

WAQF MODELS IN ISKANDAR MALAYSIA: AN ANALYSIS

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Abstract

The Malaysian government's initiation to establish Iskandar Malaysia (IM), which is located within the southern-most part of Johor, as the new southern development corridor has been identified as one of the catalyst developments to spur the growth of the Malaysian economy. Iskandar Malaysia covers 221,634 hectares (2,217 sq km) of land area which is about 3 times the size of Singapore and 2 times the size of Hong Kong. In the other hands, the Waqf lands in the state of Johor have been identified as the biggest in term of size and some of them are located within the IM area. Those lands which are under the purview of Johor State Religious Council (MAIJ) have significant potentials to participate in the development of the region. The existence of JCorps at the heart of IM which is known for its "Corporate Waqf" gives more significance and colours to the potential of Waqf concept to be applied in IM. Hence, this article aims to study the Waqf models being applied by the relevant institutions such as MAIJ and JCorps in IM and suggest other potential models that could be further applied in the region. The methodology of this study is based on the case study method through meetings with the relevant parties. The findings of this study could highlight the important roles of Waqf concept in the development of IM and the variations of Waqf models that could be applied for Waqf development and participation in the region.

Keywords: Iskandar Malaysia, Waqf, Corporate Waqf

This paper is an excerpt from a research entitled: "Amalan Dan Pembangunan Wakaf Di Wilayah Pembangunan Iskandar (WPI) Johor" under Fundamental Research Grant Scheme (FRGS) headed by Prof. Dr. Hajah Mustafa Mohd Hanefah.

Reference Type:	Conference Proceedings
Record Number:	85
Author:	Hajah Mustafa Mohd. Hanefah, Abdullaah Jalil, Asharaf Mohd. Ramli, Hisham Sabri, Norhaziah Nawai, Syahidawati Syahwan,
Year of Conference:	2010
Title:	Waqf Models in Iskandar Malaysia: An Analysis
Conference Name:	The 4th Islamic Banking, Accounting and Finance Seminar
Conference Location:	Gombak
Publisher:	International Islamic University Malaysia

Date: March 13-14

1. INTRODUCTION

The Ninth Malaysia Plan (2006-2010) has identified Iskandar Malaysia (hereafter stated as IM) as the focus area for development in the southern region of Peninsular Malaysia and as one of the major catalyst and high-impact development under the plan. IM covers 221,634 hectares (2,217 sq km) of land area which is about 3 times the size of Singapore and 2 times the size of Hong Kong. Iskandar Regional Development Authority (IRDA) is the supervisory body appointed by the Federal Government to oversee and monitor the development activities in the area. As the region consists of five local authorities, namely; City Council of Johor Bahru, Municipal Council of Johor Bahru Tengah, Local Authority of Pasir Gudang, District Council of Kulai, it is a duty of IRDA to facilitate and coordinate with these authorities in designing and developing the area.

1.1 Problem Statement

The Waqf lands in the state of Johor have been identified as the biggest in term of size and some of them are located within the IM area. Those lands which are under the purview of Johor State Religious Council (MAIJ) have significant potentials to participate in the development of the region. The existence of JCorps at the heart of IM which is known for its “Corporate Waqf” gives more significance and colours to the potential of Waqf concept to be applied in IM. Given the various institutions that involve in waqf management and huge volume of waqf assets in IM, the study of waqf models applied by these institutions is necessary. The participation of waqf institutions in the development of IM should not be neglected. This study could highlight the variations of

Waqf models that are applied for Waqf development and participation in the region and suggest other models that could be relevant for future waqf development. Hence, there are several questions needed to be answered for the purpose of this study. The questions are:

1. What are the waqf models that have been developed in IM?
2. What are the potential waqf models to be implemented in IM

1.2 Objectives of the Paper

This paper aims:

- to study and analyze *waqf* models that have been developed and applied in IM
- to suggest the potential waqf models to be implemented in IM

This paper focuses only on waqf models in IM. The findings shall suggest the structure of waqf models that could be further implemented by the waqf authorities and managements in IM as well as in other parts of the world. It could be significant for those institutions, countries or states that have planned to apply the models in the nearest future.

1.3 Methodology

The methodology of this study is based on the case study method through meetings with the relevant parties. Top managements from the three different government agencies,

namely; MAIJ, JCorp and IRDA have been interviewed to provide information on their roles and experiences in managing and monitoring the waqf properties.

2. LITERATURES REVIEW

Nowadays, the main issues related to *waqf* properties or assets are the management and development aspects. Most of the current literatures focus on the development of *waqf* property rather than the establishment of new *waqf* property. Sources for the financing and development of *waqf* property could be obtained from (al-Misri, 2005):

- i. The property of *al-waqif* (donor)
- ii. The property of *al-mawquf^calayh* (beneficiaries)
- iii. The revenue of the *waqf* property
- iv. The revenue of other *waqf* property
- v. Baitumal for *maslahah* (public interest)
- vi. Reserves from the revenue of the *waqf* property
- vii. The sale of a portion of *waqf* property to develop the remaining portion of *waqf* property
- viii. The lease of the *waqf* property with advanced rentals
- ix. Charities
- x. Loan or debts (without interest)

According to Abu Zahrah (2007), developing waqf properties is necessary to make sure the longevity these assets in providing benefits or usufruct to the beneficiaries as

stipulated by the founder. Cizaksa (1998) and Kahf (1998) state that throughout Muslim history, *waqf* institutions are play an important roles in providing public facilities such as mosques, public halls, religious schools and universities. The famous al-Azhar University is established and governed by waqf institution. In Malaysia, as stated by Mashitoh (2006), three mosques, namely; The Kg. Hulu Mosque, Kg Laut Mosque and Sultan Abu Bakar Mosque are considered to be among the earliest waqf creations in Malaysia. Ahmad Zaki et.al (2006) on the hand elaborates that the majority of the traditional religious schools in Malaysia are built on *waqf* lands.

Financing the development of waqf properties is another popular topic that has been discussed by the scholars. Kahf (1998) has categorized three modes of financing that can be applied in developing *waqf* assets, namely; traditional modes such hukr and istibdal, modern schemes modes such as sukuk and self finance modes, for example cash and share waqf. Abdullah and Asharaf (2008) elaborate on the potential of various waqf instruments for construction projects. According to the study, waqf instruments such as cash and e-waqf, certificate and sukuk could be used to accumulate fund for the construction of universities, research centres etc. Modern schemes of developing *waqf* assets as suggested by Md. Nurdin Ngadimon (2006), Tahir Sabit (2005) and Kahf (1998) is the securitization of *waqf* through *sukuk*. Sukuk Musyarakah according to Shamsiah (2006) and Hajah Mustafa et.al (2009) has been successfully applied by MUIS in developing a number of waqf lands in Singapore.

The implementation of cash waqf, e-waqf and share waqf by the authorities has attracted Muslim to contribute their money for charitable purposes. The proceeds accumulated

from the fund are channeled to buy new building as applied by MAIJ or any other projects (MAIJ, 2010). Waqf Foundation of Malaysia is also actively promoting their cash waqf instrument for the construction of waqf assets in Malaysia (Yayasan Waqaf Malaysia, 2010). Corporate share waqf is a new waqf concept established by a corporate entity; Johor Corporation (JCorp). As a corporate body, JCorp has founded Waqaf An-Nur Corporation Berhad (WANCB) or formerly known as Kumpulan Waqaf An-Nur Berhad Kumpulan Waqf An-Nur (KWAN) to monitor and manage waqf activities (Hajah Mustafa Mohd. Hanefah et al., 2009).

It could be observed that the focus of the contemporary writings is on the development of existing *waqf* property (land). The focus of this study is on waqf models in IM.

3. WAQF MODELS IN ISKANDAR MALAYSIA

It is observed that Waqf models in IM could be categorized into three categories namely:

1. Real Estate Waqf
2. Cash Waqf and
3. Corporate Waqf

Currently, there are two main institutions that take part in the Waqf development and management within IM. They are Johor State Religious Council (MAIJ) and JCorp. Johor State Religious Council manages the first and second models of Waqf while the third model is under the purview of JCorp. The following sub-sections shall discuss the three waqf models in more details.

3.1 Real Estate Waqf

Real estate waqf refers to the immovable waqf property. It is the main form of waqf property as it is perpetual and indestructible. Until today, most of the real estate waqf in IM are created through the state government's requirements for local planning and development. Hence, waqf *irsad* is the main source for waqf assets creation in this category. Furthermore, real estate waqf in Johor generally and IM specifically could be divided into five (5) categories based on its purpose. The purposes are:

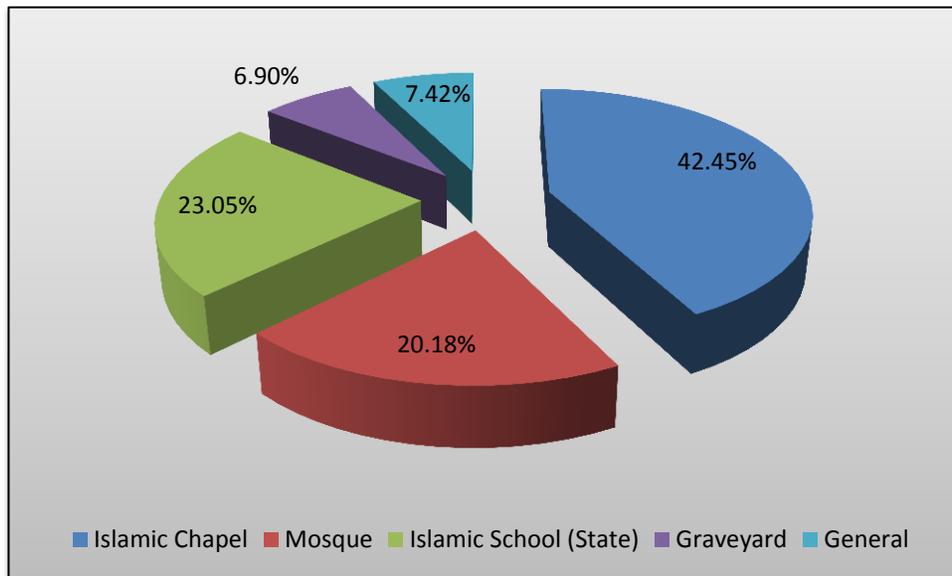
1. Mosque
2. Islamic Chapel (Surau)
3. Islamic School (under State)
4. Graveyard/Cemetery
5. General

Table 1 describes the categories of real estate waqf in Johor Bahru and Kulai Jaya districts where IM is located.

Table 1: Categories of Real Estate Waqf in IM (Units and Percentage)

Category	Unit	Percentage
Islamic Chapel	326	42.45%
Mosque	155	20.18%
Islamic School (State)	177	23.05%
Graveyard	53	6.90%
General	57	7.42%
TOTAL	768	100.00%

Figure 1: Categories of Real Estates Waqf in IM (Percentage)



Based on Figure 1, real estate waqf in IM primarily fulfill the two main needs of Muslim society there i.e. basic Islamic education and worships. This could be derived from the

total percentage of real estate waqf dedicated for the two sectors that amounts to 85.68% of the total real estate waqf assets.

3.2 Cash Waqf

MAIJ commonly applies the cash waqf model through the waqf shares approach. Waqf shares approach is perhaps the most common approach for cash waqf in Malaysia. Waqf shares model has been practiced and supported by seven of the nine State Islamic Councils, YADIM, YAPEIM and Yayasan Waqf Malaysia (Magda Ismail Abdel Mohsin, 2009; MAIJ, 2010; Yayasan Waqaf Malaysia, 2010). One of the most successful examples of Cash Waqf implementation in IM is the establishment of a six-storey building at Batu 6½, Tampoi with the cost of RM4.99 millions. The building is currently being used as Hemodialysis centre for the patients of acute kidney injury. Another example is the purchase a six-storey building in Cairo, Egypt. The building is then renovated as hostels for the students who are studying at Al-Azhar University. It is a second building owned by the Johor state and has been officiated by the Sultan of Johor, Sultan Ibrahim Ibni Almarhum Sultan Iskandar on 17th April 2010 (MAIJ, 2010) .

Waqf shares mechanism is a highly flexible waqf method compared to the real estate waqf. The sources could be collected through several methods from different places and parties and could be expended on different kind of purposes. Hence, the sources and uses of waqf shares funds are more flexible in nature. As far as IM is concerned, waqf shares could be used to increase the size of real estate waqf. For example, MAIJ plans to buy four (4) two-storey commercial units with the cost of RM 1,573,566.00 at Fortune Point,

Taman Perindustrian Nusa Cemerlang, Nusajaya. The commercial units are intended to be leased out to Muslims who plan to start their businesses in Nusajaya, IM (MAIJ, 2010). On January 4, 2010, Johor State Religious Council (MAIJ) has launched an official website dedicated for waqf shares. The domain is: <http://www.e-wakafjohor.gov.my> . The launch of the website could increase the awareness of the cash waqf schemes amongst the Muslim community.

3.3 Corporate Waqf

JCorp plays a very important role in developing waqf properties in Malaysia particularly in corporate sector. Thus, its contribution in managing waqf property is proven and recognized by many parties. As a private institution, JCorp is one of the prominent institutions which contribute directly towards this development. Waqf activities anticipated by JCorp is diversified to various activities via Waqf An-Nur Corporation Berhad (WANCB) or formerly known as Kumpulan Waqf An-Nur Berhad. WANCB started their operation on 25 October 2000 to manage Waqf An-Nur clinics and dialysis centers under JCorp. In 2006, JCorp was launched Waqf An-Nur Hospital in Pasir Gudang, Johor where it is the first waqf hospital in Malaysia. This is the expansion from the Waqf An-Nur clinics that started with Waqf An-Nur clinic in Plaza Kotaraya, Johor Bahru on 1 November 1998. By the end of the year 2008, there was a network of 8 Waqf An-Nur Clinics Johor, Negeri Sembilan, Selangor and Sarawak and one Waqf An-Nur hospital in Pasir Gudang, Johor (WANCB Annual Report, 2008).The Waqf An-Nur Clinics and hospital provide healthcare services to lower income group from all level of community regardless of religion and race. In the year 2008, the entire network of Waqf

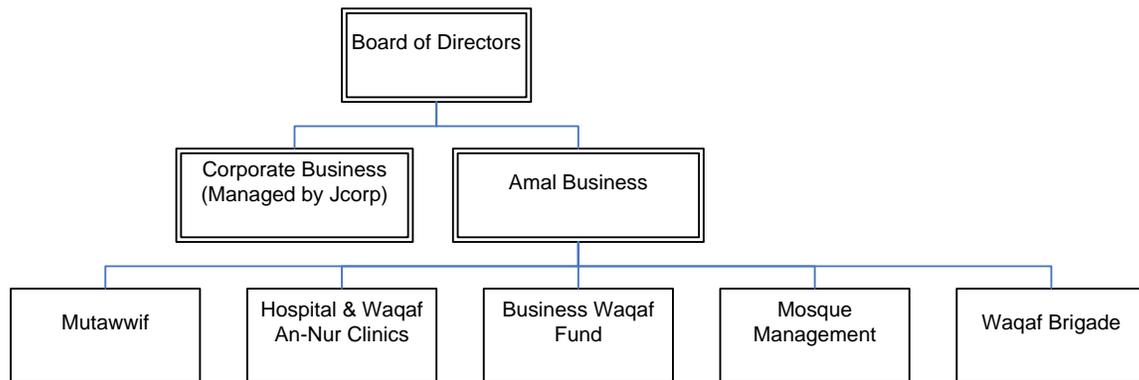
An-Nur Clinics and Hospital succeeded in providing 82,261 medical treatments to patients, including 5,480 treatments to non-Muslim patients. With the implementation of cash waqf in Waqf An-Nur, it has contributed towards the society in its own range.

Besides that, WANCB also introduced the Business Waqf Fund through the Cash Endowment and Fisabilillah Benefit. The Business Waqf Fund aims to provide micro capital facility and rolling capital (without interest), especially to small businesses, specifically for start-up businesses. Business Waqf Fund offers the qualified entrepreneur a maximum financial facility of RM3,000 with a maximum payback period up to two years. The recipients only to pay a RM1 processing fee and it is free from usury. By the end of 2008, Business Waqf Fund was provided an accumulated amount of RM169,100 to a total of 63 new businesses. A business center known as Semai Niaga had also been established in co-operation with the Pasir Gudang Municipality Council to locate the businesses that received support from the Business Waqf Fund. A total of 13 recipients have started their businesses at Semai Niaga.

In 2008, WANCB established the Waqf Brigade, a disaster relief and charity aid team. The Waqf Brigade will always standby to provide support and assistance domestically and internationally as and when it is required. The elite team was chosen after a stringent selection process based on professional backgrounds and capability as well as individual personal department, and they will be trained professionally in all aspects on how to respond to the various disasters that may occur.

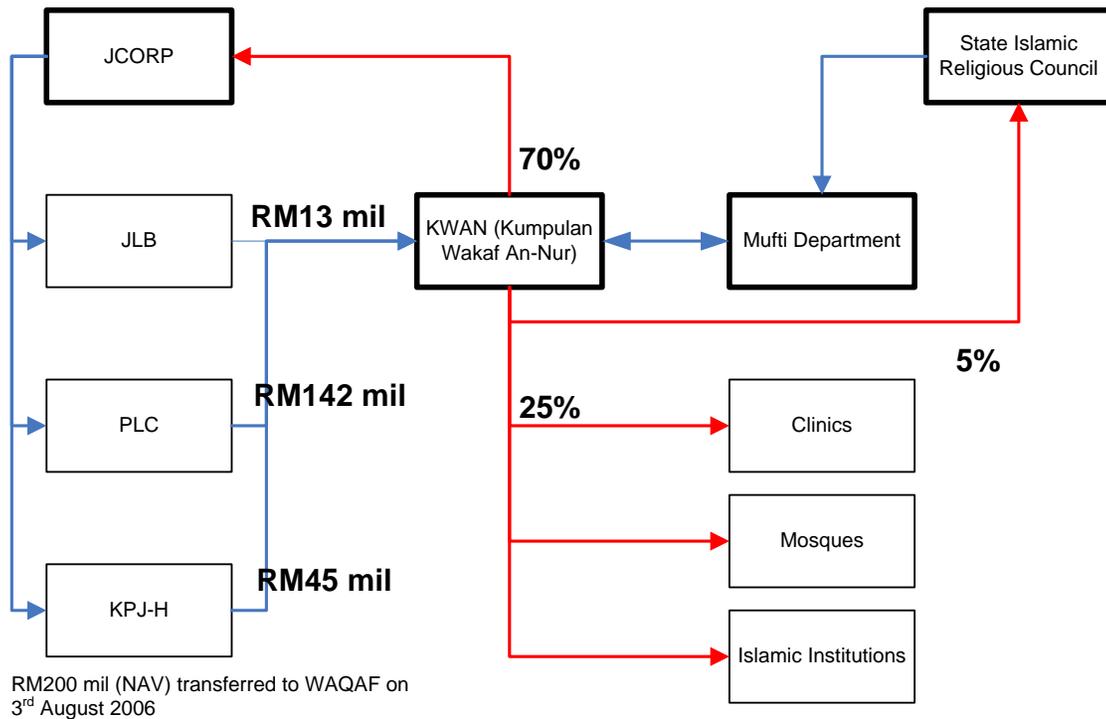
Figure 2 below depicts the corporate structure of Waqf An-Nur Corporation Berhad.

Figure 2: The Corporate Structure of Waqf An-Nur Corporation Berhad



JCorp has committed itself to reform business and corporate ways to suit Islamic demands and standards which known as a “Business Jihad”. JCorp’s Business Jihad has involved many highly entrepreneurial ventures including healthcare services, palm oils and food and restaurants. It was aimed to fully integrate Islamic values into capitalist corporate practice through a corporate culture that integrates Amanah through its highly successful Intrapreneuring or entrepreneur-managers program. JCorp aims to transform itself into a “waqf” corporate institution where the business is not owned by anyone but owned by Muslims. JCorp was launched the idea of “Corporate Waqf” in 2006 which involved the transfer of 12.35 million unit shares owned by JCorp Kulim (M) Bhd, 18.60 million unit shares in KPJ Healthcare Bhd and 4.32 million unit shares in Johor Land Bhd to Waqf An-Nur Corportion Berhad as trustee (JCorp Annual Report, 2007).

Figure 3: JCorp's Corporate Waqf Framework



Corporate waqf is an innovative adaptation of the Islamic waqf institution that can be made a key organizational strategy to translate the “Business Jihad” energy into real and sustainable business and economic success. This is a unique agenda planned by JCorp for the Ummah through its Corporate Shares of Waqf Corporation. As a proof, via its corporate waqf agenda as reported in 2007, JCorp pledges to dedicate 25% of the annual dividend payout from the shares transferred into waqf. (JCorp Annual Report, 2007). Thus, the dividend is useful to organize various activities for Muslims and non-Muslims and arranged for charitable and religious activities that benefit and fulfill the needs of the society as a whole. In 2008, another company owned by JCorp, TPM Management Sdn

Bhd has started its contribution towards waqf An-Nur. JCorp has endowed 61 percent of its shares worth RM50.33 million that brought the total amount values of shares being endowed by JCorp up to RM258.01 million as net asset value (Waqf An-Nur Corporation Berhad Annual Report, 2008). Below is the model of JCorp's corporate waqf.

4. POTENTIAL WAQF MODELS FOR WAQF ASSETS DEVELOPMENT IN ISKANDAR MALAYSIA (IM)

The future of Waqf development in Malaysia is constantly bright and inspiring with full support by the Malaysian government. Many corporate institutions particularly the Malaysia government-linked companies (GLC) such as Petronas, Tenaga Nasional Berhad and Khazanah Nasional would be able to absorb waqf concepts and apply them in its CSR (Corporate Social Responsibility) programmes, especially the corporate waqf model. The corporate entity could set up a dedicated unit for corporate waqf management as practiced by JCorp. Thus, the waqf is not only evident in the financial statement of the corporations as waqf shares and dividends. Moreover, corporate waqf model requires the corporations to involve in waqf as their significant agenda. In addition, in the third Islamic Economics Congress on 12th January 2009, the concept of corporate waqf has been selected to be a main strategy to run the idea of Business Jihad . Besides, in order to continuously support and motivate the society to return back what they have received to whom they obtained, cash waqf would be implemented through various means. For example in Singapore, a successful story is exemplified by Singaporean Muslims waqf collection of MUIS via monthly salary deduction. Thus, a continuous support towards

waqf activity is gained and spiritual development also is obtained in this religious performance.

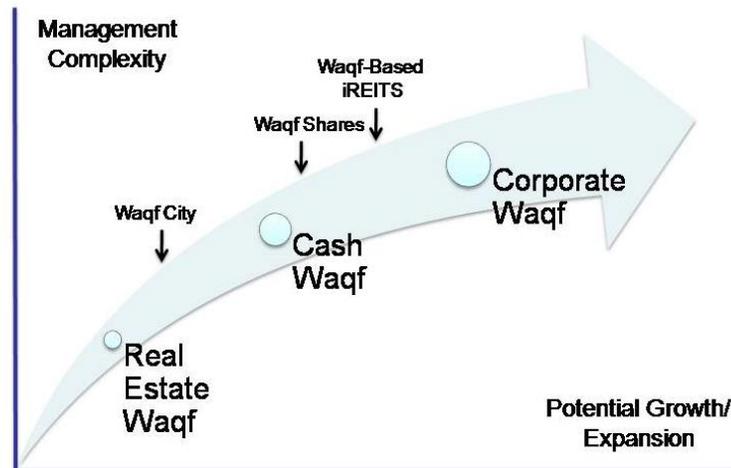
As mentioned in the previous discussion, IM at the similar side plays an important role in developing potential waqf activities in Johor. With large scale of waqf assets throughout Johor Bahru, Pasir Gudang, Johor Bahru Tengah and Kulai, the IM involves directly and indirectly to a modern and industrial-based waqf activities. Its capacity as the architect of physical development of the said districts, a strategic development of waqf activities may gain benefits from IM's potential movement. Bandar Dato' Onn for example as one of the waqf estate owned by JCorp, provides potential as Waqf City with a proper planning by JCorp through its subsidiary; JLand. The development will take place in a 1,514 acre land with intentions for social responsibilities by protecting the rights of Muslims community. Thus, in parallel to its physical development, economic development will be also taken care by the developer to ensure the *maqasid* of waqf activities in Islam are performed as required.

Another most important and potential waqf model that should be taken into serious outlook is Islamic Real Estate Investment Trust (iREITs) model. The activity does not only involve a direct investment of the land per say, it also includes a development of residential areas, commercial areas and may also taken into account Islamic-based social activity areas, or family activity areas. All these developments are totally based on waqf project and the return of all the projects will be then returning back to waqf trustee, i.e MAIJ. While waqf irsada concept in IM mainly fulfills the needs of Muslims to have basic Islamic education and places of worship, the cash waqf concept through Waqf Shares and

iREITs could help the Muslims to increase their real estate ownership especially the commercial properties within IM and thus help them to remain competitive economically.

With that, a combination of three waqf models, namely real estate waqf, cash waqf and corporate waqf in the physical, economic and spiritual development of IM will produce a success and inspiring Muslims society as a whole. The cash waqf and corporate waqf models could offer continuous growth and expansion of waqf assets in IM. However, the two models are more complicated in terms of management. Figure 4 illustrates the relationship between management complexity and potential growth and expansion of the three waqf models available in IM.

Figure 4: Relationship between Management Complexity and Potential Growth and Expansion for the Three Waqf Models in IM



5. CONCLUSION AND RECOMMENDATION

The three waqf models applied in IM are quite comprehensive. The models illustrate the evolution of waqf concept itself. The corporate waqf model as introduced by Tan Sri Ali Hashim and JCorp and with the supervision of MAIJ contributes to the development of a waqf concept tremendously in the corporate entity. The involvement of corporate/private institutions and professionals in the development and management of waqf properties such as JCorp could revitalize the roles of waqf concept in satisfying the needs of the Muslims nowadays and fulfilling the Shariah objectives in this modern and challenging world. In the other hands, MAIJ applies two waqf models (real estate and cash waqf models) that are more fundamental in nature. It is recommended that more concerted efforts should be taken to study the features of these three models and how they could be applied strategically in strengthening the socio-economic position of the *ummah*.

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