

Republic of the Philippines
Bangsamoro Autonomous Region in Muslim Mindanao
BANGSAMORO TRANSITION AUTHORITY
Cotabato City

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BTA PARLIAMENT
BTA Resolution No. 585



Introduced by:

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**A RESOLUTION URGING THE GOVERNMENT OF THE DAY (GOTD),
THROUGH THE MINISTRY OF FINANCE, BUDGET AND
MANAGEMENT (MFBM), TO ESTABLISH THE ISLAMIC RECOVERY
FUND FOR MICRO, SMALL, AND MEDIUM ENTERPRISES (MSMEs),
AND APPROPRIATING FUNDS THEREFOR**

WHEREAS, Section 24, Article XIII of R.A. 11054 or the Bangsamoro Organic Law (BOL) provides that the Bangsamoro Government recognizes the private sector as a mover of trade, commerce, and industry. To achieve equity, social justice, and economic development, it shall encourage and support the building up of entrepreneurial capability in the Bangsamoro Autonomous Region and shall recognize, promote, protect, and support the development of cooperatives and other medium, small, and micro enterprises;

WHEREAS, Section 1, Article XIII of the BOL provides that the Bangsamoro Government shall establish an economic system based on the principles and state policies declared in the Constitution. Pursuant to these principles, the Parliament shall enact laws pertaining to the Bangsamoro Autonomous Region economy and patrimony that are responsive to the needs of its people;

WHEREAS, Section 3, Article V of the BOL provides that the Bangsamoro Government shall exercise the power expressly granted, those necessarily implied therefrom, as well as powers necessary, appropriate, or incidental for its efficient and effective governance and those which are essential to the promotion of general welfare. Within its territorial jurisdiction, the Bangsamoro Government shall xxx enhance economic prosperity xxx of its inhabitants;

WHEREAS, the COVID-19 pandemic has not only created an unprecedented health crisis but also drastically affected the economy globally. The Philippines has not been spared and the effects are felt in all its regions, including the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM);

WHEREAS, the response measures taken by the region which include lockdowns, quarantines and social distancing to combat the pandemic have triggered socioeconomic impacts on its constituents and its economy even in the short-term. The indirect impacts associated with the restrictions in mobility have affected the lives and livelihoods of many, including the most vulnerable group;

WHEREAS, Micro, Small and Medium Enterprises (MSMEs) are the most vulnerable enterprises to economic shocks caused by the COVID-19 pandemic;

WHEREAS, the results of key informant interviews (KIIs) and the consultations conducted by the Institute of Bangsamoro Studies in Cotabato City, provinces of Lanao del Sur, Basilan, Sulu, Tawi-Tawi and the 63 Barangays of Cotabato disclosed that the participants expressed their concerns on the current situation of the MSMEs, which are the very vulnerable sector during the pandemic;

WHEREAS, there is a lack of access to Islamic Microfinancing for MSMEs in the region;

WHEREAS, apart from the pandemic, the troubled financing climate of the region for MSMEs is perennially facing challenges that result to their ineffective financial management. The dependency of these entrepreneurs on lending institutions result to lower-income and revenue, and limit their capability to achieve financial freedom;

WHEREAS, the Bangsamoro Government should craft appropriate, affordable and easy access to finance in order to address both the immediate and long term needs of MSMEs. It should consider supporting the Halal producing MSMEs through Islamic Microfinancing, so that the MSMEs operating in BARMM will thrive and will have more incentives to produce halal products;

WHEREAS, the creation of Islamic Development Fund (IDF) for MSMEs in the Bangsamoro region and appropriating funds of Three Hundred Million Pesos (Php 300,000,000.00) thereof can be considered as an affordable and easy access financing program for the Bangsamoro Government to implement;

WHEREAS, the said program can fulfill the goal of BARMM to alleviate poverty in the region and at the same time provide MSMEs with easy access to Shari'ah-compliant or Islamic Microfinancing for economic recovery;

NOW, THEREFORE, BE IT RESOLVED, AS IT IS HEREBY RESOLVED, by the BTA Parliament to pass and approve this Resolution urging the Bangsamoro Government of the Day (GOTD) through the MFBM the establishment of the Islamic Recovery Fund for MSMEs, and appropriating funds of Three Hundred Million Pesos (Php300,000,000.00) thereof.

RESOLVED FURTHER, that the Islamic Recovery Fund for MSMEs shall be implemented through Islamic Microfinancing Arrangements using the following key Shariah Compliant products:

1. **Murabaha or cost plus selling.** – Instead of taking out an interest loan to buy something, the customer asks the bank to purchase an item and be sold to him or her at a higher price on installment. The bank's profit is determined beforehand and the selling price cannot be increased once the contract is signed;
2. **Ijara or leasing.** – Instead of issuing a loan, the bank buys the product and then leases it to the customer. The customer acquires the item at the end of the lease contract; and
3. **Mudarabah or profit share.** – The BARMM Accredited Institution provides 100% of the capital intended for the creation of a business. The BARMM Accredited Institution owns the commercial entity and the customer provides management and labor. They then share the profits according to a pre-established ratio that is usually close to 50/50.

RESOLVED FINALLY, that the program will be using a Tri-partite Agreement Model to ensure profitability and sustainability. The MFBM shall allocate the funds while BARMM Accredited Shariah Compliant Institutions shall provide Shariah-compliant products for MSMEs. The three separate parties are the MSME Entrepreneur, the Accredited Entity engaged in Islamic Microfinancing and the Market or Buyer.

Adopted,


MP ENGR. BANTAN ADIL-AMPATUAN, MNSA