

## The Scientific Endowment: The Experience of King Fahd University

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**Abstract:**

The majority of universities around the world seek to create continuous funding resources that help them reach their goals and objectives, And this has been done on the ground at King Fahd University through the creation of the Endowment Fund (EFO), which is an endowment institution with its independence and organization, as this endowment contributes to the financing of numerous research projects, And scientific chairs in the university, by investing its assets and expanding it, like this experiment is one of the successful Arab experiences in the field of endowment , similar to the international pilot experience in this field.

**Keywords:** waqf; endowment; KFUPM; scientific research.

**JEL Classification Codes:** I122, I123, I129, Z12

## 1-Introduction :

People have had many choices in their livelihoods since ancient times, some of them prefer science and learning, others prefer a long healthy lifestyle , some of them look after about ownership, and people seek to achieve all this, with an infinite number of choices and preferences of people. However, it was decided by most who are concerned about human development in the modern era- especially after the publication of the Report on Human Development in 1990- these three options are fundamental at all levels of development, that are vital to a person: people should live long and healthy lives, receive the education they need, obtain knowledge and have an adequate standard of living.

But when you look at these three options, the second one is the most useful and the most valuable, because by learning, people's health improves and through science there is progress and social well-being . For each of the previous options look for its fulfillment in science and learning.

However, the educational sector - in spite of being extremely important - but most developing countries have little interest in it ,because it is difficult to finance and cover its expenses, it is characterized by renewal and continuity, and what it would need is a permanent, renewable and continuous funding resource that costs these countries' budgets the Lots thing.

A man wonders how our ancestors in the past - where Islamic civilisation has dominated the East and West - have succeeded in funding this important option, and even reached.

This question will disappear as soon as the researcher and the supervisor become acquainted with the history of this civilization, it used endowments and investments to cover its various burdens and costs, which is the same approach as the developed countries of our time.

As a result of this: Can endowment funds play the role they have played in the past in funding scientific research today?

This brief research will be divided into two areas:

The first axis: the nature of the endowment, and through it we will present points related to the definition of the endowment and its legality, and a historic look at how it has evolved.

The second axis: the endowment of King Fahd University of Petroleum and Minerals (KFUPM) and its role in funding learning and scientific research.

## 2. Endowment provisions

### 2.1 Definition of endowment (waqf):

Waqf is a Voluntary donation: a running charity, Waqf literally means tying up of an asset (Real estate, cash, etc...) for some specific sharia compliant objective in such a way that:

- the Asl أصل (Principle) remains intact
- and only its Re'a ريع (usufruct) is spent on the named objectives. (Islamic development bank, 2014, p5).

### 2.2 The legality of the endowment (waqf):

The endowment is the donation of money and the imprisonment of it for disposal of it:

- If he is on a legitimate authority, it is desirable, because it is charity.
- And if a person vowed it, it was obligatory.
- If the endowment is forbidden, then it is prohibited.
- If there is a restriction on the heirs, then it is makrooh.

The Waqf can carry out the five provisions in terms of assignment. (al-Uthaymeen, p7)

Waqf is one of the achievements of the Muslim ummah. Quranic verses urging Muslims to be charitable, to do good deeds and spend in the way of Allah have paved the way for waqf. The Prophet Mohammad (pbuh) articulated it in his Sunnah and encouraged his Companions to do it while the

believers raced to implement it. Waqf had a significantly positive effect on development and prosperity which led to the distinction of Islamic civilization. (El Khatib, 2016, p4)

The basic principle of the legality of the endowment is the hadith of Umar, the Prophet said: “Give it in charity with its land and trees on the condition that the land and trees will neither be sold nor given as a present, nor bequeathed, but the fruits are to be spent in charity.” ‘So, Umar gave it in charity, and it was for Allah’s Cause, the emancipation of slaves, for the poor, for guests, for travellers, and for kinsmen. The person acting as its administrator could eat from it reasonably and fairly and could let a friend of his eat from it provided, he had no intention of becoming wealthy by its means’.

### 2.3 Categories of endowment (Waqf):

Waqf can be broadly classified into two categories: the first category is according to its purpose and the nature of the beneficiaries and the second category is according to the use of the mawquf asset. When it comes to the purpose of the waqf and nature of the beneficiaries or mawqifi alayhim, there are two classes of waqf:

- **Philanthropic Waqf (khayri):** which its’ aim is to help the poor-society segment and support all the public facilities needs such as, public utilities, health services, public library, public transportation, public land-structure. (Harun, Possumah, Bin Mohd. Mohd. Noor, 2014, p2)
- **Waqf ahli or dhurri or familial endowment:** occurs when the beneficiaries of the usufruct can be the waqif himself or certain people designated (specifically or generally) by the waqif regardless of whether these beneficiaries are related to him or not. Such waqfs automatically become khayri when the designated people cease to exist. (el khatib,2016, p9)

### 2.4 Restrictions of Waqf once Created:

- Irrevocable: This means that once a waqf created it is irrevocable and that his/her heirs cannot change its status and claim it back.
- Perpetual: Once the waqf is created it must be perpetual, in order to ensure regular and continual support towards the beneficiaries and the society at large (i.e. perpetual and productive)
- Inalienable: Once a waqf is created no one can ever become the owner to alienate it. It cannot be the subject of any sale, disposition, mortgage, gift, inheritance, or any alienation whatsoever. (abdel Mohsin, 2014, p6)

### 2.5 Main Objectives of Creating Waqf:

- Avenue for founders to get continuous rewards until the Hereafter.
- Opportunity for founders to play their roles in benefiting their societies.
- Assisting all sectors, agriculture, industrial and services sectors.
- Help in opening jobs for the majority of people in the different sectors.
- Fulfil the needs of beneficiaries and hence help to eradicate poverty.
- Ensuring perpetual goods and services to current and future generations.
- All these will be provided without a cost to the government. (abdel Mohsin, 2014, p4)

### 2.6 A brief history of scientific endowments:

in education field of Muslim society examples of important Awqaf are:

- Zaytuna Mosque, the first university in history, which is a university and a mosque in Tunis, built by the Governor Abdullah bin Al Habhab in 114 AH corresponding to 732

AD, and this mosque had great luck of care, especially by the governors of Tunisia. (Sabri, 2011, pp. 55-56)

- University of Al-Karaouine in Fez, Morocco is the second oldest university established in the history of the world after the Zaytuna Mosque, built by Fatima Al-Fihriya during the era of the Adarsa state in Ramadan from the year 245 AH, which corresponds to 859 AD. There were many chairs in the university, and there were frequent students who enjoyed residency and scholarships.
- Al-Azhar University, which was built in Cairo, Egypt, in the year 359 AH corresponding to 972 AD, is one of the oldest and most famous Islamic educational institutions, and its funding has always been from the endowment proceeds.
- Madarassa “nidhamiyya” in Baghdad Iraq founded by al-mulk in 459 AH, wherein a library was also established and a supervisor and a keeper were employed from awqaf funds for which nidham al-mulk, donated big money, for the purchase of precious books and teaching the student.
- Al-Salahiyya School in Jerusalem, established in the year 588 AH, was suspended by Sultan Salahuddin Al-Ayyubi and taught Sharia, linguistic, and historical sciences, arithmetic, algebra, engineering, law, economics, astronomy, and others. This school has given back huge sums to spend on teachers and students from salaries, food, drinks and books.
- . Al-Mustansiriya School in Baghdad was established in 623 AH and completed the year 631 AH, established by the Caliph Al-Mustansir Billah Al-Abbasi. There was no school built in the world like this. (bin Kathir, 2003, p. 146)
- Sultan al-dhahir baybars sultan of Egypt founded a waqf named Al-dhahiriyya school in 662 AH, in Damascus also equipped with a library called al-dhahiriyya library consisting of books of all disciplines which is now part of Syrian National Library. (khan, khan, khan, July-dec 2018, p68)

### **3. endowment of king Fahd university of petroleum and minerals (KFUPM)**

#### **3.1 KFUPM and Endowment:**

The cost of providing excellence in education and research rises exponentially year-on-year. To ensure we maintain the level of leadership and achievement to which we aspire we need to seek alternative funding for our education and research initiatives. To this end we established our Endowment Fund Office (EFO) in 2007 to raise, invest, steward and expend funds from an array of non-governmental sources whilst encouraging the spread of a culture of philanthropy for education amongst potential benefactors.

EFO seeks to provide KFUPM with the additional resources needed to ensure the highest quality education and research to which it aspires and that ensures its students continue to attain positions of responsibility over the next 50 years.

Although the University is funded by the Saudi government, the EFO provides additional funds directly to research, education, or student enrichment for activities that cannot usually be funded by the regular operating budget. Thus, funds raised might be used to supplement compensation packages and so enable the attraction of higher quality faculty or to finance initiatives more effectively and speedily than might otherwise be the case.

A further consideration and an element in the strategic direction of the University is budget protection in the long term in order to ensure the provision of support to future generations of students.

Thus, the EFO seeks to be in a position to provide cover of up to 35% of the University's annual budget should the situation arise where government funding was to weaken due to external factors over which it had no control and that would impact adversely on the quality of our teaching or facilities. (KFPUM Endowment, KFPUM and Endowment)

### 3.2 Definition KFUPM endowment (EFO):

Endowment Fund Office (EFO) operates to advance and sustain the university mission by raising, managing and stewarding funds from private sources consistent with Islamic values and aspirations of the donors.

EFO is the legal entity established to generate, manage, and distribute private funds and other non-governmental revenues on behalf of the University, including its permanently retained endowment funds. It denotes cash and assets retained in principal, with earnings distributed to benefit various university programs. The vision of EFO is to provide a sustainable competitive financial advantage to advance the university's educational and research performance through a strategic philanthropic and investment program. (KFPUM Endowment, About Us)

### 3.3 Vision and Mission:

- **Vision:** The vision of King Fahd University's endowment is to provide a sustainable competitive financial advantage to the University's educational and research performance through a strategic philanthropic and investment programs.
- **Mission:** the mission of KFUPM endowment is to advance the university mission by raising, managing and stewarding funds from private sources consistent with Islamic values and aspirations of the donors.

### 3.4 Strategic Goals:

The strategic goals of KFUPM endowment are as follows (KFPUM Endowment, Our vision and Our Mission and Strategic Goals):

- Develop an endowment and increase its value through investments that are compliant with Islamic values and the Shariah law.
- Solicit endowed and other gifts to advance education and research capabilities of the University.
- Improve relations with the alumni, parents and other individuals and Organizations.
- Develop and maintain a high level of trust with donors and/or alumni.
- Develop a culture of philanthropy for education in the society.

### 3.5 The rules of organizing the endowment:

The most important organizational matters for the KFUPM endowment are the following (KFPUM Endowment, By Laws):

- **Establishment:** KFUPM Research & Academic Programs Support Fund will be established according to this regulation and it will operate under the Office of H.E. the Rector the University. It will be referred as "the Fund".
- **Location:** The Fund located in Dhahran- King Fahd University of Petroleum & Minerals. It is possible to change its location or establishing a new branch (branches) by a decision from the fund board of directors.
- **Goals:** With the recognition of the importance of the diversity of financial resources and in preparation for any emergencies caused by international oil prices or others, the raising costs of higher education, the increasing financial budget of research and academic programs and

with believing of the importance of the diversity of financial resources to support the educational and research process, the fund goal will be the following:

- Accepting gifts, donations, grants, aids, etc from individuals, organizations, local or abroad since it doesn't conflict with the university academic goals.
  - Investing the fund resources according to the university needs and donors' wishes taking in consideration risk factors and precaution.
  - Investing the fund resources according to the Islamic law.
  - Devoting the fund revenue in supporting KFUPM teaching & research.
  - Looking & searching for alternate and permanent financial resources facing the raising costs of higher education.
  - Searching for alternate and permanent financial resources other than that of the government.
  - Inviting and encouraging good people and the University's graduates to contribute in this fund.
  - Strengthen the cooperation with other S. A. universities' funds if existed and related local or international entities according to KFUPM policy.
- **Board of Directors:**
- The University council will supervise on executing the fund general policy according to these regulations.
  - Board of Directors consists of ten to twenty prominent people, leaders, businessmen and VIP in public or private sectors and they were chosen for their scientific, professional or practical positions either from inside or outside Kingdom. Those members are appointed through the university council when named by the Rector and the membership last for three years.
- **Voluntary Membership:** Fund membership is voluntary; therefore, members cannot ask for salaries, wages or financial benefits for their membership.
- **Membership loss:**
- Death.
  - Withdraw by a written letter.
  - If the member causes a gross damage (physical or moral). The damage is estimated by the board of directors.
  - If the member is unable to do his job.
  - If he utilizes his membership for personal benefits.
  - If he fails to attend three successive meetings.
- **Board of Directors Meetings:** The board of directors meets on a biannual basis with the invitation of the chairman provided that at least half of the Board members are present at the meeting including the chairman. The chairman may also make this invitation if half of the board requests him. The invitation shall indicate the meeting agenda. Decision made by the majority of the board and in the case of an equal number of votes, the vote of the Chairman shall prevail. The board can also invite any persons could assist in the meeting but they have no votes. Meeting minutes are signed by the chairman and attended members. Board of directors cannot make decision without a meeting unless it is very important and, in that case, the total members must agree in writing and these decisions will be listed in the next meeting minutes.

- **Board of Directors Duties and Responsibilities:** The Board is charged with the overall stewardship of the Fund and putting the general policy for it. The Board's responsibilities include:
  - Issuing the fund bylaw.
  - Approving the financial, administrative and technical regulations.
  - Approving the fund bylaws, policies and activities regulations.
  - Supervising & reviewing the Fund financial, administrative and technical activities.
  - Approving the Fund budget, comptroller report, annual assessment and other related issues and reporting to the university council.
  - Forming required committees including determining their members and duties.
  - Investing in real estate.
  - Approving the Fund work plan & operations.
  - Accepting gifts, donations, grants, aids, endowment, etc.
  - Approving means of investment.
  - Laying down the general principles for the relation with other funds.
  - Forming required committees to study specific issues related to the Fund.
  - Authorizing the executive manager or any committee some of its rights.
  - Suggesting the minimum amount of gifts, donations and grants required for university chair and reporting to the university council.
  - Approving amount and distribution method of income yields from the investment packages or real estate.
  - Approving the Fund contracts and agreements.
  - Suggesting the modification of this regulation and reporting to the university council.
- **Confidentiality:** Board of Directors members are not allowed to reveal any information may be disclosed from their membership work.
- **Executive Manager:** The Fund will have an executive manager assigned by the board of directors and reported to the fund chairman. The Executive Manager's responsibilities include:
  - Preparing the board of directors meetings.
  - Executes & follow up the board of directors decisions.
  - Preparing the Fund budget & closing account projects.
  - Supervising the Fund employees and labours.
  - Issuing expenses orders according to the approved budget.
  - Issuing periodical reports about the Fund activities to the board of directors.
  - Suggesting the Fund programs and policies & Supervising them when approved.
  - Executive manager can authorize others to perform some or even many of his responsibilities.
- **Fund finances:** Fund has its own budget containing its incomes and expenses. The executive manager will prepare this budget and present it to the board of directors before three months from beginning of the fiscal year to study, approve and report to the university council.

Fund finances shall consist of:

  - Government contributions.
  - All assets and liabilities.

- Accepted gifts, donations, grants, aids, endowment, etc.
- Income yields from Fund Activities.
- Income yields from Fund investment projects.
- Income yields from Fund resources & university research.

### **3.6 Investment Policy:**

The Endowment fund supports the operational and capital needs of various research, educational, and student life programs at KFUPM. Endowment plans to establish and sustain that support through Sharia-compliant investment strategies set to maintain the purchasing power of the endowment and ideally grow the endowment without putting the principal value of these funds at imprudent risk.

The Statement of Investment Objectives and Policy Guidelines is developed to assist KFUPM Endowment in carrying out its fiduciary responsibilities of conserving and increasing the body of its assets and build a sizable investment portfolio that enhances future regular spending needs of the Endowment. To this end, this statement of objectives will:

- Establish Endowment's financial and investment objectives,
  - Address the spending and liquidity needs of the fund, recognizing the desire to protect the assets from inflationary erosion and to build a sizable investment base. The expected inflation rate for higher education institutions is 4% a year.
  - Briefly outline the investment-related responsibilities of KFUPM Endowment board of directors, and the investment advisor(s) retained to manage the assets of the investment portfolio.
  - Establish formal, yet flexible, investment guidelines incorporating prudent asset allocation and realistic total return goals within acceptable levels of risk.
  - Provide a framework for regular constructive communication between KFUPM Endowment and all parties with responsibility for portfolio investments.
  - Create standards of investment performance which are historically achievable and by which the manager agrees to be measured.
- **Investment Objectives:** The three key financial objectives of the Endowment, in order of priority, are as follows:
- To support the mission of endowment by providing the adequate distributions for spending.
  - To avoid capital erosion of the Endowment and maintain its purchasing power.
  - To grow the value of the Endowment in real terms.
- **Investment Guidelines:** The Endowment has the responsibility to assure that the funds are being used prudently and that they can continue to support the Endowment activities in perpetuity.

To this end, The Endowment has established the following investment guidelines:

- Assets will be managed so as to protect the investment portfolio from inflationary erosion. While it is understood that there will be occasional declines in fund value, the total investment fund is expected to achieve a positive return over a five-year or greater time period.
- The portfolio will be evaluated on a total return basis relative to the primary investment objectives.
- Portfolio performance should be consistent with assumed risk.

- The investment policy for the fund will conform to Islamic Sharia standards and will not allow investment in any prohibited or religiously doubtful asset or asset class.
- The investment policy for the fund will conform to all governmental regulations pertaining to the investment of such assets of any of the managers (KFPUM Endowment, Investment Policy)

### 3.7 Financial Position of the Endowment:

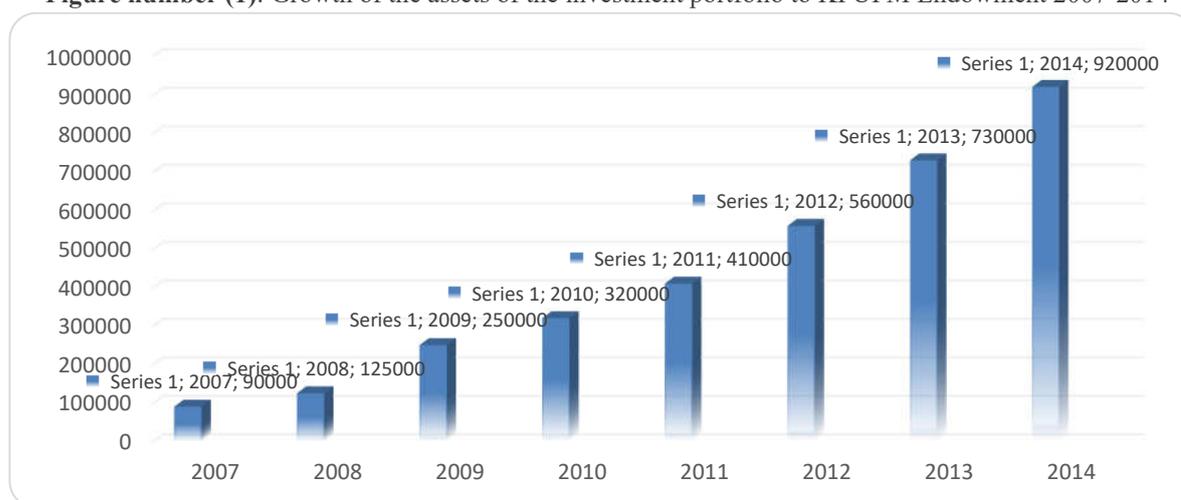
There are two types of investment portfolios upon the suspension of King Fahd University:

- **Cash Portfolio:** where it is devoted to investing in shares and sukuk, and it is formed according to available opportunities, and its size is 1 billion riyals.
- **Real estate portfolio:** whose assets reach 800 million riyals, but it is eligible for increase after the launch of the " Business Park" project, whose real estate portfolio is estimated at 3 billion riyals, and its assets are in a land area of 326 thousand square meters.

KFUPM endowment also managed to increase the size of its assets by 45% during the period 2007-2014, and to achieve annual returns at an average rate of 10%, while the exchange rate on programs is between 3 and 6% annually from the average market value of the endowment over the previous three years, and the endowment seeks Until his money reaches 3.5 billion riyals (Zehar, 2017/2018, p. 275).

The following figure shows the growth of the assets of the Endowment Investment Fund for KFUPM Endowment from 2007 to 2014.

**Figure number (1):** Growth of the assets of the investment portfolio to KFUPM Endowment 2007-2014



Source: Al-Sharif, April 2016, p. 84.

As for the fund’s expenses, some of them were as follows:

- Attracting distinguished faculty members of the College of Industrial Management at a cost of 3 million riyals, by supporting scientific chairs.
- Supporting the solar car industry project in 2011 at a cost of 500,000 riyals.
- Supporting the Student Innovations Program in 2013 with 300,000 riyals, which enabled it to be converted into business.
- Supporting students of higher studies - master's and doctorate - and ensuring their academic expenses.

### 4-Conclusion:

An examination of the above points showed that :

- The Endowment (Waqf) is a versatile social welfare and reward generating mechanism. It is a field that must be explored and used in greater detail in order to develop a deeper understanding of its applications in the past, present time and especially the future.
- Islam has its endowment (awqaf) system and other charities.
- In the past, endowments (awqaf) that have been used to spend education by setting up schools, stipends paid to students, the establishment of libraries, the costs of copying books, the payment of teachers and the salaries of researchers.
- The importance of endowment to finance human development, funding it for science and knowledge, and achieving progress.
- A good regulatory framework for the KFPUM endowment, which helped it to develop and grow.
- Investment portfolio growth in 2014 was 10 times greater than in the 2007 construction year, reaching 900 million and 90 million respectively.
- KFUPM endowment has been able to fund many research projects, and therefore saved the university a lot of expenditure and costs that can be used in other domains . This benefits both university and scientific research. as distinguished professors of the College of Industrial Management were attracted at a cost of 3 million riyals, and support for research projects worth 800 thousand riyals.

These findings allow us to make recommendations about:

- Arab countries should strive to revive their endowment heritage, drawing on modern methods in this field, especially in the field of science, which suffers greatly from the funding problem.
- Arab universities should take the path of endowments to finance their budgets as a mechanism to reduce the charge, which in turn reduces the costs of learning and scientific research to the state.
- Build on the experience of King Fahd University endowments to build successful academic endowments in the Islamic world.
- Working to achieve integration between the endowments of Arab and Islamic universities in order to realize the greatest possible benefit.

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