



7th GLOBAL Islamic Microfinance Forum

24-25 November 2017
Istanbul, Turkey

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Advocating for an Enabling Framework on Islamic Microfinance and a Mechanism for Zakat to Accelerate Genuine and Sustainable Rehabilitation of Marawi City and the rest of Southern Philippines





1.8 billion Muslims in the world;
nearly $\frac{1}{4}$ of the world's population
today

the world's second largest religion,
after Christianity

Islam is today the fastest growing
religion in the world

By far, the largest populations of
Muslims live in Southeast Asia (more
than 60% of the world's total)

42% of ASEAN population is Muslim

The Marawi ISIS Crisis in Perspective



This five-month long armed conflict is much larger than being a terrorist concern in a local city, but more of a growing global threat. It may also be a reflection of the deeply-rooted economic upheavals being experienced by some of its recruits.

Economic empowerment of those who are marginalized and are potentially easy “recruits” could be an effective ammunition in combatting similar threats.

The horror of terror in Marawi, PH's only Islamic city



Addressing poverty as a national security threat

Promoting inclusive growth amongst Muslim Filipinos addresses the very core of socio-economic, cultural, political, and security dimensions of national security.

Shari'ah-compliant micro-financing may be key in attaining real development and peace in Mindanao.

Imperatives in pushing for Islamic Microfinance



- **101M** total Philippine population
- **5.6%** are Muslims concentrated in the Autonomous Region in Muslim Mindanao (ARMM) composed of 4 provinces, 2 cities and 116 municipalities
- **ARMM** remains the poorest region in the country
- **1%** or 573,446 of the 5.1 million poorest households are in Maguindanao, Lanao del Sur, Basilan, Sulu and Tawi-Tawi, which comprise the ARMM
- **69%** of adult population remain unbanked and underbanked
- **38%** of cities and municipalities nationwide still do not have any banking presence
- **8%** of ARMM have a banking presence (20 banks and 28 ATMs) **BUT NOT** a single one practices Sharia-compliant banking
- Al-Amanah Islamic Investment Bank of the Philippines created in 1973 but has not grown due to legal issues including the absence of Islamic banking framework
- Current banking laws and regulations do not provide for such mechanism

Unlocking growth potential via Islamic microfinance

PH economy grows 6.9% in third quarter



ARMM has so much potential given its resource-rich landscape. It's unexploited rich marine-based natural resources, untapped large mineral deposits, and industrious people are key to unlocking its huge economic potential.

Islamic microfinance is surely a way forward!

The latest available regional GDP data in 2016 puts the real GDP growth in the ARMM at only **0.3%** versus negative 0.4% in 2015. Average regional GDP for the whole of Mindanao is at **5.5%** or **about 18 times**.

Harnessing progressive and enabling regulations



With BSP Governor Nestor A. Espenilla Jr and SEC Chairman Teresita J. Herbosa at the BSP HQ in Sep 2017

A National Movement aiming to provide greater access to financial services, such as savings, lending, micro investments, micro insurance, remittances and payments to every Filipino via a bottom-up approach.

Promotes the National Strategy for Financial Inclusion and the National Retail Payments System of the government.

Promoting financial inclusion in Islam context

The core element of Islamic economic system is founded on development and growth with social justice.

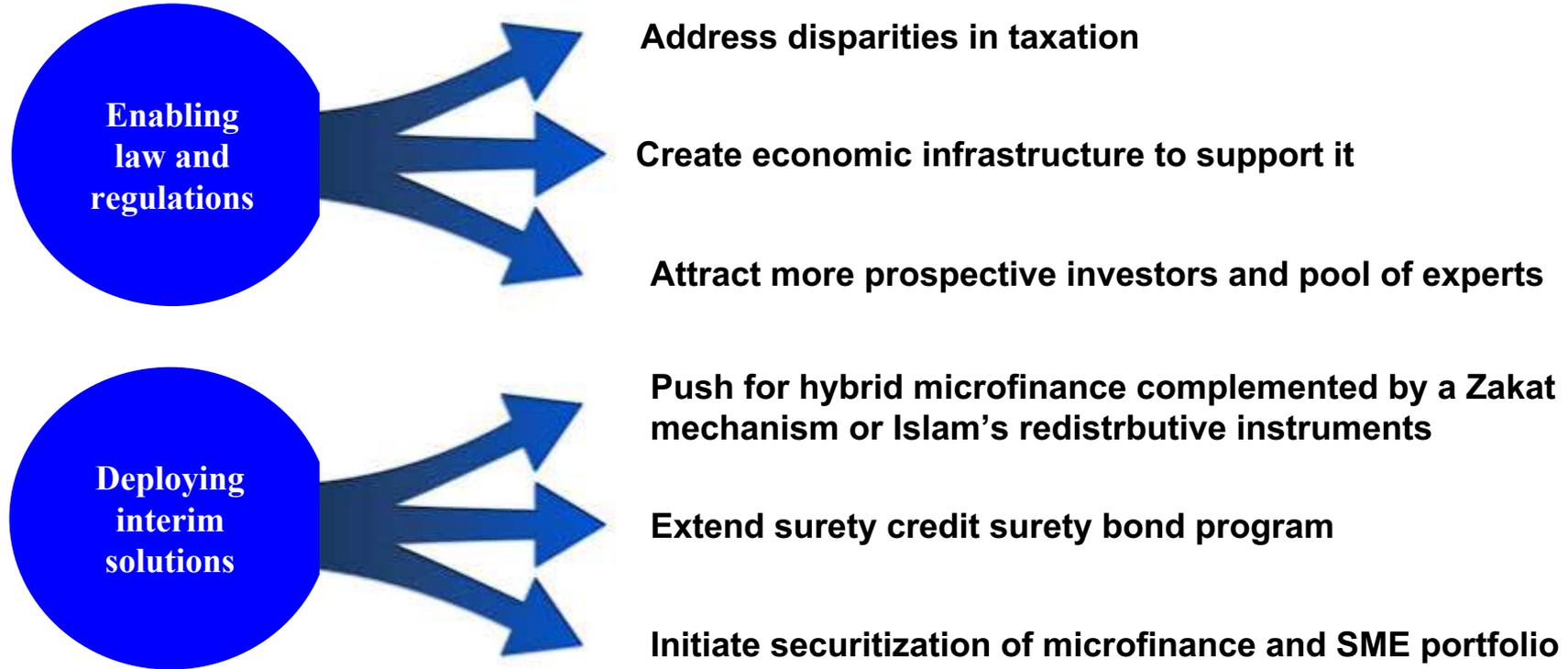
**Risk-sharing or
Hybrid Financing
Instruments**

**Micro Finance (MF)
Micro Small and Medium
Enterprises (mSME)
Micro Insurance (Micro Takaful)**

**Distributive and
Re-distribution
Institutions**

**Zakah (Mandatory contribution)
Sadaqat (Voluntary contribution)
Qard-al-Hassan (No cost debt)
Waaf (Endowment)**

Critical interventions in creating such framework



Why go digital in Islamic microfinance?

Expanding access to finance could be further hastened through the use of agent inclusive banking network and mobile technology.

Promoting the acceleration of inclusive digital finance in Mindanao will not only propel economic growth but attain the ever-elusive peace and security in the region.



“Empowerment is critical for attaining the future we want.”

Former UN Secretary General Ban Ki-moon



INNOVATION

INTEROPERABILITY

INCLUSIVITY

Our 4P's in advocating inclusive digital finance

PURPOSE to make a difference

PASSION to bring about that change

POSITIVITY to believe that it will happen

PERSEVERANCE to sustain such vision and execute it to fruition.

Our immediate next steps to rebuild Marawi



Focused and targeted intervention is required to ensure impactful, efficient, solid and sustainable self-help intervention



A Task Force on enabling the immediate creation of a Shari'ah-compliant Islamic Microfinance NGO must be done right now.



Must be led by the existing Microfinance NGO Regulatory Council pursuant to its IRR of Republic Act No. 10693, otherwise known as the "Microfinance NGOs Act"

This must happen NOW!

