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Waqf-based funding for adaptive reuse: re-emerging sustainable mechanism

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Abstract: *The Waqf system, an Islamic endowment, offers a resilient and durable structure for promoting community-oriented development. The benefits are both immediate and enduring, encompassing social, economic, and infrastructural dimensions. Moreover, waqf and cultural assets display characteristics analogous to public goods. This article illustrates the justification for assessing waqf-based finance in the context of adaptive reuse projects. The Saudi Vision 2030 emphasizes the substantial role of Waqf in financing and advancing socio-economic programs, with a projected growth plan targeting SR 350 billion by 2030. Various types of privately owned traditional buildings have experienced deterioration as a result of urbanization and changing land use practices. Despite the community's efforts in Al-Ghat, Shaqra, Aseer, and Ushaiqer, a disparity persists between the heritage values and the economic utility of these buildings. Securing financing for conservation and adaptive reuse remains a significant challenge, particularly for second and third-generation proprietors. This research analyzes the financial aspects of adaptive reuse and addresses whether Waqf provides a viable solution. Is it applicable for adaptive reuse projects? What constitutes a sustainable waqf strategy that ensures heritage preservation alongside the maximization of economic value?*

The research provides a waqf-based finance model for adaptive reuse projects. This model benefits from the Awqaf ecosystem and Saudi Vision 2030 initiatives, especially in traditional urban heritage.

Key words: adaptive reuse, waqf-based funding, Vision 2030, historic cities

التمويل الوقفي لإعادة الاستخدام التكيفي: نموذج مستدام

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ملخص البحث: يقدم نظام الأوقاف هيكلًا مرنًا ومستداما لتعزيز التنمية المجتمعية. وتشمل الفوائد الأبعاد الاجتماعية والاقتصادية والبنية التحتية. علاوة على ذلك، تُظهر الأوقاف والأصول الثقافية خصائص مشابهة للسلع العامة. يسلط هذا المقال الضوء على مبررات تقييم التمويل القائم على الأوقاف في سياق مشروعات إعادة الاستخدام التكيفي للتراث العمراني التقليدي. تؤكد رؤية السعودية 2030 على الدور الكبير للأوقاف في تمويل وتقدم البرامج الاجتماعية والاقتصادية، مع خطة نمو متوقعة تستهدف 350 مليار ريال سعودي بحلول عام 2030. ويلاحظ أن أنواعا مختلفة من المباني التقليدية المملوكة للأفراد قد تعرضت للتدهور نتيجة التحضر وتغير ممارسات استخدام الأراضي. وبالرغم من جهود المجتمع المحلّي في الغاط، وشقراء، وعسير، وأشيقر وغيرها لا يزال هناك فجوة بين القيم التراثية والفائدة الاقتصادية لهذه المباني و لا يزال تأمين التمويل للحفاظ على هذه المباني وإعادة الاستخدام التكيفي يمثل تحديًا كبيرًا خاصة للملاك من الجيل الثاني والثالث لهذه المباني. تحلل هذه الدراسة الجوانب المالية لإعادة الاستخدام وتتناول ما إذا كانت الأوقاف توفر حلاً قابلاً للتطبيق ، هل هو قابل للتطبيق على مشاريع إعادة الاستخدام؟ ما هي الاستراتيجية الوقفية المستدامة التي تضمن الحفاظ على التراث مع تعظيم القيمة الاقتصادية؟

تقدم الدراسة نموذج تمويل قائم على الأوقاف لمشاريع إعادة الاستخدام، يستفيد هذا النموذج من نظام الأوقاف ومبادرات رؤية السعودية 2030 وخاصة في التراث الحضري التقليدي.

الكلمات المفتاحية: إعادة الاستخدام التكيفي، رؤية 2030 ، التراث العمراني التقليدي، نموذج التمويل الوقفي.

1. Introduction:

Waqf is an Arabic term signifying to constrain or hinder (AAOIFI, 2017). A waqf is a perpetual endowment that ensures a continuous and enduring stream of benefits to its recipients (Obaidullah, 2015). Numerous scholars assert that the foundations of waqf have four elements: waqif (donors), mauquf (donated assets), mauquf ‘alaihi (waqf beneficiaries), and sighah (contractual agreement). A waqif must exhibit intelligence, maturity, voluntary intent to establish a waqf, and autonomous ownership status of the waqf property. Mauquf is an object permissible for use under Shariaa (maal mutaqawwim), distinguished by its immobility, transferability, obvious identification, and complete ownership by the wakif. Mauquf ‘alaihi refers to the recipient of waqf management outcomes, which must be altruistically orientated rather than focused on perpetuity.

Kahf (1998) defined waqf based on the output it produces into two categories; the first category comprises assets which generate consumable services for beneficiaries, such as educational institutions, medical facilities, and orphanages. The objective of this type of waqf may be universal philanthropy, such as educational institutions, or private philanthropy, such as a guesthouse for the descendants of the creator. In all of these instances, this category of waqf provides a service to the recipients, which we shall refer to as a direct waqf. The second category of waqf assets is designated for investment purposes. It generates marketable commodities and services for sale to yield a net income for distribution to beneficiaries. The beneficiary may be a general charity, such as a mosque, a scientific research institution, or a private philanthropy composed of the founder's descendants; this sort of waqf is known as an investment waqf.

Waqf continues to have a significant part in advancing social and economic development through offering financial assistance for various activities within Islamic culture (Fatoni, 2021). The institutional role of waqf entails reducing the responsibility of governments to provide for social needs, thus enhancing social welfare (Mohiddin, 2019).

Waqf has historically played a vital role in the conservation and sustainable management of traditional urban assets, such as mosques, across the Islamic world, including Saudi Arabia. Waqf serves as a financial and institutional framework, offering a model for the development, maintenance, and preservation of architectural and urban history, fundamentally anchored in community involvement and enduring social advantage.

Waqf properties are not permissible for sale, inheritance, or gifting. Waqfs possess the attributes of being irrevocable and permanent. The waqf object is irrevocable, signifying that it cannot be sold, inherited, or transferred. The waqf object must remain intact, undamaged, and not deliberately suspended. This regulation, however, demonstrates an oversight in its implementation discipline. Temporary waqfs are permissible when the benefactor indicates that the purpose of the waqf is transient (Kusumaningtias & Surabaya, 2020).

The charity sector and civil society are recognized worldwide to be fundamental players in the advancement of the 2030 Agenda. The 2030 SDGs Agenda acknowledges the significance of civil societies and philanthropic organizations within the Means of Implementation (UN, 2015a), while the AAAA delineates the potential of philanthropic contributions to offer both financial and non-financial support by aligning donations with national priorities and taking local contexts into account (UN, 2015b).

The Waqf system, an Islamic endowment, offers a resilient and durable structure for promoting community-oriented development. The benefits are both immediate and enduring, encompassing social, economic, and infrastructural dimensions. Moreover, waqf and cultural assets display characteristics analogous to public goods. This article illustrates the justification for assessing waqf-based finance in the context of adaptive reuse projects. The Saudi Vision 2030 emphasizes the substantial role of Waqf in financing and advancing socio-economic programs, with a projected growth plan targeting SR 350 billion by 2030. Various types of privately owned traditional buildings have experienced deterioration as a result of urbanization and changing land use practices. Despite the community's efforts in Al-Ghat, Shaqra, Aseer, and Ushaiqer, a disparity persists between the heritage values and the economic utility of these buildings. Securing financing for conservation and adaptive reuse remains a significant challenge, particularly for second and third-generation proprietors. This research analyzes the financial aspects of adaptive reuse and addresses whether Waqf provides a viable solution. Is it applicable for adaptive reuse projects? What constitutes a sustainable waqf strategy that ensures heritage preservation alongside the maximization of economic value?

2. Research Objectives:

- Identify the role of waqf in heritage conservation and adaptive reuse.
- Propose a framework and practical guidelines to guarantee the long-lasting implications of the waqf system.

3. Concepts:

3.1. Waqf-based funding:

Waqf-based funding represents a Sharia-compliant financial system that allocates assets or cash for endured societal benefit. Contemporary waqf models have evolved to tackle many developmental requirements, which involve agriculture, education, healthcare, and heritage preservation.

Waqf investment funds promote socio-economic stability through the improvement of public welfare and a reduction in reliance on government assistance, as stated by Al-Mehsen (2024). Waqf-based funding methods for renewable energy in Turkey foster sustainable development and advance green economy goals, as indicated by Ari and Koc (2021). Cheriak (2022) conducted a study revealing that public involvement in Waqf investment funds in Saudi Arabia expanded the scope of Waqf while encouraging individual participation, thereby enhancing cooperation and societal advancement.

Ari and Koc (2021) argued that waqf institutions necessitate restructuring to facilitate capital redistribution and accumulation, while still preserving the charitable nature of the awqaf.

The utilization of waqf property for funding infrastructure enhancements and social facilities may expedite development and improve public services (Riani et al., 2022). Governments can enhance welfare and guarantee access to vital social services by employing social mechanisms like financial waqf. (Yasin, 2021).

We could observe the benefits of Waqf-based funding, such as:

1. Sustainable Impact: Guarantees ongoing support for community initiatives, irrespective of transient donations or governmental funding cycles.
2. Financial Inclusion: Cash waqf and waqf shares diminish the entry barrier, facilitating wider involvement across all socioeconomic levels.

3. Community Empowerment: Initiatives are frequently community-driven, with local participation in both financing and administration, promoting ownership and accountability.
4. Risk Mitigation: Expert management, feasibility analyses, and Islamic insurance (takaful) protect waqf assets and guarantee project sustainability.
5. Flexibility: Waqf can be customized to address diverse sectors and requirements, encompassing social welfare and infrastructural development.

3.2. Adaptive Reuse:

The term 'adaptive reuse' in the context of cultural heritage activities is defined by Foster as "the retrofit, rehabilitation, and redevelopment of one or more buildings that reflects the changing needs of communities" (Foster, 2020). Adaptive reuse is a technique that seeks to preserve social, cultural, environmental, and economic benefits while repurposing outmoded built heritage for new, expanded, and/or communal uses. The adaptive reuse of cultural heritage generates several advantages, including: (Burnham, 2022).

- extending the lifespan of existing buildings while mitigating the destruction of natural resources and energy consumption associated with new construction;
- Leveraging local authenticity;
- Enhancing legal protections that frequently accompany governmental financial commitments and incentives;
- Safeguarding cultural, emotional, social, and physical values.

Financing is considered the primary obstacle to adaptive reuse initiatives, particularly regarding privately owned historical buildings. This emphasizes the significance of addressing this issue and providing a sustainable solution. Adaptive reuse generally illustrates the transition of economic non-use values to use values across many sectors, as detailed in the heritage matrix.

Macro economic values Use Values	Domestic Consumption C	External Consumption X	Public Expenditures G	Private Investment I
Direct-use values for occupancy	Rents for heritage buildings paid by residents	Rents for heritage buildings paid by non residents	Public expenditures for heritage buildings or monuments	Private expenditures for heritage buildings conservation
Direct-use values for visits	Admission fees for visits to heritage build-ings and monu-ments by residents	Admission fees for visits to heri-tage buildings and monuments by non residents	Public expenditures or investments to improve or maintain visits	Private expenditures or investments to improve or maintain visits
Indirect -use values	Heritage-related expenditures made by residents	Heritage-related expenditures made by non residents	Heritage-related public expenditures	Heritage-related private expenditures for investments

Figure 1: Heritage matrix (Source: Ost, 2009)

4. Setting the scene:

Waqf has historically played a crucial role in the conservation and sustainable management of traditional urban assets throughout the Islamic world, including Saudi Arabia. Waqf serves as both a financial and institutional framework, offering a model for the development, renovation, and preservation of architectural and urban heritage, fundamentally anchored in community involvement and sustainable social value.

The Kingdom of Saudi Arabia offers an advantageous academic setting for examining the role of Awqaf in achieving developmental goals for two reasons. Philanthropic donations in Saudi Arabia are significant, notwithstanding the absence of tax incentives. This allows scholars to explore the feasibility of shared, more sustainable resources while considering regulatory issues common in countries with sophisticated tax frameworks. The diversity within Saudi Awqaf regarding operational areas and impact strategies—stemming from recent sector advancements—enables empirical comparisons among different Awqaf objectives and practices to development goals.

The Awqaf in Saudi Arabia endorses several bodies and operations throughout diverse industries. They are employed to provide financial assistance to a range of legal and informal entities, including philanthropic organizations, charitable groups and foundations, professional associations, universities, colleges, research institutions, hospitals, medical facilities, family funds, and mosques. Such entities demonstrate adaptability in what, where, who, and how of Awqaf operations. They are involved in nearly all domains, from supplying essential needs to promoting public health, as shown in Figures 2,3.

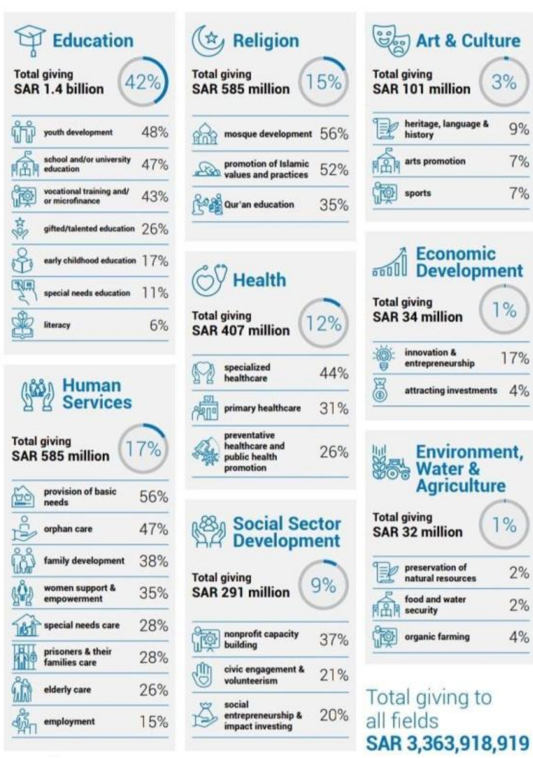

Figure 2: Foundations' Area of Work as fields and Sub-fields (Source: UN and ICDP, 2022)

	Number	Assets (SAR)	Income (SAR given ROI 3.28%)
Awqaf of Ahli Foundations		81,819,500,000	2,683,679,600
Awqaf of Ahli Societies		17,000,000,000	557,600,000
Charitable Awqaf Companies		43,570,000,000	1,429,096,000
University Awqaf		26,200,000,000	859,360,000
GAA Awqaf		14,000,000,000	459,000,000
Family Awqaf		12,378,100,000	406,001,680
Other		40,000,000,000	1,312,000,000
Total	113,489	234,967,600,000	7,706,937,280
Vision2030-Aligned Awqaf (Excl. family)	82,966	226,674,273,000	7,434,716,154
SDG-Aligned Awqaf (Excl. religious and family)	47,696	185,315,848,000	6,078,359,814

Figure 3: Awqaf profile in Saudi Arabia (Source: UN and ICDP, 2022)

Data demonstrate the diversity and expanding scale of waqf in Saudi Arabia; these opportunities should be leveraged by traditional neighborhoods, as will be detailed in the following section.

Figure 4: Photos from Salbukh and Haer historical towns

5. Waqf-based funding model:

The proposed model focuses on linking local people to their ancestral buildings, regenerating traditional urban settings, suggesting innovative applications to increase destination diversity, and supporting housing initiatives.

Figure 5 elaborates the model applied to a traditional urban neighbourhood.

The model operates as follows: at the micro level, it encourages the transfer of traditional buildings to waqf through family consensus and requests funding in accordance with Awqaf Authority standards. This project enables numerous families to establish entities at the neighborhood level, initiating waqf sukuk to ensure sustainable financing for adaptive reuse and urban heritage management. At the macro level, governmental line agencies (Ministries of Culture, Housing, Planning, Tourism, and the Awqaf Authority) should create a coordinating framework that establishes, supervises, integrates, and promotes this program.

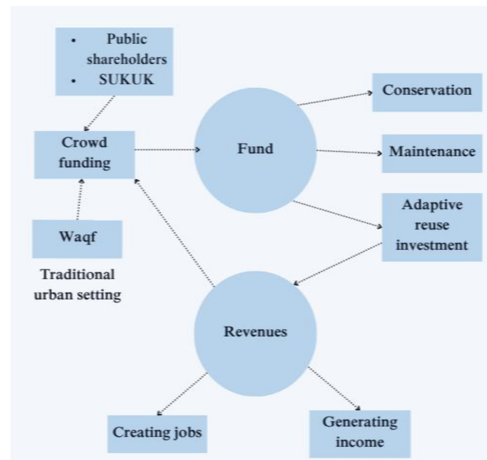

Figure 5: Waqf-based funding model

The approach provides a viable alternative by integrating adaptive reuse, crowdfunding, urban growth, and sustainable management. Utilizing Waqf as a method ensures sustainability and compatibility with social beliefs and values.

Conclusion and policy implications:

This research explores waqf-based funding as a sustainable mechanism for adaptive reuse. It recommends:

- Develop policies on the macro level for waqf-based crowdfunding and ensure maximum benefits for adaptive reuse.
- Awareness campaigns on the micro level (sites) about the model and its benefits.
- Conduct more research on the model's impact on housing programs.

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