

Agus Eko Nugroho

**THE WELFARE IMPACTS OF MICROFINANCE ON RURAL HOUSEHOLDS:
EVIDENCE FROM BOYOLALI OF INDONESIA**

Abstract

This paper examines the welfare impact of microfinance on rural households in four villages of Boyolali, Indonesia. It is found that access to microfinance services of formal microfinance institutions (MFIs), such as micro banks, contribute to higher levels of child education, greater confidence in dealing with others, and reducing the probability of facing household financial problems. This is the case as the disbursement of loans helps to finance education-related expenditures of children. The utilization of loans for productive purposes has the potential to increase income, leading to greater self-confidence in dealing with others. Similarly, greater incomes resulting from loans can also enhance the capability to cope with risk and vulnerability and hence, reduce the likelihood of facing financial distress. However, borrowing from moneylenders has little welfare impacts on rural households. Access to loans from moneylenders cannot reduce the probability of having financial difficulties, and failing to enhance self-confidence in dealing with others.

Latif Adam & Siwage Dharma Negara

How the National Community Empowerment Program Improves the Living Standards of the Rural Poor in Yogyakarta

Abstract

This paper examines the achievements and challenges with regard to the implementation of the national rural community empowerment program (Rural PNPM) in improving the living standards of the rural poor in Yogyakarta. We found that the program has encouraged the active participation of poor communities in the development process in their area. In turn, this more active participation contributes to improved communities' social capital. The program also opened up access to financial sources for the poor, which helped them to participate in the production networks. However, the program also faced several challenges. There has been a strong indication that the program was biased towards the interests of the rural elites. In addition, the program has marginalized the participation of local governments. It was also found that the quality of infrastructure financed by the program is relatively poor. The most worrying concern is that there is no clear exit strategy at the completion of the program. These challenges may potentially reduce the effectiveness of the rural PNPM in improving the living standards of the rural communities sustainably. This paper recommends a strong political commitment and some determined actions needed to address those challenges to improve the effectiveness of the program in enhancing living standard of the rural communities.

**Donny Yoesgiantoro,
Chandra Wijaya,
Haryoto Kusnoputranto,
Widjajono Partowidagdo**

**EXTERNAL COST INTERNALIZATION MODEL OF WASTE GAS ON UPSTREAM
OIL AND GAS FIELDS (A case study of PT. Chevron Pacific Indonesia – Sumatera Light
North Operations)**

Abstract

This research aims at formulating an effective policy proposal regarding the management of externalities in the upstream oil and gas sector in order to support sustainable development. The applied research instrument covers the economic value and Marginal Cost Control (MCC). The economic value is measured from the economic values of the following aspects: ecology, and social and economic factors, which are representing the negative externality value (external cost) that resulted from the production activities of oil and gas production activities. This economic value can be measured by a contingent valuation method and the market price approach. The result of this research shows that: (i) pollution and environmental impacts persist; (ii) in order to suppress the environmental impacts at the optimal level, the quantity of manageable waste gas has to be added for 1.2 billion SCF/year; (iii) the alternative policy that can be applied is by levying environmental taxes on waste gas to the amount of IDR 0.6 /SCF, from which the collected fund is dedicated to environmental items, such as new pollution abatement technology, which is known as the earmarking process.

Arifin M. Siregar

***The Challenge of Serious and Complex
International Financial Developments:
Indonesia's Position***

Emil Salim

Widjojo's "Invisible Hand"

Widjojo Nitisastro revealed for the first time his political economic view, when he unnoticeably reached his 28th birthday in September 23, 1955. He delivered a strong criticism to Wilopo's presentation on "the Interpretation of Article 33 of the Indonesian Constitution" in a debate between former Prime Minister (1952-1953) Wilopo and graduate student Widjojo Nitisastro that took place in a Symposium of University of Indonesia to celebrate the First Lustrum of the Economic Faculty of University of Indonesia, and was focused on the topic of Article 33 of the 1945 Constitution, stipulating that

"the economy is arranged as a joint endeavor based on the principles of family-like mutual cooperation."