

## Perubahan Struktur Ekonomi dan Indikator Kesejahteraan di Kalimantan Barat setelah Perluasan Perkebunan Kelapa Sawit

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### ABSTRAK

Studi ini dimaksudkan untuk menganalisis perubahan struktur ekonomi kabupaten-kabupaten dan kota-kota di Kalimantan Barat setelah perluasan perkebunan kelapa sawit secara besar-besaran, menganalisis sektor-sektor ekonomi yang memiliki keunggulan kompetitif, dan menganalisis dampak berbagai perubahan terhadap kesejahteraan sosial. Studi dilakukan dengan mengumpulkan data tentang lapangan pekerjaan dan beberapa indikator kesejahteraan di Badan Pusat Statistik. Data dianalisis dengan menggunakan metode shift-share dan deskriptif. Studi ini menyimpulkan, bahwa setelah kebijakan otonomi daerah dan perluasan perkebunan kelapa sawit mempunyai dampak positif terhadap perubahan struktur ekonomi baik di kabupaten maupun Kota Pontianak. Sektor-sektor ekonomi yang memiliki keunggulan kompetitif di kabupaten adalah pertanian, listrik/gas/air, transportasi dan komunikasi, perdagangan/hotel/restoran, dan jasa, sedangkan di Kota Pontianak adalah sektor pertanian, transportasi dan komunikasi, industri manufaktur, dan listrik/gas/air. Perubahan struktur ekonomi juga menunjukkan dampak positif terhadap kesejahteraan. Hal ini ditandai oleh penurunan tingkat kemiskinan di Kota Pontianak dan propinsi secara keseluruhan, dan juga peningkatan Indeks Pembangunan Manusia (IPM) dan Produk Domestik Regional Bruto (PDRB) per kapita di kabupaten, Kota Pontianak, dan provinsi. Sementara itu, dampaknya terhadap pengurangan kemiskinan di tingkat kabupaten belum menunjukkan hasil yang nyata.

**Kata kunci:** kelapa sawit, struktur ekonomi, kesejahteraan, Kalimantan Barat

**Klasifikasi JEL:** O13, R11

## Economic Structure and Welfare Indicator Changes in West Kalimantan after Oil Palm Expansion

### ABSTRACT

*This study aimed to analyze the economic structure changes of regencies and cities in West Kalimantan after a massive expansion of oil palm plantations, to analyze the economic sectors that have competitive advantages, and to analyze the impact of various changes on social welfare. The study was conducted by collecting data about employment and some welfare indicators at the statistic central bureau. Data were analyzed by using the shift-and-share and also descriptive method. This study concludes that regional autonomy and oil palm expansion policy have a positive impact on economic structure changes either in regencies or Pontianak. The economic sectors that have a competitive advantage in the regencies are agriculture, electric/gas/water, transport and communication, trade/hotel/restaurant, and services. Meanwhile, in Pontianak, there are agriculture, transport and communication, manufacturing industry, and electric/gas/water sectors. Economic structure changes also show positive impacts on social welfare. It is marked by the decline of poverty rate in Pontianak and the province as a whole. In addition, it is also signalled by the improvement of Human Development Index (HDI) and Gross Regional Domestic Product (GRDP) per capita in the regencies, Pontianak, and the province. Meanwhile, its impact toward poverty reduction in regency level does not show significant results yet.*

**Keywords:** oil palm, economic structure, welfare, West Kalimantan

**JEL Classification:** O13, R11

## INTRODUCTION

Although the economic crisis of Indonesia in 1998 caused a great contraction, it can be recovered in the next periods by a rapid economic growth (Elias and Noone, 2011). It is no doubt that one of some factors is due to the expansion of oil palm plantations, especially in Sumatera, Kalimantan, Sulawesi, and Papua. It means that the agricultural sector still plays a strategic role in driving the economic development of Indonesia. Based on the recent report, it is indicated that the growth of the agricultural sector has the greatest role in reducing poverty of rural areas in Indonesia (OECD, 2010; Suryahadi et al., 2009). Similarly, in West Kalimantan province, since the political change in the form of regional autonomy in 2004, the important role of agricultural sector is very prominent characterized by the massive expansion of oil palm plantations. Although the opening of oil palm plantations has a negative impact on the environment (Obidzinski et al., 2012), the implication for rural economic development is very impressive (Budidarsono et al., 2012a; Budidarsono et al., 2012b; Budidarsono et al., 2013; PASPI, 2016; Susila, 2004; Syahza, 2011; World Growth, 2011).

In West Kalimantan, the economic impact after the expansion of oil palm plantations could be observed from the intensive economic interaction between rural and urban areas in fulfilling a variety of needs, either for consumption or investment. The growth of urban centers could be an indicator in economic impact. It is because since regional autonomy and oil palm expansion, the urban growth in many sectors was very fast. The growth was not only in Pontianak as a central region in West Kalimantan, but also it was followed by the growth of many towns in the neighborhood. In fact, there were several centers of sub districts which then developed to become a capital city of new regency with a very rapid economic growth. This development process had been predicted before that the economic development of the region would increase rapidly if it was followed by an intense interaction among regions, for example through trading interactions between rural and urban areas (Adisasmita, 2006; Akkoyunlu, 2015; Bulderberga, 2011; Douglass, 1998).

Various changes after the regional autonomy and the oil palm expansion policy are expected to bring better real changes on welfare

and regional economic structure. The changes of economic structure cover whole economic sectors which are recorded in national or regional statistical bureau, namely: (a) agriculture, (b) mining and quarrying, (c) manufacturing industry, (d) electric, gas, and water, (e) construction, (f) trade, hotel, and restaurant, (g) transport and communication, (h) finance, and (i) services. Economically, the economic structure changes can be observed from the change of employment for each sector. The number of workers who involves in an economic sector indicates a potential magnitude of the sector in contributing to local economic growth. There are several important reasons in this analysis which show that the economic structural changes are caused by the expansion of oil palm plantations. Firstly, there is a significant growth of oil palm planted areas from 386,890 hectares in 2006 to 1.27 million hectares in 2014. After that, the growth of other agricultural commodities is constant or even declining such as cocoa, pepper, and rubber. Finally, in this period the volume and the growth of the mining sector are lower than oil palm plantations.

In line with various changes taking place in almost all regencies in West Kalimantan, it is not known clearly yet whether the economic development after the regional autonomy and oil palm expansion has brought to a better stage or even vice versa. Up to present, there is little information regarding the impact and direction of its economy shifting. Hence, it is necessary to analyze the economic structure change of regencies or cities in West Kalimantan and its impact on social welfare, as a means of evaluating the economic development policies. Moreover, in anticipation to the negative effects of development process, it is also necessary to understand the balanced growth among economic sectors in the regions. The balanced growth of economic sectors can be achieved by exploring all economic potencies including natural resources, human resources, and financial resources. Therefore, it is important to identify the economic sectors that have competitive advantages and also the sectors that can absorb labors in a great quantity. Based on this understanding, particularly this study aimed: (a) to analyze the economic structure changes of regencies and cities in West Kalimantan after the massive expansion of oil palm plantations, (b) to analyze the economic sectors that have competitive

advantages as a basis for developmental planning in the next period, and (c) to analyze the impact of various changes toward social welfare.

## METHODOLOGY

This research was conducted in 2016. The data about employment absorption and other data were collected from the statistic central bureau in regency, Pontianak, and provincial level of West Kalimantan. In order to achieve the first and second objective of this study regarding the economic structure changes, the researcher used shift-and-share analysis. The impact of economic changes was observed either in regency, Pontianak (capital city of West Kalimantan province), or provincial level. The selection of regency in this study was determined purposely, namely Ketapang regency (see Figure 1). It is based on the judgement as a regency with the largest oil palm planted areas as well as the fastest growth after the implementation of regional autonomy. So, the regency was considered to represent in explaining the impact that occurs in this province. Meanwhile, in order to explain the third objective of the study, the researcher used descriptive analysis. It was useful in explaining the impact of economic development toward Human Development Index (HDI), Gross Regional Domestic Product (GRDP), and poverty rate.

The shift-and-share analysis is expected to provide an explanation concerning the causes of economic structure changes in the area. It

also provides information about competitiveness sectors of the region in the dynamic changes context of the regional economy. In the shift-and-share analysis, it is assumed that there are three components in the regional economy, namely national growth component, industrial mix component, and competitive effect component. They can be described as follows. (1) **National growth component** describes the impact is caused by changes in employment nationally of the analyzed region. In other words, as a component of regional economic growth is caused by external factors, that is the increase of economic activities in the area as a result of national policy that is applied to the entire region. Further, (2) **industrial mix component** illustrates the effect of various competitive sectors in the analyzed region, so there are economic sectors which are high or low in employment absorption compared to existing conditions at the national level. It can also be interpreted as a component of regional economic growth that is caused by the good economic structure in the area that specialize on the fast growing sectors such as services and finance, manufacturing industry, etc., finally, (3) **competitive effect component** describes a consequence of changes in national employment in the industry which means a competition among the same industry in the regions. Thus, it can also be interpreted as a component of regional economic growth due to the specific conditions of the area that is competitive. This growth component is the competitive advantage that can encourage



Figure 1. Spatial Distribution of the Regencies in West Kalimantan Province

**Table 1. Employment of Each Economy Sector in Ketapang Regency and West Kalimantan Province, in 2006 and 2014**

Economic Sectors	West Kalimantan		Ketapang Regency	
	2006 (person)	2014 (person)	2006 (person)	2014 (person)
1. Agriculture	1,169,001	1,285,973	11,180	42,090
2. Mining and Quarrying	28,842	84,662	812	2,237
3. Manufacturing Industry	64,800	81,591	5,009	2,919
4. Electric, Gas, and Water	5,745	5,454	112	1,775
5. Construction	50,286	118,559	945	417
6. Trade, Hotel, and Restaurant	280,817	311,441	291	434
7. Transport and Communication	64,666	50,975	181	638
8. Finance	8,142	34,960	228	708
9. Services	157,945	252,935	134	299
<b>Total</b>	<b>1,830,244</b>	<b>2,226,510</b>	<b>18,892</b>	<b>51,517</b>

Sources: Statistical Bureau of Ketapang Regency and Statistical Bureau of West Kalimantan Province

regional exports. Following Blair (1991), Ghalib (2005), Syafrizal (2012), and Tarigan (2005), shift-and-share analysis can be formulated in the form of mathematical equations, as follows:

$$\Delta E_{r,i,t} = N_{s_i} + P_{r,i} + D_{r,i} \dots\dots\dots (1)$$

Keys:

$\Delta$  = Change: Year<sub>t</sub> - Year<sub>t-n</sub>

N = National region

r = Region

E = Employment

i = Industry sectors

t = End year (Year)

t-n = Initial year (Year<sub>t-n</sub>)

N<sub>s</sub> = National growth component:  $N_{s_{it}} = E_{r,i,t-n} / (E_{N,t} / E_{N,t-n}) - E_{r,i,t-n} \dots\dots\dots (2)$

P = Industrial mix component:  $P_{r,i,t} = \{ (E_{N,i,t} / E_{N,i,t-n}) - (E_{N,t} / E_{N,t-n}) \} \cdot E_{r,i,t-n} \dots\dots\dots (3)$

D = Competitive effect component:  $D_{r,i,t} = \{ E_{r,i,t} - (E_{N,i,t} / E_{N,i,t-n}) \cdot E_{r,i,t-n} \} \dots\dots\dots (4)$

**RESULT AND DISCUSSION**

**Economic Structure Changes in Regencies**

After the political change in 1998, the economic sectors in West Kalimantan province continuously showed a real growth. If in 1980s to 1990s, the economic growth in West Kalimantan was encouraged by the forestry industry, but after 1998 and especially after the regional autonomy in 2004, the primary economy of West Kalimantan had switched to the oil palm commodity. The opening of oil palm plantations was a logical consequence of the open space of forest land which was very vulnerable to land burning problem. It was caused by forest logging in the previous periods.

In the short term, the oil palm plantations potentially become a main sector in moving the economy in all regions of the province adjoining to smallholders' rubber commodity that has existed since the Dutch era. The existence of oil palm plantations has replaced the forestry industry that has been collapsed. These changes give impact toward the development of all economic sectors. It can be identified from the increase of employment for each economic sector in the region.

As an illustration, in economic structure changes of regencies, this study was represented by Ketapang regency, a regency which is located on the southern edge of the province and bordering to Central Kalimantan province. Ketapang regency has a distinctive geographical, that is far from Pontianak and other regencies. Thus, the impact of its regional economic growth is much influenced by economic activities in the region that is considered appropriate to clarify this study. In the current development period, the economic activities mostly rely on oil palm, smallholders' rubber, and mining respectively. This fact can be identified in employment of each economic sector as shown in Table 1.

In Table 1, it is shown that the economic sector which has the highest growth in increasing of labor absorption was agricultural sector. Herein it related to the massive expansion of oil palm plantations. Until 2014, the numbers of oil palm plantation in Ketapang regency were 45 companies from total of West Kalimantan province as 177 companies (BPS, 2014). Other sectors which also have a high rate in increasing of labor absorption



**Table 2. Structure and Contribution of Economic Sectors in Ketapang Regency Based on Shift-and-Share Analysis of Employment 2006-2014**

Economic Sectors	National growth component	Industrial mix component	Competitive effect component	Change in employment 2006-2014
1. Agriculture	2,420	-1,301	29,791	30,910
2. Mining and Quarrying	176	1,396	-147	1,425
3. Manufacturing Industry	1,084	213	-3,388	-2,091
4. Electric, Gas, and Water	24	-30	1,669	1,663
5. Construction	205	1,078	-1,811	-528
6. Trade, Hotel, and Restaurant	63	31	111	205
7. Transport and Communication	39	-78	495	661
8. Finance	49	702	-271	480
9. Services	29	52	84	165
Total	4,089	2,063	26,533	32,890

**Table 3. Employment of Each Economic Sector in Pontianak City, in 2006 and 2014**

Economic Sectors	2006 (person)	2014 (person)
1. Agriculture	8,592	14,205
2. Mining and Quarrying	0	0
3. Manufacturing Industry	14,678	21,380
4. Electric, Gas, and Water	895	2,372
5. Construction	21,659	29,733
6. Trade, Hotel, and Restaurant	73,211	77,207
7. Transport and Communication	15,394	16,752
8. Finance	6,981	20,224
9. Services	54,774	62,363
Total	196,184	224,236

Sources: Statistical Bureau of Pontianak City

were electric/gas/water, mining, and transport and communication.

Based on the shift-and-share analysis during 2006 to 2014 (see Table 2), the effect of overall economic growth in West Kalimantan province had encouraged additional employment in the agricultural sector by 2,420 persons. Meanwhile, as a result of competition or linkage among sectors in Ketapang regency itself to the growth of agricultural sector could generate a negative growth, that was reduce of employment as 1,301 persons. On the other hand, with regard to competitive advantages in West Kalimantan economic context, this sector was able to create additional jobs as 29,791 persons. Overall, the agricultural sector could create additional jobs about 30,910 persons. The results of this analysis demonstrate that oil palm plantation in the macro economy context could create jobs positively and

also grow rapidly. The oil palm commodity could be stated as a leading sector in the region adjoined to the smallholders' rubber. By 2014, the planted areas of oil palm reached 358,630 hectares with production of 280,552 tons, while the planted areas of smallholders' rubber reached 31,162 hectares with production of 16,175 tons. The planted areas and production of oil palm was the biggest in West Kalimantan if it was compared to the other regencies. Most of oil palm production was a result of plantation companies, while most of rubber production came from smallholders' farming.

Other sectors also growing rapidly was the electric/gas/water sector. This sector as a whole showed positive growth in the labor force absorption as 1,663 persons if it was compared to employment in this industry at the provincial level. Similar as mining, transport and communication, finance, trade/hotel/restaurant, and services

**Table 4. Structure and Contribution of Economic Sectors in Pontianak City Based on Shift-and-Share Analysis of Employment 2006-2014**

Economic Sectors	National growth component	Industrial mix component	Competitive effect component	Change in employment 2006-2014
1. Agriculture	1,860	-1,000	4,753	5,613
2. Mining and Quarrying	0	0	0	0
3. Manufacturing Industry	3,178	625	2,899	6,702
4. Electric, Gas, and Water	194	-239	1,522	1,477
5. Construction	4,689	24,717	-21,332	8,074
6. Trade, Hotel, and Restaurant	15,850	-7,863	-3,991	3,996
7. Transport and Communication	3,333	-6,592	4,617	1,358
8. Finance	1,511	21,483	-9,751	13,243
9. Services	11,859	21,083	-25,352	7,590
Total	42,474	52,214	-46,635	48,053

sectors, they have a positive growth despite by the small rate. In shifting of this economic structure, there were three sectors with the highest competitive advantage, namely agriculture, electric/gas/water, and also transport and communication respectively. Therefore, the infrastructure development of the three sectors must be the main priority for the subsequent periods.

#### **Economic Structure Changes in the Capital City of West Kalimantan**

The economic growth in all regencies affects the economic growth of Pontianak as a central region that serves a wide range of consumption and investment in West Kalimantan province. It means that the growth of Pontianak is a result of intense economic relationships with the regencies. In Pontianak, the highest economic sectors in labor absorption were trade/hotel/restaurant, services, and construction respectively. Completely, employment for each economic sector in Pontianak is shown in Table 3.

Furthermore, based on the result of shift-and-share analysis, it is presented in Table 4 that all sectors grew positively. The largest shift was the financial sector. It was closely linked to the greater investment, as a result of increasing economic activities in the province as a whole. Other sectors which grew rapidly were constructions, services, manufacturing industries, and agriculture. In Pontianak, the rapid growth of construction sector is tightly related to the increasing demand for housing and shop building. It is not only caused by people who live in Pontianak, but also is caused by people who live in the neighbor regencies who want to own a home or invest in the property sector. One

of several factors affect the housing demand relate to the increasing of peoples income in regencies.

Hereinafter, the urban agriculture sector also grew rapidly, even this sector showed the greatest competitive advantage. Then, it was followed respectively by transport and communication and also manufacturing industry sectors (see Table 4). The agricultural commodities growing rapidly were seasonal crops such as vegetables (spinach, mustard greens, celery, sweet corn, etc.) as well as other horticultural products such as papaya and aloe vera. In this period, according to Pontianak statistical data, the harvesting areas of vegetables has increased from 479 hectares in 2006 to 668 hectares in 2014. The agricultural commodities are cultivated in the peat soil areas in the North Pontianak sub-district by applying specific land preparation and fertilization technology. This agricultural commodity is not only to fulfill the demand in Pontianak, but also to serve the demand of other regencies such as Sanggau, Sekadai, Sintang, and so forth. Thus, in West Kalimantan, there is an anomaly where the distribution of agriculture products is from urban to rural areas. Meanwhile, the aloe vera product as a specific commodity of this city has also been marketed to Jakarta and Sarawak-Malaysia.

Urban and peri urban agriculture in some cases often become the buffer for the poor people in maintaining the sustainability of their livelihood systems. Similarly, in Pontianak in 2014, the agriculture sector was able to absorb labors up to 14,205 persons (see Table 3). Therefore, it is not judicious if the urban agriculture sector is considered as a buffer sector merely, but should be

**Table 5. Achievement the Gross Regional Domestic Product (GRDP) per Capita in 2006 and 2014 at Regency, City, and Province Level**

Region	GRDP per Capita (in million IDR)*		
	2006	2014	Change
Ketapang regency	10.35	34.42	24.07
Pontianak city	3.80	41.93	38.13
West Kalimantan province	9.16	27.98	18.82

Keys: \* GRDP Based on Current Price

Sources: Statistical Bureau of Regency/City/Province level in West Kalimantan

also regarded as a leading sector that is potential to be developed in the future. The increasing demand of vegetables is a business opportunity for the farmer in Pontianak. Besides, there is a particular benefit in developing the urban agriculture, not only related to the economic benefit, but also related to the city development which is friendlier to the environment (De Zeeuw et al., 2011; Rahmat, 2011).

#### **Impact on Welfare**

The development of economic is intended to improve the human well being. Therefore, the social welfare is an important indicator. The social welfare can be observed from some indicators such as the Human Development Index (HDI), Gross Regional Domestic Product (GRDP) per capita, and poverty issues. Similarly, in this study, the welfare of society as a result of economic development is approached from HDI, which describe the quality of human life in terms of life expectancy, literacy, education, and decent living standards. GRDP per capita describe the monetary value of good and service production for each person in a year. Meanwhile, the poverty indicators include the percentage of poor people that refer to the poverty line version of the Statistical Bureau of Indonesia. This poverty line is based on the energy consumption, which is expressed in monetary value per capita per month.

Referring to data of human development index in 2006, Ketapang regency got the HDI number of 65.40 and then it improved to 69.74 in 2013. The change of HDI number was significant as a result of development undertaken after the regional autonomy and the oil palm expansion policy. Similarly, the HDI number of Pontianak has also changed from 71.03 in 2006 to 74.64 in 2013. This HDI number was higher than regencies due to the better availability of infrastructure, including

education and health facilities. Meanwhile, in West Kalimantan province, the HDI has changed from 67.08 to 70.93. The increasing number of HDI in the regency, city, and province showed the achievement of economic development in this region. This fact was consistent with findings of Maulana and Bowo (2013) that the HDI number of provinces in Indonesia was heavily influenced by the economic growth rate. This fact occurred because the economic growth could encourage the provision of infrastructure, education, and health facilities.

Changes of GRDP per capita have shown an achievement in economic development of West Kalimantan province. The changes increased about three times for Ketapang regency and the West Kalimantan province, and also increased more than ten times in Pontianak. The changes of GRDP per capita are presented in Table 5.

Table 5 shows that there has been a real change in GRDP per capita of Pontianak. This fact reinforces that developmental impacts of oil palm expansion in the macro economy are very impressive. This growth is caused by economic relationship strength between rural and urban areas in West Kalimantan. It started from the increasing of income in rural areas derived from the oil palm plantation sector to boosted consumption and economic growth in urban areas. The reciprocal relationship between rural and urban areas through trading is the primary condition to get the better stage of regional economic development (Adisasmita, 2006; Akkoyunlu, 2015; Bulderberga, 2011; Douglass, 1998).

Furthermore, the poverty rate of Ketapang Regency in 2009 was 13.08% and later decreased to 12.85% in 2013. This declining of poverty rate was too small (no significant). It showed that the



*impact of economic development did not reach poor people groups optimally. This fact should be given an attention for an evaluation whether or not the development policy was really beneficial for poor people around the oil palm plantations. Actually, the achievement on macro economic indicators was not followed automatically by the equity in welfare distribution. Of course, although in one case there are oil palm plantation companies that are able to increase the farmer income, in other cases, they show contradictions. It is depending on the commitment, concern, and pattern of plantation development that is applied by companies. A study from Mukti et al. (2014) concluded that the development of oil palm plantations tended to increase the income gap. Usually, it occurs when on one hand, there are households which are able to increase the income from farming or rural non farm employment, and on the other hand, there are still many households that are not able to maximize various job opportunities yet. This fact can lead to increase the income gap in the rural areas that can trigger to social conflict. It was different from some reports that gave illustration the positive benefits of the existence of oil palm plantations in increasing the farmer income and fostering the rural economic development (Budidarsono et al., 2012a; Budidarsono et al., 2012b; Budidarsono et al., 2013; PASPI, 2016; Susila, 2004; Syahza, 2011; World Growth, 2011).*

*Meanwhile, the impact on poverty reduction in Pontianak and province level tended to be better. After the regional autonomy and the oil palm expansion policy, the poverty rate in Pontianak declined from 6.38% in 2009 to 5.56% in 2013, as well as in province level also decreased from 9.05% to 8.74%. This declining of poverty rate was better than the case of Ketapang regency. The percentage of poverty in this province was also better if it was compared to the national poverty rate that reached about 11.22% in 2015.*

## **CONCLUSIONS**

*A regional autonomy policy that was initiated by central government in 2004 influenced the natural resources management in each region in Indonesia. In West Kalimantan case, the open space of forest lands after the forestry industry collapse had led to the oil palm estate expansion as an effort to overcome the decreasing of income level and land burning problem. The oil*

*palm plantations could increase local peoples' income that came from job opportunities in estate production process, rural non farm employments and business opportunities around the estate, and labor absorptions in crude palm oil factories.*

*The increasing of financial inflow to rural areas in oil palm expansion, then led to the economic structure changes both in the regencies and overall in the provincial level. The economic structure changes of regencies in the period from 2006 to 2014 created positive growth in almost all sectors except manufacturing industry and construction. The economic sectors that had a competitive advantage in the regencies were agriculture, electric/gas/water, transport and communication, trade/hotel/restaurant, and services respectively. Similarly, the impact on Pontianak made the economic sectors develop positively, and encouraged the competitive advantage in agriculture, transport and communication, manufacturing industry, and electric/gas/water sectors respectively.*

*Specifically, the results of the study showed that the economic growth in the regencies had pushed to increasing demand for agricultural products such as vegetables that were produced on peat soil in Pontianak. This fact gives direction to push the urban agricultural as a leading sector in Pontianak. This study also suggested that agriculture, transport and communication, and electric/gas/water sectors had a competitive advantage, either in regencies or Pontianak. Therefore, the infrastructure facilitation for the three sectors must become the main priority for the next periods in West Kalimantan.*

*Furthermore, the impact of economic structural change on social welfare was characterized by two different aspects. The macro economic impact had been achieved by this province as a whole. It was characterized by the growth of all economic sectors, poverty reduction in the province, and the increasing of Human Development Index (HDI) and Gross Regional Domestic Product (GRDP) per capita for the regency and provincial level. Nonetheless, the increasing both indicators of well-being were not followed yet by decreasing of the poverty rate in regency level. This result indicates that the regional autonomy and oil palm expansion policy have not given the real impact yet in reducing poverty at regency level. This fact will be able to increase the economic disparities in regency level, which can*



lead to social conflict.

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