

Case Study: The border town of Luang Manado Melaka¹

The border town of Luang Manado Melaka is an ancient capital in the Southeast Asian region. The border town has great economic potential, especially in tourism, due to its strategic location being the confluence of three countries, and in a newly established economic corridor. The town is the site of some of beautiful temples, palaces and old houses and was recently declared a World Heritage Site by UNESCO. Nearby, pristine rivers and unique flora and fauna can be found in a natural park, which has been recently declared a protected area by the National Government. A section of the protected area traverses the boundaries of neighboring countries. Until recently the border town was a small and sleepy place with few tourists, in which the local population used to practice their traditions and obtained income from subsistence agriculture and sales of a few traditional handicrafts made by women. However, the situation has changed radically in the last decade. Tourists have discovered the beauty of the site and tour operators from the capital city and international operators have started selling packages to visit the town. Every year tens of thousands of tourists visit the town, most of them at the same time of the year during the dry season. Most tourists stay for very short time (1 or 2 days), make photos of the monuments and never return again.

The arrival of tourists has also attracted nationals from other parts of the country and some foreigners. They have bought land and houses from the locals and open new hotels, guesthouses, and souvenir shops, which are now selling products from all around the country. Some locals have had to leave the town or move to its outskirts, because prices have increased due to the arrival of tourists and the new inhabitants. Although many locals would like to work in the tourism industry, they do not have the capital to open a business or the knowledge to deal with tourists and cannot speak English. The new owners of the hotels and restaurants complain that they cannot find qualified staff and they do not have time or money to train them. Competition is very hard and they have to reduce the price of the rooms and meals to survive. They have to pay very low salaries to the employees, who in return complain that it is very difficult to live in the town with such low salaries and the high prices of food and accommodation. The owners of the hotels think that the town Government should invest more in the promotion of the destination to attract more tourists. The other tourist attractions are not easily accessible by bus or car due to poor roads. Very few bus companies provide reliable services due to old buses that frequently breakdown. The town government says it has no funds to do this and argue that this is an obligation of the national Government or the tourism industry that benefit from increased tourism.

The demand for real estate properties have driven the cost so high that many farmers were enticed to sell their lots for tourism development. Local agricultural production declined over the years as most farmers produce only for their own consumption. Most food supply consumed by tourist is already coming from neighboring countries.

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Moreover the cost of goods is expensive due to high transportation cost. Goods have to be transferred by trucks and the need for “transshipment of goods” from one truck to another given trucks from one country are not allowed in another country. There are no “logistical support services and facilities.” The slow processing of papers at the border contributes also to the extra cost shouldered by the truck companies. Customs officials also advised they never work with the neighboring country on account of language barriers, limited capacities, different systems and no equipment, among others. The financial services at the borders are also deemed “inefficient” with no service providers available.

The border town was not prepared for the sudden influx of people. Many tourists complain that the town is dirty, with plenty of rubbish in the streets and bad smell from the nearby river. Water shortages and the quality of water are also a problem due to the lack of investment on water and wastewater treatment systems. Hotels have to build their own improvised water treatment plant in the absence of a centralized system, which in the long term may contaminate the water supply. The municipal public works department says its annual budget is insufficient to provide adequate maintenance of the existing infrastructure or to build new facilities to improve the situation, and they do not have sufficient staff or equipment to keep the streets clean. Tourists also complain that there are too many people visiting the monuments at the same time and no interpretation of the history of the place. UNESCO and several development partners are worried about the potential destruction of the monuments due to uncontrolled access from tourists and its massive numbers. The Ministry of Culture in charge of the maintenance of the monuments says that they have no resources or personnel and they cannot control the number of tourists or their movements. The airlines complain that the airport is at the limit of its capacity and is not well maintained. Many tourists are scared to travel there due to a recent accident and the airlines have to pay now higher amounts to insurance companies, which is forcing them to increase the price of the airline tickets. The department of civil aviation says that they do not have money to invest in upgrading the airport because the money collected from passengers and parking fees is sent to the Ministry of Finance and the budget for operation they receive from Ministry of Finance is very small.

The surge in demand for power during the tourist (dry) season has resulted in frequent power outages in the town and nearby villages. It is very unfortunate this happened at a time when the water at the river is very low and the mini-hydroelectric power plants are at its minimum capacity. Many hotel operators opted to operate their own diesel engine generator set, which is more expensive to operate, noisy, and easily pollute the air. The power company is considering constructing a big diesel-fed power plant but many NGOs are lobbying against it. Many people are already complaining of these frequent power outages and the very high cost of power they are paying, i.e. 50% more compared to the rate on the other side of the border.

The local ethnic minority communities living in the rural areas around the town are very poor and do not benefit at all from tourism. Some of the local community leaders living nearby the natural park would like to bring tourists to visit the area. However, there is a

lack of infrastructure to access the place and the tour operators do not want to include the natural park in their packages. Furthermore, environmentalists from NGOs are worried because these communities are cutting the trees to sell them and for their own cooking and the natural park will be completely destroyed soon if this is not stopped. The department of forestry, in charge of the national park, says that they have only 4 persons to control activities inside the park, due to lack of funding and cannot control what the locals do. Some environmentalists oppose the idea of bringing tourists to the national park because they think this will further deteriorate the situation.

The older people in town and in the rural ethnic minority communities are worried because they are losing their local traditions and tourists do not understand them nor respect them. Several people have HIV/AIDS due to the increase in prostitution and the lack of information to sex workers, local population and tourists. Sex workers, which are mostly women, lack access to health services and the department of health says that they cannot provide any services because sex workers are illegal. Trafficking of women and children has increased, as well as the consumption of illegal drugs, which are in high demand by some tourists. The availability of drugs in the province has also led to increased drug abuse by local population, many of whom is now dependent and spends most family income to buy them. Due to the construction of new roads in the town and facilities for tourists, many local people have lost their agricultural land, which was their only source of income. The Department of Roads argue that the roads are necessary to allow the tourists to move easier, however, they do not have sufficient money to build more roads, maintain them or compensate people for their lost land. Tourists complain that the traffic in the town is very bad due to scarce roads and its poor maintenance.

As a land link within the newly established economic corridor, the flow of goods is very much affected by the customs requirements at the borders, the poor conditions of the roads, and the issue of increasing the load limits of trucks to conform to its neighboring countries standards. While this issue had been taken up already at the sidelines of the last summit meeting where an Economic Corridor Authority (ECA) was established, the issue is still far from being resolved. Many other issues are still pending with the ECA that many observers believe lacks the authority to manage the economic corridor effectively due in a large part to weak capacities. In addition, the local governments of the Luang Manada Melaka and the neighboring countries, who are expected to implement many of the development plans and harmonized systems and regulations on corridor development to be developed by the ECA, have no “buy in” to the establishment of the economic corridor. According to them, it is not a priority especially because they do not see the direct and net benefits of the economic corridor, the corridor was a “political promise” of the national (central) government leaders, and more importantly they had weak capacities.

All of these problems are starting to affect the tourism industry of the border town. In recent years, the number of tourist arrival have plateaued if not starting to decline due to bad publicity from other tourists who have experienced heavy traffic congestions, having to wait for a very long time just to go through the immigration office for Visa, the

inconvenience of travelling via unpaved or dilapidated roads, or having to take your chance to get an airline seat that can cater only to very few passengers.

ADB would like to support the border town by providing a loan to the central Government. The central Government would take the loan from ADB, only if the town Government can guarantee that they will repay it. In order to do that the Mayor will have to increase property taxes and tariffs, however he opposes any increases because this could affect his results during the next elections. If action is not taken quickly the monuments, the natural park and the border town can be destroyed soon, local people can be badly affected and tourists will stop coming.