <hr/> <p>Why Indonesia Needs Low-Cost Carriers to Boost Its Tourism Sector? <u>Risky Ismijai, Adhitya Wardhana</u> Padjajaran University, Indonesia</p> <hr/> <p>The Political Economy of Local Public Good Provision Some Evidence from Indonesia <u>Ni Made Sukartini</u> Airlangga University, Indonesia</p>	<p>PAR-3B: Political Economy and Governance of Regional Development Location: Room B</p> <p>Determinants of Indonesia's Food Security in 1961-2009 <u>Nur Afni Panjaitan, Retno Andrini</u> Universitas Padjadjaran, Indonesia</p> <hr/> <p>Forest management in Aceh province, Indonesia: A political economy perspective. <u>Cut Augusta M. Anandi, Ida Aju Pradnja Resosudarmo, Mella Komalasari</u> CIFOR, Indonesia</p> <hr/> <p>The Effects of Minimum Wage on Youth Employment: Evidence from Indonesia <u>Devanto Shasta Pratomo</u> Brawijaya University, Indonesia</p> <hr/> <p>Political Economy of Extractive Industries Governance in Resource-Rich Regions in Indonesia: Paradox of Plenty and Opportunities to Overcome <u>Ermy Sri Ardhyanti¹, Hasrul Hanif²</u> 1: Article 33 Indonesia; 2: Gadjah Mada University</p>	<p>PAR-3C: Poverty, Inequality and Inter-regional Disparities Location: Room C</p> <p>What is the Impact of Economic Growth on Poverty Incidence? The Evidence of ASEAN-4 during Global Financial Crisis <u>Nur Ain Shahrier</u> Bank Negara Malaysia, Malaysia</p> <hr/> <p>Inter-Provincial Income Disparity in Indonesia: Further Evidence <u>Hiroshi Sakamoto</u> The International Centre for the Study of East Asian Development, Japan</p> <hr/> <p>Whether Regionalism in ASEAN Can Accelerate Income Convergence? <u>Dedi Budiman Hakim, Manuntun Parulian Hutagaol, Dian Verawati Panjaitan, Sri Retno Wahyu Nugraheni</u> Bogor Agricultural University, Indonesia</p> <hr/> <p>The Impact of Energy and Food Price Fluctuation to other Commodities, Households and Poverty in Indonesia: SAM Approach <u>Misdawita -, Dioni Hartono</u> University of Indonesia, Indonesia</p>	<p>PAR-3D: Public Policy, Regional and Urban Planning and Regional Development Location: Room D</p> <p>Desentralisation of the Train Operation <u>Akhmad Yasin</u> Ministry of Finance, Indonesia</p> <hr/> <p>Redistribution of Tobacco Product Excise to Support Local Government Efforts in Coping with the Negative Impact of Smoking <u>Eddy Mayor Putra Sitepu</u> Fiscal Policy Agency, Indonesia</p> <hr/> <p>National Land Policy: The Third National Medium Term Development Plan's Background Study <u>Mia Amalia, Oswar M Mungkasa, Uke M Hussein, Raffli Noor, Idham Khalik</u> Bappenas</p> <hr/> <p>The Payment Ability Analysis on Disaster Insurance Program <u>Adrianus Dwi Siswanto</u> Ministry of Finance, Fiscal Policy Office, Indonesia</p>
	<p>PAR-3E: Public Policy, Regional and Urban Planning and Regional Development Location: Room E</p> <p>Fiscal Decentralization and Economic Growth: Case of Indonesia <u>Yozi Aulia Rahman, Prasetyo Ari Bowo, Kusumantoro -, Amin Pujjati</u> Semarang State University, Indonesia</p>	<p>PAR-3F: Regional / International Trade, Finance and Inflation Location: Room F</p> <p>The Effect of Employee Expectation of Stock Price and Employee Stock Ownership Satisfaction on Employee Organizational Commitment in PT. Telekomunikasi Indonesia, Tbk</p>	<p>PAR-3G: Urban, Agriculture and Rural Development Location: Room G</p> <p>Adaptation Strategy on Flood Mitigation in Central Java, Indonesia <u>Evi Gravitiyani, Suryanto -</u> Sebelas Maret University, Indonesia</p> <hr/> <p>Coping Climate Change Risk in Indonesia: Supply Side Analysis of</p>	<p>PAR-3H: Urban, Agriculture and Rural Development Location: Room H</p> <p>Comparative Study of Institutional Food Security in West Nusa Tenggara <u>Enirawan -, Setia Hadi, Bambang Juanda, Ernan Rustiadi</u> IPB, Indonesia</p>

	<p>Measuring Economic Benefit from Bank Sampah in Depok Alin Halimatussadiyah, Diah Widayati Faculty of Economics, University of Indonesia, Indonesia</p> <p>National Spatial Planning Policy: The Third National Medium Term Development Plan's Background Study Oswar M Mungkasa, Dwi H Sutrisno, Mia Amalia, Aswicaksana Aswito, Agung Dorodjatoen Ministry of National Development Planning (BAPPENAS), Indonesia</p> <p>The Role of Bank Sampah in Reducing Waste: The Case of Depok Municipality Alin Halimatussadiyah, Shanty Meta Febrinalisa Faculty of Economics University of Indonesia, Indonesia</p>	<p>Dian Anggraec Sigit Parawansa, Djibir Hamzah, Agung Susilo Faculty of Economics, Hasanuddin University, Indonesia.</p> <p>The Effect of Market Orientation and Dynamic Capabilities to Performance of Export Company in North Sulawesi Stanny Sicilia Rawung, Nursyam Anwar, Imran Taufik Hasanuddin University, Indonesia</p> <p>Efficiency of People's Credit Bank in Indonesia : A Data Envelopment Analysis Ade Maulana Rahman Hidayat, Heriyaldi - Center for Economics and Development Studies (CEDS), Indonesia</p>	<p>Crop Insurance Market Suryanto -, Evi Gravitiani, Tri Mulyaningsih Sebelas Maret University, Indonesia</p> <p>Economic Growth and Urban Land Use in Daerah Istimewa Yogyakarta Urban Area Prastowo - Magister Ekonomika Pembangunan FEB UGM, Indonesia</p> <p>Analysis and Direction of Regional Development of Lake Tempe, South Sulawesi Province with Regard to Local Wisdom Fadhil Surur¹, Santun R.P Sitorus², Ivanovich Agusta³ 1: Graduate Student of Regional Planning Science, Bogor Agricultural University, Indonesia; 2: Regional Development Planning, Faculty of Agriculture, Bogor Agricultural University, Indonesia; 3: Rural Sociology and Community Development, Faculty of Human Ecology, Bogor Agricultural University, Indonesia</p>	<p>Village Law: Impact Potency for Reducing Rural Poverty Nur Sabrina Akmala Putri¹, Desy Ariandini², Lisa Shaumanissa³ 1: BAPPENAS, Indonesia; 2: Coordinating Ministry for Economic Affairs, Indonesia; 3: BAPPENAS, Indonesia</p> <p>The Impact of Climate Change on Price of Agriculture Product and Its Implication on the Indonesian Economy: A Dynamic General Equilibrium Analysis Wawan Hermawan¹, Sutystie Soemitro¹, Arief A. Yusuf¹, Djoni Hartono² 1: Universitas Padjadjaran, Indonesia; 2: Universitas Indonesia, Indonesia</p> <p>The Effect of Rice Protection on Agriculture Household Welfare in Indonesia Zainul Arifin Ministry of Finance, Indonesia</p>
10:30am - 10:45am	Coffee Break			
10:45am - 12:15pm	<p>PLE-2: Plenary Session</p> <p>Location: Chair: Budy P. Resosudarmo, Australian National University; budy.resosudarmo@anu.edu.au</p> <p>PROF. ANNE BOOTH SOAS, University of London <i>"Before the 'Big Bang': Decentralization Debates and Practice in Indonesia, 1949–99"</i></p> <p>PROF. BAMBANG BRODJONEGORO Fiscal Policy Office, Ministry of Finance</p> <p>Before the 'Big Bang': Decentralization Debates and Practice in Indonesia, 1949–99 Anne Booth SOAS, University of London, United Kingdom</p>			2 Ballroom
12:15pm - 1:15pm	Luncheon			
1:15pm - 3:15pm	<p>PAR-4A: Political Economy and Governance of Regional Development Location: Room A</p> <p>The Dynamics of Monetary and Financial Policies in Global Financial Crisis in Indonesia</p>	<p>PAR-4B: Political Economy and Governance of Regional Development Location: Room B</p> <p>Value Adding in Indonesian Mining: A Current Issue in Historical Perspective Pierre van der Eng</p>	<p>PAR-4C: Poverty, Inequality and Inter-regional Disparities Location: Room C</p> <p>Revenue Sharing and its Impact on Inter and Intra Province Economic Disparity Riatu Mariatul Qibthiyah,</p>	<p>PAR-4D: Poverty and Inter-regional Disparities Location: Room D</p> <p>Determinants of Pro Poor Growth in Java Atik Mar'atis Suhartini¹, Rinda Fitriani² 1: Institute of Statistics,</p>

<p>Marsuki - Hasanuddin University, Indonesia</p> <hr/> <p>Local Governance and Outcomes Arianto Arif Patunru¹, Erman Avantgarda Rahman² 1: Australian National University, Australia; 2: The Asia Foundation</p> <hr/> <p>Economic Indicators and Re-election Prospect: the Case of Indonesia Aditia Febriansyah, Yangki Imade Suara Center for Economics and Development Studies, Padjadjaran University, Indonesia</p> <hr/> <p>To Vote or Not to Vote: An Empirical Evidence of Indonesian Voters Behaviour Iqbal Dawam Wibisono, Abdul Afif, Anissa Rahmawati Padjadjaran University, Indonesia</p>	<p>Australian National University, Australia</p> <hr/> <p>Political Economy Analysis for Rent Seeking Behavior in Maintenance and Repair Pantura Java Roads Project Bramastyo Agung Wibowo, Fatimah Zachra Fauziah, Dara Ayu Lestari Bogor Agriculture University, Indonesia</p> <hr/> <p>Socio-economic Determinants of Knowledge about HIV/AIDS in Eastern Indonesia Dani Alfah, Firman Witoelar SurveyMETER, Indonesia</p> <hr/> <p>Can Government Reduce Poverty through Its Expenditure? Wesly Febriyanta Sinulingga Fiscal Policy Unit, Ministry of Finance, Indonesia</p>	<p>Sartika Djamaludin Universitas Indonesia, Indonesia</p> <hr/> <p>Analysis of Elderly and Adolescent Utilisation in Health Care Center in Indonesia Yuni Rahyani Ni Komang¹, Edy Purwanto², Fajar Suminto², Muhammad Mulia², Tiara Marthias³ 1: Polytechnique of Health, Indonesia; 2: SurveyMETER, Indonesia; 3: KMPK, Gadjah Mada University, Indonesia</p> <hr/> <p>Poverty, Inequality and Inter-Regional Disparities in Poso Region, Central Sulawesi Province, Indonesia: In Perspective Agricultural Sector M. R. Yantu¹, Bakri Hasanuddin², Sidik Purnomo³, Jusak Tomy⁴ 1: Faculty of Agriculture, Tadulako University, Indonesia; 2: Faculty of Economics, Tadulako University, Indonesia; 3: Board of Affair Official of Labor and Transmigration, Central Sulawesi, Indonesia; 4: Board of Research and Development of Regional, Central Sulawesi, Indonesia</p>	<p>Jakarta, Indonesia; 2: Central Bureau of Statistics, Indonesia</p> <hr/> <p>The Role of Education in Poverty Reduction in Western and Eastern Indonesia Rofiq Nur Rizal, Atik Mar'atis Suhartini Institute of Statistics, Jakarta, Indonesia</p> <hr/> <p>The Impact of Growth Economic, Regional Economic Disparity and Workers Absorbed to The Public Welfare in Residence and City of North Maluku Province Abdul Wahab Hasyim, Nahu Daud, Muhammad Hasnin, Chairullah Amin Khairun University, Ternate, Indonesia</p> <hr/> <p>Poverty challenges in Eastern Indonesia: some new evidence from a multi-topic household survey Firman Witoelar SurveyMETER, Indonesia</p>
<p>PAR-4E: Poverty, Inequality and Inter-regional Disparities Location: Room E</p> <hr/> <p>Objective Poverty and Subjective Well-being Poverty in Indonesia: Study Case Parepare, West Sumbawa and Bangka Belitung Mukhammad Fajar Rakhmadi SMERU Research Institute, Indonesia</p> <hr/> <p>CONVERGENCE OF INCOME AMONG PROVINCES IN INDONESIA: STATIC AND DYNAMIC PANEL DATA APPROACH Bayu Kharisma, Viktor Pirmana Faculty of Economic and Business, Padjadjaran University, Indonesia</p>	<p>PAR-4F: Poverty & Public Policy Location: Room F</p> <hr/> <p>Poverty Map of Indonesia 2010: An Application of Small Area Estimation Method Radi Negara SMERU Research Institute, Indonesia</p> <hr/> <p>Bottom up Planning Model: Re-development Winongo Riverfront in Yogyakarta Derajad Sulistywo Widhyharto Department of Sociology, Gadjah Mada University, Indonesia</p> <hr/> <p>Fiscal Policy Analysis on Climate Change and Its Impact on Indonesian Economy: A General Equilibrium</p>	<p>PAR-4G: Public Policy, Regional and Urban Planning and Regional Development Location: Room G</p> <hr/> <p>Padalarang Station Area to Become Transit Oriented Neighborhood as Part of Bandung Urban Railway Fachmy Sugih Pradifta Bandung Institute of Technology, Indonesia</p> <hr/> <p>Impact Analysis of Government Transfer Fund on Income Inequality in Indonesia: Panel Data Study in 32 Provinces, 2001-2010 Adhitya Wardhana¹, Kodrat Wibowo¹, Bambang Juanda², Hermanto Siregar² 1: Padjadjaran University, Indonesia; 2: Bogor Institute of Agriculture</p>	<p>PAR-4H: Public Policy, Regional and Urban Planning and Regional Development Location: Room H</p> <hr/> <p>Measuring Banda Aceh's Economic Resilience Dian Rahmawati, Prananda Navitas Institut Teknologi Sepuluh Nopember, Indonesia</p> <hr/> <p>Oo Transforming Rural Region: The Effects of International Remittances to Local Development Mada Sophianingrum Doctorate Geography and Development at Le Centre d'Etudes en Sciences Sociales sur les mondes Africains, Américains et Asiatiques (CESSMA), Université Paris Diderot,</p>

	<p>Analysis of Wage Inequality in Indonesia <u>Nugraheni Kusumaningsih</u> Fiscal Policy Office (Badan Kebijakan Fiskal), Indonesia</p>	<p>Analysis <u>Wawan Hermawan</u> Universitas Padjadjaran, Indonesia</p> <p>The Role and Contribution of Handicraft Industry of Batik Lurik (Lutik) to Improve the Progress of Regional Development in Klaten Regency - Central Java, Indonesia <u>Mulyanto</u> ^{-1,2} 1: Faculty of Economic and Business, Sebelas Maret University (UNS) Surakarta, Indonesia; 2: The Centre for Information and Regional Development (PIPW) - LPPM UNS Surakarta, Indonesia</p>	<p>Monitoring Economic Activity in Indonesia using Night Light Detected from Space <u>Susan Olivia</u>¹, <u>Lars Brabyn</u>², <u>John Gibson</u>², <u>Glen Stichbury</u>² 1: Monash University, Australia; 2: University of Waikato, New Zealand</p> <p>Practice to Build a Collaboration Model between Southeast Asian Area for Sustainable Regional Development <u>Yoko Mayuzumi</u>¹, <u>Takeshi Mizunoya</u>², <u>Yoshiro Higano</u>² 1: Bunkyo University, Japan; 2: University of Tsukuba, Japan</p>	<p>France</p> <p>The Influence of Budget Control and Monitoring to Good Governance in Succeeding Regional Autonomy <u>Lince Bulutoding</u>, <u>Rika Dwi Ayu Parmitasari</u>, <u>Nasruddin Amin</u> Student of Doctoral Program in Economics, Hasanuddin University, Indonesia</p> <p>Effect of Regional Economy Fiscal Capacity in the District/City South Sumatra Province <u>Evi Doni</u>, <u>Eva Novaria</u>, <u>Abdul Bashir</u> Sriwijaya University, Indonesia</p>
3:15pm - 3:30pm	Coffee Break			
3:30pm - 5:30pm	<p>PAR-5A: Political Economy and Governance of Regional Development Location: Room A</p> <p>Can Indonesia's Fiscal Policy be Sustained, Without Rising Debt? <u>Tari Lestari</u> Ministry of National Development Planning (BAPPENAS), Indonesia</p> <p>INTERCONNECTED AND BASE SECTORS IN NORTH MALUKU PROVINCE ; AN INPUT-OUTPUT ANALYSIS <u>Abdul Wahab Hasyim</u>, <u>M. Jaiz Samiun</u>, <u>Chairullah Amin</u> Khairun University of Ternate, Indonesia</p>	<p>PAR-5B: Urban, Agriculture and Rural Development Location: Room B</p> <p>Revitalisation of Agriculture Performance in Central Java Province by Empowering Agriculture Extension Institutions and Competitiveness of Food Stock Regions <u>Sucihatiningsih Dian Wisika Prajanti</u>, <u>Shanty Oktavilia</u>, <u>Fafurida</u> - Semarang State University, Indonesia</p> <p>Alternative Energy Potential from Tawau Geothermal System and Environmental Challenges, Sabah, Malaysia <u>Awang Sufiyan A. Hamid</u>, <u>Sanudin Tahir</u>, <u>Baba Musta</u>, <u>Mohd. Sazaly Basarain</u> Universiti Malaysia Sabah, Malaysia</p> <p>Wage Modes and Productivity: A Quantile Regression Approach to Testing the Nutrition Model of the Efficiency Wage Theory</p>	<p>PAR-5C: Public Policy, Regional and Urban Planning and Regional Development Location: Room C</p> <p>Reshaping Intergovernmental Transfer in Indonesia for a Better Future <u>Sumedi Andono Mulyo</u> Ministry of National Development Planning/National Development Planning Agency (Bappenas), Indonesia</p> <p>PUBLIC SPENDING ANALYSIS IN VALDIVIA MUNICIPALITY (A case study the experience of decentralization at the local level in Chile) <u>Thres Sanctyeka</u>¹, <u>Wiriadi Sutrisno</u>² 1: Technische Universität Dortmund, Germany; 2: Unindra, Jakarta, Indonesia</p> <p>Formulation of Sustainable City Index: An Instrument for Measuring National Urban Development <u>Zaenal Arifin</u></p>	<p>PAR-5D: Public Policy, Regional and Urban Planning and Regional Development Location: Room D</p> <p>Effect of Unemployment and Human Development Index of Regional Gross Domestic Product per Capita and Poverty in Papua Province <u>Sujatmiko Darso</u>, <u>Yendra Sofyan</u>, <u>Sitti Sakirah</u> Hasanuddin University, Indonesia</p> <p>Inclusive Green Economy (IGE) Assessment towards Sustainable Development of East Kalimantan <u>Yusniar Juliana Nababan</u>¹, <u>Yusman Syaukat</u>¹, <u>Bambang Juanda</u>¹, <u>Slamet Sutomo</u>² 1: Bogor Agricultural University, Indonesia; 2: Institute of Statistics, Indonesia</p>

		Kazutoshi Nakamura University of Nagasaki, Japan	Ministry of National Development Planning/Bappenas, Indonesia	
	PAR-5E: Rural Development and Urban Planning Location: Room E	PAR-5F: Poverty, Inequality and Inter-regional Disparities Location: Room F	PAR-5G: Poverty, Inequality and Inter-regional Disparities Location: Room G	
	The Impact Analysis of Regional Autonomy on Internal Migration in Indonesia Yeti Lis Purnamadewi, Dwinda Larasati Widyaputri Bogor Agricultural University, Indonesia	Sustainable Livelihoods Framework in Analyzing Poverty in Aceh: An Exploratory Data Analysis Saiful Mahdi¹, Marthunis Muhammad² 1: Syiah Kuala University, Indonesia; 2: Bappeda Aceh, Indonesia	Transmigration Programs in Maluku: How Successful They Are? Wardis Girsang¹, Budy P Resosudarmo² 1: University of Pattimura, Indonesia; 2: Australian National University, Australia	
	A Strategy to Increase the Competitiveness of Potatoes Commodity in Dieng Plateau Y. Titik Haryati¹, Karsinah - ², Avi Budi Setiawan³, Murwatiningsih⁻² 1: Satya Wacana University, Indonesia; 2: Semarang State University, Indonesia; 3: Center of Business and Economics Research, Indonesia	Income Inequality in East Java: A Test of the Kuznet Inverted U Setyo Tri Wahyudi Brawijaya University, Indonesia	Income Inequality Impact on Crime in Indonesia : Static and Dynamic Analysis During 2006-2011 Davy Hendri¹, Fajri Muharja² 1: IAIN Imam Bonjol, Padang, Indonesia; 2: Andalas University, Indonesia	
5:30pm - 6:00pm	CLO: Location: Ballroom	Closing		Ceremony
Date: Wednesday, 04/Jun/2014				
9:00am - 3:00pm	City Tour			

Poverty or Politics: A Study of Targeted Community-Based Development Programs in Indonesia[†]

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Abstract

This paper aims to study the politics of economic redistribution. Basically, there are two competing models of redistributive politics in the literature. First, Cox and McCubbins (1986) suggest that incumbent governments should distribute economic benefits toward core voters because they are considered as a safer investment compared to other groups. Second, Lindbeck and Weibull (1993) and Dixit and Londregan (1996) develop electoral competition models in which incumbent governments attempt to get political support by disproportionately channeling particularistic benefits to swing voters. I use the PNPM Mandiri community-driven development program in Indonesia to test whether there are any political motives behind the allocation of PNPM Mandiri block grants from the central to lower-level governments. The study finds that presidential politics does matter in the distribution of block grants. Districts that were major supporters of the incumbent president in the past election are largely rewarded, whereas swing districts are not targeted.

Keywords: redistributive politics, block grants, core voters, swing voters

[†] I would like to thank to Kevin Evans for kindly sharing the political data. Any remaining errors are my own.

1. Introduction

There has been consensus among political scientists that democratic governments have a tendency to give more attention to the welfare of people, especially the poor, than nondemocratic ones. What underlies this prediction is the model of electoral competition which postulates that politicians will choose policies such that they closely reflect the preference of the median voter (Hotelling, 1929 and Downs, 1957).

If the literature has shown that economic outcomes are not neutral to politics, the next natural question is: how do government authorities allocate targetable economic benefits in order to maximize their electoral prospects? A continuing debate on this question has leaned toward two competing models of electoral targeting. The first is the model of electoral competition by Lindbeck and Weibull (1993) and Dixit and Londregan (1996) in which incumbent governments attempt to get voters' political support by disproportionately channeling economic benefits to swing voters (i.e. voters are ideologically indifferent between the alternatives) because swing voter support is decisive for region outcomes. Some empirical evidence underpins this hypothesis (Case, 2001; Johansson, 2003; Stokes, 2005; and Solé-Ollé and Sorribas, 2008). On the contrary, Cox and McCubbins (1986) argue that risk-averse politicians should target their own core supporters first and foremost since they are less risky than other voters since political actors have intensive contact with them and thus are able to accurately predict their strategic reaction. Several observational studies of a bias in favor of core voter supporters are investigated by Levitt and Snyder, 1995; Ansolabehere and Snyder, 2006; Larcinese, Rizzo, and Testa, 2006; and Nichter, 2008).

This paper is the first attempt to test the abovementioned models of distributive politics in Indonesia. Specifically, I focus on the allocation of PNPM Mandiri block grants across Indonesian districts. As the major Indonesian community-driven development (CDD) projects, the main objectives of PNPM Mandiri are to reduce poverty and to increase employment opportunities by empowering local communities. These CDD programs constitute local communities to identify, plan, and implement their own development activities, whereas the central and regional governments provide them with a community block grant (known as Bantuan Langsung Masyarakat, BLM).¹ PNPM Mandiri, especially the PNPM Mandiri Rural, has increased household welfare and has improved households access to service delivery. Intriguingly, the compelling effects of the program have been found in poorer and remote areas (PNPM Support Facility, 2011).

¹ See Section 4 for more detailed explanation on PNPM Mandiri programs.

Yet aside from the economic benefits, PNPM Mandiri has become a central topic of discussion among politicians during pre-election periods. A notable example is the second presidential debate in 2009 when President Susilo Bambang Yudhoyono (SBY), the incumbent president, highlighted the non-trivial role of PNPM Mandiri in promoting local economic development, reducing poverty, and providing employment opportunities. Since then, opponents have accused SBY and his Democratic Party of utilizing anti-poverty targeting to win re-election.

Studying the models of distributive politics in a young democratic developing country, like Indonesia, is considerably imperative as this country faces the challenge of providing sufficient public goods to society. Hence, a small difference in grant disbursement will lead to sizeable welfare disparities across regions. This paper also enriches the discussion of decentralized development programs in developing countries. From an academic perspective, the literature on decentralization suggests that the outcomes of a decentralized service delivery system are more equitable and efficient than a centralized system (Bardhan and Mookherjee, 2000; 2005; 2006). However, such gains of decentralization can be distorted by any political influences. In the case of PNPM Mandiri, although the PNPM Mandiri block grant is allocated based on formal and objective criteria, it is not entirely unsusceptible to political manipulation since the executive and the legislative to some extent have discretionary to determine the size of the grant.²

The paper is organized in the following way: Section 2 reviews the previous relevant literature, Section 3 describes the political system in Indonesia which is relevant to the period of the study, Section 4 gives a brief overview of PNPM Mandiri programs, Section 5 discusses the data and the empirical strategy, Section 6 presents the results, and Section 7 is concluding remarks.

2. Theoretical Discussion

The theoretical understanding of redistributive politics borrows the core versus swing models in political science by Lindbeck and Weibull (1987), Dixit and Londregan (1998), and Cox and McCubbins (1986). Fundamentally, the literature models that politicians wish to win the elections. Hence, they distribute economic resources between a set of electoral regions. I give an overview of the two hypotheses below.

² As the major funding source of the program comes from the national budget, it complies with the budget formulation process in which the government submits a work plan to the parliament to be approved. The plan essentially covers fundamental macroeconomic analysis, revenue projections, and proposed expenditures for the upcoming budget year. PNPM Mandiri itself is one of core political concerns.

Dixit and Londregan (1996) develop a general model of how parties tactically redistribute resources to voters. The model is constructed under several assumptions. There are two parties, L and R , which compete within a region to maximize their votes. Voters can distinguish the parties according to their distinctive ideological positions and their redistributive strategies. A continuum of voters is rational, meaning that they care for economic benefits. Voters have an ideological preference x in favor of party L than party R . The electorate comprises G identifiable groups, and people within each group are heterogeneous with respect to a trade-off between their ideological affinities *vis-à-vis* economic benefits. Those political parties have identical capabilities to allocate benefits once in office. A voter with ideological preferences for party R will vote for party L only if the marginal utility of redistributions to his group promised by party L exceeds his ideological preference for party R . The cheapest voters for a group to buy are those who are ideologically indifferent, or those who have $x = 0$. Therefore, each party targets its resources to a group with a high density of voters around $x = 0$, representing the group of swing voters. Lindbeck and Weibull (1987), however, articulate that the objectives of parties are not only to maximize the number of votes but also to maximize the probability of winning a majority of seats. For the latter, more resources should be allocated to pivotal regions or core voter regions, since it would be less likely to win a majority without their contributions.

By incorporating candidates' attitudes with respect to risks, Cox and McCubbins's (1986) suggest that risk-averse candidates will overinvest in their core voters group because this group is considered as a safer investment. Empirically, the core voters group is identified as the group where the incumbent obtained a high share of votes.

Existing empirical evidence on the allocation of targetable spending has shown no clear pattern. Using data on social assistance block grants, Case (2001) finds that the central government of Albania allocates larger grants to swing communes. She concludes that the incumbent president seeks to maximize the probability of his own re-election by winning a majority of legislative seats. Likewise, utilizing a more appropriate measure of swing voters, Dahlberg and Johansson (2002) also confirm that the temporary ecological grants in Sweden were generously allocated to municipalities with many swing voters, whereas they reject the core voter thesis. Consistent with this result, another Swedish country study by Johansson (2003) reports evidence that municipalities with high numbers of swing voters receive a larger proportion of intergovernmental grants.³ On the contrary, Ansolabehere and Snyder (2006) find

³ To measure the number of swing voters, Johansson (2003) uses the closeness of the last election and a new measure from survey data of the Swedish election studies. She finds that the latter proxy has a positive effect on municipal grants.

evidence of state transfers to local governments directed toward core voters in the US during 1957-1997. This result is also supported by Levitt and Snyder (1995), Larcinese, Rizzo, and Testa (2006), and Nichter (2008).

The major challenges in studying tactical redistribution could be attributable to the flawed methods employed (Dahlberg and Johansson, 2002) and to identify the exact dissimilarity of the two hypotheses since the variables used to measure them are very similar (e.g. vote margin against vote share). In some cases, the politician might distribute benefits to thin margin regions in the mean time and to his own supporter regions, suggesting that both the swing-core hypotheses are acceptable.

3. The Indonesian Political Institutions

Indonesia is a republic country with a presidential system. After the Suharto's era in 1998, the country has undertaken substantial political and economic reforms. One of the major changes has been the implementation of political and economic decentralization since 2001. The new idea of decentralization gives discretion to regional governments to conduct their own domestic affairs, while the role of the central government is only limited to foreign policies, national defense and security, legal systems, macroeconomic policies, and religion (Law No. 22/1999 amended by Law No.32/2004).⁴ Two provinces, Nanggroe Aceh Darussalam (NAD) and Papua, have been given status as special autonomous regions that accept government's greatest priorities compared to their counterparts, such as receiving special intergovernmental grants (Dana Otsus).

Looking at the political system, the general election held in 1999 has also signified the process of democratization in Indonesia. The election was considerably very transparent and proceeded without violence. For the first time, after practicing a three-party system for more than 20 years, there were 48 parties took part during the election to elect members of the parliamentary assembly (DPR/DPRD). The parliamentary election system was based on a closed-list proportional system in which parties gained seats in proportion to their share of the vote at the provincial level, and voters selected parties not candidates, meaning that the parties decided who would sit in the parliament (Sherlock, 2004). The Indonesian Democratic Party of Struggle (PDI-P) lead by the daughter of the first president, Megawati Soekarnoputri, won the election. The elected parliamentary members then had legislative privileges to select the president. In the presidential election, however, the parliament elected Abdurrahman Wahid

⁴ The Republic of Indonesia is a unitary country with a three-tier of regional government structures: province (provinsi), district (kabupaten/kota), and sub-district (kecamatan). All regional governments have their own parliamentary bodies.

(Gus Dur) to be Indonesia's new president. The drama was ended when President Gus Dur was removed from the office and replaced by the Vice President Megawati Soekarnoputri in 2001 after an extended conflict between President Wahid and the parliament.

The general elections in 2004 could be regarded as the most complex elections in the country's history even though fewer political parties in the race than the previous elections (Sherlock, 2004). As usual, voters voted for DPR and DPRD members in the first round of the elections. Unlike the 1999 elections, the April parliamentary elections in 2004 adopted an open-list proportional system wherein voters casted their votes for one party and chose a particular candidate from that party. Seats were allocated to each party on the basis of the share of the total vote that party received. Candidates won seats in the order in which they appeared on the party's list unless a lower-ranked candidate reached a quota. Partai Golkar associated with the New Order Regime became the strongest party among 24 parties. Yet the Democratic Party founded in 2001 by the Minister of Defense, Susilo Bambang Yudhoyono, at that moment, shocked the public as the party successfully finished on the fifth place. The next round was held to directly elect the president and the vice president. It should be noted that only parties that won 5% of the national vote or won 3% of parliamentary seats were eligible for the presidential election. There were five contestants in the first presidential election on July 5, 2004, including Susilo Bambang Yudhoyono and the incumbent Megawati Soekarnoputri. The race was tough as one of the candidates reached the majority and was able to receive more than 20% of the vote in over half the provinces. This led to a run-off election between the two highest ranking candidates, Susilo Bambang Yudhoyono and Megawati. Susilo Bambang Yudhoyono was finally elected as the new president in this second round election.

The elections in 2009 demonstrated superiority of the Democratic Party and the incumbent president. The party became the largest faction in parliament with 26.40% of the votes. This achievement was beyond the 2.50% threshold for parliamentary representation and passed the 20% threshold for nominating presidential candidates as required by the 2008 General Election Law. As for the presidential election, it followed an absolute majority system in which a candidate would become the president if he could receive over 50% of the vote and 20% of the votes in at least half of the provinces (Sherlock, 2009). Susilo Bambang Yudhoyono won a surprising 60.80% of the vote in the first round election and re-elected to the presidency for the period 2009-2014. The incumbent's performance in stabilizing the national economy and in improving the well-being of households partly explained why Indonesians casted their ballots for him and his party. Moreover, the incumbent's economic platforms which were *à la* a left-wing had helped Susilo Bambang Yudhoyono to attract more voters (Mujani and Liddle, 2010).

4. The Community-Driven Development (CDD) Program in Indonesia: PNPM Mandiri

During the first-term in the office, President Susilo Bambang Yudhoyono introduced PNPM Mandiri programs on 30 April 2007 in Palu, Central Sulawesi. Nowadays, it becomes the main government's flagship community-driven development (CDD) programs which are intended to reduce poverty and increase employment opportunities by promoting local community participation in development planning and management.

PNPM Mandiri is made up by PNPM-Core (PNPM Inti) and PNPM-Support (PNPM Penguatan). The PNPM-Core program which focuses on area-based community empowerment programs consists of five key components. These include: (i) PNPM Mandiri Rural initiated in 1998 as the Kecamatan Development Program (KDP); (ii) PNPM Mandiri Urban modeled as the Urban Poverty Program (UPP); (iii) PNPM Mandiri Support for Poor and Disadvantaged Areas (SPADA) which were initiated in 2005 as the Development Acceleration Program for Disadvantages and Special Regions (P2KP) and have given emphasis on the socio-economic development of underdeveloped, post-disaster, and conflicting regions; (iv) PNPM Mandiri Rural Infrastructure (RIS); and (v) PNPM Mandiri Regional Socio-Economic Infrastructure (RISE). The last two, however, are expected to harmonize economic growth between the cores and their peripherals. The PNPM-Support program delivers specific services through sectoral programs, such as: (i) PNPM Healthy and Smart Generation (PNPM Generasi Sehat dan Cerdas) to support health and education; (ii) PNPM Green to assist in natural resources management and micro-hydro initiatives; (iii) PNPM SADI which facilitates agricultural development plans; (iv) PNPM Respek to accelerate development process in Papua and West Papua; and etcetera (PNPM Support Facility, 2011).

The protocol of PNPM Mandiri constitutes a community to conduct open meetings attended by community members. During the meeting, participants may propose several activities as long as their designs are intended to reduce poverty (e.g. providing and renovating dwelling areas and provision of financial resources through saving and revolving funds and micro credits), are able to accelerate the achievement of the Millennium Development Goals (MDGs) target, strengthen capacity of local government and community, and promote good governance. After the collection of proposals, there will be another meeting by community representatives in order to make the final decision on which projects are going to be funded. It should be noted that proposals recommended by women's groups will be given high priorities. The selected proposals will receive direct block grants (Bantuan Langsung Masyarakat, BLM) which are delivered to local communities at the sub-district level. The PNPM Mandiri program is financed through the National Budget (APBN) and Regional Budget (APBD) along with

private and community contributions in which the local government accounts for around 20-30% of the total BLM.⁵

In any year, the Coordinating Ministry for People's Welfare releases a list of eligible sub-districts for funding. The total amount of BLM block grants to each sub-district is unevenly distributed, depending on the poverty rate, the number of population, and the degree of remoteness. Each eligible district will receive an annual block grant from approximately US\$90,000 (Rp900 million) to US\$300,000 (Rp3 billion), and the grant is continually distributed to the respective sub-district for at least 3 years. Moreover, the central government will distribute additional block grants ranged from \$10,500 to of \$21,000 for each remote sub-district.

The impact evaluation of PNPM Mandiri shows that PNPM Mandiri, particularly the PNPM Mandiri Rural, has contributed to increase the welfare and self-sufficiency of the poor. It has been successfully in reducing poverty among rural households, increasing income and consumption, opening up new employment opportunities, increasing access to basic services such health care, education, water and sanitation, local infrastructure provision at lower costs, and developing local capacity building. It was reported that the effects have been stronger in poorer and remote areas (PNPM Support Facility, 2011).

5. Data and Empirical Strategy

5.1 Data

This paper uses a large dataset containing information on all Indonesian districts from 2010 to 2011. The data on the allocation of PNPM Mandiri block grants are extracted from the Coordinating Ministry for People's Welfare. The data provide detailed statistics for the size of PNPM Mandiri block grants that comes from the budget of national and regional governments. More importantly, they are also disaggregated by the five types of the PNPM-Core programs. I aggregate this dataset at the district level, thus, they can be merged with the other used variables which are only available at the district level.

As explained in the previous section, the general formula to allocate the grant to a sub-district is determined by the level of poverty, the population density, and the geographical condition of the relevant region. I would rather to use a broader definition of the control variables which are closely associated with the main purposes of the block grant program under study. These represent socioeconomic conditions, demographic, educational

⁵ Since 2011, the contribution from APBD source has referred to IFKD (Indeks Fiskal dan Kemiskinan Daerah) which indicates the levels of fiscal capacity and poverty for each district respectively.

attainment, health practices, and basic infrastructure. All these data are taken from the Indonesian Central Bureau of Statistics (BPS). The remaining data are the presidential election results in 2009 drawn from the Elections Monitoring Agency (Bawaslu).

5.2 Empirical Strategy

I focus principally on the distribution of block grants to district i in year t as a function of a vector of variables that are supposed to be important for the PNPM Mandiri grant and a vector of political variables as follows:

$$PNPMGRANT_{it} = \alpha + \beta Z'_{it} + \gamma P'_{it} + v_i + \varepsilon_{it} \quad (1)$$

where $PNPMGRANT$ is the real per capita PNPM block grant (in the 2000 prices and in logarithms). The grant may take the form of PNPM Rural, PNPM Urban, PNPM RIS, and PNPM RISE. It is also separated based on the sources of funding, whether it come from the national or regional budget.

The first part of the vector Z captures socioeconomic variables, consisting of the real per capita gross regional domestic product (in the 2000 prices and in logarithms), the rate of unemployment, and the rate of poverty. The inclusion of the unemployment rate is motivated by the fact that one of goals of the PNPM grant is to increase the employment rate in the districts. Thus, the estimated coefficient for this variable is expected to be positive. Moreover, to signify differences in local population needs, it includes each district's population (in logarithms).

I take into account that poverty is multi-faceted concept and can be defined in various ways. For this reason, I expect that a poorer district has lower levels of education and health. The coefficients of the average years of schooling and the literacy rate which are the proxies for educational attainment are expected to show a negative sign. When it comes to the health practices, while the size of the grant is negatively related with the rate of birth assisted by medical staff, it should result in a positive association for the morbidity rate. The last control variables are the access to basic infrastructure measured by the access to basic sanitary and electricity. A negative is expected for the estimated coefficients associated with these variables.

The vector of P captures our variables of interests, the two measures of political motivation in the block grant allocation process. The first political variable is the vote share of the incumbent president in the last presidential election by district. This allows me to test the Cox and McCubbins (1986) model. A positive sign of the variables can be interpreted that the incumbent president shows favor to his supporter. The next political variable measures

the absolute difference in vote shares between the incumbent president and his main competitor in the past election. I follow Case (2001), Dahlberg and Johansson (2002), and Johansson (2003) to use this closeness of the election as a proxy for the swing voter group. By utilizing this variable, I examine the Lindbeck and Weibull (1987) and Dixit and Londregan (1996) predictions that districts with many swing voters are targeted by the incumbent president as a tactic to win the next election. From the theoretical prediction, a negative coefficient for this variable is expected.

Finally, v_i is the district specific fixed effect to account for persistent differences among districts that could be correlated with the allocation of the PNPM Mandiri block grant. ε_{it} is the error term.

6. Results and Discussion

A first look at the data

In order to get some insight into the data set used in the main analysis, Table 1 displays the mean, standard deviations, maximum, and minimum for the relevant variables. In addition to the overall variation, the table also reports the between variation that indicates the variation across districts and the within variation that is essentially the temporal variation.

< Table 1 >

From the statistics in the table, for all the used variables, it is shown that the variation across districts makes the largest contribution to the overall standard deviation. This conclusion is particularly true for the infrastructure variables (access to basic sanitary and access to electricity) and the variable of birth assisted by medical staff. The striking between variation in the rates of poverty and literacy is also noted. This inspection tells us that a fixed effect might be able to capture most of the variation in these variables. However, this would lead to insignificant coefficient estimates for the variables in the analysis. I now turn to the two political variables measuring the number of core and swing voters. We can observe that the within variation for these variables is zero. This is because, within each district, this study only makes use of the 2009 presidential election results. Looking at the percent voting in favor of the incumbent president, the mean value for this variable is very close to the number reported by the General Elections Commission (KPU), 59.72% against 60.80%.

Main findings

This section presents main results from regression analysis based on the specification in equation (1). I use all the two sets of regressors as mentioned above, and the reported

standard errors are robust with respect to heteroscedasticity.⁶ Column (1)-(3) of Table 2 provide the estimates of employing the log of the total grant received, the log of the grant from APBN, and finally the log of the grant from APBD.

The results for the core voter model are shown in Model 1. Starting with the political variable, the estimated coefficients are clearly significant in both estimations and have the expected positive sign, suggesting that the more people there are voting for the incumbent president in the election, the higher is the grant that the district will be received. Holding all else equal, a 1% increases in the district's voting the incumbent president is associated with an increase in the real block grant per capita received, ranging from approximately 0.005% to 0.007%.

Turning to the measure of the swing voter, although the point estimate is statistically different from zero, it has the unexpected positive sign, implying that the incumbent president allocates less grants to districts with many swing voters (Model 2 of Table 2). Does this mean that the incumbent tries to penalize the swing district? This finding should be interpreted with some caution since the closeness in the last election is not essentially the excellent measure to identify swing districts. The validity of this measure rests on strong assumptions that the distributions of ideological preferences among voters are symmetric and single peaked, knowing that there are only two competing parties in the race. In fact, these assumptions do not always hold; perhaps the distributions are right or left tailed and many people in a district are very conservative and consequently they would not even think about switching their support (Johansson, 2003).

< Table 2 >

We continue our empirical analysis by discussing the other control variables. We can see they all have the expected signs, except for the literacy rate and the proportion of births assisted by medical staff and the access to improved sanitation. We can leave the last three variables since they are not significant. That several control variables are not statistically significant is probably due to the present of fixed effects along with the short time period, and thus the smaller across time-variation in these regressors.

Table 2 also confirms a substantial effect of the poverty rate on the allocation of PNPM Mandiri grants. This result is not surprising if we consider that the block grant is partly distributed according to a formula-based poverty measures. The higher the poverty rate, the larger the block grant to the district. The regression coefficient of unemployment, however, is

⁶ I have also experimented with other specifications, but this does not affect the results.

statistically distinguishable from zero and is nearly half of the estimated coefficient on poverty. On average, there will be a 0.02% higher in the allocation of the grant per capita to a district with a 1% additional of the unemployment. The same is also true for the morbidity rate. In this case, the allocation of the grant is also higher if the morbidity rate is higher (point estimates of 0.004 - 0.031).

Despite the design to allocate the grant under study differs a lot from the method used to distribute the intergovernmental grants, it seems that the grant addresses the horizontal equity as well. The estimate for population is negative and statistically significant at the 1% level. Notably, it is also suggested that the government puts the largest weight of this variable compared to the other independent variables. The existence of economies of scale in the provision of public goods by regional governments calls for a decrease in per capita grants together with population size. Moreover, because larger districts can provide public goods with lower resources, the central government should ideally transfer smaller economic benefits.

To summarize, the understanding of the findings in Table 2, hence, lends support to Cox and McCubbins's (1986) idea, stating that politicians favor their own supporters. At the empirical level, this evidence is line with little research on redistributive politics in presidential elections by the seminal paper of Wright (1974) who studies the political economy of the New Deal spending under President Roosevelt, and the recent works by Larcinese, Rizzo, and Testa (2006) and Taylor (2008) that still use the US case. On the contrary, this study does not find any support for the swing thesis as modeled by Lindbeck and Weibull (1987) and Dixit and Londregan (1996). In the similar vein, I fail to corroborate the findings from Dahlberg and Johansson (2002) and Johanson (2003) for the Swedish case, Case (2001) for Albania, and Arulampalam et al. (2009) for India.

Differential effects by the types of PNPM Mandiri

The main problem with previous studies is that they have not been able to distinguish types of grant programs that are more susceptible to political manipulation and whether different block grants are exploited to achieve different objectives. The analysis now proceeds to address such issues by running separate regressions for each type of the PNPM-Core programs on our covariates. The results of this exercise are reported in Table 3 – Table 6.⁷ We focus our attention to the two political variables. While none of the types of the PNPM-Core grants is significantly affected by the swing voter measure, the core voter

⁷ Because of an extremely small sample size, I could not perform regressions that use the SPADA block grant as the dependent variable.

variable enters positively and significantly to the allocation of the PNPM Urban block grant. The effect of this tactical variable, however, is considerably large compared to the previous finding with the estimate coefficients are 0.0119 versus 0.0067 (Table 4). This result seems to strengthen the analysis of the 2009 elections emphasizing that the main supporter of the incumbent president is concentrated in urban areas and comes from the middle class. It is sensible that the incumbent direct more funds toward urban areas that voted favorably for him.

< Table 4 >

7. Concluding Remarks

This article studies the models of redistributive politics. The focus is on tactical redistribution in which the benevolent government disproportionately reallocates particularistic benefits across the country to purchase votes from certain groups of people and thus increase the probability of winning an election or a re-election.

This is the first attempt to reveal any pure political motivations in the allocation of PNPM Mandiri block grants across districts in Indonesia. I find empirically that the districts that are the main supporters of the incumbent president receive larger block grants. On the other hand, I do not find evidence for the prediction that the incumbent government delivers more grants to the districts where there are a lot of swing voters. These findings are robust to a number of specification checks. Thus, the results suggest that the PNPM Mandiri community-based development program is not neutral from politics.

Although the findings of this paper provide new insights into the tactical distribution of block grants in Indonesia, there are several interesting questions that leave aside for the future work. This study has not incorporated a model of political competition in which parties compete for voters' electoral support. This issue is relevant in our case because the Indonesian parliament plays an important role in the newly consultative budget process, including the budget for PNPM Mandiri. Thus, if the party of the incumbent president wins a majority of the parliamentary seats, the president along with the parliament could also try to further their electoral prospects by diverting block grants toward specific groups.

I have not addressed the effect of political alignment between the central government and lower levels of government. The idea is that the central government grants lower-tier governments to obtain political credits from voters in a specific region. This is obviously not a problem for the central government if the local government belongs to the same party. However, it could be problematic when there is no political alignment, since the local

government may refuse to receive the grant or reject to implement the project. As for PNPM Mandiri, it was reported that some local governments opted to take part in the program, especially in the early years of program implementation, and they also did not comply with the procedure of the program to provide joint funding from their local budgets. More research in this vein is necessary to broaden the understanding of the political economy of PNPM Mandiri.

Lastly, a non-trivial issue in newly democratizing country like Indonesia is the possibility of an electoral incumbency effect as a result of the ability of the incumbent to manipulate public funds to his political advantage. Moreover, many voters in Indonesia are politically inexperienced or uninformed. Therefore, they could be easily convinced to support the incumbent through extra provision of government services and benefits. Recent studies using data from developed countries, such as the seminal study by Lee (2008) seem to confirm this incumbency effect. To provide a satisfactory answer whether this also applies in Indonesia still needs careful investigation.

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Table 1 Summary Statistics

Variables		Mean	S.D.	Min	Max
Total BLM	Overall	13.2143	1.1937	8.0016	16.6396
	Between		1.1833	8.0902	16.6245
	Within		0.1617	12.4353	13.9933
BLM from APBN	Overall	12.9815	1.1810	7.5523	16.3841
	Between		1.1725	7.6842	16.2606
	Within		0.1458	12.2105	13.7526
BLM from APBD	Overall	11.5905	1.3017	6.9852	15.7109
	Between		1.2670	6.9871	15.3597
	Within		0.3012	10.7471	12.4338
Total Rural BLM	Overall	10.2181	1.1174	5.8886	13.4452
	Between		1.0850	6.3809	13.4168
	Within		0.2679	9.3063	11.1300
Rural BLM from APBN	Overall	9.9491	1.0942	5.6655	13.2221
	Between		1.0634	6.1577	13.0498
	Within		0.2590	8.8934	11.0048
Rural BLM from APBD	Overall	8.7194	1.2095	4.2792	12.4721
	Between		1.1521	4.7714	12.1539
	Within		0.3692	7.6602	9.7787
Total Urban BLM	Overall	8.0660	1.0602	4.6685	13.9237
	Between		1.0323	5.1330	12.8747
	Within		0.3095	6.9745	9.1575
Urban BLM from APBN	Overall	7.8515	1.0309	4.6685	13.7395
	Between		1.0056	5.0811	12.6909
	Within		0.2865	6.8029	8.9000
Urban BLM from APBD	Overall	6.3860	1.2232	2.1499	12.1413
	Between		1.1617	2.1499	11.0905
	Within		0.4785	4.3855	8.3864
Total RIS BLM	Overall	9.0969	0.8027	6.7851	10.9219
	Between		0.7928	6.8547	10.5327
	Within		0.1882	8.4709	9.7228
RIS BLM from APBN	Overall	9.0969	0.8027	6.7851	10.9219
	Between		0.7928	6.8547	10.5327
	Within		0.1882	8.4709	9.7228
Total RISE BLM	Overall	9.5478	0.6288	8.0055	10.8553
	Between		0.6319	8.0445	10.8059
	Within		0.0445	9.4860	9.6097
RISE BLM from APBN	Overall	9.5478	0.6288	8.0055	10.8553
	Between		0.6319	8.0445	10.8059
	Within		0.0445	9.4860	9.6097
GRDP	Overall	15.6198	0.7146	12.8019	18.9097
	Between		0.7126	13.5679	18.8368
	Within		0.0580	14.8538	16.3857
unemployment	Overall	5.7697	3.3739	0.0400	21.8400
	Between		3.1330	0.3650	20.6350
	Within		1.2560	-0.2103	11.7497
poverty	Overall	15.0109	9.1796	1.5000	49.5800
	Between		9.1539	1.5850	48.1700
	Within		0.7456	10.9959	19.0259
years of schooling	Overall	7.8473	1.5711	2.0700	12.2000
	Between		1.5693	2.0850	12.1450
	Within		0.0899	7.3723	8.3223

Variables		Mean	S.D.	Min	Max
literacy	Overall	91.9296	11.8844	27.3900	99.9500
	Between		11.8845	27.5850	99.9450
	Within		0.3721	88.5296	95.3296
births assisted by medical staff	Overall	75.108	21.147	2.865	100.000
	Between		20.787	2.903	100.000
	Within		3.941	51.277	98.939
morbidity	Overall	17.453	6.749	1.486	51.786
	Between		6.019	5.651	47.905
	Within		3.058	-3.058	37.964
access to adequate sanitation	Overall	49.155	23.226	0.000	99.093
	Between		23.242	0.000	98.500
	Within		3.760	34.215	64.095
access to electricity	Overall	85.869	20.186	0.000	100.000
	Between		20.346	0.000	100.000
	Within		2.743	66.233	105.505
population	Overall	5.449	0.456	3.788	6.686
	Between		0.453	4.161	6.682
	Within		0.052	4.856	6.042
vote for SBY	Overall	59.7241	17.326	8.372	97.756
	Between		17.335	8.372	97.756
	Within		0.000	59.724	59.724
swing	Overall	15.8551	11.967	0.144	47.756
	Between		11.973	0.144	47.756
	Within		0.000	15.855	15.855

Table 2 Determinants of PNPM Mandiri Block Grants

Variables	Model 1			Model 2		
	(1)	(2)	(3)	(1)	(2)	(3)
GRDP	-0.03588 (0.148)	-0.04518 (0.156)	-0.10336 (0.106)	-0.02871 (0.144)	-0.03774 (0.151)	-0.09559 (0.104)
unemployment	0.02327*** (0.007)	0.01553** (0.008)	0.06389*** (0.011)	0.02322*** (0.007)	0.01551** (0.007)	0.06352*** (0.011)
poverty	0.04397*** (0.007)	0.03417*** (0.007)	0.06283*** (0.007)	0.04342*** (0.007)	0.03383*** (0.007)	0.06174*** (0.007)
years of schooling	-0.12326* (0.066)	-0.10562 (0.067)	-0.10845* (0.061)	-0.13599** (0.065)	-0.11755* (0.067)	-0.12478** (0.061)
literacy	0.00653 (0.006)	0.00562 (0.006)	0.00202 (0.005)	0.00927 (0.006)	0.00839 (0.006)	0.00467 (0.005)
births assisted by medical staff	0.00156 (0.002)	0.00096 (0.002)	0.00519** (0.002)	0.00156 (0.002)	0.00099 (0.002)	0.00507** (0.002)
morbidity	0.01131*** (0.002)	0.00433** (0.002)	0.03108*** (0.003)	0.01139*** (0.002)	0.00440** (0.002)	0.03119*** (0.003)
access to adequate sanitation	0.00011 (0.002)	-0.00063 (0.002)	0.00138 (0.002)	0.00021 (0.002)	-0.00054 (0.002)	0.00162 (0.002)
access to electricity	-0.00178 (0.002)	-0.00347* (0.002)	0.00059 (0.003)	-0.00172 (0.002)	-0.00340* (0.002)	0.00056 (0.003)
population	-1.01193*** (0.196)	-0.95820*** (0.203)	-1.37448*** (0.170)	-0.97504*** (0.192)	-0.92049*** (0.199)	-1.33858*** (0.168)
vote for SBY	0.00671*** (0.002)	0.00717*** (0.002)	0.00465** (0.002)			
swing				0.01569*** (0.003)	0.01618*** (0.003)	0.01275*** (0.004)
constant	18.29494*** (2.620)	18.36607*** (2.756)	18.74035*** (2.036)	17.97723*** (2.570)	18.04535*** (2.703)	18.39844*** (2.015)
N	935	935	935	935	935	935
R-squared: within	0.20	0.08	0.39	0.21	0.08	0.39
R-squared: between	0.49	0.47	0.52	0.49	0.48	0.53
R-squared: overall	0.47	0.46	0.50	0.48	0.47	0.51

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.10

Table 3 Determinants of PNPM Mandiri-Rural Block Grants

Variables	Model 1			Model 2		
	(1)	(2)	(3)	(1)	(2)	(3)
GDRP	-0.14406** (0.066)	-0.17134** (0.069)	-0.06961 (0.063)	-0.14118** (0.066)	-0.16680** (0.068)	-0.07059 (0.063)
unemployment	0.04570*** (0.010)	0.03608*** (0.009)	0.06635*** (0.013)	0.04485*** (0.010)	0.03522*** (0.009)	0.06539*** (0.013)
poverty	0.03454*** (0.005)	0.02985*** (0.005)	0.04333*** (0.005)	0.03386*** (0.005)	0.02957*** (0.005)	0.04183*** (0.005)
years of schooling	-0.01234 (0.066)	-0.01034 (0.066)	0.01117 (0.070)	-0.02128 (0.067)	-0.01771 (0.068)	-0.00154 (0.070)
literacy	0.00714 (0.006)	0.00767 (0.006)	0.00313 (0.006)	0.00819 (0.006)	0.00876 (0.006)	0.00407 (0.006)
births assisted by medical staff	-0.00368* (0.002)	-0.00419** (0.002)	-0.00271 (0.002)	-0.00385* (0.002)	-0.00430** (0.002)	-0.00308 (0.002)
morbidity	0.01617*** (0.003)	0.00866** (0.003)	0.03018*** (0.004)	0.01626*** (0.003)	0.00876*** (0.003)	0.03030*** (0.004)
access to adequate sanitation	-0.00764*** (0.002)	-0.00699*** (0.002)	-0.01037*** (0.002)	-0.00746*** (0.002)	-0.00691*** (0.002)	-0.00989*** (0.002)
access to electricity	0.00017 (0.002)	-0.00156 (0.003)	0.00541* (0.003)	0.00017 (0.002)	-0.00156 (0.003)	0.00539* (0.003)
population	-1.28626*** (0.103)	-1.19536*** (0.102)	-1.56024*** (0.106)	-1.27185*** (0.104)	-1.17547*** (0.102)	-1.55853*** (0.107)
vote for SBY	0.00085 (0.002)	0.00165 (0.002)	-0.00111 (0.002)			
swing				0.00370 (0.003)	0.00456 (0.003)	0.00137 (0.003)
constant	18.35835*** (1.347)	18.31534*** (1.396)	16.62850*** (1.306)	18.21642*** (1.350)	18.12884*** (1.394)	16.59039*** (1.324)
N	731	731	731	731	731	731
R-squared: within	0.13	0.06	0.26	0.13	0.06	0.26
R-squared: between	0.67	0.65	0.70	0.67	0.65	0.70
R-squared: overall	0.64	0.61	0.66	0.64	0.61	0.66

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.10

Table 4 Determinants of PNPM Mandiri-Urban Block Grants

Variables	Model 1			Model 2		
	(1)	(2)	(3)	(1)	(2)	(3)
GDRP	-0.18592** (0.084)	-0.23286*** (0.086)	-0.11462 (0.084)	-0.17183** (0.083)	-0.21831** (0.085)	-0.10830 (0.084)
unemployment	0.03727*** (0.011)	0.02709** (0.011)	0.07026*** (0.016)	0.03719*** (0.011)	0.02699** (0.011)	0.07049*** (0.016)
poverty	0.02372** (0.011)	0.01829* (0.011)	0.02772** (0.011)	0.03131*** (0.011)	0.02609** (0.011)	0.03021*** (0.011)
years of schooling	0.17240*** (0.054)	0.16919*** (0.052)	0.21967*** (0.066)	0.20676*** (0.054)	0.20435*** (0.052)	0.22841*** (0.066)
literacy	0.01528 (0.012)	0.01387 (0.012)	0.00132 (0.013)	0.02200* (0.013)	0.02083 (0.013)	0.00406 (0.014)
births assisted by medical staff	-0.00094 (0.004)	-0.00141 (0.004)	0.00283 (0.005)	0.00117 (0.004)	0.00072 (0.004)	0.00375 (0.005)
morbidity	0.02030*** (0.006)	0.01740*** (0.007)	0.01975** (0.008)	0.02113*** (0.006)	0.01821*** (0.007)	0.02014** (0.008)
access to adequate sanitation	0.00319 (0.003)	0.00386 (0.003)	-0.00054 (0.004)	0.00135 (0.003)	0.00202 (0.003)	-0.00127 (0.004)
access to electricity	0.01172** (0.005)	0.01165** (0.005)	0.01238*** (0.005)	0.01230** (0.005)	0.01225** (0.005)	0.01255*** (0.005)
population	-1.03583*** (0.153)	-0.96925*** (0.148)	-1.38206*** (0.162)	-0.98218*** (0.148)	-0.91482*** (0.142)	-1.35809*** (0.156)
vote for SBY	0.01189*** (0.004)	0.01230*** (0.004)	0.00484 (0.004)			
swing				0.00532 (0.006)	0.00552 (0.006)	0.00371 (0.005)
constant	11.12242*** (1.778)	11.59525*** (1.762)	11.18754*** (1.895)	10.08455*** (1.869)	10.53316*** (1.851)	10.77069*** (1.921)
N	509	509	494	509	509	494
R-squared: within	0.07	0.06	0.07	0.07	0.05	0.07
R-squared: between	0.47	0.45	0.50	0.45	0.43	0.50
R-squared: overall	0.43	0.41	0.44	0.41	0.39	0.44

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.10

Table 5 Determinants of PNPM Mandiri-RIS Block Grants

Variables	Model 1		Model 2	
	(1)	(2)	(1)	(2)
GDRP	-0.08553 (0.284)	-0.08553 (0.284)	-0.04651 (0.230)	-0.04651 (0.230)
unemployment	0.01964 (0.038)	0.01964 (0.038)	0.02221 (0.038)	0.02221 (0.038)
poverty	-0.02163 (0.036)	-0.02163 (0.036)	-0.02861 (0.035)	-0.02861 (0.035)
years of schooling	-0.46978 (0.415)	-0.46978 (0.415)	-0.43890 (0.350)	-0.43890 (0.350)
literacy	0.16626** (0.073)	0.16626** (0.073)	0.14563** (0.065)	0.14563** (0.065)
births assisted by medical staff	0.00519 (0.009)	0.00519 (0.009)	0.00182 (0.009)	0.00182 (0.009)
morbidity	0.02358 (0.018)	0.02358 (0.018)	0.02185 (0.018)	0.02185 (0.018)
access to adequate sanitation	-0.00151 (0.006)	-0.00151 (0.006)	-0.00198 (0.006)	-0.00198 (0.006)
access to electricity	0.00637 (0.012)	0.00637 (0.012)	0.00559 (0.011)	0.00559 (0.011)
population	-1.43405*** (0.462)	-1.43405*** (0.462)	-1.39793*** (0.485)	-1.39793*** (0.485)
vote for SBY	0.00414 (0.012)	0.00414 (0.012)		
swing			0.01853 (0.014)	0.01853 (0.014)
constant	4.75710 (8.291)	4.75710 (8.291)	6.14225 (6.473)	6.14225 (6.473)
N	64	64	64	64
R-squared: within	0.08	0.08	0.09	0.09
R-squared: between	0.41	0.41	0.42	0.42
R-squared: overall	0.39	0.39	0.40	0.40

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.10

Table 6 Determinants of PNPM Mandiri-RISE Block Grants

Variables	Model 1		Model 2	
	(1)	(2)	(1)	(2)
GDRP	-0.37918*** (0.068)	-0.37918*** (0.068)	-0.38661*** (0.068)	-0.38661*** (0.068)
unemployment	0.00219 (0.005)	0.00219 (0.005)	0.00233 (0.005)	0.00233 (0.005)
poverty	0.01940*** (0.007)	0.01940*** (0.007)	0.01976*** (0.007)	0.01976*** (0.007)
years of schooling	-0.09440 (0.058)	-0.09440 (0.058)	-0.09487* (0.057)	-0.09487* (0.057)
literacy	-0.00155 (0.014)	-0.00155 (0.014)	-0.00270 (0.013)	-0.00270 (0.013)
births assisted by medical staff	0.00001 (0.001)	0.00001 (0.001)	0.00006 (0.001)	0.00006 (0.001)
morbidity	0.00225 (0.003)	0.00225 (0.003)	0.00219 (0.003)	0.00219 (0.003)
access to adequate sanitation	0.00159 (0.001)	0.00159 (0.001)	0.00158 (0.001)	0.00158 (0.001)
access to electricity	0.00006 (0.002)	0.00006 (0.002)	0.00018 (0.001)	0.00018 (0.001)
population	-2.22895*** (0.472)	-2.22895*** (0.472)	-2.20976*** (0.550)	-2.20976*** (0.550)
vote for SBY	0.00136 (0.006)	0.00136 (0.006)		
swing			-0.00297 (0.010)	-0.00297 (0.010)
constant	28.11264*** (2.912)	28.11264*** (2.912)	28.32911*** (3.224)	28.32911*** (3.224)
N	64	64	64	64
R-squared: within	0.86	0.86	0.86	0.86
R-squared: between	0.38	0.38	0.39	0.39
R-squared: overall	0.38	0.38	0.39	0.39

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.10

Figure 1 The distribution of the core voter variable

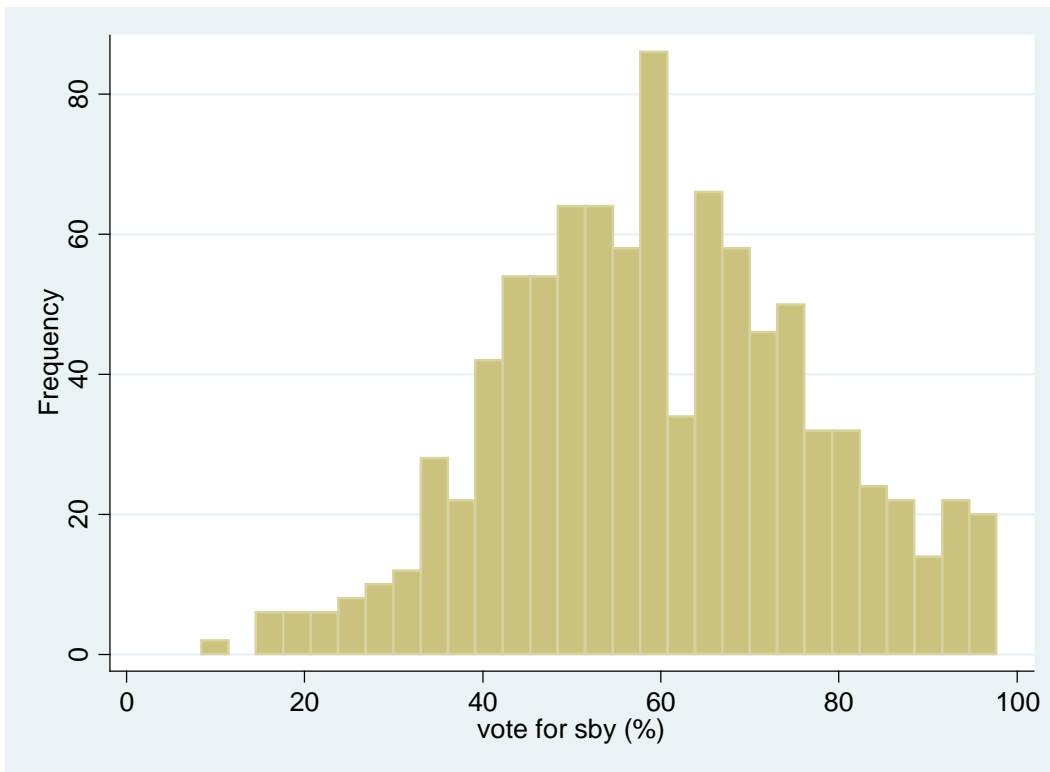
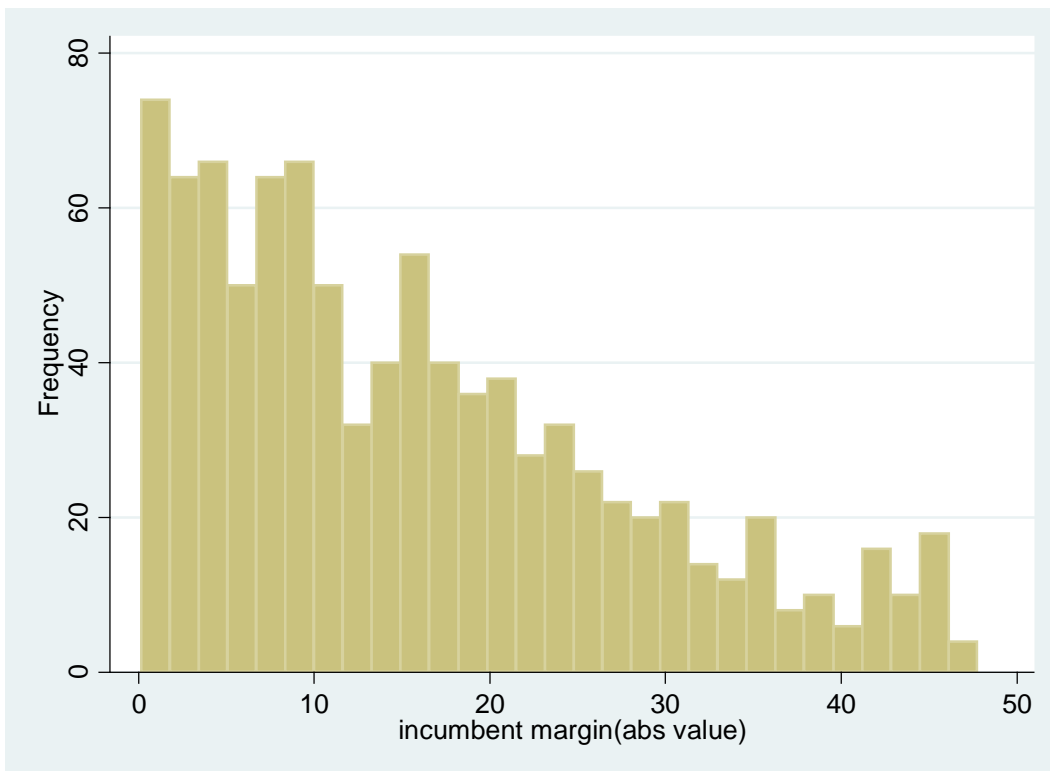


Figure 2 The distribution of the swing voter variable





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