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

**Bangsamoro Autonomous Region in Muslim Mindanao**  
**Parliament**  
BILLS AND INDEX DIVISION  
**RECEIVED**

**SECOND PARLIAMENT**  
First Regular Session

Name: RASUL, RASUL Y. S. Signature: [Signature]  
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Parliament Bill No. 81

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Introduced by  
**MP AMILBAHAR S. MAWALLIL**  
Co-authored by  
**ATTY. LAISA MASUHUD ALAMIA, ENGR. BAIN TAN A. AMPATUAN, ATTY.  
RASOL Y. MITMUG, JR., ATTY. SUHARTO M. AMBOLOD TO, RASUL E.  
ISMAEL, ENGR. DON MUSTAPHA A. LOONG**

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AN ACT  
PROVIDING FOR A MICROFINANCING PROGRAM FOR MICRO AND SMALL-  
SCALE ENTERPRISES WITHIN THE BANGSAMORO AUTONOMOUS REGION IN  
MUSLIM MINDANAO, PROVIDING FUNDS THEREFOR, AND FOR OTHER  
PURPOSES

**EXPLANATORY NOTE**

In 2018, the Bangsamoro Autonomous Region contributed 0.6 percent to the national Gross Domestic Product (GDP), growing at 7.2 percent, the highest among all regions. The improved economic performance was mainly due to the recovery of the agriculture, forestry, and fishery sector which grew at 5.8 percent in the same year.

However, despite its vast water sources, fertile lands, and suitable climatic conditions ideal for various farming activities, the region has been continuously saddled by the slow pace of economic performance.

One of the problems besetting the region is the lack of financial intermediaries to provide financing services to farmers, fisherfolks, and small-scale enterprises, which includes having low access to and availability of financial services to the Bangsamoro people, including investment financing. Furthermore, financial literacy, limited knowledge on accessing formal or bank financing, numerous documentary requirements, and limited collateral are some of the challenges experienced by potential borrowers.

The region has the lowest density of banks in the country. Excluding Cotabato City and the 63 barangays erstwhile part of North Cotabato, there are only 19 banks in the BARMM as of 2018. According to the Central Bank, this accounts for 0.2 percent of the total number of banks in the country. This means that on average, there is only 0.05 bank for every 100,000 residents in the region, as compared to 6.6 and 12 banks in Mindanao and the national level, respectively.

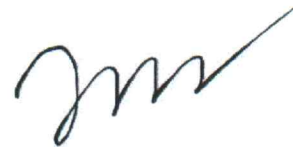
Hence, farmers and entrepreneurs are dependent on local financing groups, mostly traders or lending institutions that offer interest-bearing loans. The minimal harvest of farmers is already committed to local traders, while the meager profit of small entrepreneurs mostly goes to lending institutions. This farmer-trader relation and dependency of entrepreneurs to lending institutions result in lower-income and revenue for farmers and small entrepreneurs and limit their capability to achieve financial freedom.

Moreover, the financing climate of the BARMM is facing two challenges that may result in non-observance of Islamic financing practices and ineffective financial management. The only available financial support to small and medium Bangsamoro entrepreneurs are banks and private lending institutions which offer interest-bearing loans.

Through this measure, the promotion and the development of Islamic financing for micro and small-scale enterprises will further help the Bangsamoro government's efforts to encourage and support the building of entrepreneurial capability in the Bangsamoro Autonomous Region. With the end view of creating opportunities for greater financial inclusion, especially for the undeserved Bangsamoro population, the enactment of this bill will help create an environment conducive to the development and growth of vibrant regional enterprises and shall act as a catalyst for intensified private sector activity to accelerate and sustain regional economic growth.

In so doing, the government can efficiently expand the funding base for micro and small-sized enterprises through financial arrangements with risk-sharing as the core element, and in contributing to financial stability through the use of financial contracts and services that are founded on risk-sharing rather than speculation, in compliance with Shari'ah principles.

In view of the foregoing, the passage of this bill is earnestly sought.



**AMILBAHAR S. MAWALLIL**  
*Member of the Parliament*



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**Section 1. Short Title.** – This Act shall be known as the “*Bangsamoro Microfinancing Act of 2022.*”

**Section 2. Declaration of Policy and Principles.** – It is the declared policy of the Bangsamoro Government to recognize 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.

Towards this end, the Bangsamoro Government shall develop policies, plans and programs, and initiate means to encourage entrepreneurial activities, and to ease the constraints and challenges to micro-enterprises within the Bangsamoro Autonomous Region, particularly access to financing.

**Section 3. Purposes, Intent, and Objectives.** – It is the purpose, intent, and objective of this Act:

- a. To provide an affordable, accessible, simple, and responsive micro-financing program for the region’s micro-enterprises, especially those in the poorest populations;

- b. To adopt the principles of Islamic financing, such as risk-sharing and equitable distribution of wealth, in the conduct of financing operations consistent with the principles of Shari'ah law; and
- c. To eradicate the practice of undertaking or financing anti-social and unethical businesses and setting of interest (*Riba*) or a fixed pre-determined rate of return at which microfinance is made available to micro-enterprises.

**Section 4. *Creation of the Bangsamoro Microfinancing Program.*** – There is hereby created the Bangsamoro Microfinancing Program, hereinafter referred to as the “BMP”, which shall be made available to qualified micro-enterprises under such terms and conditions that will meet the purposes of this Act.

The beneficiaries of the BMP shall be micro, cottage, and small enterprises, as defined under Republic Act No. 6977, as amended, or the “Magna Carta for Micro, Small and Medium Enterprises (MSMEs).”

The BMP shall be primarily accessible through accredited partner financial institutions (PFIs), such as rural banks, cooperatives with the license to lend, micro-financing institutions, or lending companies duly licensed by the Bangko Sentral ng Pilipinas (BSP), Cooperative Development Authority (CDA), or the Securities and Exchange Commission (SEC).

**Section 5. *Lead Implementing Agency.*** – The Bureau of Investments under the Ministry of Trade, Investments and Tourism (MTIT) shall be the lead implementing agency for the BMP. It shall handle the fund delivery to micro-enterprises through the following modes:

- (a) Direct lending; and
- (b) Lending through accredited PFIs.

**Section 6. *Features of the Bangsamoro Microfinancing Program.*** – The BMP shall have the following features:

- (a) The concept of risk-sharing (*Mudarabah*), wherein the PFI shares in the profit and loss of the enterprise it underwrites;
- (b) The avoidance of any ambiguity and deception (*Gharar*) that may come from any contract or agreement relative to financing transactions pursued under this Act;
- (c) No interest rate shall be imposed on the loan availed of;
- (d) It shall not extend to individuals or enterprises who are engaged in activities which are considered as *haram* or forbidden, such as producing or selling alcohol or pork;
- (e) There shall be no collateral requirement; and
- (f) The loanable amount for individual loans shall be set and regularly reviewed by the Bureau of Investments.

**Section 7. *Policy Oversight Function.*** – The Bureau of Investments shall monitor the utilization and disbursements of the BMP. It shall submit to the Chief Minister and the Bangsamoro Parliament an annual report on the status of the BMP.

**Section 8. Appropriations.** – The amount necessary to carry out the provisions of this Act shall be charged against the appropriations released for the purpose under the General Appropriations Act for the Bangsamoro Autonomous Region in Muslim Mindanao (GAA for BARMM) for the Bureau of Investments. Thereafter, such sums as may be necessary for the continued implementation of this Act shall be included in the annual GAA for BARMM.

**Section 9. Implementing Rules and Regulations.** – Within ninety (90) days from the approval of this Act, the Ministry of Trade, Investments, and Tourism shall formulate and promulgate the necessary rules and regulations to implement the provisions of this Act. The implementing rules and regulations issued pursuant to this section shall take effect thirty (30) days after its publication in at least two (2) newspapers of general circulation.

**Section 10. Separability Clause.** – If any provision of this Act shall be held unconstitutional or invalid, the other provisions not otherwise affected shall remain in full force and effect.

**Section 11. Repealing Clause.** – All laws, executive orders or issuances, or any parts thereof which are inconsistent herewith, are hereby repealed or amended accordingly.

**Section 12. Effectivity Clause.** – This Act shall take effect fifteen (15) days after publication in a newspaper of regional circulation.

*Adopted,*

AUTHOR:



**AMILBAHAR S. MAWALLIL**

*Member of the Parliament*

Certified correct:

**PROF. RABY B. ANGKAL**

*Secretary-General*

Attested by:

**HON. PANGALIAN M. BALINDONG**

*Speaker*