

Constructing and Financing Affordable Housing Across Asia

“LEVERAGING ISLAMIC SOCIAL FINANCE FOR AFFORDABLE HOUSING FINANCE”

2 April 2019

Prof. Dato' Dr. Azmi Omar
President & Chief Executive Officer

About INCEIF

OUR MANDATES

Facilitate human capital development



Centre for Islamic finance research



ALUMNI

1,561

graduates globally*



1,798

registered students

72

countries



9

convocations

RESEARCH & PUBLICATIONS



547

Research and Publications



49

Books



11%

of Global IF Research



No.1

RePec Ranking in Malaysia (as of October 2017)



No.47

RePec Ranking in Asia (as of October 2017)



No.32

RePec Ranking in globally under Financial Economics & Finance Department

FACULTY



22 subject matter experts



Islamic Finance



Islamic Social Finance



Latest Global Development

Ease of Payment for Zakah, Waqf and Sadaqah

Zakah Payment via Blockchain by Blossom Finance



The screenshot shows a web browser displaying a press release from Blossom Finance. The URL in the address bar is <https://blossomfinance.com/press/muslims-can-now-pay-zakat-in-cryptocurrency>. The page features the Blossom Finance logo and navigation links for Home, Investments, SmartSukuk™, and Articles, along with an 'APPLY TO INVEST' button. The main content is a news article dated Wednesday, May 23rd, 2018, with the headline 'Muslims Can Now Pay Zakat in Cryptocurrency'. The article text states: 'Free service allowing Muslims to pay their annual obligatory charity payment (zakat) owed against cryptocurrency holdings directly using the blockchain'.

- Blossom Finance provides a platform for zakah payment in cryptocurrency
- The payment will be to a Blossom-controlled wallet at a cryptocurrency exchange in Indonesia
- Blossom Finance will then convert the cryptocurrency into Indonesian Rupiah and channel it to its cooperative and non-profit partners in Central Java and Sumatra, Indonesia

GlobalSadaqah by Ethis Ventures

The screenshot shows the GlobalSadaqah website interface. At the top, there is a navigation bar with the logo and menu items: Campaigns, Partners, About Us, Learn, FAQ, Login, Join Us, and العربية. Below the navigation bar is a dark blue banner with the text "Campaigns" and "Choose the campaigns to support". Underneath the banner are two dropdown menus for "Category" and "Country". The main content area displays three campaign cards:

- Emergency Relief For New Zealand's Mass Shooting Victims:** Raised \$1,140 of \$10,000 with 21 days to go. Partner: nzic.
- Support A Single Mother: Rohashinah's Struggle To Self Independence:** Raised \$824 of \$1,468 with 17 days to go. Partners: Yayasan Kebajikan Negara and Alliance Islamic Bank.
- Building Jannah: Establishing A Waqf In The Heart Of Nigeria:** Raised \$10,570 of \$15,000 with 7 days to go. Partner: AN-NIBAA EDUCATIONAL FOUNDATION.

Each card includes a "DONATE" button at the bottom.

- An online charity crowdfunding platform
- Acts as a medium for philanthropic interventions on a global scale
- Allows individuals and firms to channel their donations, whether in the form of zakah, waqf, sadaqah or corporate social responsibility (CSR), to deserving recipients from trusted charity organizations
- Thus far, 24 campaigns have been launched with 7 having been completed
- Its charity partners include the National Heart Institute Malaysia, Islamic Solidarity Fund for Development and Islamic Relief while its corporate partners include the Islamic Development Bank Group and Bank Islam Malaysia

SAZADAH by BAZNAS and Henan Putihrai Sekuritas



- The Shadaqah dan Zakat Saham Nasabah programme (SAZADAH) is a collaborative effort between Badan Amil Zakat Nasional (BAZNAS) and Henan Putihrai Sekuritas
- This programme enables stock market investors to give sadaqah and pay for their zakah either in the form of shares or money through the Bursa Efek Indonesia (BEI) to Henan Putihrai Sekuritas
- The collected zakat will then be channelled to BAZNAS for distribution to deserving zakah recipients

Latest Global Development

Non-interest Financing for Affordable Housing

Real Estate Islamic Crowdfunding by Ethis Crowd

https://www.ethiscrowd.com/discover/

ETHIS CROWD Home Company Invest Learn Login Join Us العربية

| Project Name | Category | Location | Goal (SGD) | Raised (SGD) | Projected Return | Duration | Time Remaining |
|--------------------------|--------------------|----------------------|--------------|--------------|------------------|--------------|----------------|
| PESONA PRIMA CIKAHURIPAN | Affordable Housing | West Java, Indonesia | \$274,923.00 | \$275,935.00 | 11-12% | 10-11 months | 0 day(s) to go |
| MACHANG LAND DEVELOPMENT | Land Development | Kelantan, Malaysia | \$37,092.00 | \$37,092.00 | 5-6% | 5-6 months | 0 day(s) to go |
| CASAVERA DRAMAGA 2 | Affordable Housing | Bogor, Indonesia | \$157,000.00 | \$157,000.00 | 5-6% | 4-5 months | 0 day(s) to go |

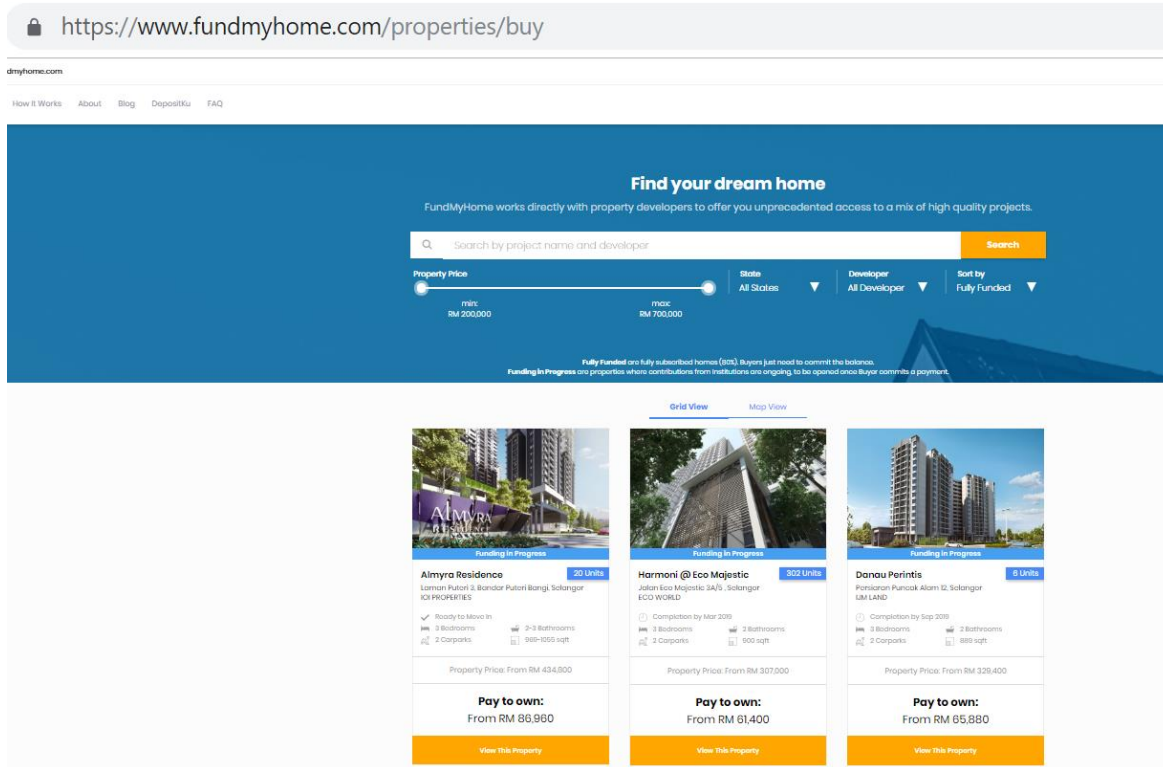
- The world's first real estate Islamic crowdfunding platform
- Investors may invest in any real estate development project of their choice with the underlying Shariah contracts being istisna' and murabahah
- It currently has a community of 25,000 ethical and Islamic crowd-investors and donors from 65 countries
- Notable achievement includes the successful funding of affordable housing projects in Indonesia
- Most of its projects are part of the '1-million homes' programme by the Indonesian government where support and subsidies are provided to enable families with household incomes between S\$400 to S\$700 a month to purchase their first home with a monthly payment of less than \$100

Sovereign Sukuk by the Government of Mali



- The sovereign sukuk is based on the Shariah contract of ijarah
- With a seven-year tenor and a coupon rate of 6.25%
- It was issued to finance the renovation of 3,665 social housing units and the construction of 1,250 new units in N'Tabacoro which is part of the commune of Kati in the southwest of Mali

FundMyHome by EdgeProp Sdn Bhd



- An innovative scheme that allows Malaysians to own a home without a mortgage
- First-time homebuyers will only need to pay 20% of the purchase price of a property while the balance 80% will be paid by participating institutions
- The homebuyers will have the legal and beneficial ownership of their new homes and they may choose either to live in them or rent them out
- After 5 years, the homebuyers may opt either to continue staying in their homes through refinancing or to sell where the capital gains from such sale will be shared between the homebuyers and participating institutions
- Currently there are 9 participating developers who offer around 1,000 homes priced below RM500,000 and participating institutions include Maybank and CIMB Bank Berhad

Islamic Property Trust Fund by INCEIF



- A research was done by Prof. Dr. Saiful Azhar Rosly, Mohd Ariff Mohd Daud (Ph.D Candidate) and Prof. Dr. Zulkarnain Muhammad Sori of INCEIF to investigate the affordable housing problem in Malaysia through a grant by Khazanah Nasional Berhad
- It was discovered that there are 5 components affecting housing prices – land cost, compliance cost, construction cost, financing cost and the profit margin charged by housing developers
- It was also found that institutional investors could potentially play a big role in reducing housing prices and thus allowing for affordable housing
- Investments in affordable housing projects were determined to be more attractive to institutional investors should they possess the following 6 attributes – a clear structure and mandate, reasonable returns, provide a social return (socially, economically and environmentally), risk mitigation measures, good governance and transparency and governmental support
- It was suggested that an Islamic property trust fund is established for utilization by small and medium type developers where sukuk issuance for affordable housing projects is not feasible

Leveraging Islamic Social Finance for Affordable Housing

Leveraging Islamic Social Finance for Affordable Housing

- Of the three main classical Islamic economic institutions, zakah, waqf and sadaqah, waqf holds the biggest potential in paving the way towards affordable housing
- At the height of the Ottoman empire, the social and economic significance of waqf was evident as captured in the words of Prof. Dr. Bahaeddin Yediyildiz :

"...thanks to the prodigious development of the waqf institution, a person could be born in a house belonging to a waqf, sleep in a cradle of that waqf and fill up on its food, receive instruction through waqf-owned books, become a teacher in a waqf school, draw a waqf-financed salary, and, at his death, be placed in a waqf provided coffin for burial in a waqf cemetery, in short, it was possible to meet all one's needs through goods and services immobilised as waqf..."

- Due to its perpetual nature and its ability to benefit the society at large (if it is a public waqf) irrespective of religion, race and economic background, therein lies the reason why waqf is the best vehicle in delivering affordable housing

Leveraging Islamic Social Finance for Affordable Housing

- One practical way of harnessing the social and economic impact of waqf is through the development of old waqf properties for affordable housing
- This development may be financed by way of the following :

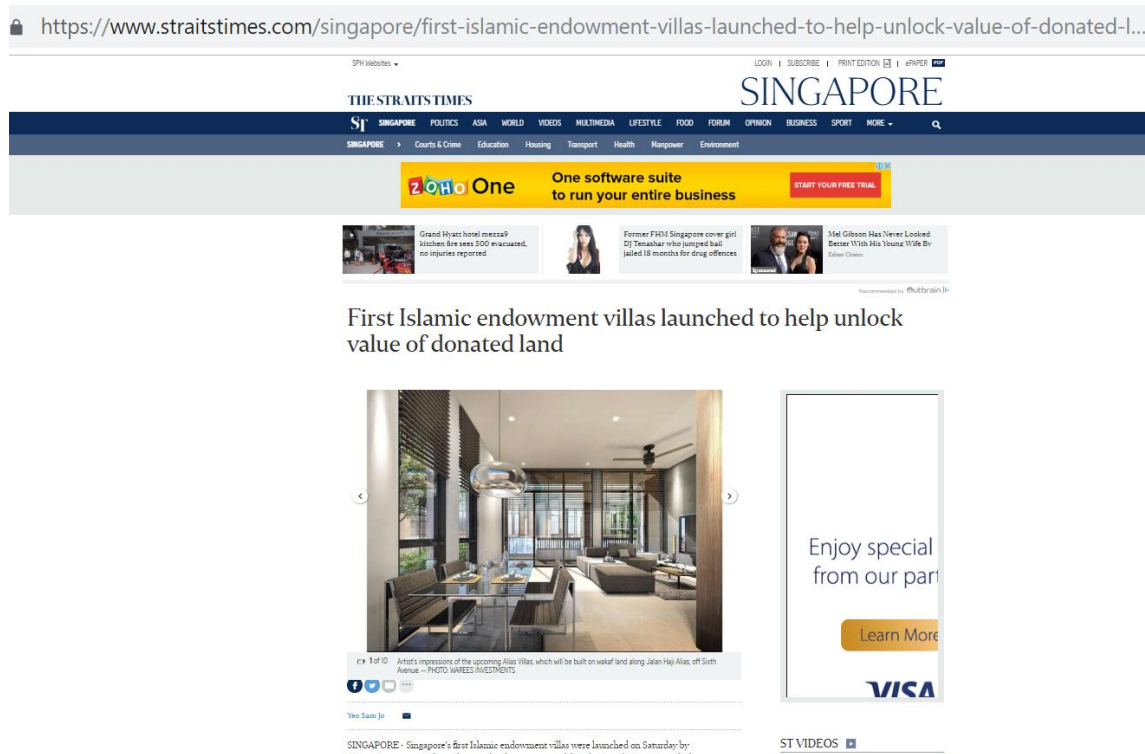
(classical modes of financing)

- i. Istibdal/Substitution
- ii. Hikr/Long Lease
- iii. Istisna'/Construction Financing

(innovative modes of financing)

- i. Musharakah Mutanaqisah/Diminishing Partnership
- ii. Build-Operate-Transfer (BOT)
- iii. Build-Lease-Transfer (BLT)
- iv. Joint Venture
- v. Musharakah/Partnership
- vi. Internal Funds/Self-finance/Donation
- vii. Waqf Shares
- viii. Corporate Waqf
- ix. Takaful Waqf
- x. Musharakah Sukuk/Partnership Islamic Bonds

Alias Villas Waqf in Singapore



- A collaboration between Wakaf Al-Huda and Warees Investments Pte. Ltd. under its subsidiary WHA Heritage Pte. Ltd.
- Wakaf Al-Huda which was endowed in 1905 is a land parcel which also houses a 110-year-old mosque and it is one of Singapore's oldest waqf assets
- This waqf was made with the intention that revenue from the land is used to support the Al-Huda Mosque
- The land was developed to build 6 semi-detached landed units which was estimated to sell for at least \$1,500 per sq. ft. with a 99-year lease (using the **hikr/long lease** mode of financing)
- The proceeds from the sale of the units will go towards the renovation and maintenance of the Al-Huda Mosque

Semi-D Housing Project in Malaysia



- The land situated at Lot 3681 and Lot 3732, Jalan Kebun, Klang, Selangor was endowed as waqf land by one Abdul Rahman Ali for the use of the public
- Through a **joint venture** between Perbadanan Wakaf Selangor (PWS) and Nada Sepakat Corporation (Malaysia) Sdn. Bhd., 80 units of semi-detached houses will be built on 2.3 hectares of land
- Through **hikr/long lease**, the completed units will then be sold on a 99-year lease and the proceeds will be channelled to the Al-Falah Mosque in Telok Pulai

Leveraging Islamic Social Finance for Affordable Housing

- It is abundantly clear that waqf properties may be utilized to provide affordable housing for many through the use of classical and innovative modes of financing particularly the use of hibr/long lease of 99 years (the number of years can be adjusted as per the agreement of parties)
- Houses built on waqf properties may be sold at more affordable prices allowing many the privilege to own their own homes while the proceeds from such sales will go towards waqf funds which can then be distributed for other philanthropic activities

Thank You

Prof. Dato' Dr. Azmi Omar

President & Chief Executive Officer

Tel: +603 7651 4000

Email: president@inceif.org



Connect With Us

Follow us on : twitter.com/inceif

Check our university's page on : linkedin.com/company/inceif

See the latest INCEIF videos : youtube.com/INCEIF2011

Read our latest blog : incejf.org/blog

Follow us on : facebook/INCEIF



References

- Abdel Mohsin, M. I., Dafterdar, H., Cizakca, M., Alhabshi, S. O., Abdul Razak, S. H., Sadr, S. K., Anwar, T. & Obaidullah, M. (2016). *Financing the Development of Old Waqf Properties : Classical Principles and Innovative Practices Around the World*. New York : Palgrave Macmillan.
- Blossom Finance. (2018). Muslims Can Now Pay Zakat in Cryptocurrency. Retrieved from <https://blossomfinance.com/press/muslims-can-now-pay-zakat-in-cryptocurrency>
- CNN Indonesia. (2017). HP Sekuritas Incar Transaksi Naik 200 Persen dari Zakat Saham. Retrieved from <https://www.cnnindonesia.com/ekonomi/20171113130511-85-255242/hp-sekuritas-incar-transaksi-naik-200-persen-dari-zakat-saham>
- Ethis Crowd. (2019). *Ethis Islamic Crowdfunding Report Volume 2*. Retrieved from https://cdn2.hubspot.net/hubfs/2627399/Ethis%20Islamic%20Crowdfunding%20Report%20Vol.%202%20-%20Jan%202019.pdf?utm_campaign=Ethis%20Report&utm_source=hs_automation&utm_medium=email&utm_content=69855191&_hsenc=p2ANqtz-9ZN1hU_40Bye4S1q_dGZXzkfVGQ7z8nQuEmwx82vrRmK9g4mOm1IE6-Z5dQ5YLqkfZESr1MEgFqwREmj7gmoHtxLQZwQ&_hsmi=69855191
- GlobalSadaqah. (2018). The Importance of This Platform : Muslims Give More than \$ 50 billion of Zakat Every Year, Yet Millions of Muslims Around the World are Poor and in Desperate Need. Retrieved from <https://www.globalsadaqah.com/about-us/>
- Islamic Research and Training Institute. (2014). *Islamic Social Finance Report 2014*. Retrieved from <http://www.irti.org/English/Research/Documents/Report-2.pdf>
- Islamic Research and Training Institute. (2012). *Challenges of Affordable Housing Finance in IDB Member Countries Using Islamic Modes*. Saudi Arabia : Islamic Research and Training Institute.
- Suleiman, H. (2016). The Islamic Trust Waqf: A Stagnant or Reviving Legal Institution? *Electronic Journal of Islamic and Middle Eastern Law*, 4, 27-43.
- Thomson Reuters. (2018). Mali's Debut Sale of Islamic Bonds to Fund Social Housing. Retrieved from <https://www.reuters.com/article/islamic-finance-mali/malis-debut-sale-of-islamic-bonds-to-fund-social-housing-idUSL8N1Q4084>
- Warees Investments Pte. Ltd. (2015, January 31). *Media Release : Wakaf Al-Huda Launch of Alias Villas (Phase 2) : Unlocking the value of wakaf land in District 10 through the development and lease sale of six prestigious semi-detached residential units (strata landed)*. Retrieved from <https://warees.sg/wp-content/uploads/2014/05/Alias-Villas-Media-Release.pdf>