

**CONTEMPORARY  
WAQF  
ADMINISTRATION  
AND DEVELOPMENT  
IN SINGAPORE:  
CHALLENGES AND  
PROSPECTS**

**By**

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## **INTRODUCTION**

The likeness of those who spend their wealth in the way of Allah, is as the likeness of a grain ( of corn ) ; it grows seven ears, and each ear has a hundred grains. Allah gives manifold increase to whom He wills. And Allah is All-Sufficient for His creatures' needs, All-Knower. (Al – Baqarah : 261)

Islam propagates the spending of ones wealth in the way of Allah and promises multi fold reward in return. It is no wonder that the act of giving one's wealth to achieve 'Bir' or goodness can be traced back in the time of Rasullullah's s.a.w as narrated in a Hadith from Ibni Umar r.a..Rasulullah s.a.w advise that Umar's land in Khaibar to be converted as a waqf ( freezing it permanently) , and the fruits from the farm were to be distributed to the poor and needy, to liberate slaves and for the wayfarer.

There are many examples in the past on this benevolent Act of creating Waqf. This paper will discuss in brief the administration, management and development of waqf in Singapore. The first part of the paper, briefly describe on the history, and the legal provision of waqf. Next the paper outline some of the financing options used in the development of waqf and citing examples of contemporary instruments used to structure waqf, such as Waqf REITs and Cash Waqf. Lastly, this paper will briefly touch on the social and religious aspects of the utilization of the waqf income.

## **DEFINITION OF WAQF IN SINGAPORE**

Waqf as defined under Singapore 's Administration of Muslim Law Act or AMLA, is the permanent dedication by a Muslim of any movable or

immovable property for any purpose recognised by the Muslim Law as pious, religious and charitable.

By this definition most of the Waqf created is in the form of freehold properties. There are also Waqf, created from the purchases of shares as part of the investment in the waqf to generate income for the beneficiaries.

The intention of the waqf for purposes of pious, religious and charitable offers a considerable degree of latitude when it comes to disbursing income and identifying beneficiaries. Thus we have waqf, as a charitable instrument created by Muslims in Singapore that benefits Non-Muslims as well. This is a clear and practical expression of Rahmatan Lil Alamin, on the part of Singaporean Muslims in their effort to be mercy to mankind.

## **HISTORY OF WAQF IN SINGAPORE**

Waqf had existed and can be historically traced back since 1826. The first mosque Omar Kampung Melaka dated 1826 was the first waqf that was created here in Singapore by Mr. Syed Omar Aljunied, a philanthropist.

Helping the community through the institution of Waqf is synonymous with the rich Arab and Indian philanthropist, who themselves were merchants who came to trade and later took residence in Singapore.

These philanthropists will create mosque and bought commercial properties to be rented out in order to create revenue stream for the maintenance of the mosque that were built. In essence not only did the philanthropist created or built mosques, they however also created a revenue stream (usufruct) to ensure that these mosques have income for its maintenance and religious activities.

It is worth mentioning that these philanthropists had developed a socio-religious enterprise model in the early days circa 1850. This concept is now becoming current in charity and non-profit enterprise literature today.

## **PROVISION OF WAQF IN AMLA.**

With the creation of The Administration of Muslim Law Act (AMLA) in 1968, and in accordance with Section 58 of AMLA, all awqaf created are vested in Majlis Ugama Islam Singapura (Muis).

While all awqaf are vested in MUIS, there were however many waqf that were still managed by the private trustees, then. Problems caused by poor management and cases of waqf properties sold by trustees without the knowledge of MUIS, were reported. In order to rectify this problem,

AMLA was amended again in 1995 to include the registration of Waqf. Henceforth, all waqf in Singapore are required to be registered in MUIS.

There were only 6 waqf registered in Muis in 1968. By the year 2000, all waqfs (100) are now registered in Muis. The registration of Waqf has enabled Muis to have complete database of all waqf properties, revenue, expenses and disbursement information. This information is crucial for the effective and efficient management of the waqf.

## **INCREASING WAQF REVENUE**

The effective and efficient management of Waqf assets and properties by Muis had enabled Waqf revenue to increase exponentially. The first commercial development of waqf started in 1990 for Wakaf Jabbar. The vacant land at Duku Road is now transformed into 4 units of terrace residential housing, increasing the revenue from a rental income of \$68<sup>1</sup> to almost \$36,000<sup>2</sup> per annum.

A bigger project after Duku Road was the Telok Indah properties. This is situated on the land previously occupied by a mosque and shophouses in the Kembangan area of Changi Road. The old mosque and dilapidated shophouses were replaced by a mixed development property, comprising of a new and bigger mosque, a commercial complex and 20 units of maisonettes.<sup>3</sup>

The development was undertaken during 1991, where rent control act had not been lifted. There were also other challenges to be addressed including:

- 1) The need to pay high compensation money to the existing tenant
- 2) The refusal of some of the tenants to move from their premises
- 3) The development expertise.

However, through negotiations and palatable proposals given to the tenants, we have succeeded to resolved the problem. It is definitely not a smooth and easy task to develop the premises as Muis was a greenhorn in this business. Being a greenhorn also meant, we took longer to learn the ropes of the trade and took quite a rough ride in working with the various development expertise. We then realized that more experts and professionals in these field needs to be recruited to shorten the turnaround time and quality of the development. Hence Muis property department recruited professionals such as civil engineers, architect and quantity surveyor as part of their team to manage the portfolio professionally. We

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<sup>1</sup> Source: Annual report -1990

<sup>2</sup> Source: Annual report - 2005

<sup>3</sup> A two levels apartment.

will see in the later part of this paper how this structure and the professional team later evolved to manage more complex development and management of waqf properties. While the challenges are on the management expertise and the external regulating factor, the next challenge that we faced is the various financing options to be adopted.

## **FINANCING OPTIONS**

During this period, all the financing was obtained from Baitulmal<sup>4</sup> or General Endowment Fund managed by Muis. Baitulmal became the joint venture partner and internal financing was the solution for this \$28 million project. The concept of developing the 20 units of massionette (two-level apartment) and selling it for 99 years was adopted and proceeds from the sale of these properties had enabled the mosque and the commercial complex to be developed without using any external financing.

This option was made possible through a fatwa formulated and issued by the Fatwa committee chaired by the Mufti of Singapore. The Fatwa Committee opined that it is permissible to sell the commercial or residential units on a leasehold basis. In essence the freehold property will still remain with or belong to the waqf and the property is thus reflected as a reversionary interest in the accounts.

MUIS also adopted joint venture and partnering approach to develop waqf properties. This approach and method proved to be an effective way to develop waqf properties, particularly with property prices spiraling upwards and in land scarce Singapore, the burgeoning economy has made land a very precious commodity which cannot be left undeveloped. Through this approach, several redevelopment projects involving shophouses were carried out and tenants of these shophouses paid for its renovation.

Another factor for the rapid development of the waqf properties in Singapore was the lifting of the Rent control act in 2001, as this meant that, landlords could now charge rental according to market rate.

## **ASSETS RICH, CASH POOR**

There are still a sizeable number of waqf which are still undeveloped, then. These waqf were asset rich and cash poor. Some of the properties are located in very prime location.

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<sup>4</sup> Baitulmal- General Endowment Fund , managed by Muis.

Due to the high potential of such properties, a more advance and progressive approach needs to be adopted. Leveraging on the properties is the solution.

A 'sukuk'<sup>5</sup> structure in the name of Musharakah Bond was then developed to raise \$60 million for 2 projects identified. ( See Annex 1 on the schematic structure of the musharakah bond)

The term musharakah was used as it is a joint venture between 3 parties , ie , Muis- Baitulmal , Warees and the Waqf . The return was secured and pre-determined through a master-leasing contract that will allow and ensure that the returns are distributed to the investors. For this case in point, Ascott Investments Pte Ltd signed a 10- year leasing contract for the apartment with services for the Bencoolen Street project.

There were many obstacles to clear in order to issue the Musharakah Bond. During that period, there wasn't any Islamic capital market issued in Singapore, what more for a waqf sukuk. While there were issues and challenges to overcome, we were able to proceed with the help of our Syariah Advisors, our property consultant, the UOB Assets Management team. The law firm Allen & Gledhill, helped us document the structure.

The challenges presented to us, include:

- 1) Documentation of the term return on capital employed which needs to be documented as interest so as to obtain the QDS ( Qualifying Debt Securities) <sup>6</sup> concession.
- 2) Forcing the use of this structure rather than the easier method of Bai-inah ( sale of debt) or Bai-Bithamin Ajil (sale and leaseback) as there was no concession on the sale and buy back structure and hence we are subjected to a very costly double stamp duty .
- 3) The need to create an SPV (special purpose vehicle), hence additional requirement adding to the documentation and cost.
- 4) The very early and infant stage of the Islamic finance structure in Singapore such as forming the Syariah Panel, understanding the process and working with the lawyers to document the structure .

The Musharakah Bond was 100% subscribed as Muis being a statutory board carries a sovereign rating for its certificates issued. The subscribers for this first Syariah-compliant Musyarakah Bond issued in Singapore include mosques, statutory boards banks and institutional investors. For

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<sup>5</sup> Sukuk- notes

<sup>6</sup> QDS- tax concession given for the income received from such investment. If return is used it will be classified as profit which is subject to income tax.

the first time a Syariah- compliant fixed income instrument is available in the market. For this innovation, Muis was awarded the Sheikh Mohammad Bin Rashid Al Makhtoum Islamic Finance Awards 2006 in Mar 2006., for the category Regional Continuing Contribution to Islamic Finance. This innovation has also increased the revenue of the particular properties from an annual rental of \$19,000 per annum in 1995 to an escalated gross income of \$5.3 M in 2006.

## **CONTEMPORARY INSTRUMENTS FOR DEVELOPMENT OF WAQF ASSET AND PROPERTIES**

We observed rapid development of waqf properties in Mecca, Saudi Arabia and many in the gulf region. Creative and innovative solutions are used to expedite these development. The concept of time sharing bond is used or Sukuk Al- Intifaa<sup>7</sup>. Zam Zam Towers utilized this concept, where the Towers are constructed in Mecca utilizing a 28 year BOT ( Built ,Operate and Transfer) contract structure. Purchasers bought the units based on a 28 years leased period ( a specific time) in a specific complex ( the Zam Zam towers) and in return will be given the revenue stream based on the return the complex generated.

Hence, there are many creative solutions in the development of waqf properties. In current properties investment, Real Estate Investment Trust ( REITs) instrument is a popular route to owning properties as the structure highly appeals to the investors. Hence such features should also be explored in the development of waqf properties. With many uncertainties in the market and with high cost of owning a property, the idea of property ownership can be converted via the REITs structure.

REITs for the development of waqf should be explored as this approach can rapidly increase the creation of waqf. Individual investors who wish to waqf their assets can now participate in this investment as it requires a low investment outlay.

Muis has creatively made an “internal REITs for its Waqf properties. The purchase of a 6 –storey office building at 11, Beach Road is an example where an asset migration exercise was undertaken. Waqf assets with low value and yield were transferred to a high yielding asset. A pool of waqf properties now owned a piece of the property at 11 Beach Road in terms of shareholding.

The net return from the yield of the particular building was then distributed to the various waqf in terms of the shareholding or

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<sup>7</sup> Extracted from IDB Occasional Paper No.8 – Role of Zakah and Awqaf in poverty Alleviation, by Dr.Habib Ahmed.

investments contributed to the whole assets. There are 24 awqaf which have participated in this structure.

Some of these shareholdings constituted waqf which has been acquired and is holding cash, these awqaf has been able to be saved from dissolution by participating in the shareholding of this piece of property. Previously waqf with a small value such as \$10,000 will not be able to own any property has now made possible by this property ownership.

The option offers advantages including more flexibility in disposing, exiting and liquidating the assets of the shareholders depending on the needs of the particular waqf.

We recognized that there are differences in opinion among religious scholars around the world on the issue of allowing waqf to be created in a more flexible nature, beyond the traditional property ownership or the widely practiced waqf that is fixated to one single property.

### ***CASH WAQF***

Another form of waqf which is unique here in Singapore, in the form of cash waqf is the Mosque Building Fund. Each muslim employee is required to contribute a stipulated amount to the fund on a monthly basis. The amount varies as follows:

#### **Contribution table for the Mosque Building and Mendaki Fund**

<b>Monthly Gross Income</b>	<b>MBF</b>
Less than \$1,001	1.00
\$1,001 to \$2,000	1.50
\$2,001 to \$3,000	2.50
\$3,001 to \$4,000	5.00
\$4,001 and above	7.00

*Contribution rate: effective 1<sup>st</sup> July 2005*

There are 175,000 muslim employees who contributed towards this fund. The contribution is deducted from their monthly salary by their employer and channeled through the CPF ( Central Provident Fund) who acts as our collecting agent for the contribution. We received an estimated \$6 million annually from this collection. This fund has also enabled us to build 22 mosques with an accumulated amount of \$130 million.

In this essence, the act of creating a waqf from a pool of fund to built mosques from the community has been achieved. Such instruments can

be modeled and a better instrument could be initiated to include income streams which will enable the mosque to have a continuous income for the maintenance and sustenance of the mosque.

## **THE EFFICIENT ADMINISTRATION AND MANAGEMENT OF WAQF**

In the earlier examples, many initiatives are created to further increase the revenue of the waqf . Effective and efficient management of waqf is imperative to obtain greater return and potential for the waqf properties so as to maximize the social and religious benefits.

Muis saw the necessity to separate the roles for waqf administration and management. Previously MUIS handled both the management, regulatory function including overseeing mutawallis and trustees, and at the same time acting as the developer for all these waqf properties. In order to be more effective and efficient, and to mitigate further risk from such ventures, MUIS formed a wholly owned subsidiary, **Warees Investments Pte Ltd** <sup>8</sup>.

The creation of this corporatised entity is necessary as the portfolio and the complexities of real estate investments and management of waqf grew. The creation of Warees allowed more focus, more agility, speed and creativity and innovative solutions for greater success.

## **THE ROLE OF WAQF IN SOCIAL AND RELIGIOUS DEVELOPMENT**

Through effective and efficient management of Waqf, MUIS is able to disburse its return to the beneficiaries. We have also seen a marked increase in its rental return, as tabled over the 5 years, below:

Returns from Waqf rental over 5 year period<sup>9</sup>

<b>Years</b>	<b>Amount (\$)</b>
1990	198,911
1995	1,013,577
2000	3,340,938
2005	4,114,461

*Source: Muis Annual Report*

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<sup>8</sup> Warees Investments Pte Ltd – wholly owned subsidiary of Muis formed in year 2000.

<sup>9</sup> The gross rental income of waqf for Muis: Source Muis Annula reports

All waqf, even under the trustee-managed model is audited. The waqf are required to submit the audited accounts by June of the following year. The income from waqf constitutes about 15% of the total income managed by Muis. If the mosque building fund is included as a form of cash waqf , it constitute more than one third of the total income managed by Muis. Waqf by far forms the largest assets in MUIS' portfolio. Total waqf assets are valued at about \$250 million.<sup>10</sup>

The disbursement of waqf is also a challenging task as there may be many varied intention created by the waqif<sup>11</sup> . The waqif may ask to disburse the money overseas for specific intention etc.

Currently MUIS is task to carry out the disbursement functions. However, MUIS also employ agents to execute these functions.

Complete accounts and waqf database management systems are developed and installed for an efficient waqf management system. This has led us to be able to determine and carry out the disbursement exercise efficiently.

Below is the table of amount disbursed by country and by trypes of allocation.

( Based on FY 2005)

### **Disbursement by Country**

<b>Country</b>	<b>%</b>
Singapore (Local)	98 %
Saudi Arabia	4%
India	2%
Indonesia	2%
<b>Total</b>	<b>100%</b>

From the table above, the distribution to other countries signified the origin of the the waqif. These philanthropists created waqf not only to help the community here in Singapore but also repatriated some income for the welfare of their communities of their country of origin.

### **Amount allocated By Types of Disbursement in FY 2005 (by %)**

<b>Types</b>	<b>%</b>
Mosques	45%
Education	26%
Madrasah Religious	13%

<sup>10</sup> Source: Total assets value of all waqf managed by Muis and trustees.

<sup>11</sup> Waqif- person who created the waqf.

School)	
Poor and Needy	9%
Others	7%
<b>Total</b>	<b>100%</b>

Most of the awqaf are created for the purpose of building and maintenance of mosques. The madrasah is another popular intention of the wakif, followed by the poor and needy.

MUIS also plays the regulatory role of managing the waqf. Guidelines on the usage of properties and on sale and purchase of properties have been incorporated.

MUIS has obtained the ISO9001 certification for the administration and management of waqf in Singapore. This is a major effort as it strives to be one of the best waqf authorities in the world.

## **WAY FORWARD FOR THE ADMINISTRATION AND DEVELOPMENT OF AWQAF**

The landscape for the management and development of waqf has changed. Muslim communities and countries are now interested to develop its waqf, and this interest is heightened by the potentials the waqf creates. In the Middle East and many other Muslim majority countries waqf forms a huge land bank with high potential for development.

Waqf is an institution to help promote social justice, community development, educational upliftment and poverty alleviation. It is a tool, in addition to Zakah, to promote and enhance religious and social development. We trust that awqaf authorities in Muslim countries view waqf development and its effective management as a way of promoting social and religious development and encouraging a caring and giving community.

We acknowledged that there are impediments such as bureaucracy, lack of expertise and the need to revisit religious rulings on waqf, in order to realize the true intent and spirit of awqaf.

Hence we hoped that academics, religious scholars, the awqaf authorities, the practitioners, the developers, and financial institutions would work together to synergise efforts and to bring forth creative ideas, methods and initiatives for the development of waqf locally and globally.

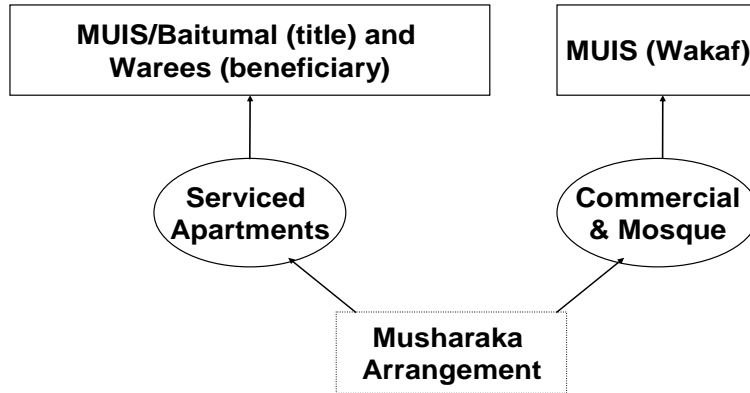
It is also hoped that Muslim communities will continue to create even more waqf as a way of contributing to humankind and society as encouraged by Islam.

“ Verily Allah enjoins Al-Adl and Al- Ihsan , to help mankind and forbid evil and wrongdoings and any oppression. He admonishes you, that you may take heed.”

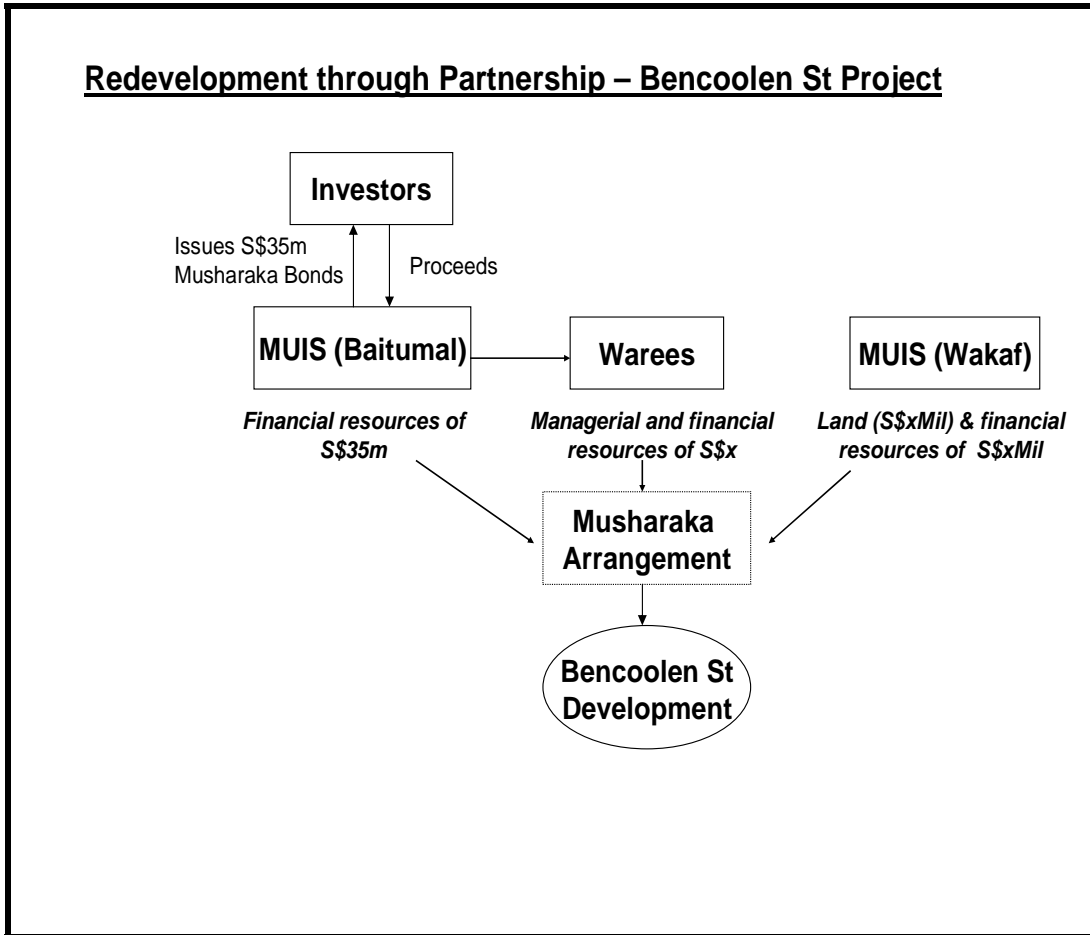
Quran: An- Nahl , 16:90



Redevelopment through Partnership – final ownership



**Musharakah structure for the development at Bencoolen Street**



Redevelopment through Partnership – distribution of return

