

# The Impact Of Public

*by* Ardi Novra

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### **The Impact Of Public Human Investment On The Economic, Social And Environmental Aspects (Case Study Kerinci Seblat National Park)**

**Ardi Novra<sup>1)</sup>, Muhammad Ridwansyah<sup>2)</sup>**

<sup>1)</sup>Faculty of Livestock Jambi University, Indonesia.

<sup>3</sup> Email: ardnov@yahoo.com

<sup>2)</sup>Department of Economics and Development Studies

Faculty of Economic Jambi University, Indonesia.

Email: ridwansyahjbi@yahoo.com

#### **ABSTRACT**

<sup>1</sup> This research aim to know impact of the public investment local by government expenditure allocation policy on the human resources sector for the economic, social and enviromental aspects. Econometric model at this research can divide onto 7 blocks within 50 behavior and 8 identity equations. The result of simulating and forecasting impacts of the local government expenditure policies on the human resources sector using were; (1) economic aspects, will be driven factor to structural transformation of output and labor market, support to increase the growth rate of output and output per caput, and improve the output distribution, (2) social aspects, will be support for increasing the labor force participation and decline the unemployment, (3) ecological aspects, will have to decline of the land resources pressure, and land cover degradation of the buffer zone and national park, and (4) for sustainable benefit, the local government must be consistent to implement this expenditure policy. It can be conclude that local public investment on the human resources will be support the social welfare and decline the pressure for the land resources and national park degradation.

**Keywords:** government expenditure, human resources sector, and degradation.

#### **1. Introduction**

The regional public investment on the human resources indicated the local government expenditure (LGE) on the labor and education sector. The both public investment used to labor skill capacity, formal, informal and state education. The UUD 1945 at the article 33 (4) have been devote the 20% from fiscal expenditure to financing of the human resources especially to education sector but implementation can be stage by stage. One of the negative impact fiscal decentralization policies on the UU No. 33 tahun 2004 was increase the routine government expenditure allocation (RGE), therefore lower ability the development expenditure allocation (DGE) to support the role of the government as accelerator and motivator of the regional development. The development expansion to get the higher economic growth and maximize the nature regional revenue have been supporting of the resources exploitation.

In the developing state likely Indonesia, the negative impact of the growth oriented was environmental degradation (Bunasor, 2001). Many economic factors likely the low welfare and exploitation of the forest resources (wood) to get nature revenue resources has been support the forest conversion and illegal logging by government, small and big scale of the estate (FWI and GFW, 2001). Definition of the poverty as an environmental degradation on the developing countries was a condition where is the communities not participate on the process of the change because they have not accessible to production factors (quantity and quality. On the traditional agriculture, the supporting factors of the natural or cultural poverties were low of the communities knowledge and skill, and weakness of the development strategies policy as a supprting factors of the structural poverty.

Increasing of the community productivity by education and healthy improvement w<sup>1</sup> reasonable by expert to cutting the poverty cycle. Based on this reason, we interested doing this research to analyze the impact of the local government expenditure at the human resources on the social, economic and ecological aspect in the regency around the Kerinci Seblat National Park (KSNP).



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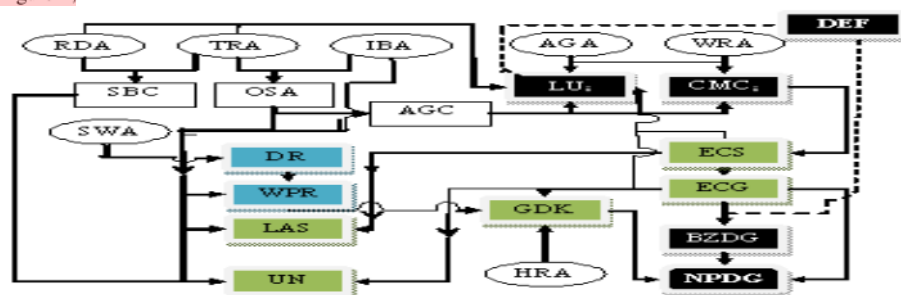
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Hoping from the research result can be justified of the 20% fiscal allocation policy on the sustainable development.

### 2. Empirical Evidence of the LGE Policies.

The local government expenditure (LGE) on Indonesia was to finance the routine (RGE) and development (DGE) activities. Based on the regional financial statistic, the DGEs divided on the 21 sectors but on the research will be aggregated on 10 sectors were regional development (RDA), research and development (R&D), transportation (TRA), industry and business (IBA), water resources (WRA), agricultural (AGA), small business and cooperation (SBA), human resources (HRA), social welfare (SWA), and the other sectors (OSA). The direct and indirect effects of the change of the sector allocation at DGEs on social, economic and ecology aspect were illustrated in Figure 1.

Figure 1.



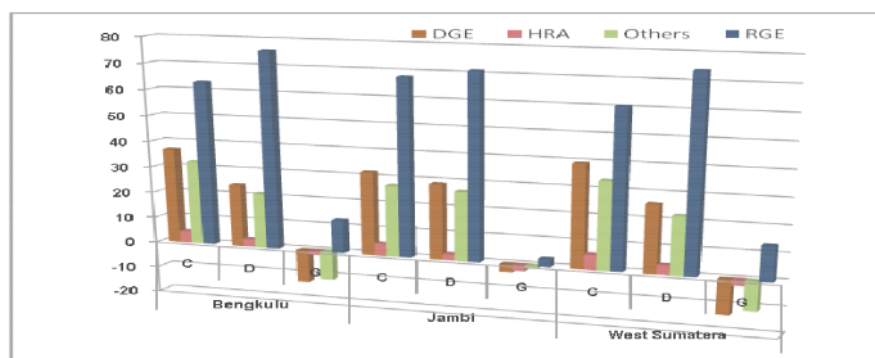
The Path Effect of the RDEs Allocation on the Social, Economic and Ecological Aspects

The illustration show that the indirect impact of change of all sector allocation on the national park reservation but the impact by social economic develop likely credit allocation, land-use, farm business pattern (commodities choice), output and labor market, and welfare. The regional economic progress can be divided into three periods were centralization before economic crisis (1994 – 97), centralization post crisis period (1998 – 2000), and decentralization period (2001 – recently). The structure of the RGE on the area studies at centralization and decentralization period show that Figure 2.

Figure 2.

The LGE Structure to Human Resources Sector (HRA) at the Centralization (C) and Decentralization (D) Period (%)

The figure 2, show that although the value of the DGE will be increase but the trend of the DGE



allocation especially human resources (HRA) sector is decline because the growth of the DGE values lower than RGE. This variation of HRA among the region will be indicating of the different paradigm among the local government. The full authorities to design expenditure and declining of the trend DGEs on the decentralization implementation therefore can be influence of the regional development. The



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effect of public expenditure allocation policies on the social, economic, and ecology indicators at the crisis and decentralization implementation showed in Table 1.

Table 1.

The Evaluation Result of the Crisis and Decentralization Impact (%)

Implemented of the fiscal decentralization policies able to increase the growth of output but no able to improve declined of the growth on the crisis period. This is no enough significant to improve the social welfare because the incapability on the economic to supplied the job opportunities and the unemployment rate stay increasing. The gap of agricultural and non-agricultural sector will be increase because declining of the share of the agricultural output followed by increasing of the share labor market of agricultural sector. This reason able to talk that rising pressure to natural resources can be supporting factor to increase the rate of the deforestation and degradation at the buffer zone and national park. Jambi

| No                       | Indicators                         | Crisis       |              |              | Decentralization |              |              |
|--------------------------|------------------------------------|--------------|--------------|--------------|------------------|--------------|--------------|
|                          |                                    | BG           | JM           | WS           | BG               | JM           | WS           |
| Economic (Output Market) |                                    |              |              |              |                  |              |              |
| 1                        | Share of Agricultural Sector (ECS) | <b>-1.10</b> | 0.36         | <b>-0.54</b> | <b>-0.54</b>     | <b>-1.33</b> | <b>-0.36</b> |
| 2                        | Growth (ECG)                       | -4.92        | -7.27        | -6.85        | <b>2.56</b>      | <b>2.99</b>  | <b>1.60</b>  |
| 3                        | GDP/caput (GDC)                    | <b>1.78</b>  | <b>4.95</b>  | <b>3.83</b>  | <b>0.22</b>      | <b>3.46</b>  | <b>3.90</b>  |
| Social (Labor Market)    |                                    |              |              |              |                  |              |              |
| 1                        | Working Age Participation (WAP)    | -0.32        | -1.27        | -0.95        | <b>0.65</b>      | -0.06        | <b>0.30</b>  |
| 2                        | Unemployment Rate (UNE)            | 0.46         | 1.17         | 0.76         | 0.31             | 0.03         | 0.75         |
| 3                        | Share of Agricultural Labor (LAS)  | <b>-0.08</b> | <b>-0.98</b> | <b>-2.30</b> | 5.13             | 5.55         | 4.23         |
| Ecology (Forestry)       |                                    |              |              |              |                  |              |              |
| 1                        | Regional Deforestation Rate (RDR)  | 11.05        | 22.06        | 9.85         | 12.47            | 19.36        | 8.14         |
| 2                        | Degradation the Buffer Zone (BZD)  | 9.96         | 10.19        | 9.18         | 2.29             | 0.92         | 2.01         |
| 3                        | Degradation of the KSNP (KSD)      | 1.77         | 1.24         | 1.58         | <b>-0.22</b>     | 0.12         | <b>-0.05</b> |

Note: BG = Bengkulu, JM = Jambi and WS = West Sumatera.  
Bold = the expected result impact evaluation.

want to protect the buffer zone as a conservation area, but the others region who want to explore this area to economic function. The economic oriented have been the rate of forest degradation in Bengkulu and West Sumatera higher than Jambi. This is one of reason the local governments on 2001 make the statement to reservation of the KSNP and buffer zone areas.

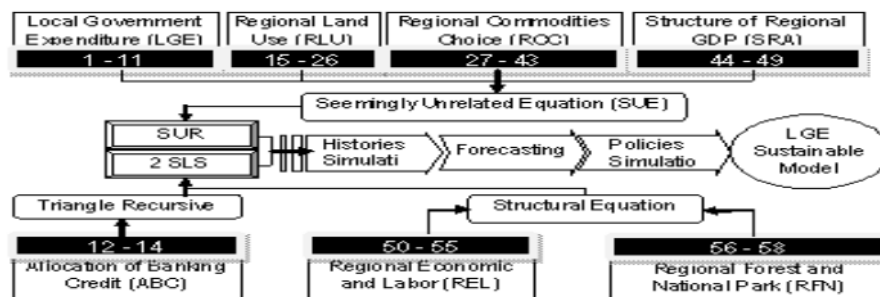
### 3. Analytical Framework and Research Methodology

#### 3.1. Research Method

This research survey using the *pooling data* was combined the *cross section data* at 3 regions and *time series data* from 1994 to 2003. The region around the Kerinci Seblat National Park (KSNP) divided onto the Bengkulu, Jambi and West Sumatera region.

#### 3.2. Model Specification and Estimate Methods

The econometric model in the research divided onto 7 blocks within 58 behavior equation and 8 identities equation. The estimation methods are different for any structural equation in the econometric model. The







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Seemingly Unrelated Equation estimated by SUR, and the both Triangle Recursive and the Structural Equation using Two Stage Least Square (2SLS) methods (Figure 2).

Figure 2

The Equation Model, Estimate Methods and Stage to Find Out the LGEs Sustainable Model

### 3.3. Policies Simulating and Forecasting

The impact of the public policies simulation divided onto history and forecasting simulation. The history simulation are reallocation the others financial development to rising the human resources with and without RGEs reallocation. The forecasting simulation method used the stepart method to get forecast value of the exogenous variable. This value will be used to forecast the impact on the endogenous variable on the next years using the regression methods. The program tools to estimate and simulate used SAS/ETS 6.12.

## 4. Result and Discussion

### 4.1. What Happen on 2010 if There's not Any Changes the LGE Allocation

The DGEs trend as long 2007 to 2010 is decline, especially supporting by decrease the allocation for transportation sector in Bengkulu and West Sumatera region. The forecasting of the local public financing allocation at the 2010 showed in Table 2.

| No | Expenditure Sector | Proportion (%) |       |       | Growth (%) |       |       |
|----|--------------------|----------------|-------|-------|------------|-------|-------|
|    |                    | BG             | JM    | WS    | BG         | JM    | WS    |
| A  | RGE                | 77.36          | 72.41 | 77.43 | 0.29       | 0.16  | 0.27  |
| B  | DGE                | 22.64          | 27.59 | 22.57 | -0.29      | -0.16 | -0.27 |
| 1  | TRA                | 3.83           | 8.66  | 6.55  | -0.22      | 0.06  | -0.15 |
| 2  | RDA                | 2.98           | 2.32  | 3.06  | -0.01      | -0.10 | -0.04 |
| 3  | HRA                | 2.03           | 3.35  | 2.57  | -0.04      | -     | -0.03 |
| 4  | OSA                | 13.80          | 13.27 | 10.38 | -0.02      | -0.12 | -0.05 |

Table 2

The Forecasting Result of the LGE Allocation and Growth on 2010

Data compare among regions indicated that the variety the pattern allocation and this is one of factor variety the value of the social, economic and ecology indicator. Using bases data on the fiscal decentralization period (2001 – 2003) show that the indicator in three aspects on the sustainable development (see Table 3).

| No       | Indicators | Region       |              |              |
|----------|------------|--------------|--------------|--------------|
|          |            | BG           | JM           | WS           |
| Economic |            |              |              |              |
| 1        | ECS        | 2.27         | 2.65         | 3.03         |
| 2        | ECG        | <b>0.93</b>  | -0.36        | -1.57        |
| 3        | GDPK       | -4.65        | <b>1.45</b>  | <b>1.63</b>  |
| Social   |            |              |              |              |
| 1        | WAP        | <b>0.93</b>  | -0.11        | -0.15        |
| 2        | UNE        | 0.30         | 0.69         | 1.25         |
| 3        | LAS        | 2.79         | 1.84         | 0.36         |
| Ecology  |            |              |              |              |
| 1        | DEF        | -9.87        | -13.89       | -8.45        |
| 2        | BZD        | <b>-0.75</b> | <b>-1.10</b> | <b>-0.65</b> |
| 3        | NPD        | 0.37         | 0.16         | 0.26         |

Note: **Bolds** the expected value evaluation impact

Table 3.

The Impact of the LGEs Allocation on the Study Indicators as long 2007 to 2010

The new paradigm on the LGEs allocation needed to find out the economic welfare in the fiscal decentralization period. The forecast show that the economic growth will be decline because the high dependency of the regional economic on the agricultural sector. The rising of the agricultural sector in output and labor markets will be increase the pressure of the natural resources, and so supporting factor the higher of the forest convert and land national park degradation. There is unsustainable economic growth caused the economic transformation is not running with perfectly.



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### 4.2. The Impact Evaluation of the HRA Allocation

#### 4.2.1. Increasing of the HRA without Changes the RGE and DGE Ratio

The impact of the human resources allocation (HRA) rising but not followed the RGE and DGE allocation was indirectly. The transmission impact by the change of the DGE allocation among development sector. The effort to rise HRA must be subitted from the other sector expenditure likely transportation (TRA), region development (RDA) and the others sector (OSA) (Table 4).

| No                       | Sector Development Finance | Kawasan  |       |       |
|--------------------------|----------------------------|--|-------|-------|
|                          |                            | BG   | JM    | WS    |
| Sector Allocation in DGE |                            |  |       |       |
| 1                        | HRA                        | 3.24   | 3.24  | 3.21  |
| 2                        | TRA                        | -1.09  | -0.99 | -0.94 |
| 3                        | RDA                        | -0.46  | -0.42 | -0.40 |
| 4                        | OSA                        | -0.58  | -0.52 | -0.50 |
| Bank Credit Distribution |                            |  |       |       |
| 1                        | CIC                        | 1.85   | 1.81  | 1.76  |
| 2                        | SBC                        | -2.48  | -2.28 | -2.19 |
| 3                        | AGC                        | 3.49   | 3.41  | 3.31  |
| Note:                    | CIC                        | = Bank Credit Allocation for Investment and Capital    |       |       |
|                          | SBC                        | = Bank Credit Allocation for Small and Medium Business |       |       |
|                          | AGC                        | = Bank Credit Allocation for Agricultural Sectors      |       |       |

Table 4.

The Impact Increasing of the HRA Allocation on the DGE and Private Finance Structure (%)

The policy not able supporting to develop the small and medium business where indicated by declining of the credit allocation for this sectors (SBC) but only to support the agriculture sector cause the increase of the AGC. This trend of development finance behavior will be influence the social, economic and ecology in this region (Table 5). The agricultural output portion (ECS) and output percaput (GDC) will be increase but the economic growth will be weakness. The others negative impact of policy was the unemployment rate (UE) increasing and more higher rate of region deforestation and buffer zone degradation. The agricultural sector expansion estimate as one of factor to support the forest conversion and the short run will be decline pressure to national park. This is indicated by declining of the rate of KSNP degradation (KSD) but if decreasing the natural resource stock in region and buffer zone forest on the long run the KSNP will be increasing.

Table 5.

The Impact of HRA Rising on the Social, Economic and Ecology Indicators

This phenomena show that the rising allocation for human resources without restructurisation of the RGE

| No               | Variabel indikator | Kawasan      |              |              |
|------------------|--------------------|--------------|--------------|--------------|
|                  |                    | BG           | JM           | WS           |
| <b>Economic</b>  |                    |              |              |              |
| 1                | ECS                | 0.17         | 0.15         | 0.14         |
| 2                | ECG                | -0.31        | -0.30        | -0.29        |
| 3                | GDC                | <b>2.48</b>  | <b>2.43</b>  | <b>2.23</b>  |
| <b>Social</b>    |                    |              |              |              |
| 1                | WAP                | -0.09        | -0.07        | -0.06        |
| 2                | UE                 | 0.21         | 0.19         | 0.18         |
| 3                | LAS                | <b>-0.20</b> | <b>-0.26</b> | <b>-0.27</b> |
| <b>Ecologies</b> |                    |              |              |              |
| 1                | RDR                | 1.19         | 0.96         | 1.17         |
| 2                | BZD                | 0.06         | 0.01         | 0.00         |
| 3                | KSD                | <b>-0.13</b> | <b>-0.12</b> | <b>-0.12</b> |

Note: **Bolds** indicate the expected output of the policies

RDR = Rate of the Region Deforestation  
BZD = Rate of Buffer Zone Degradation  
KSD = Rate of Kerinci Seblat Degradation

and DGE is no good for sustainable development on the local development.

#### 4.2.2. The RGE Reallocation to Priority Increasing of the HRA Sector

The alternative policy to increasing of the HRA able to rising the DGE by reallocation from RGE about 5 and 10%. The impact both reallocation within the HRA priority on the others sector allocation and the private financial by banking credit distribution (BCD) showing at Table 6.



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| No             | Sector Public Finance | The Change of Policies Impact |       |       |       |       |       |
|----------------|-----------------------|-------------------------------|-------|-------|-------|-------|-------|
|                |                       | 5%                            |       |       | 10%   |       |       |
|                |                       | BG                            | JM    | WS    | BG    | JM    | WS    |
| DGEs Sector    |                       | 7.90                          | 7.69  | 7.51  | 10.07 | 9.92  | 9.76  |
| 1              | HRA                   | 3.24                          | 3.24  | 3.21  | 6.47  | 6.48  | 6.43  |
| 2              | TRA                   | 2.39                          | 2.28  | 2.21  | 1.84  | 1.77  | 1.71  |
| 3              | RDA                   | 1.01                          | 0.96  | 0.93  | 0.78  | 0.74  | 0.72  |
| 4              | OSA                   | 1.26                          | 1.20  | 1.17  | 0.97  | 0.93  | 0.90  |
| Banking Credit |                       |                               |       |       |       |       |       |
| 1              | CIC                   | -2.89                         | -2.92 | -2.94 | -1.77 | -1.81 | -1.84 |
| 2              | SBC                   | 3.38                          | 3.12  | 2.96  | 1.82  | 1.63  | 1.50  |
| 3              | AGC                   | -5.46                         | -5.50 | -5.53 | -3.35 | -3.41 | -3.46 |

Table 6.

The Direct Impact of the RGE Reallocation within HRA priority on the DGE and BCD Structure

The direct impact of RGE reallocation policies are the change of the financial development structure. The priority of the HRA indicated with the increasing this sector is bigger than others sector. In the private sector effect of the policies can be decline the investment and agricultural banking credit proportion, but the small and medium business can be rising. Decreasing of the investment credit proportion indicate that the rising of the consumption credit supporting by GDC rising. The structural transformation of region economic with in the decline dependency on the output and labor market able to acceleration of the economic growth, increasing the GDP percaput and labor demand (see Table 7).

Table 7.

The Indirect Impact of the RGE Reallocation within HRA priority on the Development Indicators

| No               | Aspect and Indicator Development | The Changes of Policies Impact |              |              |              |              |              |
|------------------|----------------------------------|--------------------------------|--------------|--------------|--------------|--------------|--------------|
|                  |                                  | 5%                             |              |              | 10%          |              |              |
|                  |                                  | BG                             | JM           | WS           | BG           | JM           | WS           |
| Economies Aspect |                                  |                                |              |              |              |              |              |
| 1                | ECS                              | <b>-0.50</b>                   | <b>-0.47</b> | <b>-0.45</b> | <b>-0.44</b> | <b>-0.41</b> | <b>-0.40</b> |
| 2                | ECG                              | <b>0.75</b>                    | <b>0.75</b>  | <b>0.75</b>  | <b>0.61</b>  | <b>0.61</b>  | <b>0.61</b>  |
| 3                | GDC                              | <b>2.24</b>                    | <b>2.32</b>  | <b>2.19</b>  | <b>4.68</b>  | <b>4.74</b>  | <b>4.41</b>  |
| Social Aspect    |                                  |                                |              |              |              |              |              |
| 1                | WAP                              | <b>0.71</b>                    | <b>0.68</b>  | <b>0.67</b>  | <b>0.74</b>  | <b>0.72</b>  | <b>0.71</b>  |
| 2                | UE                               | <b>-0.65</b>                   | <b>-0.63</b> | <b>-0.62</b> | <b>-0.57</b> | <b>-0.56</b> | <b>-0.56</b> |
| 3                | LAS                              | <b>-0.53</b>                   | <b>-0.43</b> | <b>-0.36</b> | <b>-0.78</b> | <b>-0.71</b> | <b>-0.65</b> |
| Ecologies Aspect |                                  |                                |              |              |              |              |              |
| 1                | RDR                              | <b>-3.92</b>                   | <b>-3.49</b> | <b>-4.35</b> | <b>-3.52</b> | <b>-3.17</b> | <b>-3.97</b> |
| 2                | BZD                              | <b>-0.22</b>                   | <b>-0.13</b> | <b>-0.08</b> | <b>-0.21</b> | <b>-0.14</b> | <b>-0.09</b> |
| 3                | KSD                              | 0.12                           | 0.12         | 0.11         | 0.03         | 0.03         | 0.03         |

Note: "Bolds" show that expected impact of policy

Therefore on the social aspect was improve the working age participation and employment rate especially on the non-agricultural sector. This is good for conservation program where is low pressure on the natural resources will be increase the regional forest and KSNP buffer zone conservation. Although the national park degradation still rising the more allocation of the RGEs feasible to get the sustainable of the region development by restructure of the LGEs.

#### 4.2.3. The LGEs Structure for Sustainable Development

The sector policy or only focused on the any aspect where is indicated at the LGEs allocation can be find of the *opportunity cost* atau "*trade off*" among the three aspect. The reallocation of the RGE policy to support the human resources development is the best result to get the sustainable criteria but there policy must be followed the others sectors, especially on the transportation to improve the infrastructure and regional development. To find out the sustainable development with restructure of the LGEs can do it by 20% reallocation of the LGEs to increasing the DGEs. The indicator target at the regional sustainable development (RSD) can be seen at Table 8.





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Table 8. The Evaluation Impact of the LGEs Policy Allocation on the Socials, Economies and Ecologies Indicator

| No | Region | Value      | Indicators Target of Regional Sustainable Development |              |              |              |             |             |             |              |             |
|----|--------|------------|---|--------------|--------------|--------------|-------------|-------------|-------------|--------------|-------------|
|    |        |            | Socials   |              |              | Economies    |             |             | Ecologies   |              |             |
|    |        |            | WAP   | UE           | LAS          | ECS          | ECG         | GDC         | RFA         | BZD          | KSD         |
| 1  | BG     | Base       | 64.30   | 5.06         | 73.23        | 44.59        | 3.16        | 1.17        | 39.37       | 17.82        | 4.83        |
|    |        | Simulation | 65.28   | 4.34         | 72.10        | 44.05        | 3.89        | 1.25        | 42.06       | 17.56        | 4.84        |
|    |        | Changes    | <b>0.98</b>   | <b>-0.72</b> | <b>-1.12</b> | <b>-0.54</b> | <b>0.73</b> | <b>7.06</b> | <b>2.68</b> | <b>-0.26</b> | <b>0.01</b> |
| 2  | JM     | Base       | 59.43   | 3.17         | 73.62        | 45.20        | 3.56        | 1.17        | 35.93       | 8.70         | 7.43        |
|    |        | Simulation | 60.38   | 2.47         | 72.59        | 44.68        | 4.30        | 1.25        | 38.50       | 8.51         | 7.43        |
|    |        | Changes    | <b>0.96</b>   | <b>-0.71</b> | <b>-1.03</b> | <b>-0.52</b> | <b>0.74</b> | <b>7.13</b> | <b>2.57</b> | <b>-0.19</b> | <b>0.00</b> |
| 3  | WS     | Base       | 54.84   | 4.13         | 66.41        | 34.90        | 3.83        | 1.26        | 50.81       | 7.32         | 7.18        |
|    |        | Simulation | 55.78   | 3.43         | 65.45        | 34.40        | 4.58        | 1.34        | 53.29       | 7.19         | 7.18        |
|    |        | Changes    | <b>0.94</b>   | <b>-0.70</b> | <b>-0.95</b> | <b>-0.50</b> | <b>0.75</b> | <b>6.62</b> | <b>2.48</b> | <b>-0.13</b> | <b>0.00</b> |

The sustainable target indicators were the rising of the working age participation (WAP), economic growth (ECG) and output per-caput (GDC), regional forest areas (RFA) and declining of the unemployment (UE) and proportion of the agricultural labor (LAS) and output (ECS), buffer zone deforestation (BZD) and KSNP degradation (KSD). This target reliable if the balances ratio between RGEs and DGEs (50:50) and the allocation of the priorities sector are HRA, TRA and RDA (see Table 9). The LGEs structure find out from 20% reallocation of the RGEs to take the increase about 13.5% of the DGEs. There DGEs allocated to increase HRA about 9%, and followed of the other sectors likely TRA and RDA about 1 and 2%, respectively.

| No             | Development<br>Sector<br>Financing | Changes (%) |       |       | RSD Allocation (%) |       |       |
|----------------|------------------------------------|-------------|-------|-------|--------------------|-------|-------|
|                |                                    | B G         | JM    | WS    | BG                 | JM    | WS    |
| DGEs           |                                    |             |       |       |                    |       |       |
| 1              | HRA                                | 9.71        | 9.72  | 9.64  | 14.08              | 14.52 | 14.53 |
| 2              | RDA                                | 0.92        | 0.89  | 0.86  | 7.48               | 7.15  | 8.01  |
| 3              | TRA                                | 2.19        | 2.10  | 2.04  | 13.79              | 13.75 | 15.85 |
| 4              | OSA                                | 1.16        | 1.11  | 1.08  | 13.88              | 13.62 | 10.96 |
| Sum            |                                    | 13.97       | 13.82 | 13.62 | 50.76              | 50.95 | 50.65 |
| Banking Credit |                                    |             |       |       |                    |       |       |
| 1              | CIC                                | -1.86       | -1.92 | -1.97 | 82.10              | 80.88 | 74.10 |
| 2              | SBC                                | 1.75        | 1.53  | 1.39  | 29.63              | 30.10 | 49.49 |
| 3              | AGC                                | -3.53       | -3.62 | -3.72 | 60.53              | 63.86 | 50.32 |

Table 9.

The Structure of the LGEs and Banking Credit Allocation on the RDA

Varieties among the region show that the allocation for HRA not always the biggest. The biggest LGEs allocation in Bengkulu and Jambi region were HRA, but in West Sumatra was TRA. This phenomena show that the regional development must be do it simultaneously among the human resources and improving of the transportation infrastructure to rise a regional accesibilities. On the private sector there policy must be followed to supporting of the small and medium business sector especially non-farm business. The local government must be support to create a condusive investment and optimally role of the government as a development motivator.

## 5. Conclusion and Policy Implication

### 5.1. Conclusion

Based on this research we can conclude that the regional sustainable development reliable to find if the local government able to manage the local public expenditure. The strategies to improve the development quality can be done by decline of the routine expenditure to finance the development sectors priorities. Three sector priorities what can be achieve this target are human resources, transportation and regional development.





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### 5.2. Policies Implementation

The impact of public investment at human resources has a characteristic as the long run effected and there effectively if supported by another sector. The ideal of the local government expenditure can be found if there implemented the policy to efficient of the RGEs. The both effectively and efficiently policies at the LGEs, and so optimally the regulated and motivate role of the local government can be order condition to achieve the regional sustainability development.

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SECRETARIAT OF INTERNATIONAL CONFERENCE  
Faculty of Economics, Universitas Malahayati  
Jalan Pramuka No. 27 Kemiling, Bandar Lampung  
Telp. 62-721-271114, Fax : 62-721-271119  
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