

## **Think City and World Bank Release Joint Policy Paper: "Better Cities for Greater Growth: Rethinking Malaysian Cities for Sustainable Development"**

**KUALA LUMPUR, June 18, 2024** – Think City, in collaboration with the World Bank, jointly launched a policy paper titled "Better Cities for Greater Growth: Rethinking Malaysian Cities for Sustainable Development." This collaborative effort aims at advocating for a spatial approach to inclusive and sustainable economic growth via Malaysian cities.

Commencing with a series of discussions, the initiative evolved into an Expert Roundtable Dialogue in June 2023, gathering representatives from various sectors including federal and local governments, private entities, research institutes, and universities. The insights garnered from these discussions have been distilled into a policy paper that underscores the imperative for aligning Malaysia's urban development with principles of productivity, inclusivity, and sustainability.

The paper highlights the role of Malaysian cities in accelerating Malaysia to a high-income economy. Most countries achieved middle-income status during urbanisation, and none has reached high-income status without vibrant cities. Malaysia, an upper-middle income country, has reaped the triple benefits of population growth, urbanisation and economic development over the past decades.

The country has recorded an average annual GDP growth of 3.6 percent, with GDP per capita increasing from US\$1,389.50 to US\$11,399.40 between 1962 and 2022. This has reduced the poverty rate from 49.7 percent in 1970 to 8.4 percent in 2020, and the urban population grew threefold during the same period (1962-2022), from 28 percent to nearly 78 percent. This signifies that Malaysia's urbanisation has been closely linked to national economic growth.

"Malaysia is an urban nation where almost 80% of Malaysians live in cities and towns. The nation's prosperity will be determined by how well Malaysian cities and towns perform in achieving global socioeconomic competitiveness, resilience, and a high quality of life. The report today further affirms the need to address the city challenges to unleash the many benefits of urbanisation, which can reduce poverty, inequality and climate vulnerability while promoting economic growth through improvements in employment opportunities and quality of life," said Hamdan Abdul Majeed, Managing Director of Think City.

However, Malaysia has not yet fully tapped into its cities' potential to drive economic growth and contribute to inclusive development. Malaysian cities face negative externalities due to poor city planning, such as loss in productivity due to congestion and longer travel time, decreased in housing affordability and increased vulnerability to climate challenges. Moreover, divisions exist between regions in terms of wage and access to basic services.

The report advocates for the adoption of an economic geography approach to drive productive and inclusive development in Malaysia, emphasising the need to integrate spatial and economic planning to enhance city competitiveness, liveability, and resilience.

"Through our collaboration with the World Bank, this report underscores the critical importance of rethinking urban development strategies in Malaysia, pushing past the middle-income trap and transforming the nation into a high-income economy. By adopting an economic geography approach



and implementing innovative solutions, we can create cities that are not only more competitive and resilient but also more inclusive, ultimately driving sustainable growth for the nation," added Hamdan.

While cities are spaces of great challenge, they are also catalysts for growth and innovation if well managed. This report proposes three ways in which the government can strengthen local institutional capacity for effective urban planning and management. Firstly, evaluating the efficacy of the existing division of mandates can optimise roles and responsibilities across levels of the government. In doing so, the paper proposes a system of cities' approach whereby cities and municipalities play integrative roles in the national and regional development according to their endowment and characteristics.

Secondly, an increased role of cities in promoting inclusive growth requires commensurate resource allocation and capacity enhancement. The federal government can strengthen the system of cities by offering a performance based fiscal transfer, combined with capacity building support, particularly for secondary cities to play a bigger role. Lastly, in supporting cities, the federal government can focus on capitalising on the transformative potential of digital technologies and innovation and promoting low carbon and climate resilient investments.

The release of the policy paper also marks a significant milestone in the ongoing dialogue on urban development in Malaysia. It provides a roadmap for policymakers, stakeholders, and urban practitioners to collaboratively address the challenges and opportunities presented by Malaysia's evolving urban landscape and the urgent need to invest in coordinated, efficient systems to push Malaysia to the next level.

Read the full report [here](#).

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#### **About Think City**

Think City is an impact organisation established in 2009 to create more sustainable and equitable places for the benefit of all. Our knowledge, skills and strategies focus on urban solutions, the environment, social communities, and the cultural economy. Think City is a wholly owned subsidiary of Khazanah Nasional Berhad (the sovereign wealth fund of the Government of Malaysia). For more information, log on to [thinkcity.com.my](http://thinkcity.com.my).

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