



## **THE EFFICIENT URBAN GOVERNANCE IN MANAGING AND ENHANCING COMPETITIVENESS OF PROPERTY MARKETS IN KUALA LUMPUR CITY-REGION**

(Keefisienan Governans Bandar dalam Mengurus dan Memperkasakan Daya Persaingan Pasaran Hartanah di Wilayah-Bandar Raya Kuala Lumpur)

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### **ABSTRACT**

This article discusses on the preliminary study of efficient urban governance (EUG) towards enhancing competitiveness of the property market with regards to the performances of the shopping complexes and office sectors in the Kuala Lumpur city-region (KLCR). City-region competitiveness is currently one of the major tasks in the country's development agenda. The issue is more obvious when the city-region acts as an engine of growth to help attaining a fully developed nation by 2020. Bearing in mind that the urban governance is one of the key players to spearhead the city region economy and the property market in particular, the roles of urban governance in managing and enhancing the competitiveness of property markets is crucial. Nevertheless how well does the urban governance enhance the efficiency of local authorities (LAs) in city-region is understudied. Another aspect is the extent of the EUG initiatives to boost the property market within city-region. Based on a study carried out in 2009 and the Kuala Lumpur City Plan 2020, and the National Property Information Centre (NAPIC) 2009 act as the basis of discussion., this article discusses the performances of the property market in city-region economy. The study found that the main challenge of enhancing competitiveness of property sector in city-region is the implementation of efficient urban governance by LAs. One crucial prerequisite is the existence of urban governance that integrates all sectors including public, private and other social organisations in participatory decision making. In particular, EUG helps to spearhead the city region and property market as the principles of sustainability, subsidiarity, equity, transparency and accountability, civic engagement and citizenship and security are secured and in practiced.

**Keywords:** efficient urban governance, competitiveness, property market, city-region

### **ABSTRAK**

Artikel ini membincangkan kajian awal keefisienan governans bandar (KGB) dalam memperkasakan daya persaingan pasaran hartanah khususnya prestasi pusat membeli-belah dan pejabat terhadap ekonomi wilayah-bandar raya. Pada masa kini, daya saing wilayah-bandar raya telah menjadi satu agenda utama dalam pembangunan negara. Isu ini menjadi semakin ketara apabila wilayah-bandar raya berfungsi sebagai enjin pertumbuhan bagi mencapai status negara maju menjelang tahun 2010. Dengan mengambil kira governans bandar sebagai pemain utama dalam mempergiatkan ekonomi wilayah-bandar raya terutamanya pasaran hartanah, peranan governans bandar dalam mengurus dan memperkasakan daya persaingan pasaran hartanah adalah kritikal. Meskipun begitu, sejauhmana keupayaan governans bandar memperkasakan keefisienan pasaran hartanah dalam ekonomi wilayah-bandar raya masih kurang diteliti. Berdasarkan kajian yang telah dijalankan pada tahun 2009 dan analisis laporan Pelan Tempatan Bandar Raya Kuala Lumpur 2020, serta laporan Pusat Maklumat Hartanah Negara 2009 (NAPIC) sebagai asas perbincangan, artikel ini membincangkan prestasi pasaran hartanah dalam ekonomi wilayah-bandar raya Kuala Lumpur. Kajian ini mendapati bahawa cabaran utama memperkasakan daya persaingan sektor hartanah dalam wilayah-bandar raya adalah pelaksanaan governans bandar yang efisien oleh pihak berkuasa tempatan. Satu prasyarat kritikal adalah kewujudan gaovernans bandar yang boleh mengintegrasikan penyertaan semua pihak awam

dan swasta serta organisasi-organisasi sosial lain dalam proses buat-keputusan. Secara khususnya, governans bandar yang efisien membantu mempergiatkan wilayah-bandar raya dan pasaran hartanah, dan pada masa yang sama menjamin dan mengamalkan prinsip-prinsip kemapanan, subsidiari, keadilan, ketelusan, akauntabiliti, penglibatan awam, kewarganegaraan dan keselamatan.

**Katakunci:** Keefisienan governans bandar, daya persaingan, pasaran hartanah, wilayah-bandar raya

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## **INTRODUCTION**

Urban governance is well acknowledged as one of the key successes for city competitiveness. It also plays a central role to ensure the sustainability of city's provision of amenities, either directly or indirectly, especially in managing the infrastructural facilities, services and helps monitoring the social, environmental, and spatial effects of urban development. More importantly, both the urban governance and local government becomes the centre of participatory mechanism that allows not only the involvement of local communities and civil society in local decision making, but also encourages new sectors to be ventured to spearhead the dynamics of the city as well as the city region. One of the under studied sectors in most of the developing city region is the property market.

Meanwhile the literature of the property markets has brought about changes in looking these prospects when spatial and location matters are involved. Based on the argument that the urban governance does play active roles in pursuing the property market in the city region development, this article took the initiatives to delineate the exploratory research finding of the property market in Kuala Lumpur city region (KLCR). In this paper, it is argued that the urbanization process and the economic growth in KLCR have increased the political and administrative pressures to decentralize the government decision making and service delivery, from being a central government-led development to a more local governance-led management. As Andersen (2001) emphasizes that rapid economic and population growth have inevitably resulted on some constrains on urban governance, particularly its system and processes of urban administration, providing a competitive services is more challenging. In fact Bevir (2007) asserts that governance by its nature involves politics, processes, and mobilization of resources. These can be more challenging in the rapidly growing city region of Kuala Lumpur, particularly when property markets in shopping complexes and offices sector become the central concern of both private agencies and public agencies. In a simple word, how can the local agencies (LAs) help improved their EUG in order to enhance competitiveness property market within city-region?

This article is presented in three main sections, which section one aims to draw the background of the study area, before the second part of the paper deals with the development of shopping complexes and offices property. The third part of the article discusses the issues underlying the property market and how the urban governance manages this phenomenon. The conclusion, as the final part of the paper highlights the possibilities of the urban governance to efficiently manage this prospect.

## **BACKGROUND OF THE STUDY: THE NECESSITY OF EFFICIENT URBAN GOVERNANCE IN CITY REGION**

As governance involves the process of decision-making and the process by which decisions are being implemented, this mechanism requires stakeholders to undertake the formal and informal roles, all of which influences the value chain of a delivery system. The players are

not limited to the public sector, but also involved the private sectors, business counterparts, the media and mass of the society, the public. In fact, the Government is one of the players in a governance based society and it is not the only player. It cannot be the only player in a democratic environment.

The Urban Governance Initiative (TUGI) of UNDP (2003) has focused on nine principles of good urban governance, which constitute the participation, rule of law, transparency, responsiveness, consensus oriented, equity, effectiveness and efficiency, accountability, and strategic vision. In essence, urban governance is the integration of effort between the community, private sector and city-region authorities where the urban authorities perform the coordinating role and determine the quality of the microeconomic environment and location that attract investors. In most cases, the private sector provides the much needed financial assistance and business expertise to operate independently or on smart partnership or joint basis with the public sector. Table 1 shows a summary of definition and application of urban governance.

Table 1: A summary of definition and application of urban governance

No	Scholars	Definition of Urban Governance	Application
1.	Stoker, 1998	As an outcome that is visible to a citizen is a key feature that allows empirical tests of the city as a place or as a sustained achievement of performances. A form of co-governing generated for a specific place such as a city-region.	In fact, the contemporary urban environment with its multitudinous urban issues is too complex and diverse to be addressed by municipal government independently. The common view now is that it is time to solve urban issues by building up an urban governance structure with stakeholder's participation.
2.	Mehta, 1998	As the concept of <i>networking</i> of one city with other cities or with key stakeholders such as firms, labor unions and business associations, but also other states.	A number of indicators of networking such as the number of inter-city, regional, and international networks as well as the extent of technological interchange and collaboration. Measures such as presence of business sector initiatives to improve efficiency of local government functioning, as well as the degree to which implementation of policies and incentive schemes exist to encourage private sector participation in development.
3.	The International Bank of Reconstruction and Development, 2001	Exercise of power to manage a city's economic and social development. Developing policies and approaches to meet community needs with the involvement of the community in the process	Involving the community in identifying their wants and needs - this implies that the city government will uphold democratic processes and be accountable to the people of the city
4.	Dekker & Van Kempen, 2004	As relies on self-organizing networks and bottom-up approaches, and considers the	The type of participation in urban governance is substantial and positive rather than formal and negative. The

	citizen as stakeholders, participating to make important decisions for the administration and process of urban policy	relationship among participants works in a horizontal structure of partnerships and networks with those in authority and having accountability.
5.	UNESCO,2006	As the processes that steer and take into account the various links between stakeholders, LAs and citizens.
		It involves bottom-up and top-down strategies to favor active participation of communities concerned, negotiation among stakeholders, transparent decision-making mechanisms, and innovation in strategies of urban management policies.
6.	OECD, 2006	As the roles and responsibilities of different levels of government operating in metropolitan regions, intergovernmental co-ordination and new relationship with the private sector and civil society.
		There is a strong interest in developing an adequate formula that will respond to metropolitan challenges now visible everywhere.
7.	Bingham,2006	As ways to engage citizens in urban policy decisions. These processes let people demonstrate that they have the potential to engage in dialogue and reach consensus on what is the best for their community.
		The integration of reasoned discussions by the citizens and other residents into the decision-making of public representatives, especially when these approaches are embedded in the workings of local government over time.

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**(a) Efficient Urban Governance**

Simon (1976) proposed in its broadest sense, to be efficient simply means to take the shortest path, the cheapest means, toward the attainment of the desired goals. However, efficiency is not limited simply to making incremental efficiency improvements in existing practices, but it should be stimulating the creativity and innovation in the search for new ways of doing things. In this context, cities must be financially sound and cost-effective in their management of revenue sources and expenditures, the administration and delivery of services, and in the enablement, based on comparative advantage, of government, the private sector and communities to contribute formally or informally to the urban economy. Meanwhile the Department of Communities and Local Government, United Kingdom, 2003 (DCLG) defines efficient local government is about raising productivity and enhancing value for money. Efficiency gains are achieved by one or more of the following:

- i. Reducing inputs (money, people, assets etc) for the same outputs;
- ii. Reducing prices (procurement, labour costs etc) for the same outputs;
- iii. Getting greater outputs or improved quality (extra service, productivity etc) for the same inputs; or
- iv. Getting proportionally more outputs or improved quality in return for an increase in resource.

Therefore, the aim of the efficiency in urban governance is to ensure that the resources available to local government are used in optimum ways to deliver better public services. The EUG system should become the administrator of the urban growth and development at all levels including the local authority (LA). The LA, as the main agency, is responsible for urban management. The roles include the responsibility of updating the administration and management system to optimize its financial revenue including new sources, upgrading its capacity-region to become more competitive and viable as well as to strengthening the human resources by employing skilled and experienced staff and usages of technology. One of the mechanisms to improve EUG to support drivers for development growth is partnership between private and public sector.

### **(b) Efficient Urban Governance As Assets For City-Region Development**

According to the United Nations, good governance has nine major characteristics. This is not a prescriptive model for good governance; rather it is a series of aspirations. Each city-region will be stronger on some aspirations and weaker on others. This is dependent on the governance model, especially on the negotiations that take place between the multiple stakeholders of the city-region. To understand how city-region develops different governance models despite pursuing the same aspirations, the approach must recognize that city-region is a site of contest, tension and conflict. Although many of the stakeholders are similar across the city-region, it is crucial to recognize that their roles and, more importantly, their authorities are different between each others. One prominent example is the state. An important actor or player in any city-region, the degree of authority a state has over the city-region can dictate the nature of the governance model and to a large extent its success in meeting the aspirations of good governance. All other stakeholders contribute in however small a way to the prevailing governance model and its success. As a consequence, there is no one model for the governance of city-region.

The goal of governance on the undertaking of decisions and rendering of account—is good governance. Here the desired results are achieved in the right way. Just as much as bad governance can be a major barrier for city-region, good governance can be a key asset for a city-region looking to elevate its position in the national and international competitiveness league tables. There is, however, not a universal template for good governance in city-region. Instead, each city-region– region must tailor its definition of good governance to suit its needs and values. What is right for one city-region will not be right for another. This goes some way to explaining why city-region across the world operates through a variety of different governance models.

## **STUDY AREA AND METHODOLOGY**

The main goal of the National Physical Plan (NPP) is to create an efficient, equitable and sustainable national spatial framework to guide the overall development of the country towards achieving a competitive developed nation status by the year 2020. NPP defines Kuala Lumpur–Klang Valley–Seremban areas as the National Growth Conurbation (KLCR) which effectively covers an area of approximately 504,000 hectares and is to provide for a potential population of 8.5 million or 32% of the Peninsular Malaysia population by 2020. This means that the premier city of Kuala Lumpur’s regional population is more than seven times Kuala Lumpur’s population of 1.4 million (2005). The strong regional population base will enhance Kuala Lumpur role as an International Regional Commercial and Financial Centre. Thus the Kuala Lumpur City Plan 2020 (KLCP 2020) will be a flexible document; one that is attractive to investments, able to accommodate new economic activities as well as

cater for the increasing job opportunities in the city. Kuala Lumpur City will be the key beneficiary to the NPP's regional strategy. Regional linkages via rail to other cities conurbation will strengthen Kuala Lumpur's position and the vision for World Class City. This study was carried out in 2009 and based on the analysis of latest information Kuala Lumpur City Plan 2020 prepared by Kuala Lumpur City Hall (DBKL), National Property Information Centre (NAPIC) 2009, Property Stock Report and Property Market Status Report by The Valuation and Property Services Department (JPPH) of the Ministry of Finance Malaysia. The data finding focus on shopping complexes and office buildings in KLCR. In order to study the status and position KLCR's property market, the data also compare with other cities in Asia.

## **AN OVERVIEW OF SHOPPING COMPLEXES AND OFFICE SECTORS IN KUALA LUMPUR-CITY REGION**

Competitiveness is the shared responsibility of both the public and private sectors, as both are the stakeholders and developmental agencies to spearhead the city region economy. At this juncture, the private sector has no strong venue or platform to blame the civil servants for any delays in fulfilling their needs. In fact working closely with their counterparts in the public sector to overcome or propose solutions to problems that arise is pertinent.

Increasingly, many of the investors are referring to the competitiveness rankings set up by the international organisations such as the World Bank, the World Economic Forum and the Institute for Management Development. The indicators used by these organisations measure competitiveness, ranging aspect of hard economic indicators to qualitative ones including human capital development, governance, transparency, quality of life and environmental friendliness (Garcia 2006). Corporate international and national headquarters, agencies, associations and embassies are attracted to world cities and are becoming increasingly important because of globalization. Within the cities, these conditions should exist as it makes business venture easier. This includes a greater access, openness, urban ambience, wide range of hotels, and cultural and entertainment facilities that would appeal to a diverse international community.

### **(a) Development of Shopping Complexes**

It is worth noted that shopping complexes is one of the hottest property market in the country as well as in the city region of Kuala Lumpur. The existence of the shopping complexes in the property market has evolved dramatically over the past three decades. From the spatial and physical perspectives, the Kuala Lumpur city region possesses a good shopping spine that contains a great mix of various grades of shopping complexes. The shopping centres serve various domestic consumers - the low, middle and high-end consumer. Apart from the domestic market, this shopping spine should have specialties to attract foreign consumer. One of the outstanding areas is the Bintang Walk. According JPPH (2009), the 400 metres stretches of Bintang Walk, portray its themes of shopping as 'bringing life back to the city' and 'bringing the city back to life', is successful as a leading entertainment spot in the city.

As we examine and review the property development in Malaysia in general and Kuala Lumpur in specific, it is crucial to understand the underlying factors of success of the property industry, including the providers and consumers, retailers and demography which could have significant impacts on the future direction. Over the past decades, property has changed from traditional provision shops and wet markets to one-stop centre. New terms

have been coined to describe new revolutionized complexes such as hypermarket, megamall, one-stop centre and edutainment centre.

The overview of the property market also gauges the macro and micro factors that influence these performances. The Master Plan Department, Kuala Lumpur City Hall, (2006) reported that the shopping complex development in the Kuala-Lumpur City-Region has revolved in a full-cycle of boom and bust since 1990s. At the macro level, industrialization has brought a rapid shift in the paradigm of society from rural to urban living, and hence, improved living standards over the past few decades. Rapid urbanization and increased spending power has led to profound changes in patterns of personal spending and the emergence of an increasingly affluent middle class.

At the local or city level, KLCR has to ensure its goal of achieving a World-class city is translated into practices. In other word, to create an international shopping image in the world, Kuala Lumpur must establish a workable system make itself livable and sustainable. As such, other than creating a world-class shopping spine in the city centre, other potential areas such as Jalan Raja Laut and Jalan Petaling need to be made livable. The Tourism Action Council plays an important role in pursuing KLCR to become an international and major shopping destination with variety of Asian products. With the establishment of the international shopping spine, zones and clusters, Kuala Lumpur is one step forward to achieve such standard.

A benchmarking that set standard for the shopping complexes sector of Kuala Lumpur compared to other ASEAN cities (i.e. Singapore, Bangkok, Jakarta) also plays an important role in determining the property market in the region. Singapore is important to benchmark, as it is already a world renowned shopping destination while Bangkok is gaining recognition as a good shopping city. In terms of overall supply of shopping complex space, Bangkok has the most (4.1 million sq.m.) followed by Singapore (3.1 million) and Jakarta (2.1 million). Although the total supply of Kuala Lumpur's shopping space is only 1.9 million sq.m, it has the highest shopping complexes space to population ratio. This implies that Kuala Lumpur city has a higher density of shopping complex space compared to its neighbouring cities. If this achievement was taken into consideration, the supply of shopping complex space in the KLCR was 3.0 million sq. m with a ratio of 7.8 sq ft per person. This measurement means that the total supply of shopping complex space is on par with Singapore and Bangkok.

As in the case of metropolitan of Singapore and Bangkok, there exist prominent shopping spines, which normally dominate the shopping complexes sector in the respective cities. An Orchard Road in Singapore has over 30 shopping complexes (i.e. Ngee Ann City) of various grades and sizes located along the main road, making it the largest shopping spine in the region. Similarly in Bangkok, the main shopping area consists of clusters of shopping complexes in the Ploenchit-Ratchaprasong area. Recently opened (end 2005) is the Siam Paragon, touted as the largest shopping centre in South East Asia boasting a total of 2.1 million sq ft of shopping spaces.

In comparison, Jakarta does not offer a major shopping spine but rather their shopping developments are spreading out of the city area. The most well known shopping zone in Kuala Lumpur are the Bukit Bintang area and Suria KLCC, an iconic shopping complexes attached to the Petronas Twin Towers. Presently these locations are lacking of mass shopping spines, compared to their counterparts of city state of Singapore and metropolitan of Bangkok. Nevertheless when both areas, the Bukit Bintang and KLCC are combined to create a larger shopping spine, this initiative offers a larger concentration of shopping complexes compared to the Singapore and Bangkok's offerings. The study, however, noted that the benchmarking did not consider the existence of the international shopping complexes due to

lack of information. Table 2 and 3 show the spatial supply of the shopping complexes in both the KLCR and Asean cities.

Table 2: Total Supply on Shopping Somplex Space

City	Total Supply Million s.m	Shopping Complex space sf per person	Overall Occupancy	Major Shopping Spine
Singapore	3.1	8.4 sf per person	92%	Orchard Road
Bangkok	4.1	6.9 sf per person	86%	Ploenchit - Ratchaprasong
Jakarta	2.1	2.6 sf per person	91%	-
Kuala Lumpur	1.9	12.5 sf per person	82%	Bukit Bintang

Source: Draft Kuala Lumpur City Plan (2006)

Table 3: Shopping complex space per person

City	Singapore	Bangkok	Jakarta	Kuala Lumpur
City Size, km <sup>2</sup>	685.4	661	1,565	243
Population 2005	5,017,733	9,389,443	7,355,144	2,379,310
Period	3Q2005	1Q2005	End 2005	3Q2005
Type	All	All	All	All
Supply million s.m	3.144	2.060	4.100	1.871
Shopping complex space by sf per person	8.423	2.643	6.944	14.603
Occupancy million s.m	2.891	1.872	3.526	1.536
Occupancy %	91.95%	90.89%	86.00%	82.08%

Source: Thomas Brinkhoff: City Population, <http://www.citypopulation.de>

## (b) Office Sector

The KLSP 2020 has identified that in order to make Kuala Lumpur a world class city, it must first enhance its position as an international commercial and financial centre. This has contributed to Kuala Lumpur's growth and demand for commercial space particularly purpose built offices. While Putrajaya has seen taken over the role as the administrative capital, Kuala Lumpur retains its role a commercial and financial hub for Malaysia. Therefore, Kuala Lumpur must now adjust and adapt to the new scenario as it also have to compete with other major cities in the KLCR to retain its market share.

With the moving of government offices to Putrajaya starting to slow down, coupled with the growing economy, the office sectors witness an overall improvement in occupancy rates from a low of 76% in 2001 to 81.3% in 3Q2009. According to Bank Negara Report 2009, while the foreign investments are promoted widely, the foreign FDI has mainly been in the manufacturing sector. Nevertheless, Kuala Lumpur remains as a cost effective location in terms as office rentals as it has lower rentals compared to Singapore and on par/lower than in Bangkok and Jakarta. As of recent development, rentals for prime offices buildings range

from RM 4.50-6.00 psf while Class B buildings and Class C buildings are between RM 3.00 and 4.00 psf and RM2.00-RM 3.00 psf respectively. Although rent increments had increased over the last 1-2 years due to occupancy rate, the rents are unlikely to increase to the rates achieved in the mid 1990s where prime office buildings were set for RM5.00-RM7.00psf.

This study also compares the position of Kuala Lumpur with other ASEAN cities, which function as the financial and commercial centre in their respective countries and regionally namely Singapore, Jakarta, Bangkok and Kuala Lumpur. In terms of supply, Bangkok offers some 7.08 million s.m of office space followed by Singapore, Kuala Lumpur and Jakarta. Similar trend is found in terms of demand with Bangkok has the highest occupancy rate at 87% followed by Singapore, Jakarta and finally Kuala Lumpur. Generally, the three major locations are Bangkok, Singapore and Kuala Lumpur in terms of sheer supply of office space.

If the study includes KLCR into the equation, the results show that KLCR offers 8.8 million s.m of office space, far surpassing Bangkok and Singapore. Therefore at regional level, Kuala Lumpur is on the same par to be the regional financial and commercial centre in ASEAN's office space. Despite having competitive rental rates, excellent infrastructure and stable political scene, Kuala Lumpur is still lagging behind others. Therefore it can be concluded that 'software efforts' such as accelerating the process in getting skilled workers locally and internationally and assisting foreign businesses to set up businesses efficiently are crucial and need priorities. Table 4 shows the comparative analysis for office spaces in ASEAN Cities in Kuala Lumpur is the Golden Triangle particularly the Jalan Sultan Ismail and Jalan Raja Chulan and KLCC area.

Table 4: Comparative analysis for office spaces

Cities	Supply s.m	Occupied s.m	Occupancy %	Source
Singapore	6.453	5.591	86.64%	URA 3Q2009
Bangkok	3.190	2.729	85.54%	CBRE 1Q2009
Jakarta	7.08	6.159	87.00%	Jones Lang end2009
Kuala Lumpur	5.855	4.760	81.30%	NAPIC 3Q2009

On the other hand, JPPH (2009) also mentioned that currently the most pronounced financial and business in Kuala Lumpur is the Golden Triangle which encompasses the Jalan Sultan Ismail, Jalan Raja Chulan and KLCC area. This area houses the clusters of financial institutions and insurance companies both foreign and local, which place their headquarters and/or regional offices. As many of the development projects prefer to have their offices nearer to residential areas due to the employees' demand, the Kuala Lumpur city centre is more congested. As a result, built office developments begin to move out to sub-urban location. Some of the reasons are cheaper land, lower costs, less congestion, nearer to target market of workers etc. Major office locations in the KLCR include: Petaling Jaya, Subang Jaya, Kelana Jaya, Shah Alam and Klang.

## **ISSUES OF EFFICIENT URBAN GOVERNANCE IN KUALA LUMPUR CITY-REGION RELATED TO PROPERTY MARKET**

The transformation of KLCR into a world class city will certainly involve concerted efforts by all stakeholders. In line with this, the importance of urban governance is eminent in administration of developing city like KLCR. EUG has been given greater attention not only in public administration but also in the operations of private businesses and proper developer.

Governance is also fundamental issue in development and EUG is the essence of city competitiveness. This involves the physical integrity, autonomy, stability and efficiency. Besides this, city management is a business-oriented in its operation that is towards maximizing the desired results at minimum costs. The city management also plays the advisory role on specialized businesses and involves actively in attracting investment and businesses property into the city.

Cities require a conducive businesses and living environment to succeed, and this is no exceptional to property market. The Urban and city planning has to ensure quality living and cultural environment that integrates the public transportation, housing, shopping complex, offices and industrial areas. From the general urban governance point of view, it has been noted that KLCR is lagging behind a number of regional cities in terms of competitiveness. Some issues related to competitiveness of property market in KLCR must be actively improvised and monitored such as:

- i. Quite a number of functions in the capital city are performed by agencies beyond the control of LAs in KLCR. As such, competitiveness issues relate to not only LAs in KLCR but also other agencies. To increase attractiveness to conduct business in the city, LAs in KLCR may need to introduce incentives to attract investors to rent or purchase property in KLCR , besides explore the possibility of reducing the number of days needed to approve licenses and planning procedures in property development;
- ii. Growth in revenue is not as fast as growth in expenditure. Given this trend, this gap may affect financing of projects by LAs in KLCR in time to come;
- iii. Although efforts have been taken by the ICT Department in LAs in KLCR to implement e-services, computerization of most services is far from satisfactory. Full implementation may take some time;
- iv. The potentials of LAs in KLCR website have not been fully utilized. Much more information can be posted on the website to improve on the transparency of decisions, policies and outcomes, including full exposure of financial statements. The website should be user friendly to allow more interactive interfaces and submission of documents and applications from the residents, traders and businesses. Besides becoming a channel of communication with the public, the website should also portray other information on hotels, places of attraction and activities for tourists, places to dine, place to shop etc ; and
- v. The assessment rate is calculated as the product of “rate” and “annual rental value of property”. The last revaluation exercise of the annual rental value of property by LAs in KLCR was in 2000. Revaluation exercise should be carried out and taxes should be increased accordingly and the decision must be involved public or property owner. However, LAs in KLCR should also consider imposing a gradual increase in its “rate” rather than carrying out a full-fledged revaluation exercise that is costly.

## **EFFICIENT URBAN GOVERNANCE AS KEY FACTOR FOR COMPETITIVENESS OF PROPERTY MARKET IN KUALA LUMPUR CITY-REGION**

One important question at this juncture is that how can LAs help to improve their EUG in order to enhance competitiveness property market within city-region? LAs are the nucleus of the society it serves. Sometimes it may be a fair reminder to return to the very basic question pertaining the societal development. LAs form the essence of service delivery and act at the front face of the public service and deliver effectively. It is towards this end that the Public

Service of Malaysia is pioneering the ethos of place branding. Place branding takes LAs back to the basics of: i) reputation is what they build by how they run the place; ii) delivery standards is derived from the promises LAs deliver to their stakeholders; and iii) consistency is service delivery efficiency.

Under urban governance concept, LAs shall be going back to the basic of their task that is to deliver the very essence of services in the property development. This includes i) partnership and collaboration in service delivery; ii) effective communication and effective information gathering, and failing to do so will definitely influence the Local Authorities' reputation. iii) Thus through place management, the city is far overcoming effects of perception when not managed well; and iv) formulate, execute and monitor action plans. An efficient and effective public delivery system can only emanate from inclusive collaboration of all stakeholders. LAs will keep to this winning formula and build on the strength of this collaboration going forward. However, in era of globalisation, the government has initiated to enhance EUG and property market competitiveness in KLCR such as:

### **i. Engaging The Private Sector**

First, LAs in KLCR are actively engaging the private sector to come up with measures to support the business community in these difficult times. To be effective, the measures the LAs in KLCR want to put in place cannot be drawn up in a vacuum. It is a given that even in the best of times LAs in KLCR and the business sector must collaborate and cooperate if the measures are to be meaningful and effect the changes planned. All LAs in KLCR are engaging their stakeholders to get feedback and proposals to forward to the Economic Council, a committee which is chaired by our Prime Minister. In many ways LAs in KLCR has had a head-start in the way public and private sectors have been engaged.

The private sector too has an equally important active role in LAs in KLCR 's development. This was somewhat radical when it was first articulated. The LAs in KLCR as public sector have always been under close scrutiny. It cannot be denied however, that despite the criticisms, complaints and short-comings, government cannot trivialise the role of the public sector in national development. Government has seen this role evolve from that of initiator and implementer of economic plans to that of facilitator of economic growth, to being a partner with the private sector in nation building although in the last few decades, the private sector had been the engine of growth. While no one will argue with the value of private-public engagement, its success depends a great deal on the ability of both sectors to establish and maintain a relationship based on the spirit of cooperation, mutual understanding and consensus.

### **ii. Speedy Implementation of Measures**

Second, besides engaging the private sector in drawing up measures for the stimulus package, the public sector is working to ensure the speedy implementation of these measures. For, clearly, it is one thing to have a stimulus package, but it is quite another to ensure its effective implementation. All LAs in KLCR responsible for the implementation of projects under the stimulus package, have to report the progress regularly to the Economic Council and to Cabinet. The current economic situation requires not only rapid and effective response from the civil service, but more importantly it requires that the public sector members and the Government as a whole work closely with the business community and civil society to ensure timely implementation of the measures.

### **iii. Review Processes, Procedures, Rules And Regulations**

LAs in KLCR are reviewing existing processes and procedures, rules and regulations, in order to improve the LAs in KLCR delivery system. Even as government focus on implementation of the stimulus package, government will continue to improve public service delivery, because this ultimately translates into reducing the cost of doing business, facilitating business, increasing transparency and speedier delivery of service. In this regard the public-private sector engagement through PEMUDAH has been effective in contributing to improvements in the public delivery system. This will continue until government get to the point where the PEMUDAH spirit is prevalent and can be taken for granted; and where the process of inclusive engagement becomes second nature to both the members of the civil service and private sector.

To emphasise the point that government cannot only hold the public sector or LAs in KLCR responsible for the implementation of the measures that government has put in place. For LAs in KLCR to make it through this difficult period, the private sector must also contribute. Example, when the public service made the commitment to make payments within 14 days, LAs in KLCR assumed that the main contractors will cascade similar payment terms to their partners. However, they find that this is often not the case with the result that sub-contractors unfairly blame the LAs in KLCR for late payment, when the fault lies with the main contractors, who despite benefiting from the improvements made by the public sector, has not passed it on to his suppliers or sub-contractors.

For the whole system to work efficiently and effectively, all parties must complement and reciprocate each other's efforts and improvement initiatives. The private sector has also work with LAs in KLCR , by not only contributing ideas on what LAs in KLCR should do, but also, by focusing on increasing efficiency and productivity, retaining residents in KLCR talent, skills and workers, and look at reducing the cost of our services. There will be no letting up in the drive to improve public service delivery. Measures of relevance to the private sector include:

- i. First, the LAs in KLCR will leverage on technology to deliver with speed, clarity and transparency. This is already being put in place. The myGOVERNMENT portal will mean that service is delivered via a single window. There will no longer be the need for the customer to go from department to department to get the service required. Given the level of ICT-savvy of the Malaysian public, the public sector must deliver more services on-line, with the option of equally effective counter-service for members of the public who may not be e-ready;
- ii. Second, there will be greater inter-agency dialogue and communication in the way work is done, decisions made and problems solved. The "One Service, One delivery, No Wrong Door" is not only a mantra. LAs shall work to make it a given. What this means for the private sector is that, cases of being given the run around will become history;and
- iii. Third, there will be greater integration of processes, with high levels of information sharing. For the private sector and the man-in-street this means that there will be no need for repeated requests for information. Also, there will be increased replication of best practices of processes, procedures and effective systems to shorten the learning curve and optimise use of resources.

The Government believes the years ahead the competition will be more intense and new challenges will emerge, emanating from the entry of new players, more challenging economic environment, new rules in the trading arena and the like. When government engaged the

World Bank “Doing Business” team in 2009, new indicators were being formulated to include aspects like corruption and transparency. These are issues that the Government focused on as exemplified by the establishment of the Malaysian Institute of Integrity. Domestically new challenges have also emerged and the civil service will need to interface with new models of Government to ensure that businesses and citizens continue to benefit from the improved delivery of government services. Coping successfully with these changes is a priority for the civil service (Kooiman 1993).

The study is of the view that LAs in KLCR is well placed to take on the new challenges alongside the old ones, and as the process move to a higher level of service to facilitate the continued growth and expansion of businesses and the economy. In moving the economy forward, LAs in KLCR would like to reiterate that government will continue to work in close collaboration with the private sector. The frankness and intensity of exchanges between the private and public sectors, and the feedback LAs in KLCR have received at PEMUDAH have been helpful in identifying and addressing the issues closest to the heart of businesses. Perceptions or misperceptions about the way LAs in KLCR operate have also been addressed in PEMUDAH, and on the advice of private sector partners government will focus on enhancing our media communications programmes and the way government engage stakeholders.

In the coming year, PEMUDAH will work on issues that are not only directly but indirectly related to the property market and business environment. Government will be looking to address environmental issues that directly impact on the friendliness of our places, land matters which have a bearing on setting up business and homes, and feeding our populace; review the approach to the employment of foreign labour coupled with development of domestic human resource and skill upgrading; and branding our towns and cities to have a positive impact on LAs in KLCR competitiveness and tourism. LAs in KLCR will also work in relation to government procedures and processes, making it more transparent and accountable. In the areas of doing business, work will continue to be focused on trading across borders, registering property, taxes, enforcing contracts and closing a business. The business competitiveness is a function of efforts of both the public and private sectors. The level of competitiveness attained by our nation is dependent on whether both parties have contributed meaningfully to the process.

## **CONCLUSION**

Urbanization issues being emphasized by the government, among others, are urban poverty, the rising crime rate, solid waste disposal, housing for the poor, environmental protection, pollution, property market etc. These issues need to be tackled holistically to ensure the role of urban centre as the engine of economic growth will be continuously maintained and enhanced. Cities need to be governed efficiently to promote a sustainable and conducive environment as a place of work and living. At the same time, the uniqueness of cities should also be preserved to maintain its image and distinct identity. City-region is a catalyst and contributor towards the national economic growth, a centre for innovation and entrepreneurship and a source for high social services. EUG will help to generate a competitive national development. Therefore, development potentials that exist in city-region should be continuously adopted and supported as a place for investment and providing services of a high level.

The pressure to create employment will be more intense in the conurbation which is expected to encounter competition from other cities worldwide due to globalization and trade liberalization. This is because the city-region is anticipated to lead the nation in securing

foreign investment, and in turn become competitive centres to attract investors and buy property in city-region. Thus, one of the challenges of the urban economy is to turn city-region into the hub of property market for investment and commercial centres. It should have the capacity-region to attract foreign and local investment and trade in order to achieve a viable economy and provide adequate employment opportunities. With the rapid pace of urbanization by 2020, urban governance is faced with various complex challenges ahead. These challenges require that the respective parties be more focused in undertaking each and every responsibility in urban development.

However, the involvement of multiple agencies and departments in urban management had made it difficult to coordinate many actions and in turn affects the effectiveness of those actions. Good urban administration and management also need to take into consideration the capability of each LA as each differs in terms of manpower, skills and financial capacity-region to provide good service for its population. There is a wide gap between the expectation of the community and the ability of the LA to fulfill those expectations. The various roles that are expected of these LAs to attain a liveable city-region with a high quality of living had put pressure on those authorities to acquire a strong organization. The pressure is felt more intensely by small and medium sized LAs that lack finance, manpower, skills and equipment in providing the expected services.

The LA is also confronted with the diverse aspirations and interests of community groups that it has to fulfill, as well as various social issues and negative influence. Public cooperation and involvement are much needed to address these problems. However, community participation that are too brief pertaining to activities organized by the LA also inhibit and do not fulfill the aspiration of the LA at involving the community in planning and development of urban areas. Competitiveness is more often than not driven and determined by soundness of infrastructure development as well as the quality of life a place provides for its people, be it its nationals, residents, its investors or tourists. It is all those who claim a stake in the success of a place; the Nation. Fundamentally the competitiveness of a place must be the sum total of what a place aims to attract as its outcome and to make it competitive domestically and globally.

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