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MINISTRY OF HIGHER EDUCATION MALAYSIA

ENHANCING UNIVERSITY INCOME GENERATION, ENDOWMENT & WAQF

UNIVERSITY TRANSFORMATION PROGRAMME, PURPLE BOOK



PREAMBLE

THE UNIVERSITY TRANSFORMATION PROGRAMME (UniTP) PURPLE BOOK

The Malaysia Education Blueprint 2015-2025 (Higher Education), or the MEB (HE), laid out ten shifts to spur continued excellence in Malaysia's higher education. **Shift #5: Financial Sustainability** aims to ensure long term financial sustainability of the higher education system.

Given that universities may have different starting points, the Ministry of Higher Education is collaborating with universities to launch the "University Transformation Programme" (UniTP) to assist public universities in creating and implementing their own tailored transformation plans. To guide universities through this process, the UniTP is identifying and codifying best practices in a series of books with practical guidance for universities as they embark on their own transformation programmes.

In addition, the **Shift #6: Empowered Governance** would empower universities with greater decision-making rights, autonomy, together with greater accountability. In line with this, the UniTP Green Book **Enhancing University Board Governance and Effectiveness** was developed, which also serves as a relevant guide to navigate activities related to university income generation. The UniTP Green Book identified three entities that will play a big role in this initiative: the university holding companies, endowment and waqf entities. It also proposed independent governance for the three entities as shown in Exhibit 1.

With the flexibility to make their own decisions, universities will be able to implement agile management of resources, and be efficient, responsive, and innovative organisations, conducive to income generation activities.

Chapter 5 of the Malaysia Higher Education Blueprint 2015-2025 (Higher Education) or MEB (HE), sets out how public universities can further diversify the sources of funding. The Ministry and public universities will improve relevant governance structures and universities are expected to professionalise their income generation management, while staying focused on their core education mission.



Exhibit 1

Income generation by public universities

This UniTP Purple Book draws some basis on the governance perspective related to income generation in public universities as set out in the UniTP Green Book (Green Book). The Green Book recommended that Independent Board of Trustees for endowment and Waqf Board of Trustees be set up separately, similar to the University Board.

GOVERNANCE	University Board Finance and Investment Committee	Independent Board of Trustees	Waqf Board of Trustees
ENTITY	University Holding Companies	Endowment Funds	Waqf Funds
ACTIVITIES	<p>Income generation and commercial activities, such as:</p> <ul style="list-style-type: none">• Commercialisation of research and intellectual property• Training, research or teaching contracts with private partners• Services, consultancy and advisory activities• Property management related to university assets• Management of university subsidiary companies	<ul style="list-style-type: none">• Fundraising for the endowment• Engagement with fund donors• Investments and asset allocation, including in financial assets and real estate	<ul style="list-style-type: none">• Fundraising for the waqf• Engagement with waqf donors• Investments and asset allocation adhering to <i>shariah</i> principles



With increased demand for quality higher education, and in the face of increasing cost and budgetary constraints, universities are expected to increase their own income generation. This is even more pertinent due the following benefits of income generation:

- Economic context
- Reduce dependency on public funding
- Risks mitigation
- Funding mission expansion
- Flexibility
- Competitiveness

Exhibit 2 shows the current and desired state of income sources for universities. It identifies three streams of income and this playbook concentrates on the third stream which consists of commercial activities and grants, endowment, and waqf. They are to complement income from student fees and government grants.

Currently, most universities already have mechanisms such as university policy, a dedicated office and incentives to support income generation. However, these mechanisms still need to be strengthened.

In addition to conventional sources of income such as government funding, and tuition fees, universities can explore many ways of generating income from multitude of sources. The seven main potential sources of income are (1) Academic and Research Programs, (2) Assets Monetisation, Retailing and Services (3) Financial Management Activities & Investment, (4) Corporate Alliances for Business Ventures, (5) Endowment & Waqf, (6) Fundraising, and (7) Public Contribution. See Exhibit 3.

This UniTP Purple Book contains sets of guidelines for university leaders and administrators on ways for enhancing income generation from alternative and complementary sources. The aim is to streamline the understanding of the key aspects of income generation and the common processes of carrying out the activities. It draws from analysis of the current state of play and understanding trends as well as shared best practices locally and abroad.

The guidelines are not meant to be prescriptive but only serve as general guide for university leaders. Chapter 1 highlight four main commercial activities i.e. Education and Training Programmes, Research Grants and Commercialisation of Ideas, Asset Monetisation and Commercial Activities, and Investment through University Holding Companies. Three other main income generation activities i.e. endowment, waqf and fundraising activities are addressed in Chapters 2, 3 and 4, respectively.

It is important for universities to have policies on all income generation activities in order to protect university interests, good names, reputations, and mission.

In a nutshell, this UniTP Purple Book provides a basis for driving the public universities to adopt a more diversified income portfolio, shift to a more entrepreneurial mindset, and ensure the delivery of key institutional outcomes.

Exhibit 2

Desired state of university income sources through diversification

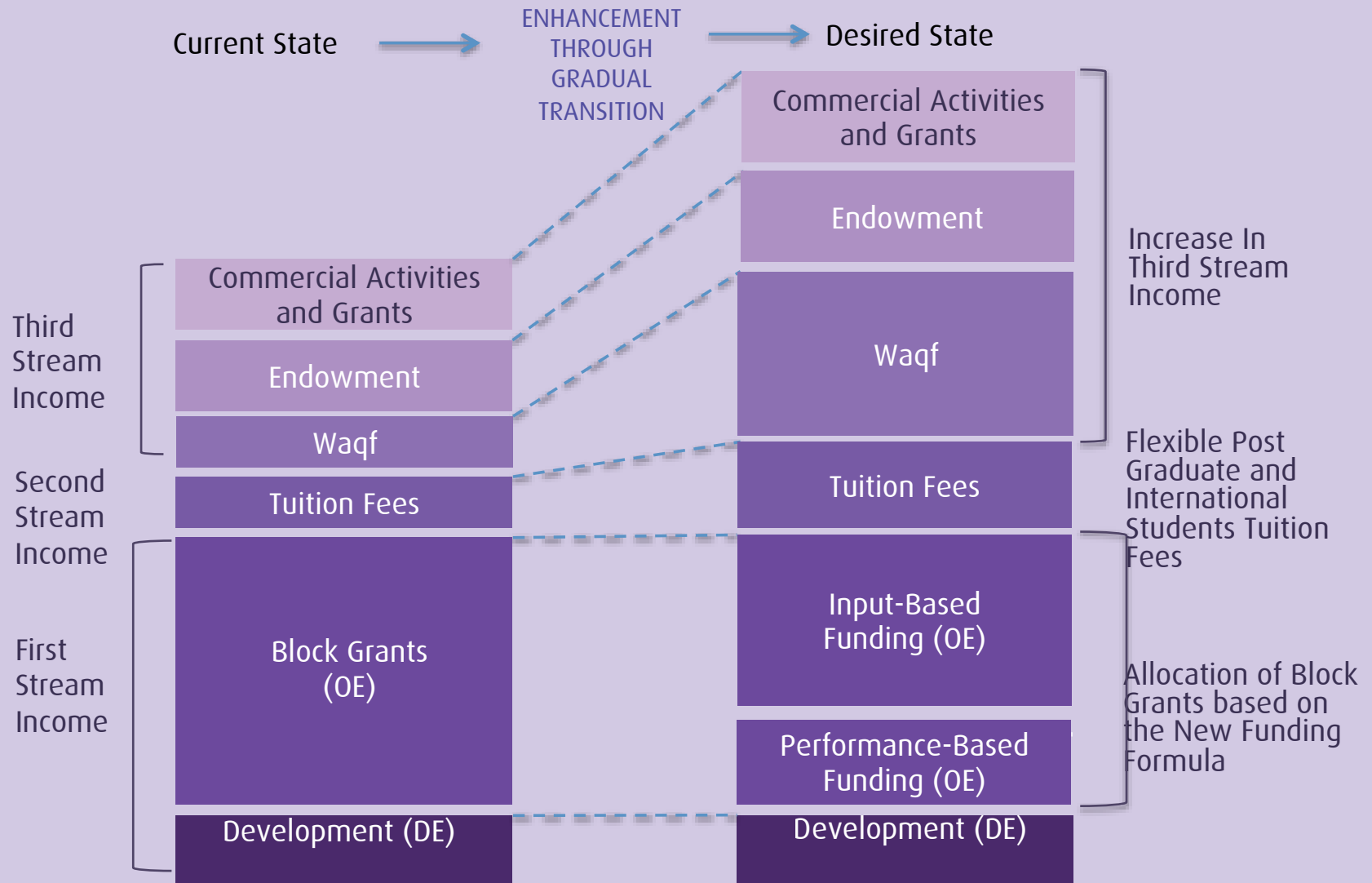


Exhibit 3

Seven main potential sources of income for universities

Universities can explore new ways of generating income from multitude of sources shown below:

1

Academic and Research Programs

Education and Training Programmes

- Academic Programmes
- Specialist courses and CPD
- Industry & Executive training
- Online learning & MOOCs
- Conferences and seminars
- Twinning Programmes

Research and Commercialisation of Ideas

- Research funding & grants
- Industry sponsored research
- Intellectual property, patents, licenses, royalties
- Company spin-offs & commercialization of R&D products and IPs
- Consulting & other services
- University start-up companies

2

Assets Monetisation, Retailing and Services

Rental and Lease of Facilities

- Conferences, seminars & convention centres
- Sports & recreational facilities
- Laboratory

Unlocking of Assets

- Science park development
- Property development
- Land and property leasing

Retailing and Services

- Shops
- Food & Beverages
- University Press
- University services

3

Financial Management Activities & Investment

Financial Management Activities

- Raising debt & equity
- Asset sale & leaseback arrangement

Investment

- Investment returns (including on endowment and waqf)

4

Corporate Alliances for Business Ventures

Joint Ventures

- JV partnerships; PPP
- Joint marketing of products/services
- Co-branding

7

Public Contribution

Public Donations

- Club/group memberships
- Public campaigns
- Public events

6

Fundraising

Fund Donations

- Hiring staff; Operations
- Acquiring IT systems
- Crowdfunding

5

Endowment & Waqf

Philanthropy

- Gifts & bequests
- Corporate donors
- Alumni donors
- Public donors



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EXECUTIVE SUMMARY

ENHANCING UNIVERSITY INCOME GENERATION, ENDOWMENT AND WAQF

MEB (HE) has highlighted that over the next decade, Malaysia will need to deliver quality higher education to almost twice as many students if it is to fulfil its aspiration to provide greater access to higher education. The total Government expenditure on higher education has been rising at a rate of 14% per annum, driven largely by subsidies to public HLIs, where 90% of their expenditure is Government funded.

Malaysia needs to move from a system that is highly dependent on Government resources and focused on inputs to one that is focused on outcomes and where all stakeholders contribute, proportionate to their means.

Financial sustainability will be one of the key challenges for universities in the next decade: only those institutions that have sound financial structures and stable income flows will be able to fulfill their multiple missions and respond to the current and future challenges. Financial sustainability is not an end in itself; it aims to ensure a university's goals are reached by guaranteeing that the institution produces sufficient income to enable it to invest in its future academic and research activities.

Public and private HLIs will **draw on diverse sources of funding** to allow continuous improvement in the quality of their programmes, and more prudent and innovative use of their resources. There will be more targeted support for socio-economically disadvantaged students to make enrolment more affordable and accessible to everyone who is eligible.

The UniTP Purple Book provides an analysis of the status of income diversification in Malaysian universities and identifies the external and internal hurdles to the development of successful income diversification. It identifies best and transferable practices that improve the framework conditions for universities and their ability to act strategically in this area. The current drastic pressures on higher education budgets across Malaysia make this Purple Book a timely contribution to the ongoing debates on how to fund universities' activities, by looking in particular at **the potential of complementary income sources**.

This Purple Book draws some basis on the governance perspective related to income generation in public universities as set out in the Green Book.

Public authorities play a key role in supporting income diversification by providing the right framework, removing barriers and setting the right incentives. Granting more **institutional autonomy**, simplifying national regulations and moving towards funding on a full cost basis are among the most important actions to set these right conditions.

Funding incentives can play a very important role to increase private investment in higher education, but are still a much underused tool. The Ministry will work closely with other Ministries to attract private investment through appropriate policies and schemes. The Ministry recognises the importance of leadership and management in implementing a successful diversification strategy. It calls for support and investment to help enhance institutional capacities in income generation.



The UniTP Purple Book focuses on providing practical approaches and framework to help university address a big challenge in diversifying and enhancing income. The book begins with the justifications or reasons why universities need to diversify their income sources. It identifies three main methods for income generation and provide practical guides on how universities can derive income from these methods. The three main methods are commercial activities, enhancing endowment and developing waqf.

Chapter 1 Enhancing University Commercial Activities and Grant Acquisitions identifies four main sources of incomes, which are:

- ❑ Education and Training Programmes
- ❑ Research Grants & Commercialisation of Ideas
- ❑ Commercial Activities through University Holding Companies
- ❑ Asset Monetisation

Chapter 2 Enhancing University Endowment for Financial Sustainability presents current practices and performance for endowment at public universities. It is clear that there is a lot of room for improvement and there is a lot of potential that remains un-tapped.

This chapter also outlines:

- ❑ Role of university leaders in enhancing endowment growth
- ❑ Potential sources of endowment
- ❑ Endowment investment management

Chapter 3 Developing Sustainable Waqf at Public University introduces waqf and its potentials. It is worth noting that a financial review magazine estimated that Malaysia has about USD325 billion ringgit worth of waqf that has not been tapped.

Chapter 4 Philanthropic Income and Fundraising Activities presents and overview on the current performance in philanthropic income at the public universities. It is worth noting that Malaysia as a nation has not done well in the areas of giving donations. When it comes to giving for charity, Malaysia was ranked 76 out of 153 nations in 2010, and it dropped to number 87 in 2011. This obviously present opportunities for Malaysian universities to tap into the potential of philanthropic income.

This chapter outlines some recommendation on how Malaysian universities can increase their income through philanthropic and fundraising activities. The recommendations are outlined in:

- ❑ Fundraising Matrix and Models
- ❑ Recommended Structure and Functions for Fundraising Initiatives



CHAPTER ONE

ENHANCING UNIVERSITY COMMERCIAL ACTIVITIES AND GRANT ACQUISITIONS

University core activities are teaching and learning, research and services. Commercial activities in universities therefore, are normally drawn from these core activities. The nature of commercial activities may, however, require different skill sets than those generally associated with universities. When successful, commercial activities such as education and training programmes, commercialisation of ideas, asset monetisation, and retailing, will diversify a university's income stream and secure additional funding.

Universities have not fully realised the potential of income generation via these activities and the unlocking of tangible and intangible assets. Since these commercial activities may offer a very different risk-return profile compared to those activities traditionally associated with universities, it is important that the governing body of universities pay close attention to these activities through careful scrutiny and proper monitoring. The university must have policies, support systems and right incentives for commercial activities in order to protect university interests, good names, reputations, and mission. In addition, these activities should not be carried out at the expense of the core responsibilities of universities.

Commercial activities can be carried out by universities or their holding companies either directly or through joint ventures with, or outsourcing to, third parties. This chapter describes four main groupings of income generation.

Education and Training Programmes

Education and training is one of core functions of universities. HLIs can leverage on their expertise and facilities to offer programmes including academic programmes, CPD, LLL or MOOCs. It is recommended for universities to manage these programmes with a university private education wing in this programme offerings. Several business and profit sharing models between faculties and private wings can be developed.

Research Grants & Commercialisation of Ideas

Universities need to continuously acquire grants for research and development in order to support one of their core functions. Universities can adopt various strategies such as strengthening industry and international collaboration to enhance grant acquisitions. They can also strengthen their technology transfer office to increase commercialisation of IPs and expertise.

Asset Monetisation

Universities can monetise their tangible and non-tangible assets. The monetisation of assets can be done through leasing, joint venture with third party, outsourcing to third party, improved utilisation and commercialisation. When done right, the potential is enormous.

Commercial Activities through University Holding Companies

University holding companies act as both commercial and investment arms to enable university participation in business activities. They are also established to protect universities from any legal suits brought about in the course of its commercial activities, collaboration or joint venture agreements with any third parties.



EDUCATION AND TRAINING PROGRAMMES

The education sector is expected to generate an approximately RM33.6 billion in Gross National Income and creates 3.3 million jobs by 2020, which provide universities with opportunities for income generation. However, providing quality education should remain the core mission of universities.

The primary role of universities is to provide quality and wider access to education through high quality delivery system that emphasizes development of values, competencies and skill set for a knowledge society.

Universities also need to provide lifelong learning (LLL) opportunities to enable Malaysians to meet the changing skill needs through re-skilling and upskilling programmes.

In providing quality education, universities are faced with providing affordable courses in an environment of increasing cost. Public universities can enhance their income significantly through education and training programmes to face these challenges and to cater to an expected increase in demand.

A sample of three public universities offering academic programmes had generated a total revenue of RM73.2 million in 2014. This shows that universities can generate significant income from education and training.

In addition, the university that generated the highest revenue, offered their academic programmes through a private education wing. Some universities have internal units that conduct their education and training programmes. However, these universities have not been able to objectively determine the financial performance of these units. Thus it is recommended that all programmes under these units are managed under a university private education wing.

Some of the current education and training programmes conducted by universities include CPD, academic programmes, online distance learning, executive and twinning programmes.

Current and future trends in education reflects the need for flexible education that is, education for Anyone, Anywhere and at Anytime. Hence, University could adopt MOOCs, e-Learning and hybrid programmes to support flexible education

Further, universities can increase their franchising and licensing of education and training programmes, and establish credit transfer for MOOCs which will result in a wider access to quality education and increased income generation.

To attract youths to engage in learning, universities can enhance their delivery through gamification. This enhancement will also result in wider access to quality education and increased income generation.

All these enhancements will result in the following outcomes:

- Knowledge Society
- Increase number of skilled workers
- Learned Values-Driven Talent
- Enhanced Income Generation



RESEARCH GRANTS & COMMERCIALISATION OF IDEAS

Research is a core activity of universities which requires support in terms of grants and talent. University needs to strengthen their innovation ecosystem where knowledge generation, knowledge exchange and technology transfer are done through collaboration with relevant government agencies, industries and communities. This quadruple helix collaboration will not only improve university income generation but also increase the creation of new knowledge and commercialisation of ideas.

Research Grants

A substantial amount of grants are available for universities to tap into. Universities have access to public grants, and grants from private agencies and international bodies. In 2014 and 2015, universities were able to obtain a total of RM1.35 billion, RM81 million and RM40 million from public grants, private agencies and international bodies, respectively.

The availability of such grants are expected to continue. Hence, universities can enhance their income through acquisitions of these grants. Universities can achieve this by strengthening their innovation ecosystem and strategic collaboration with other organisations.

Commercialisation of Ideas

Research conducted at the universities are expected to benefit the communities and industries. University IPs and expertise are important assets that can be used to generate income. It is recommended for universities to strengthen their technology transfer office (TTO) and increase collaboration with industries and communities so that these assets can be commercialised.

The TTOs play an important role in stimulating technology transfer from academia to industry by providing a set of end-to-end support services which includes IP sourcing, IP strategy, proof of concept, licensing & incubation, and start ups and ideation space.

Universities can also set up a shared TTO in order to pool resources among HLIs as well as public and private research institutes.

ASSET MONETISATION

Asset monetization is a business transaction that converts an asset from one that does not directly generate income or other financial value into one that does. Monetisation of assets include development of land bank, rental of existing facilities, licensing of brands and logos, and creation of academic chair.

Asset Leasing and Sales

Universities can lease and sell both their tangible and intangible assets. If the assets are tangible (e.g. buildings, lands etc) the valuation is straightforward.

For operational assets, the two most basic variations of an outright lease are:

- Lease without future use
- Lease with future use

Valuation of intangible assets or going concern valuation (e.g. IPs and business units) can be more complex.

Under normal practices, IPs are licensed, exclusively or non-exclusively. However, in certain cases, IPs can also be sold outright.

JV with Third Party

University can set up a special purpose entity owned by the university and a third party. The entity acquires assets with the explicit purpose of providing services back to the university, and marketing the services to external enterprises.

Each contributing party gets an ownership stake in the entity to be able to gain future benefits and revenue possibilities.

Outsourcing to Third Party

Intangible assets of universities are important source of income. The right to its use can be transferred to a third party through an outsourcing transaction.

The new service provider (third party) uses the asset to serve clients in addition to the issuing university. University can get income through a profit sharing arrangement with the third party.

Examples of intangible assets include university logo, IPs, expertise, processes and services.

Improve Asset Utilisation

University equipment that are underutilised can be used for income generation to compensate the cost of purchasing and maintaining the assets.

For example, laboratory equipment or campus facilities that are underutilised can be offered to other universities or outside organisations.

Universities may also look at their space utilisation and can adopt strategies such as consolidating operations to free up the space to monetise them.

Asset Commercialisation

University can use an asset that has been utilised internally for research and teaching purposes for commercial purposes.

This strategy often requires an investment in the asset to make it suitable for commercial purposes and be applicable to a broad customer base.

For example, licensing a software application developed for the university to other universities or enterprises, and converting an internal process into an outsourced service.



COMMERCIAL ACTIVITIES THROUGH UNIVERSITY HOLDING COMPANIES

University Holding Companies (UHCs) are established to enable participation in business activities, leveraging on the core competencies of public universities. The fundamental rationale is also to ensure that Universities are protected via the corporate veil from any legal suits brought about in the course of its commercial activities, collaboration or joint venture agreements with any third parties. Hence, even though universities can engage directly in some commercial activities, they should not be involved in commercial activities directly, where the legal and financial risks are high. The UHCs should be directly accountable to the University Board.

Commercial Activities through University Holding Companies

Universities can enhance the income generation of their holding companies by providing greater support and ensuring that these holding companies participate in all commercial activities that involved the Universities. There should also be a clear separation of management of these holding companies and that of the Universities for greater corporate governance.

Enhancing Support for University Holding Companies

Contribution from commercial activities of UHCs could be enhanced. Most of these companies are undercapitalised to embark on big projects due to gearing ratio limitations. Universities can enhance this revenue stream by increasing the capital base and transforming their wealth generation culture through enculturation of business acumen. Alternatively, UHCs can collaborate jointly to form consortium to undertake bigger projects which can significantly contribute to income generation for public universities.

CHAPTER TWO

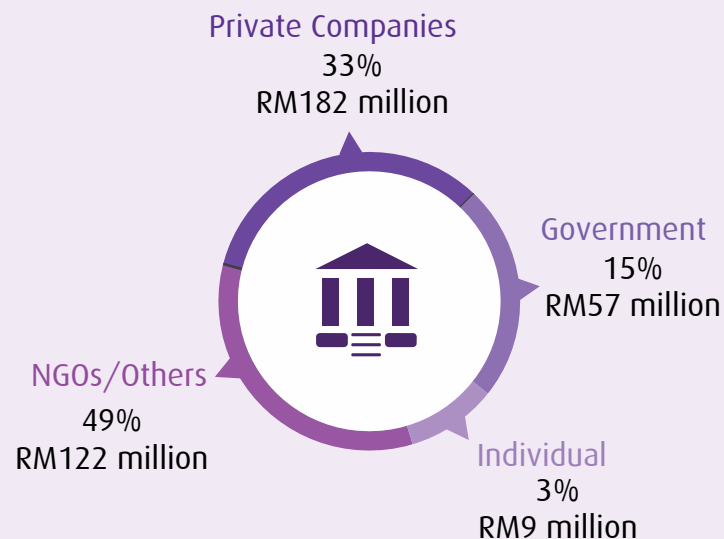
ENHANCING UNIVERSITY ENDOWMENT FOR FINANCIAL SUSTAINABILITY

Endowment funds are an important source of income to universities. The funds are developed to provide long-term support for the institution and its programmes. The funds are invested to provide both spendable income and principal growth to allow future spending to be at least equal to inflation. Although often associated with large private universities, an increasing number of smaller universities report annually on the size of their endowment, as further growth is typically an important part of their long-range plans.

This chapter describes an overview of the basic concepts of endowment, the types and categories of endowment, and the underlying reasons why universities would want to create endowment. The chapter also identifies the potential sources of endowment and includes a brief description on how university endowments work, and the good practices for managing it, drawing from experiences locally and globally.

University leaders especially the board or trustees, vice-chancellors, and staff, bursars and chief financial officers should play their roles in creating the right environment and support to ensure the endowment allows the university to achieve its organisational mission. Drawing guidelines from the UniTP Green Book, the role of the Board is crucial in driving fundraising efforts, and providing leadership for the identification and solicitation of significant gifts to the university.

Sources of Endowment (Jan 2012- June 2015)



WHAT IS ENDOWMENT?

Endowments represent money or other financial assets that are donated to universities. Endowment funds are developed to provide long-term support for the institution and its programmes, and are invested to provide both spendable income and principal growth to allow future spending to be at least equal to inflation.

A **true endowment** consists of funds permanently set aside (by document or otherwise legally restricted) to generate income for the non-profit. Principal may not be spent. Income may be defined as the dividends, interest, and rental income from the endowed assets.

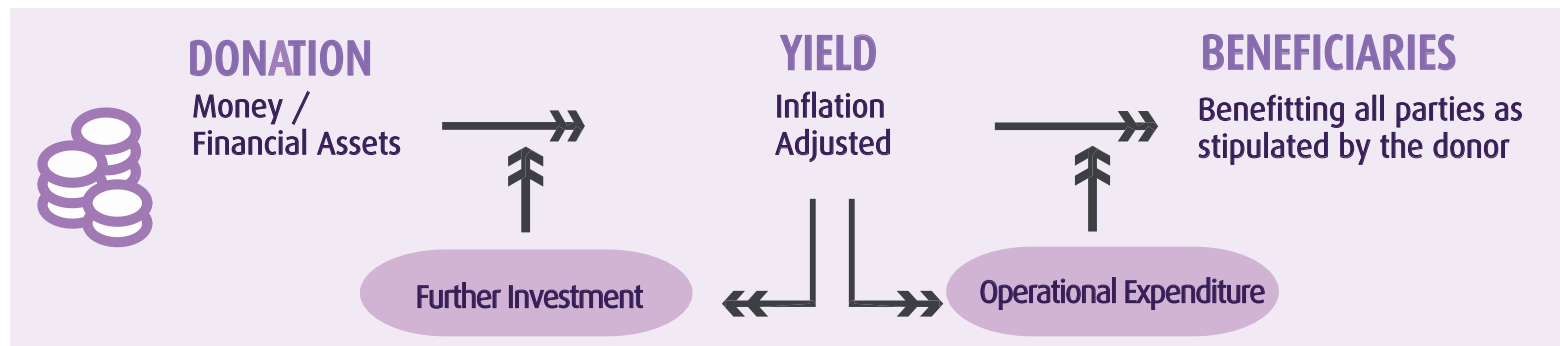
Quasi-endowment are funds committed to long-term use (endowment) generally by board resolution. Since the donor did not restrict the funds, the board can make the principal available for use through established procedures that govern distribution of income and withdrawal of principal.

The sole intention of the endowment is to invest it, so that the total asset value will yield an inflation-adjusted principal amount, along with additional income for further investments and supplementary expenditures. Typically, endowment funds follow a fairly strict policy allocation, which is a set of long-term guidelines that dictates the asset allocation that will yield the targeted return requirement without taking on too much risk. Most endowments have guidelines that state how much of each year's investment income can be spent.

Endowment donors can sometimes restrict universities on how they can use this money. Examples of such restrictions are:

- The donors can decide to use a portion of an endowment's scheduled income on a merit-based or need-based scholarship.
- The use of an endowment's income for endowed professorships (or chairs), which are used to attract world-class educators.

Other than these restrictions, universities can use the rest of the allotted spending amount as standard income. Decisions about whether it should be spent on hiring professors, upgrading or repairing facilities or funding more scholarships, is left up to the appointed trustees. An endowment's investment income can also significantly lowers tuition costs for students.



GOOD PRACTICES FOR MANAGING ENDOWMENT FUNDS

Effective management of investments is a critical component in achieving the goal and mission of the university. In addition, investment vehicles have become increasingly complex over the years, making it more difficult for all but the most sophisticated investor to make informed investment decisions. The following are some good practices for managing endowment funds.

- 1 Ensure that investment policy is current and that it complies with established rules of conduct for managing institutional funds, appropriating funds, and also standards for delegating management and investment functions to outside agents.
- 2 Ensure that roles and responsibilities for managing investments are well-defined. Identify who is responsible for determining asset allocation guidelines, hiring investment managers, investment trading and rebalancing, and reviewing valuations.
- 3 If the Chief Investment Officer (CIO) function is outsourced to an independent advisor, ensure that appropriate Board oversight of the advisor is performed.
- 4 Review spending policy on a regular basis to ensure that it is reasonable relative to the risk profile, expected rate of return, and the rate of inflation.
- 5 Document board appropriations of the endowment spending on an annual basis, even if these appropriations are made in accordance with the spending policy as part of the normal budget process.
- 6 Ensure that the minutes of investment committee are sufficiently robust. It is especially important that the due diligence of fund managers, valuation assessments, and spending decisions, along with decisions on asset allocations, fund performance, and any changes in advisors or fund managers are documented.
- 7 Perform due diligence on fund managers throughout the year. Set up a schedule for performing due diligence. Fund managers should report to the investment committee on a regular basis, whether by telephone or face-to-face.
- 8 It is critical that management and the investment committee have a thorough understanding of how their investments are valued and who is performing the valuation.
- 9 Challenge the investment advisors and the fund managers. Ask questions and document their responses. This is particularly important when the investments lack transparency, which is often the case with hedge funds, certain real estate, and private equity investments.
- 10 Finally, ensure that any written records adequately reflect the good work that is being done in managing the college or university's precious assets.

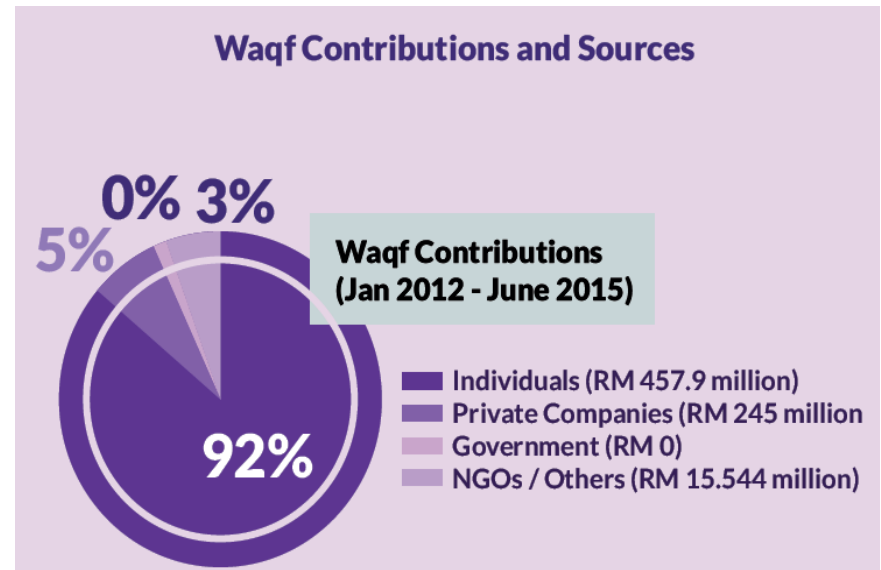
CHAPTER THREE

DEVELOPING SUSTAINABLE WAQF AT PUBLIC UNIVERSITY

Waqf is an Islamic socio-economic institution which functions as a source of funding for and catalyst to community development, has demonstrated diverse and remarkable roles throughout the history of Islamic civilization. Both waqf and endowment are permanent funds with its own specified restrictions, and the principal of which is preserved. The funds are invested and the proceeds are used for purposes stipulated by the giver. However, apart from these similarities, waqf in principle is not endowment.

This chapter describes a brief overview of waqf at public university (Waqf@UA) and its basic concept, challenges and key success factor in implementing it. It also describes the way forward in using waqf as an additional source of income plus the various modes of waqf funding.

Depending on its readiness, university can choose a suitable waqf governance model from three models presented.



WHAT IS WAQF@UA

The term waqf denotes a gift which is to be used solely for the purposes recognised under Islamic law as pious, religious or charitable. Waqf (plural: Awqaf) is a perpetual and long-term alternative source of funding for Universities, benefiting from altruistic deeds of individuals, groups or organizations.

The waqf assets should be invested so that the return from the investment of these assets continues to generate benefits for the beneficiaries, which can be used in providing free education and health needs, alleviation of poverty, creation of jobs and many more. In understanding waqf, it is best to know the basis for having waqf.

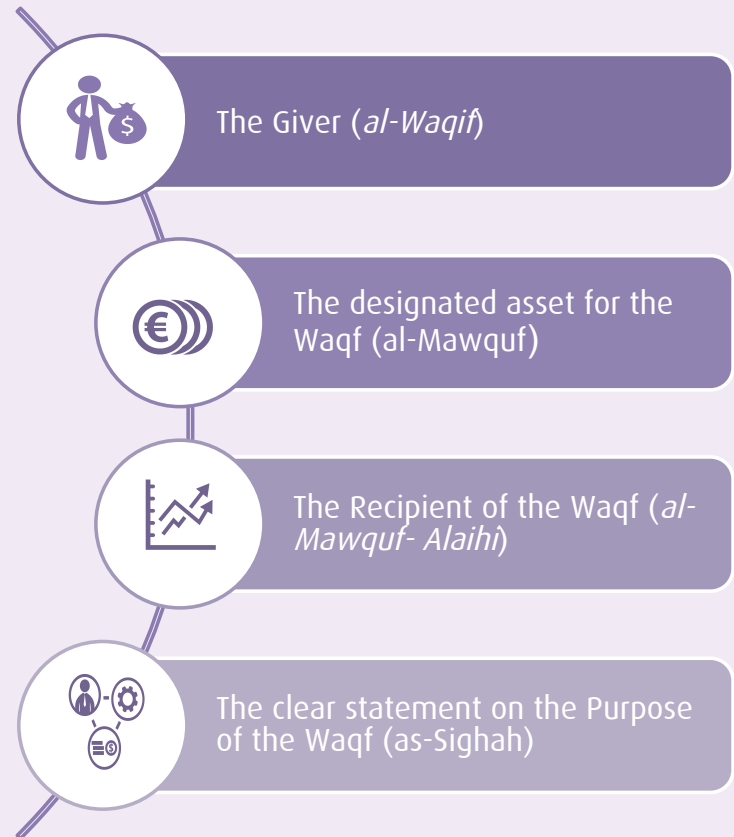
There are two types of waqf:

General Waqf – refers to an asset given by a party (*al-Waqif*) without any specific stipulations how it should be used. The asset (such as the property or cash) can be freely managed by a Mutawalli, in accordance with Shari’ah.

Specific Waqf – refers to an asset given by a party (*al-Waqif*) with specific stipulations how it should be used. The asset (such as the property or cash) must be managed by a Mutawalli, in accordance to the specific stipulations of the giver and the Shari’ah.

Public universities must recognise and accept that under the existing Malaysian legal provisions, the State Islamic Religious Council (MAIN) is the sole trustee of waqf in its respective state. Thus, in establishing a waqf, Universities must acquire the legal status as waqf administrator from the respective MAIN.

4 Tenets of Waqf



BASIC CONCEPTS OF WAQF

The following are the main stakeholders in waqf implementation at public universities, which represents the basic concepts of waqf

The Giver (Al – Waqif)

A Giver (*al-waqif*) is a party (muslim or non-muslim) that willingly gives movable or immovable, lawfully-owned assets (Al-Mawquf) for an intended purpose (*niyyah*) to benefit others (beneficiaries).

Waqf allows a Giver the opportunity to demonstrate his/her submission to Allah swt through good deeds.

In addition, waqf provides an avenue for the public to perform perpetual deeds with confidence.



Sole Trustee (Mutawalli)

In Malaysian context, a MAIN is the **sole trustee (Mutawalli)** of waqf in its respective state. Therefore, public universities must acquire the permission from MAIN to be a waqf administrator.



Waqf Administators

As a waqf administrator, public universities are empowered by MAIN to establish a sustainable infrastructure which will among others, collect, raise, use, manage, invest, and develop waqf funds, as well as distribute waqf proceeds as agreed in the MoA between a public university and the respective MAIN.

Universities must use all of their expertise, tools, strategies to ensure the growth of waqf and that the waqf is sharia' compliance. This can only be achieved by having a proper waqf office and governance structure at the university.



Beneficiaries (Mauquf Alaihi)

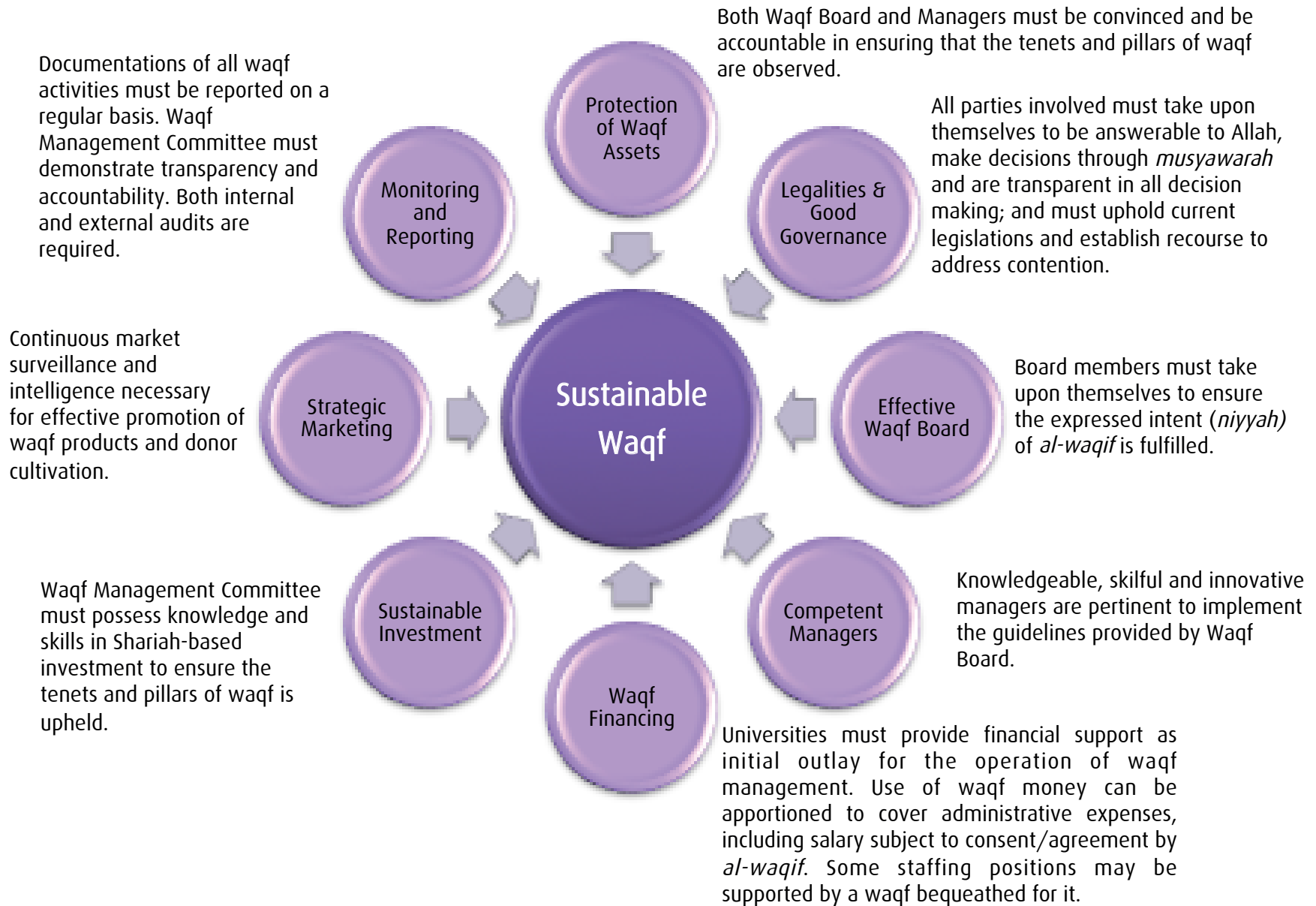
The proceeds from waqf may be distributed to muslims or non-muslims. The benefits could be in the form of scholarships, research grants, professorial chair, travel allowances and sponsorships, among others.

CHALLENGES IN IMPLEMENTING SUSTAINABLE WAQF AT PUBLIC UNIVERSITIES

There are six main challenges in implementing sustainable waqf initiatives at universities in Malaysia. Particular attention is to be given to the challenge in increasing awareness as this is deemed to be the main challenge in waqf implementation. A heightened awareness shall open windows of opportunity for people to properly participate in waqf venture.



KEY SUCCESS FACTORS FOR SUSTAINABLE WAQF





IMPLEMENTING WAQF: THE WAY FORWARD

Malaysian public universities could consider the following measures with regards to setting up and managing of waqf. Irrespective of the stage in which a university is at, these measures are listed to highlight pertinent steps to be taken by universities which are only beginning to establish their waqf, as well as those that have been awarded the administrator status.

Setting up	Managing
<ol style="list-style-type: none">1. University Management to establish a Waqf Task Force/ Working Committee2. Waqf Task Force to work on establishing University Waqf Office3. University Waqf Office to register with relevant SRIC to acquire authorised administrator status for the University4. University Management Committee to propose Waqf Board membership for appointment by SRIC5. University Management Committee to propose financial arrangement agreement for the University Waqf Board approval6. University Waqf Office to set up bank accounts or means to facilitate Giving, and acquire tax-exemption for University Waqf Board7. University Waqf Board to establish appropriate policies on Waqf management for the University Waqf Office	<ol style="list-style-type: none">1. University Waqf office must be manned by competent staff, especially competent managers.2. University Waqf office must develop a strategic plan for University Waqf activities.3. University Waqf Office must develop Waqf guidelines for University to mobilize its people and assets to promote its Waqf plans and programs, seek out Givers and establish Waqf.4. Explain and educate all stakeholders, especially members of BoD, staff, students, alumni and the public at large.5. Ensure that neither the Giver nor the Gift is tainted by scandal or social unacceptability.6. Identify and develop strategy to promote Waqf. A strategic marketing approach may facilitate to increase awareness and solicit more giving.7. Develop education and promotional modules and tools to increase awareness and understanding and appreciation of Waqf amongst the public.

ADOPTING WAQF AS AN ALTERNATIVE SOURCE OF SUSTAINABLE INCOME STREAM AT PUBLIC UNIVERSITIES

01**Turning Existing Buildings into Waqf**

Existing assets (buildings, lecture halls, classrooms, bus stops, cafeterias etc) may be put up as waqf. Al-Waqif (the Giver) will take full responsibility of an asset that is turned into a waqf – maintenance and any or all costs involved in the operation/running of the assets is covered by the amount of proceeds from the money given by the al-Waqif.

02**Turning Existing Lands into Waqf**

The land asset that is endowed as waqf can be developed according to its suitability such as the construction of buildings for students accommodation, labs and training facilities. The waqf lands can also be utilized or developed for agricultural projects.

03**Turning Facilities and Equipment into Waqf**

This waqf is specifically designed to benefit universities through the setting up of facilities such as laboratory equipment, audio-visual equipment, air-conditioning units and prayer mats placed at various premises. In fact, such facilities may be set up inside a waqf building.

04**Turning Money/Cash into Waqf**

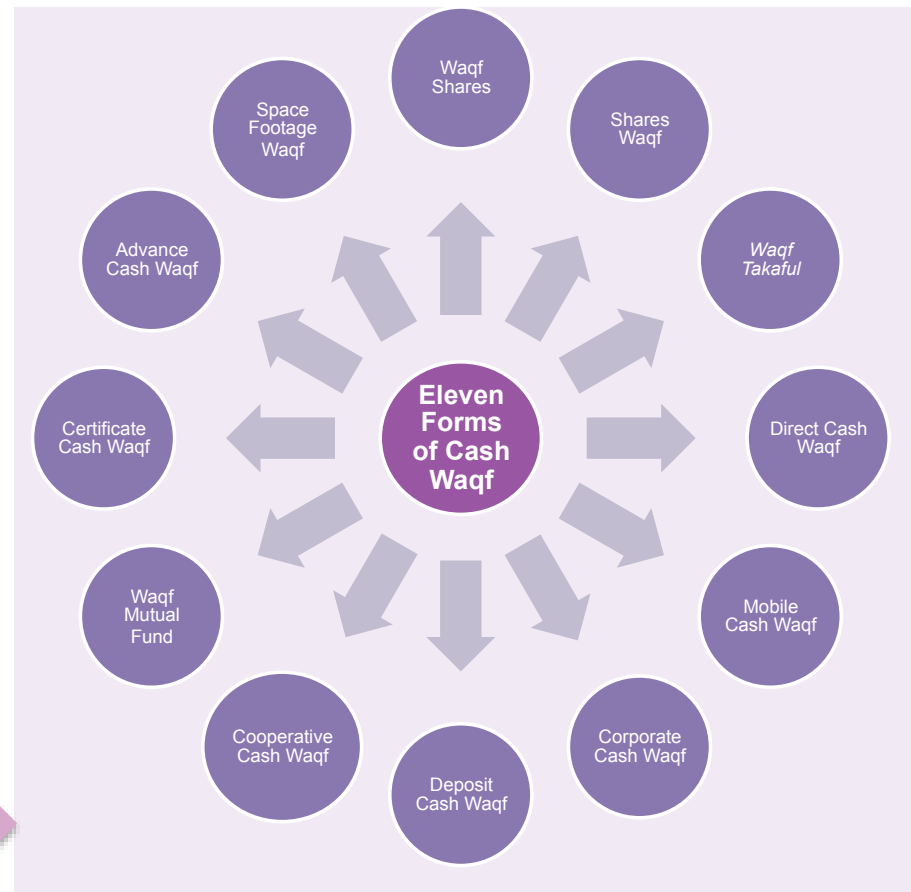
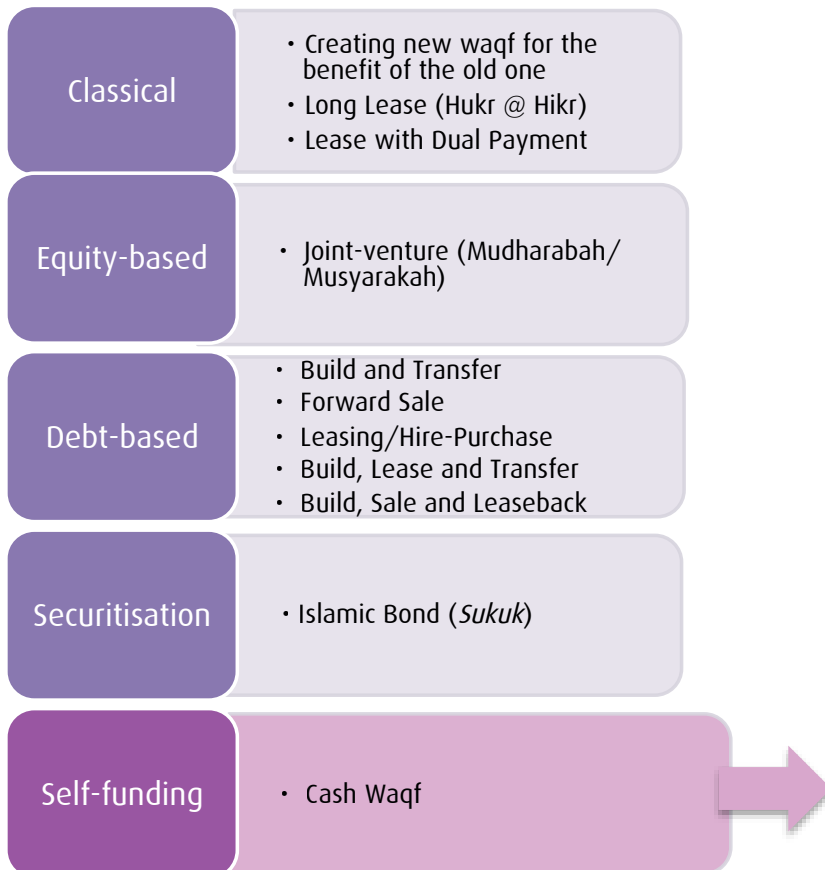
Universities may setup cash waqf to receive cash contributions from their alumni, staff members, strategic partners or members of the public. Collection of donations from various givers are made through the selling of coupons, on-line transactions or cash handed at office counters.

05**Turning Intangible Assets into Waqf**

Universities may also capitalize their intangible assets as waqf such as through proceeds from patents, industrial designs, copyrights, trademarks and other forms of intellectual property (IP).

IMPLEMENTING VARIOUS MODES OF WAQF FUNDING

The practice of waqf using money or known as Cash Waqf is considered the most influential key and contributor to the success of the institution of waqf today. The more financial methods there are available to the public, the better the chances of developing of waqf properties will be. The uniqueness of cash or money, especially its ability to provide ease of use through the various denomination available in the market and the availability of cash to people for all walks of life offers great opportunity for charitable giving to all potential al-waqif. Today, five (5) major modes of financing are found offered in the market, as listed below and of these, the self-financing mode which is practiced through cash waqf may be adopted by universities through eleven applications as shown in figure below.

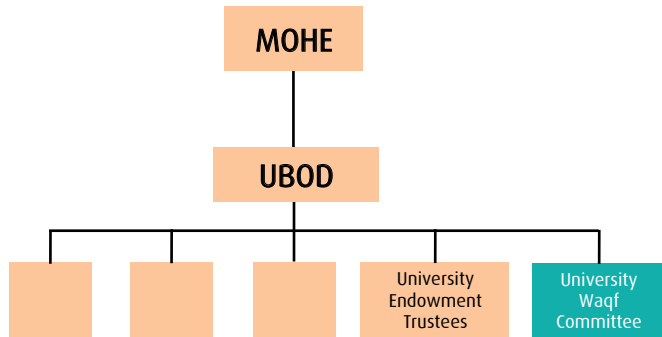


Contemporary Forms of Cash Waqf

RECOMMENDED MODEL OF WAQF GOVERNANCE AT PUBLIC UNIVERSITIES

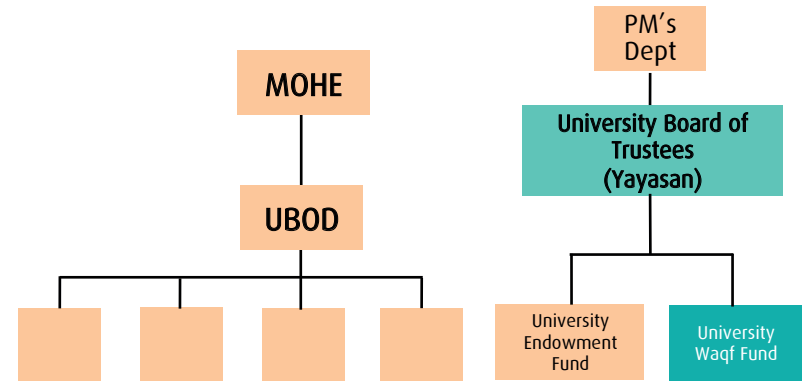
There are three possible models of waqf governance to be adopted by public universities in managing waqf. The universities can select any of these models depending on the level of readiness of the universities and the state religious council. The most ideal model is that of an independent Waqf Board structure as presented in Model 3.

Model 1



Under this model, a university that has been awarded the administrator status sets up a unit or department under the management of the university itself. University Waqf Committee is put under the University Board of Directors as one of the Board's committees. All decision on waqf programs and activities are conducted upon approval by the university management. All accounts and financial management of waqf are under jurisdiction of the university management.

Model 2



Under this model, a university sets up a waqf office under the University Board of Trustees. The University Waqf Fund is put under the Board of Trustees as a project under the University Foundation (Yayasan) having a separate account and financial management.

In Model 3, University Waqf Board (UWB) is established as a separate and independent entity from the University. Collaboration and coordination, as well as roles and responsibilities of the UWB are spelled out in a written agreement or Waqf Deeds. UWB members comprise of representatives from both the University and SRIC.

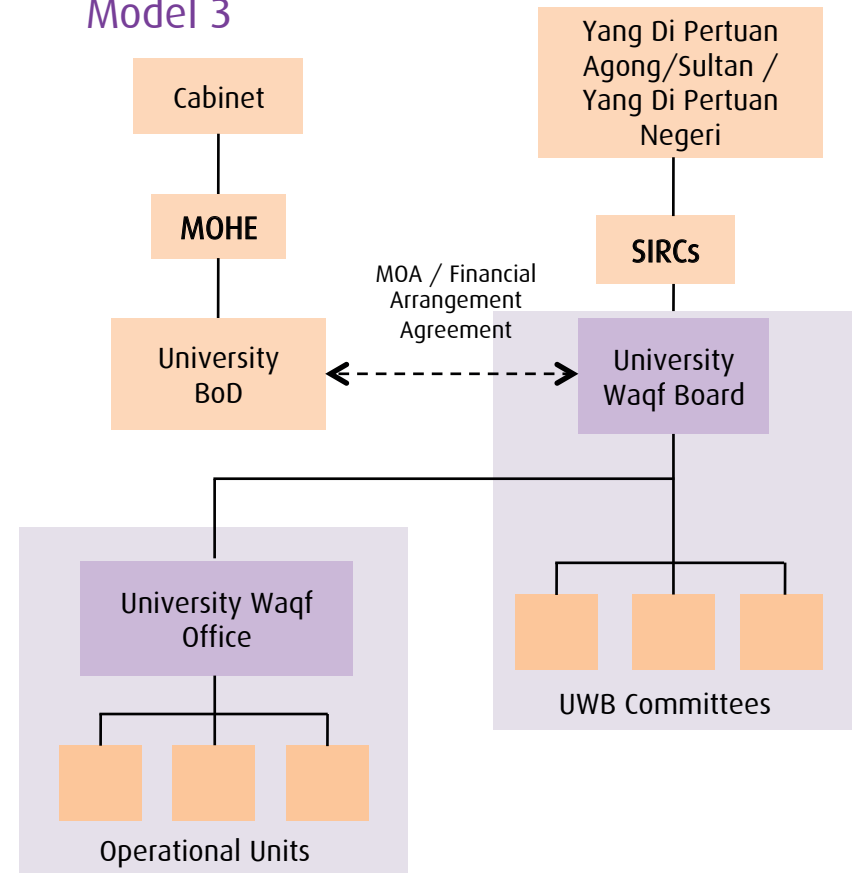
Recommended roles and scopes of authority of University Waqf Board include:

- To uphold all stipulations in Waqf Deeds.
- To give direction for the administration of waqf
- To establish scheme of management for a waqf
- To provide guidelines on registration, collection, investment and distribution of waqf that complies with sharia'.
- To scrutinize and approve the budgets submitted by Mutawallis.
- To sanction any transfer of immovable property of waqf by way of sale, gift, mortgage, exchange or lease.
- To monitor performance of Waqf Office including collections, investments, financial returns, and activities.
- To inspect or call for inspection of waqf properties, accounts or relevant deeds and documents.

Recommended roles of University Waqf Office include:

- To manage all university waqf initiatives and any relevant matters.
- To prepare and submit a quarterly report on waqf programs and activities conducted to the UWB and UBOD.
- To take the necessary actions for the recovery of the lost of properties of any waqf.
- To investigate and determine the nature and extent of waqfs and waqf properties.
- To institute and defend suit and proceeding relating to waqf

Model 3



Proposed Membership of University Waqf Board

- | | |
|--|---|
| <ul style="list-style-type: none"> • Member of university BoD • Deputy Vice Chancellor • Director of University Waqf Office • One (1) Representative from university (e.g. Society of Academic Staff, Society of Administrators) | <ul style="list-style-type: none"> • Registrar of Waqf, SIRC • CEO of SIRC Waqf Corporation • Head of Economics Division, SIRC • SIRC Legal Advisor |
|--|---|



CHAPTER FOUR

PHILANTHROPIC INCOME & FUNDRAISING INITIATIVES

This chapter deals with raising university income through philanthropic income and fundraising initiatives. It consists current performance in philanthropic income, proposed fundraising matrix and models, examples of how university benefits from crowdfunding and recommended structure for fundraising initiatives in the university.

Current performance in philanthropic income

The level of philanthropy in Malaysia is rather low where Malaysia was ranked 76 out of 153 nations, in the World Giving Index Ranking 2010. Only 32% of total population give donation and Malaysia's ranking drop to 87 in 2011.

Fundraising matrix and models

There are four fundraising models which are labeled as: The Major Gift Model, the Foundation Research Model, the Multi-Mode Model and the Alumni Model. This section provides guideline for university to implement fundraising.

How universities benefit from crowdfunding

Crowdfunding is relatively a new modes of fundraising and it is increasing in its use due to greater accessibility of the internet. This section describes how university can benefit from crowdfunding and provide some example of crowdfunding activities.

Recommended structure and functions for fundraising initiatives

It is important for university to have a well structured office and function to carry out fundraising initiatives. This section provides a recommendation of such structure and functions.

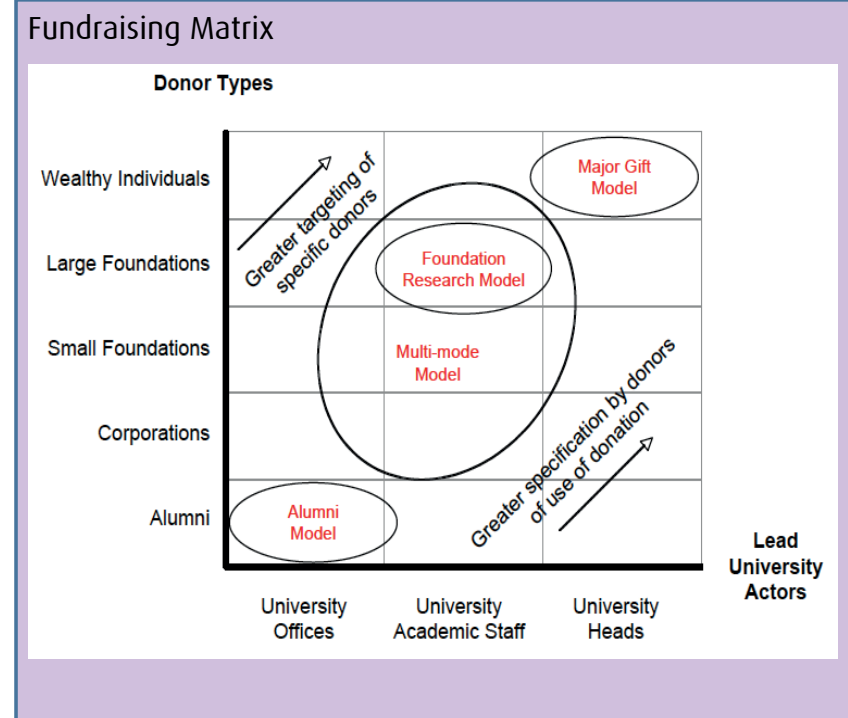
FUNDRAISING MATRIX AND MODELS

There are a number of ways for universities to relate to prospective donors, and these can be codified in four different 'models' of interaction. The four fundraising models are labeled as: (1) The Major Gift Model, (2) the Foundation Research Model, (3) the Multi-Mode Model and (4) the Alumni Model. (See exhibit)

These models are distinguished in terms of issues such as donor types, the university actors taking the lead in philanthropic fundraising, the degree to which specific donors are targeted, the extent to which donors specify the use of donations, and the formality of donors' procedures and the research specificity of the fundraising activities of universities.

All the four models are usually present in institutions that have a tradition of philanthropic fundraising. It is not necessary, or perhaps even desirable, for universities attempting to raise funds from philanthropic sources for the first time to devote equal amounts of effort to all four modes simultaneously, but it is advisable for universities to have a long-term vision that eventually accommodates all these models.

The Fundraising Matrix diagram shows these four modes of interaction, defined by different donor types along one axis and the different university actors taking the lead in fundraising along an orthogonal axis, with the targeting of specific donors and the degree to which donors specify the use of donations increasing as one shifts upwards and to the right.



It is to be noted that the success factors for University-Donor interaction includes the followings:

- 1) The autonomy of universities;
- 2) Levels of transparency and accountability;
- 3) The commitment levels of leaders, academic and administrative staff;
- 4) A dedicated structure for raising funds from philanthropic sources;
- 5) The competence of fundraising staff;
- 6) External macroeconomic, fiscal and regulatory environments;
- 7) Government schemes; and
- 8) Cultural attitudes to philanthropic giving.

RECOMMENDED STRUCTURE AND FUNCTIONS FOR FUNDRAISING INITIATIVES

With the rapid increase in the costs associated with higher education, there has been an ever-increasing pressure placed upon universities to raise funds for institutional support. The responsibility for identifying donors capable of making gifts to the institution falls under the umbrella of institutional advancement.

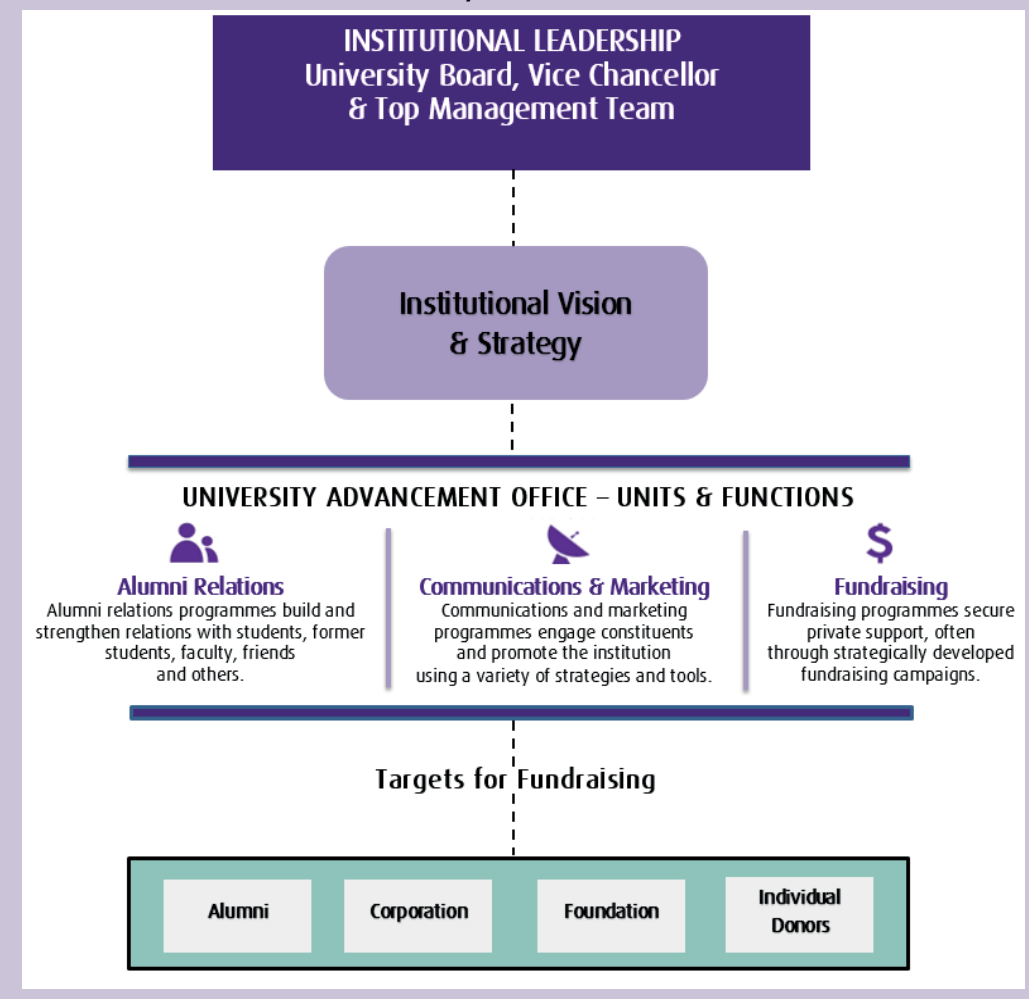
It is recommended that universities to set up a dedicated office for fundraising and the office be directly answerable to the VC office. The recommended structure and functions are as shown in this page.

However, an alternative is to hire professionals (with experience in marketing, lobbying, fundraising, relation management and media) who can be located within an existing university structure, such as the corporate communication office.

The roles the University Advancement Office includes:

- ☐ Secure private financial support from potential donors.
- ☐ Engage alumni in the life of the institution.
- ☐ Market the institution to prospective stakeholders.
- ☐ Communicate about the institution with those who have a stake in its success.

Recommended Structure For University Advancement Office



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