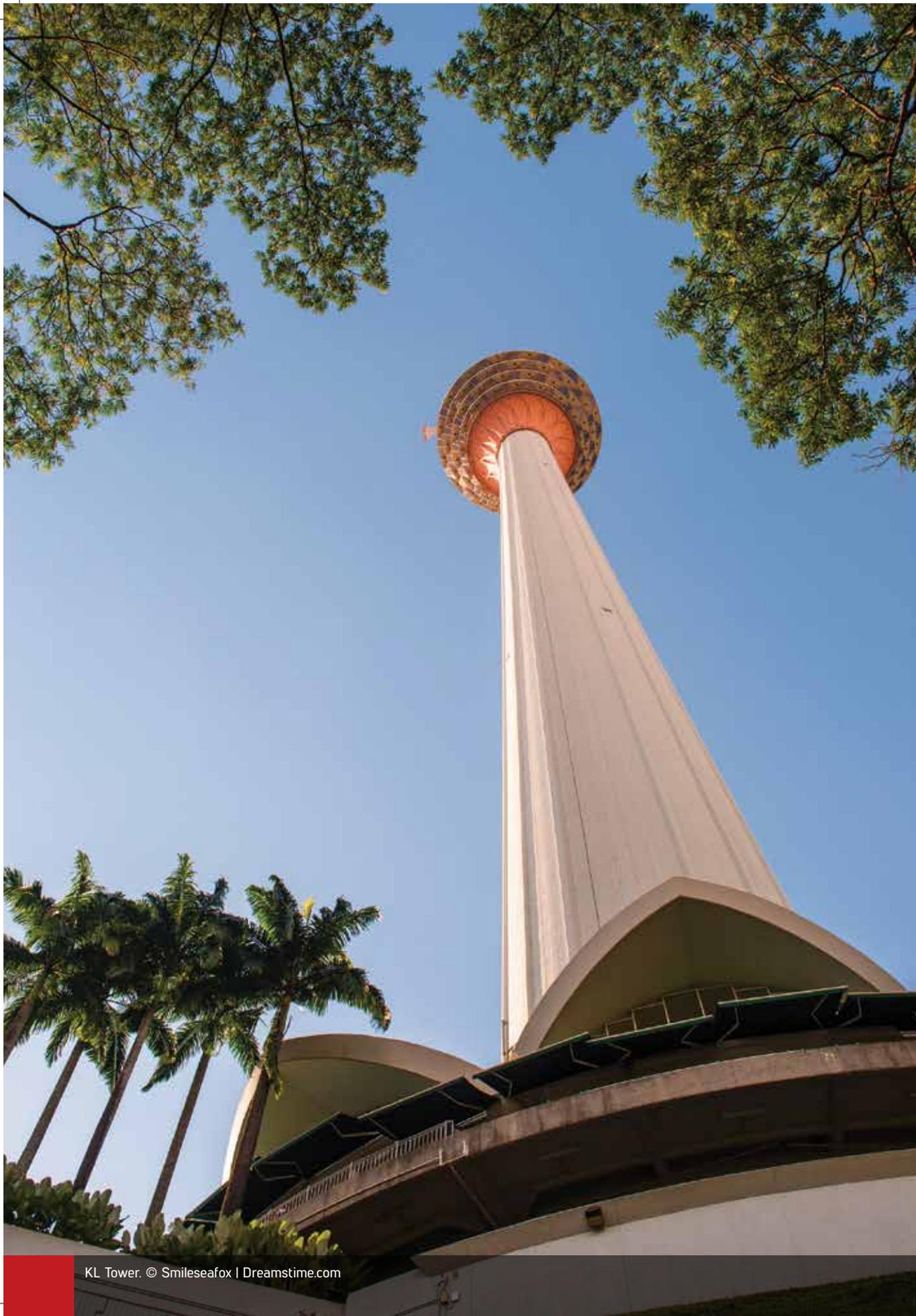




Achieving a System of Competitive Cities in Malaysia

Overview





A

ACHIEVING A SYSTEM OF COMPETITIVE CITIES

As Malaysia looks toward the future, there is a strong recognition that urbanization will play an increasingly important role as a driver of economic growth. The evidence linking higher levels of urbanization, higher productivity and overall economic growth is well established. Yet cities can grow in different ways that will affect their competitiveness and livability. They can be successful at creating opportunities, providing services for residents and citizens, and enhancing public spaces to create vibrant and attractive places to live. But cities can also neglect investments in critical infrastructure and basic services, and mismanage land, environmental and social policies which result in traffic congestion, sprawl, slums, pollution, and crime.

This overview summarizes a study carried out by the World Bank under the guidance of the Economic Planning Unit (EPU) of Malaysia and Khazanah Nasional Berhad. The study focuses on understanding three key aspects of city competitiveness: economic growth, urban governance, and

social inclusion. The analysis is based on existing data provided through the Malaysian Department of Statistics, GIS data from local authorities, international comparative data, and primary data collected through extensive field work carried out from April to October, 2014. This study focused on six selected cities in Malaysia: Kuala Lumpur, Johor Bahru, George Town, Kuantan, Kota Kinabalu and Kuching. Lessons from international experience were used as guidance in the context of Malaysia's own experience and provided critical input to the set of recommended policy options. An assessment of city-level benchmarking efforts, specifically the Malaysian Urban-Rural-National Indicators Network on Sustainable Development (MURNInets) was also carried out with key recommendations proposing the adoption of international benchmarking to allow cities to compare how they are doing relative to other cities with similar attributes.



ECONOMICALLY COMPETITIVE and ENVIRONMENTALLY SUSTAINABLE CITIES

From an economic perspective, maximizing the gains from urbanization to strengthen the role of cities as the growth engines of the national economy is fundamental to helping Malaysia transform from a middle-income country to a high-income one. Continued investments in rural areas will ensure equity and balanced development at the national level. Analysis based on the framework developed in the World Bank's World Development Report 2009, which characterizes geographic transformations for economic development in three dimensions: density, distance and division, points to three main constraints to the economic competitiveness of Malaysian cities¹:

¹ Density refers to the size of population and economic activities per km², distance refers to the ease of reaching markets and determines access to opportunity, and division arises from barriers to economic interactions created by social, cultural and other barriers which restrict market access. These three spatial dimensions can drive markets and affect competitiveness.

► **Low economic density.** Global experience suggests that economic density, as measured by either jobs per km² or gross domestic product (GDP) per km², rises with the level of development; and the densest places in the world are in the richest countries. The economic density of Malaysian cities, however, is relatively low compared to other large cities in East and Southeast Asia. For example, the employment density of Seoul, Singapore and Hong Kong is 2.5, 5 and 10 times that of Kuala Lumpur respectively, while the gross value-added per km² of these cities is 4, 13 and 22 times that of Kuala Lumpur. This limits the benefits of agglomeration and impedes transformation to a knowledge-based service economy.

► **Inefficient urban that results in high transport costs and negative environmental impacts.** Sprawling urban form can undermine livability, affordability and environmental sustainability. The relatively low spatial density of Malaysia's cities results in long commutes for work, and ultimately affects transport costs which are high compared with other East Asian cities. The share of transport costs in household income is 50 percent higher than in Hong Kong and Tokyo. Adding to the high transport costs is traffic congestion, currently a serious problem in the larger cities of Malaysia. Urban



Density Measured as the mass of population and economic activity per unit of land.



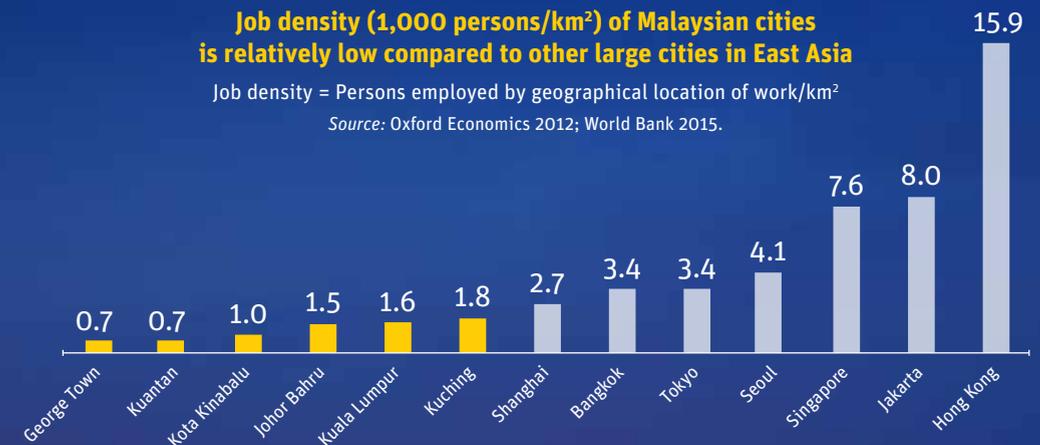
Distance The ease or difficulty for goods and services, labor, capital, information, and ideas to traverse space, capturing both time and monetary aspects of costs.



Division Density and distance are also affected by division. Within-city disparities in welfare and housing, and associated social issues such as crime.

Job density (1,000 persons/km²) of Malaysian cities is relatively low compared to other large cities in East Asia

Job density = Persons employed by geographical location of work/km²
Source: Oxford Economics 2012; World Bank 2015.



sprawl also contributes to greenhouse gas emissions. Temperature records for the past 40 years already show that temperature anomalies in Malaysia's cities have increased faster than the global average. In the medium to long term, climate change is expected to result in more heat waves and to exacerbate the urban heat island effect, in turn increasing energy demand for cooling and increasing water consumption. Heavy, more frequent precipitation events are expected and will increase the risk and severity of urban flooding and landslides, requiring careful land use planning and attention to spatial form.

► **Insufficiently integrated institutions and policies.** Institutional complexity and coordination issues across various levels of government affect the efficiency of urban planning and implementation. For example, land use planning and urban transport are generally not well integrated. Institutional coordination and strong capacity in execution and enforcement are important for integrating land use with strategic and structural investment planning across sectors in Malaysia's cities.

The framework for analysis also denotes cities as a portfolio of assets, each differentiated by characteristics that include size, location, and density of settlement. Extensive research highlights the fact that businesses and people can exploit economies of scale and agglomeration if their settlements perform their intended

functions. Settlements of different sizes complement one another with large cities, secondary cities, market towns and villages all linked through complementary functions. Large cities typically would concentrate on services and innovation, whereas secondary cities and medium sized cities, which tend to have more land, would concentrate on manufacturing and can specialize on specific industries according to their comparative advantages and designated strategies. Smaller towns connect rural and urban areas and act as market centers for agricultural products and other rural outputs. The structure of Malaysia's cities included in this study is roughly as follows: Kuala Lumpur is the large primary city, followed by two large secondary cities (Johor Bahru and George Town), and several medium-sized cities (Kuantan, Kota Kinabalu, and Kuching). Each city faces some specific challenges with regard to its economic productivity, land use patterns and spatial development. Key points related to economic, land use and spatial factors were analyzed at the individual urban level, these points are described below for each of the six conurbations.

► **Kuala Lumpur** Greater Kuala Lumpur is the economic center of Malaysia and has considerable potential to become a world-class business center. To allow this to happen, Kuala Lumpur would benefit from growth in services and innovation sectors, with more standardized industries moving to smaller cities and towns, as has been the experience of other developed countries. The relative degree of specialization in financial,



business and consumer services in Kuala Lumpur decreased from 2003 to 2012, although industry is still a large part of its economy. Kuala Lumpur's labor productivity is behind most competitor cities in the East Asia region as well as global comparators with similar economic structure. With regard to land use and spatial development, Greater Kuala Lumpur has low density, partly due to the underutilization of land in the central areas of the city. Nearly half the land within 1 km of the city center is used by institutions, or is designated as open/recreational space. Although the Kuala Lumpur Structure Plan 2020 envisioned large residential development projects, land use analysis shows that the Federal Territory of Kuala Lumpur (FTKL) actually lost residential area between 2000 and 2010, especially in areas close to the city center. This suggests that these large projects have occurred mostly outside FTKL, which could make commuting times to jobs in the city center even longer.

► **Johor Bahru** benefits from the economic spillovers of its neighbor, Singapore, as is evident from the growing share of consumer services in the local economy. However, Johor Bahru still has low productivity, including in the service sector, which suggests that economic efficiency needs to be enhanced. There is much potential for Johor Bahru to leverage its proximity to Singapore. Different approaches would exploit the city's comparative advantages: land availability, cheaper labor, lower-cost housing, all of which could help promote new industries. A strong understanding of the economic dynamics of both cities is essential to finding the most productive direction for Johor Bahru's economic development. With regard to land use and spatial development, institutional land dominates the center of Johor Bahru, occupying 80 percent of land within the first 1km buffer zone. It may be more efficient to use this centrally-located land for commercial or business

Nearly half the land within 1km of the city center of Kuala Lumpur is used by institutions or is designated as open / recreational space.



purposes, i.e. for an economic purpose that reflects its high value. Residential areas, mainly located in the 3 km buffer zone are largely co-located with industrial and commercial use, which is a good sign for mixed-use developments.

► **George Town** is recognized as a leading hub for electronics and high tech manufacturing and has a strong focus on instruments (including medical instruments) and pharmaceuticals. Overall, industrial productivity is significantly higher than in Kuala Lumpur. The economy, however, has struggled in recent years, and has been weaker than the national average. Land use and spatial analysis show that of the four cities analyzed, George Town had the least amount of land allocated to institutional use. Most new industrial land has been the expansion of existing industrial clusters, indicating that further spatial concentration of manufacturing firms show signs of agglomeration economies. This also corresponds to the conurbation's spatial development plan, which locates specialized manufacturing centers largely based on existing industrial clusters.

► **Kuching** has performed well in the past decade with strong growth and substantial increases in per capita income; both above the national averages. It has relatively high industrial productivity which can be attributed to the spatial concentration of its industrial firms, and to the nature of their industrial activities. Kuching's clusters of manufacturing industries are located in the Sama Jaya Free Industrial Zone (FIZ), and in other industrial parks/zones. Reports suggest that industries are attracted to Sarawak as it has more competitive electricity rates than other cities in the region. The federal government, with the support of the state government, offers incentives and import duty exemptions to investors, which creates a favorable business environment.

Portfolio of cities: Maximizing the productivity gains from agglomeration and specialization

Cities as a portfolio of assets, each differentiated by characteristics that include size, location, and density of settlement.

TOWNS AND SMALL CITIES



Allow firms and farms to exploit **internal scale economies**, by providing infrastructure (roads) to move inputs and outputs, and school's for workers' families.

MEDIUM-SIZE CITIES

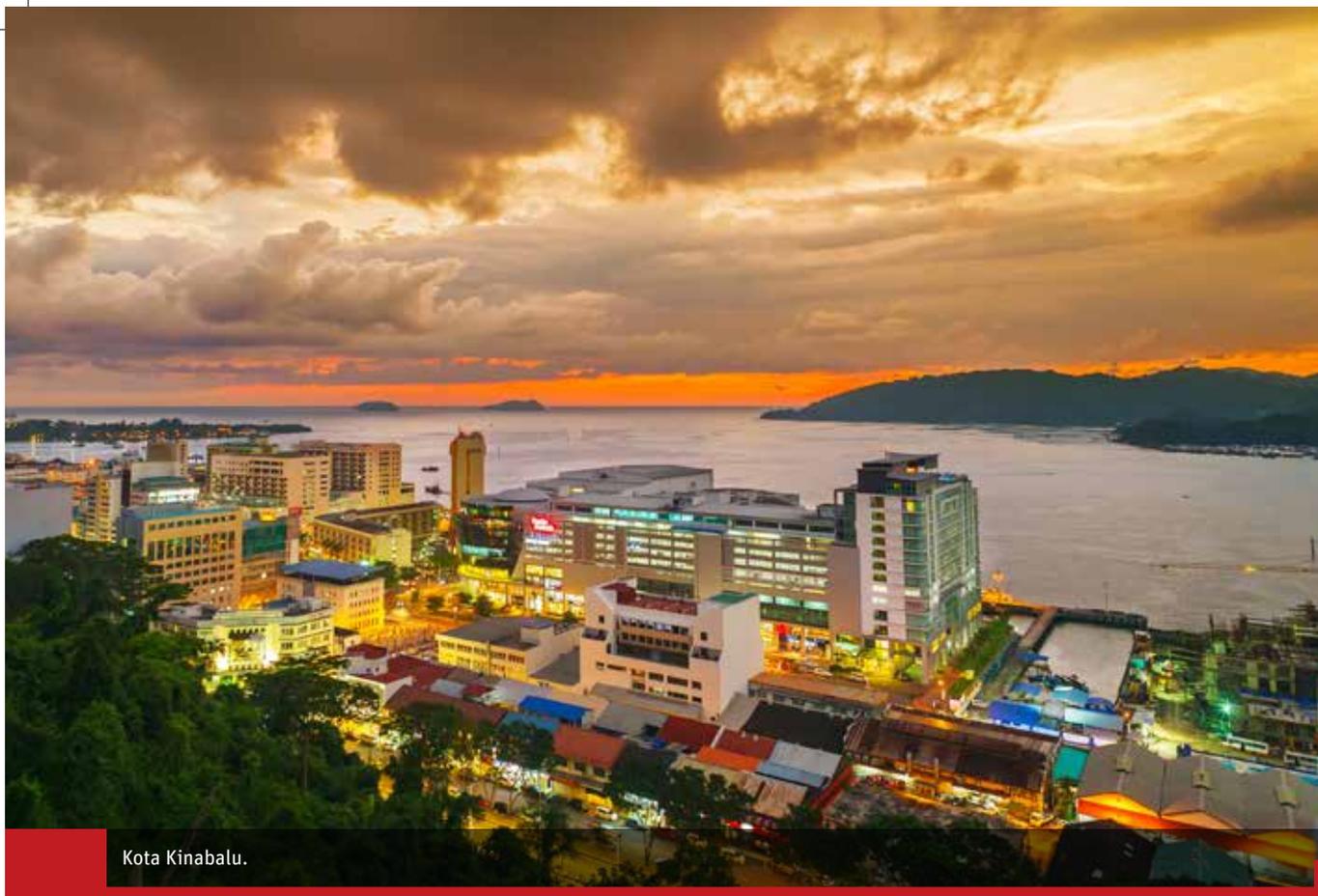


Facilitate **urbanization economies** via exchange of ideas and technology for innovation and growth. Let firms share facilities, inputs, workers, and risks and connect people globally.

METROPOLISES



Facilitate **localization economies** by letting firms choose workers & materials from a larger pool. Produces beneficial competition between producers.



Kota Kinabalu.

URBAN GOVERNANCE

Governments have an important role to play in the delivery of effective and efficient urban services and infrastructure. They need to design and support policies for land and housing markets; raise and equitably redistribute revenues; and promote a safe and sustainable urban environment through strong institutions, both at the national and local levels.

The scope of the analysis related to governance in this study focuses on institutions as they pertain to urban planning, development and service delivery in Malaysia. It includes aspects such as: the roles and responsibilities of government agencies; the system of strategies, plans, policies, laws and regulations; implementation arrangements and coordination mechanisms; and monitoring and evaluation. The analysis involved desk reviews, extensive stakeholder interviews with various government agencies at all levels and across all six conurbations, as well as a review of selected global case studies.

In carrying out the analysis, many of the issues in relation to urban planning, development and service delivery may appear to be of technical or financial nature at first glance, but with further analysis the underlying causes tend to be institutional. For example, despite differences in legal frameworks and specific institutional arrangements between Peninsular Malaysia, and Sabah and Sarawak, many of the institutional issues identified were confirmed during stakeholder interviews as being similar to those on the peninsula.

- ▶ **Kota Kinabalu's** economic output appears to have experienced more volatility than the other Malaysian cities reviewed in this study. This may be related to data issues and/or reflect patterns of investment driven by the 2009 financial crisis and subsequent recovery. With regard to spatial and land use patterns, Kota Kinabalu has a higher proportion of residential land than other Malaysian cities, and its green/open space accounts for nearly half the city's total area. This amount of unbuilt land so close to the city center is unusual, but is a result of the large hills/steeply sloping terrain close to the center.
- ▶ **Kuantan** city is less industrialized than Kuching and Kota Kinabalu, and of the six Malaysian cities reviewed for this study, it has the highest share of agriculture in its economy. Consumer services are a significant component of the local economy, accounting for over 25 percent of the city's GDP. Kuantan stands as the gateway to the broader East Coast Economic Region, which offers a significant source of raw materials for various industries. Kuantan also hosts the main port for the east coast of Peninsular Malaysia. Given its existing economic structure and geographic location, Kuantan could focus on its comparative advantage of internal (plant-level) scale economies. In this regard, improved connectivity to large rural areas, as well as to the large cities on the west coast of the peninsula, could facilitate access to raw materials as well as to markets. This needs to be accompanied by continued enhancements in infrastructure and by the provision of services such as quality education and healthcare.



LRT train in Kuala Lumpur. © Evgeny Prokofyev | Dreamstime.com



Kuching.

Three main institutional issues were identified.

Centralization/federalization of urban service delivery. Local development and urban service delivery in Malaysia are highly centralized through federal/national-level government agencies. Local authorities in Malaysia are responsible for delivering relatively few services, and many functions related to the delivery of core urban services such as public transport, roads, water supply, sewerage, solid waste management, drainage, public health, police and emergency services, and education come under federal government control. The challenges identified in the delivery of urban services suggest that the high degree of centralization has not always had the intended benefits of increasing efficiency and effectiveness. The creation of new agencies has also made coordination and implementation more complex.

Challenges in urban and spatial planning. Although Malaysia has a comprehensive planning system that guides urban development, weaknesses exist in coordination and linkages within the planning system. The current National Physical Plan has not been well implemented in sectoral planning and budget allocations. Large project investments that are designed and planned centrally may not reflect local knowledge and priorities, while some local plans and zoning may be inconsistent with state-issued land titles and projects initiated at higher levels.

Financial and technical constraints facing local authorities. Local authorities in Malaysia have limited financial resources. Most local authorities rely on property assessment tax for the majority of their revenue, but in many cases assessment rates and assessed property values have not been updated regularly. At the same time, the fiscal transfers that local authorities receive as grants from federal and state levels are relatively limited and unevenly distributed. Local authorities continue to face growing pressure from the public for service delivery and maintenance, and often end up using their own funds for stop-gap repairs of facilities or infrastructure that are not their responsibility. In addition, local authorities face constraints in terms of staff and their technical expertise. They have difficulty recruiting, motivating and retaining the right staff; they face staffing controls exercised by the federal-level Public Service Department, and offer relatively lower pay and fewer opportunities for career development compared to federal and state level agencies.

SOCIAL INCLUSION

A key aspect of a city's competitiveness is its ability to be socially inclusive and allow all people, including the disadvantaged, to share in and to contribute to rising prosperity. Malaysia has made great strides in reducing poverty in recent decades: the incidence of poverty is just one percent in urban areas (not including foreign workers). Inequality, however, remains a challenge. The Gini coefficient for Malaysia is one of the highest in Asia, and is substantially higher in urban areas than in rural areas.

The movement from rural areas to urban areas is significant and has been taking place in Malaysia for decades. In the last five years alone, about 2.5 percent of households moved out of rural to urban areas. Young people between the ages of 20 to 30 account for the largest share of internal rural to urban migration. While the move to cities can offer opportunities, not everyone benefits from these opportunities. This can create divisions in society that can be quite evident in urban areas and can lead to social problems, especially for young people who may have dropped out of school or who may be unemployed.

The analysis focused on at-risk youth in urban areas (aged 15-30) as this group is often identified as particularly vulnerable to exclusion, and given that other recent studies have covered broader aspects of social exclusion. Four aspects of social exclusion were covered: economic, political, socio-cultural, and spatial. Qualitative field work was carried out in the six areas included in the study, and included focus group discussions, key-informant interviews and round table discussions with key stakeholders. Some of the key findings are noted here.



Kota Kinabalu. © Tatiana Morozova | Dreamstime.com



Kuching.

Economic aspects. Three main dynamics were identified through the field work as contributing to vulnerability and to a sense of social exclusion. They deal with individuals as well as the broader family: i) youth unemployment linked to lack of education or skills training; ii) poverty and rising costs of living; and iii) irregular work patterns and dysfunctional families.

Political aspects. At-risk youth found it difficult to make their voices heard; they also believed that they had limited influence on decision-making, which contributed to a sense of exclusion. This has negatively impacted their perceptions of their role in neighborhood committees, also in places of worship and religious organizations especially at the local community level.

Socio-cultural aspects. Difficulties in accessing the education system were identified as key contributing factors to both vulnerability and exclusion. Recurring themes in all six cities were issues related to discipline in school resulting in absenteeism and expulsion. Issues identified through focus group discussions relate to a lack of interest in classes that do not cater to students' learning needs, to teachers' disciplinary style that discourages students from attending, and family problems. Broader issues concerned problems with the education system that could hinder the development of non-academically inclined students.

The issue of criminalization of young people involved in anti-social behavior was also raised. Police reports, arrests and lock-ups have created bad experiences for many of the young people the research team encountered. Some groups expressed strong distrust of institutions and saw little hope for the future.

Spatial aspects. The majority of the urban poor and low-income families live in public housing — high-rise flats for newer construction, and 5-story walk-up flats for older construction. Regardless of the type of flats, the issues raised by flat dwellers were similar and included: issues of affordability, the lack of appropriate community spaces, poor maintenance and limited public transportation. Safety concerns, including the prominence of crime and violence were also identified.

POLICY RECOMMENDATIONS

It is important to acknowledge that Malaysia has done well on many fronts. Its economic and social indicators demonstrate impressive progress in recent decades. Achievements in poverty reduction have been remarkable: the share of households living in poverty dropped from over 50 percent in the 1960s to less than two percent in 2012.

As Malaysia sets its sights on high income status, it will be essential to harness the benefits of urbanization through a system of competitive cities that draws on the advantages of each individual city. When analyzing key opportunities to attain this goal, several policy recommendations emerge based on the analysis summarized above. Some will require major policy shifts and strong political will to implement, and these changes may benefit most from phasing in gradually. Other policy options may be easier to implement, and could be initiated within a relatively short time frame. Over time, however, these recommendations will best achieve results when implemented in their entirety rather than through partial or selective implementation. The recommendations are summarized below.



1 Fostering Economic Growth

2 Ensuring Environmental Sustainability



3 Strengthening Institutions for City Competitiveness

4 Fostering Social Inclusion



5 Promoting Innovation through Information

1 Fostering Economic Growth

a. Strengthening institutions for managing land markets and developing land policies. Well-functioning institutions are important to help promote economic density and dissipate economic and social divisions. This can be achieved by encouraging: flexible land use regulations and better utilization of land; coordination of land use planning with development of connective infrastructure; and use of public transport.

Flexible land use regulations. Malaysia needs flexibility in land use to cater to the changing demand for land and to accommodate more dense and compact urban development. Relaxing any overly stringent restrictions on land use, such as low plot ratios is crucial for achieving this. Realizing the potential of underutilized land for more productive uses, such as affordable residential and commercial developments, would contribute to increasing economic density and foster economic growth.

Coordination of land use planning with transport infrastructure development. Besides relaxing stringent regulations and ensuring fluidity of the land market, there are other urban planning tools, such as mixed-use planning, that can help change the spatial structure of cities and limit urban expansion and sprawl. Efficient land use through transit-oriented development (TOD) or smart growth that prioritizes new developments along established public transport routes may help Malaysian cities reduce distances from places where jobs are concentrated.

b. Target interventions to improve efficiency in the system of cities. These can include incentives to cluster service- and knowledge-based sectors in larger cities and to relocate land-intensive manufacturing industry to smaller cities and towns. Initiatives to repurpose old industrial districts could include infrastructure redevelopment and catalytic projects to make the city's spatial structure more efficient, livable, and sustainable. At the same time, continued investments in rural areas are necessary for equity and balanced development across the country. While some of these initiatives are already underway in Malaysia, there are opportunities for deepening them to improve efficiency.

At the city level, analysis indicates optimal utilization of available land close to the Kuala Lumpur city center² could facilitate agglomeration economies and increase economic density through a number of policy actions. The spatial development strategy for the center of KL focuses mainly on mixed-use development and on ensuring that the residential component remains strong; the success of this strategy depends on the pattern of these residential areas close to the city center, i.e. high density residential, as reflected by high plot ratio, can be commensurate with the high value of land, and can promote mixed-use development and more compact urban form.

² Federal Territory of Kuala Lumpur and adjacent areas in the state of Selangor.



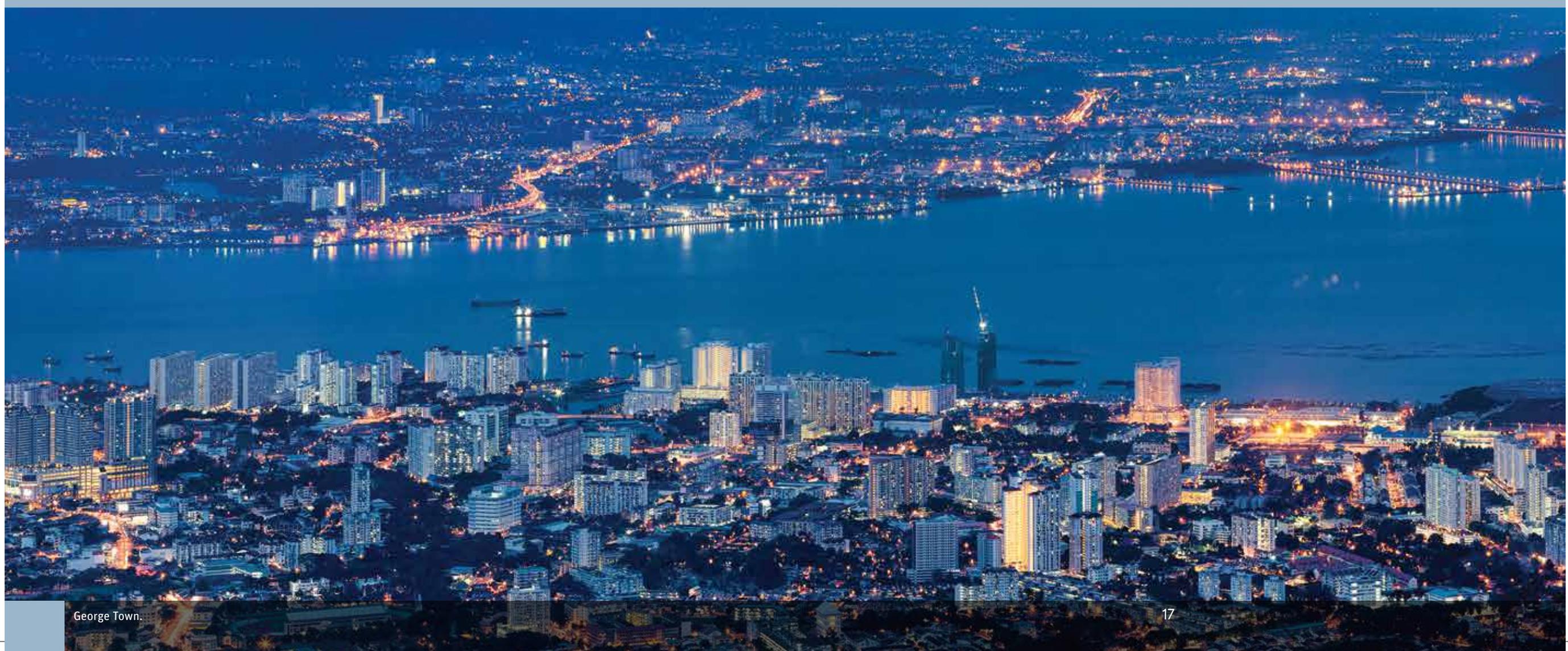
For the Johor Bahru/Iskandar Region, a key recommendation is to adjust the existing strategy to pursue more vertical linkages with Singapore. This could focus on selected sub-sectors in manufacturing and in finance and business services. Further analysis of successful and failed initiatives and the most dynamically growing industries could indicate possible growth areas.

In the case of the George Town conurbation/Penang area, significant work has been done in recent years on its economic and urban strategy. This study recommends a deepening of the implementation of existing plans. The recent slow-down in the electronics sector, and weakness in other sectors of the economy, point to the need for George Town to move the manufacturing sector up the value chain, along with the services sector. This is taking place already and is supported by the government, as reflected in its spatial development plan.

As for Kota Kinabalu, Kuching and Kuantan, further study would be required to match the extent of analysis that has been done for Kuala Lumpur, Johor Bahru and George Town; a specific recommendation would be to perform this analysis in any future work.

2 Ensuring Environmental Sustainability

Encouraging the use of public transport. The provision of public transport infrastructure and services could be accompanied by fiscal incentives to encourage the use of public transport and reduce reliance on private vehicles. This would help reduce congestion and transport costs in Malaysian cities. Fiscal instruments are primarily price-based and take advantage of market mechanisms. Examples of these instruments include: congestion charges, emission and/or pollution tax or charge (e.g. carbon tax, sulfur tax), fuel tax (e.g. any excise tax on fuel), vehicle tax (e.g. ownership, licensing or registration fee) and subsidies (e.g. subsidies for clean fuels, efficient vehicles, and public transport). These instruments are expected to cut travel demands, encourage commuters to use public transport; substitute polluting fuels (e.g. petroleum products) with clean fuels (e.g. ethanol, hydrogen, compressed natural gas), and encourage the public to use vehicles with higher fuel economy.



Incorporating risk reduction into land use and infrastructure planning could have positive economic impacts and ultimately save lives. Given climate change projections, Malaysia can expect more frequent precipitation events and an increase in the risk and severity of urban flooding and landslides. This is likely to disrupt economic activity and infrastructure. In the longer term, sea-level rise also threatens many Malaysian cities: all six cities in this study are located at or near the coast.

3 Strengthening Institutions for City Competitiveness

a. Localizing the delivery of selected urban services. There are substantial opportunities for transforming institutional structures to improve the effectiveness and efficiency of service delivery. This can be done by shifting more management and decision-making roles to the local level and promoting an enhanced system of local performance indicators.

Identify services to be delivered locally. The criteria for identifying the appropriate level for service delivery include: economies of scale; externality effects; equity; and local responsiveness and accountability. Based on these criteria, some services that are currently managed centrally could be devolved to lower levels of government. Such services could include: intra-urban highways and federal intra-urban roads; urban public transportation including buses and rail; drainage and flood mitigation; solid waste management and disposal; and emergency services.

Metropolitan governance. In certain cases, localization would mean that some functions and services, particularly planning, would be organized at the conurbation level, involving several local authorities and possibly more than one state. This would facilitate improved planning and coordination across local authorities within a conurbation, while also allowing for prioritization of local needs. Globally, various institutional arrangements for metropolitan management exist, for example, a metropolitan-level agency for one specific sector, controlled jointly by a group of local governments.

City performance indicators. Indicators are essential for tracking improvements in urban service delivery. For each localized service, one or more quantitative indicators should be measured, and needs to be supported by a baseline and regular monitoring. Malaysia has the building blocks for this, including the Star Rating System and the Malaysian Urban-Rural-National Indicators Network on Sustainable Development (MURNInets). There are opportunities for enhancing these systems through the use of internationally standardized indicators to benchmark performance and identify good practices from leading cities worldwide.

b. Increasing the capacities of local authorities. Ensuring that service delivery at the local level is optimized will require some strengthening of the financial and technical capacities of local authorities, including own-source revenues, fiscal transfers, and staffing.

Property assessments. Dismantle the barriers, political or otherwise, that have prevented the property assessment system from working the way it was intended to work. This could include revising assessment rates and updating assessed values. Safeguard mechanisms could be built into the system to avoid placing sudden or excessive property tax burdens on individual property owners, particularly for lower- and middle-income groups.



Fiscal transfers. The system of fiscal transfers to local authorities could be revised to be more transparent, predictable and formula-based. The specific formula for grant transfers, including constituent variables, needs to be carefully considered, and needs to take into account the diversity of needs across the country. At least part of the grant formula could be based on needs, such as level of development, extent of land area, and number of residents served. In principle, transfers could also be structured as performance-based grants. Based on performance indicators for a particular service, incentive payments in the form of increased grant funding could be given to local authorities for excellent performance.

Staffing. The technical capacities of local authorities could be improved to help them recruit, motivate and retain the right staff. Options for this could include: relaxing some centralized staffing controls, and increasing opportunities for career development by enabling local authority staff to rotate and serve at other government agencies. To the extent that some of these changes would be undertaken with the proposed PBT Transformation Plan, the implementation of this plan should be a priority.

4 Fostering Social Inclusion

Strengthening programs for at risk urban youth. Some policies and programs targeted at enhancing support for at-risk youth have been successful in other countries. Such programs help to: prevent school dropouts; encourage entry to the labor market; and facilitate inclusion through spatial integration (e.g. housing, transport).

Support policies aimed at keeping children in school. Global evidence shows that implementing policies that encourage children to remain in secondary school is one of the most important preventive investments a country can make for at-risk youth, both in terms of improving their educational outcomes and in reducing almost all risky kinds of behavior. Completing secondary school can serve as one of the strongest protective factors for young people in two key ways: i) through the knowledge and skills that they acquire, which enable them to make informed decisions; and ii) through the sense of connectedness that students often feel to adults within the school. Promoting school connectedness through efforts to improve school quality; providing financial incentives to stay in school; incorporating life skills training into the curriculum; and revising

disciplinary policies can have a range of benefits. These include decreases in: absenteeism, fighting, bullying, and vandalism, and the promotion of educational motivation and classroom engagement. It also helps to improve academic performance, school attendance and completion rates.

Scale up targeted programs for vulnerable youth. While Malaysia has been spending a significant amount of its fiscal resources on social protection, much of that has been devoted to non-targeted programs which do not necessarily reach vulnerable youths. International experience points to a range of programs that could be supported including: “second chance programs” such as literacy and comprehensive educational/job training programs that provide school dropouts with an opportunity to complete high school and enter tertiary education or the labor market; job training programs that include a mixture of technical skills, life skills and internships; and mentorship programs. The My Skills Foundation program in Malaysia provides a good example.

Invest in safe neighborhood programs. Safe neighborhood programs are another way to foster a sense of belonging and support participants’ aspirations, ultimately having a powerful impact in changing the lives of youth-at-risk, as well as changing the dynamic between young people and other community members. Such programs should be informed by a clearly articulated design principle, a coherent structure and should focus on measuring impact on the ground.

Improve coordination, design and implementation of programs. Given the multidimensional and cross-sectoral nature of youth interventions, the implementation of any such program would need to be well coordinated by several government ministries. The establishment of an interagency task force on youth-at-risk could enhance coordination. There are also important opportunities to engage the community, local government and civil society organizations in the design and implementation of programs at the local level.

5 Promoting Innovation through Information

Deepen open data policies. Providing open access to data from Government and other sources can create new business opportunities, and help solve civic problems. As technology advances, cities around the world are experimenting with ways to use data from a number of sources to better understand their urban environment and their citizens, trying to use technology to respond more effectively to citizens’ needs. As a technologically advanced society, Malaysia is in a good position to take advantage of new and innovative means of data-enabled urban management. Many Malaysian government agencies collect large amounts of data, some of which are available publicly online, and some agencies have developed mobile phone applications to help citizens access these data. However, more could be done to use the data to facilitate collaborative decision-making between government agencies and between the government and citizens, ultimately enhancing the competitiveness of cities.



George Town.

SUMMARY TABLE OF ISSUES AND RECOMMENDATIONS

Issues	Recommendations
1 Fostering Economic Growth	
1.1 Low economic density	<ul style="list-style-type: none"> ● Increase the flexibility of land use in cities to facilitate increased economic density <ul style="list-style-type: none"> – Relax some restrictions (e.g. plot ratios, mixed use) – Repurpose 'low land use' areas where feasible ● Manage a system/portfolio of cities; Align sectors with city size: i.e. cluster service and knowledge based economies in large cities, and relocate manufacturing to smaller cities
1.2 Large distances within cities	<ul style="list-style-type: none"> ● Improve urban connectivity through public transport, transit-oriented development, ensure service for low income communities
1.3 Challenges of division	<ul style="list-style-type: none"> ● Coordinate land use planning with development of infrastructure ● Institutional coordination across different levels of government (Chapter 4)
1.4 Addressing city specific needs	<ul style="list-style-type: none"> ● Target interventions to improve efficiency in the system of cities ● Further develop city level plans
Kuala Lumpur	<ul style="list-style-type: none"> ● Ensure optimal utilization of land close to the city center ● Identify areas of low-use land that could be feasibly developed for more productive use ● Plan and implement new developments on specific land parcels, including affordable housing for middle income groups ● Encourage the relocation of industrial activity to other cities possibly through a programmatic approach
Johor Bahru	<ul style="list-style-type: none"> ● Consider adjusting the Iskandar region's strategy to pursue more vertical linkages with Singapore <ul style="list-style-type: none"> – Review the existing strategy (including the new CDP2) and identify opportunities for adjustment – Implement specific actions/investments related to vertical linkages identified
George Town	<ul style="list-style-type: none"> ● Deepen implementation of existing plans
Kota Kinabalu Kuching Kuantan	<ul style="list-style-type: none"> ● Carry out follow-up studies at the specific city level

Issues	Recommendations
2 Ensuring Environmental Sustainability	
2.1 Low density and long distances have negative impact on the environment	<ul style="list-style-type: none"> ● Encourage the use of public transport <ul style="list-style-type: none"> – Instruments could include congestion charges, emission and pollution tax, fuel tax, vehicle tax, subsidies for clean fuels, efficient vehicles and public transport, substitute polluting fuels with clean fuels
2.2 GHG emissions and climate change	<ul style="list-style-type: none"> ● Prioritize green growth policies <ul style="list-style-type: none"> – e.g. public transport use, LED lighting, green buildings ● Integrating policies for climate change and disaster risk reduction into urban planning and management <ul style="list-style-type: none"> – Risk reduction for land use and infrastructure planning
3 Strengthening Institutions for City Competitiveness	
3.1 Centralization of urban service delivery	<ul style="list-style-type: none"> ● Localize the delivery of selected urban services <ul style="list-style-type: none"> – Improve the efficiency and effectiveness of service delivery by shifting more management and decision making to the local level – Use an enhanced system of local performance indicators to track performance
3.2 Challenges in urban and spatial planning	<ul style="list-style-type: none"> ● Develop metropolitan governance arrangements to improve planning and coordination
3.3 Financial and technical constraints facing local authorities	<ul style="list-style-type: none"> ● Strengthen the capacities of local authorities <ul style="list-style-type: none"> – Enable the property assessment system to work as designed while protecting property owners from sudden or excessive tax increases – Revise the system of fiscal transfers to local authorities to be more transparent, predictable and formula based – Improve the ability of local authorities to recruit, motivate, and retain staff
4 Fostering Social Inclusion of At-risk Youth	
4.1 Economic aspects	<ul style="list-style-type: none"> ● Support policies aimed at keeping children in school ● Improve school quality, financial incentives to stay in school, including life skills training, revise disciplinary policies ● Job training programs including technical and life skills, internships
4.2 Socio-cultural aspects	<ul style="list-style-type: none"> ● Support programs that specifically target at-risk youth in urban areas ● Rehabilitation and second chance opportunities for 'dropouts', e.g. literacy, education/job training, life skills ● Mentoring programs ● Ensure access for all ● Public awareness programs

Issues	Recommendations
4 Fostering Social Inclusion of At-risk Youth (continuation)	
4.3 Spatial aspects	<ul style="list-style-type: none"> ● Invest in safe neighborhood programs ● Youth-friendly spaces and activities in public buildings ● Foster good police-community relations ● One-stop centers in high-risk communities ● Review the design of low-cost housing ● Ensure public transport access in low-income communities ● Review of current routes and hours of operation
<ul style="list-style-type: none"> ● Limited public transport, safety concerns (in low cost housing), crime and violence 	
4.4 Political aspects	<ul style="list-style-type: none"> ● Engage communities in the design of programs
<ul style="list-style-type: none"> ● Limited voice in decision-making 	
4.5 Program design and implementation challenges	<ul style="list-style-type: none"> ● Improve coordination, design and implementation of programs to meet needs ● Establish an interagency task force on youth-at-risk ● Follow-up study
5 Improving Data Access and Quality	
5.1 Data access is very difficult	<ul style="list-style-type: none"> ● Deepen open data policies at all levels of government
5.2 Limited availability at the city and intra-city levels	<ul style="list-style-type: none"> ● Invest in ensuring data representation at the city and intra-city levels <ul style="list-style-type: none"> – Spatial data – Economic data – Socio-economic data
5.3 Data is not always reliable or comparable	<ul style="list-style-type: none"> ● Improve standardization ● Consider international system of benchmarking for city level indicators with third party verification <ul style="list-style-type: none"> – ISO standard 37120 – Participate in GCIF for those cities not ready
6 Urban Growth Boundaries	
6.1 Conurbation boundaries cross administrative and service boundaries	<ul style="list-style-type: none"> ● Gain consensus and implement approach to redrawing the conurbations' boundaries to take into account jurisdictional, administrative and service boundaries as well as economic, social, transportation and environmental aspects. <ul style="list-style-type: none"> – Guidelines for drawing boundaries provided
6.2 Urban management challenges within conurbations	<ul style="list-style-type: none"> ● Improve approaches to metropolitan governance

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