

PRESIDENTIAL COMMUNICATIONS OPERATIONS OFFICE
News and Information Bureau

CABINET REPORT – THE NEW NORMAL
HOSTED BY PCOO SECRETARY MARTIN ANDANAR
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SEC. ANDANAR: Pilipinas, ngayong gabi ang pag-uusapan natin sa Cabinet Report ay ang pinakabagong rehiyon ng ating bansa - ang Bangsamoro Autonomous Region for Muslim Mindanao o BARMM. Noong nakaraang linggo, laman ng mga balita ang pagpasa ng BARMM Administrative Code. Isang napakahalagang hakbang sa kasaysayan ng rehiyon. Two pronged ang challenges po na hinaharap ng BARMM. Una transitioning into the form and practice of government for their Autonomous Region. Pangalawa ay ang paggawa nito sa kabila ng krisis ng COVID. Kaya ngayong gabi kukumustahin natin ang ating mga kapatid sa BARMM sa isang three-part update.

Una pag-uusapan ang kapapasa lamang na Administrative Code kasama si BARMM Spokesperson and Minister for the Interior and Local Government Naguib Sinarimbo. Pangalawa, aalamin natin ang investment climate sa BARMM mula sa kanilang Regional Board of Investment Chair Ishak Mastura. At pangatlo, aalamin natin kung ano ang Islamic Financing at kukumustahin natin ang pagtanggap nito sa BARMM sa isang panayam kay ASA Philippines Foundation President and CEO Kamrul Tarafder at sa kanilang Sharia Advisory Council Member, former Comelec Commissioner and Secretary of the National Council on Muslim Filipinos, Mehol Sadain.

Ito po si Communications Secretary Martin Andanar Welcome to Cabinet Report.

Welcome back to Cabinet Report bago natin kausapin ang ating mga panauhin mag-refresher course muna tayo tungkol sa Bangsamoro Autonomous Region of Muslim Mindanao sa pamamagitan ng report na ito: [VTR]

SEC. ANDANAR: Sa pagbabalik po natin makakausap po natin si BARMM Spokesperson and Minister for the Interior and Local Government Naguib Sinarimbo. Tutok lang kayo dito sa Cabinet Report.

[VIDEO MESSAGE]

SEC. ANDANAR: Welcome back to Cabinet Report at ang ating panauhin ngayon ay si BARMM Spokesperson and Minister for the Interior and Local Government, Naguib Sinarimbo. Minister, please tell us about the salient points of the recently enacted Bangsamoro Administrative Code.

BARMM MINISTER SINARIMBO: The Administrative Code defines the structure of the Bureaucracy and establishes the rules and the relationships of the different ministries and the offices. For this code, it consists actually of seven books. But what is interesting about this administrative code is that, it sets out in detail the concept of autonomy and also, more

importantly, this is the first time that we are putting into operation the concept of a parliamentary system of government in the country. And therefore, some of the features here slightly differs from that of the national administrative code. Because the parliament and the cabinet actually has fused in the sense the executive and the legislative departments of government has been fused into one and a new relationship is established. So these things are now put into details in the administrative code, how exactly is the relationship between the parliament and the cabinet is put into actual operation. You can find that in the administrative code now.

SEC. ANDANAR: Minister, the code defines the structural, functional and procedural principles and rules of governance of BARMM. Ano na po ang mga next steps ngayon para sa BARMM at para sa Ministry of Interior and Local Government?

BARMM MINISTER SINARIMBO: We will have to align the transitions' structure of the different ministries. If you recall last year, we inaugurated the Bangsamoro government, but we needed to operationalize it immediately and so, we came out with the transition structure. That structure now will have to be aligned with the structure established by the administrative code. Consequently also, as a result of the passage of the administrative code, we will have to align the budget for next year in accordance with the structure set out in the administrative code. More importantly the personnel services component of the 2021 Bangsamoro Appropriations Act will have to follow the structure of the administrative code.

Also, because of the passage of the administrative code. We will also need to align the provisions of the administrative code and the proposed local governance code that is now being deliberated in the Bangsamoro Parliament. These are important so that we will have our stable bureaucracy in the Bangsamoro Autonomous Region.

SEC. ANDANAR: Sa kaniyang video message nabanggit ni Chief Minister Balawag na ang Bangsamoro Administrative code na ayon sa konsepto ng AMANA at pinapaloob nito ang mga paniniwalang Sharia. Please tell us more about this, Minister?

BARMM MINISTER SINARIMBO: AMANA is a very important concept in our culture and it's reflected in the administrative code. The concept of AMANA is that public office is a public trust. So the positions that we hold under the Bangsamoro government, these are trust given by our people to us and so we will have to follow the rules and the regulations established by law and more specifically the administrative code and which is why, the code and following the code is also following the Sharia law, which in effect guides the actions of the public officials of the regional government.

SEC. ANDANAR: Any message to the residents of BARMM, relevant to the passing of Bangsamoro Administrative Code, Minister?

BARMM MINISTER SINARIMBO: We really are pleased to inform our constituents that one of the most significant legislations which is mandate by the organic law for the period of transition, which is the administrative code, has been passed. This code strengthens the bureaucracy by setting up the organizational structure, the rules and the regulations governing the Bangsamoro government. In effect this one now makes the decisions of the Bangsamoro

government more predictable in a sense, our constituents are assured that decisions made by public officials are not based on their whims and caprices but are in actuality based on the rules and regulations established by the administrative code.

SEC. ANDANAR: Sa pagbalik po natin. Usaping regional investments naman ang ating tatalakayin, kasama si BARMM Regional Board of Investments Chair, Ishak Mastura, dito lang po kayo sa Cabinet Report.

Welcome back to the Cabinet Report ito po si Communications Secretary Martin Andanar. Kausap po natin ngayon si BARMM Regional Board of Investments Chair, Ishak Mastura at kumustahin natin ang mga investments sa BARMM. Chairman bago po ang lahat alamin muna natin, what is the selling proposition of BARMM when you discuss with investors?

BARMM REGIONAL BOARD OF INVESTMENTS CHAIR ISHAK MASTURA: Of course our number one selling proposition for the BARMM, Bangsamoro Autonomous Region in Muslim Mindanao is our autonomy. Because we are the only autonomous region in the country. So, we have a lot of leeway in terms of policies, in terms of approvals, in terms of delivery, in terms of how we can accommodate those who would like to invest in our area for example. Very enthusiastic in the sense that what we are looking for or what they are looking for rather, is ease of doing business. So, as you know, the movement for ease of doing business is how the investors grade a place in terms of where they want to put their investment. That is why the World Bank, for example, has a ranking on doing business for various countries.

So, in the case of BARMM when they learned that they don't need to get approvals from Manila, they need to go to the offices in Manila for projects that are located in the Autonomous Region, then that's something for them, even in terms of getting fiscal incentives. Like my office, we give the fiscal incentives, the income tax holidays, reduced duties on importation from the region and not from Manila.

So, the update, the project cycle goes much faster in the Autonomous Region. And then secondly of course is that in an Autonomous Region, we have less - how do you call it? -burden in terms of many investors coming in so that we are busy with that we can't pay special attention to them. So, in this case, we can give special service, special attention to the investors because there are not as many as for example those who are going and filing for investments in Manila. Because everywhere from the country they are fling in Manila. In the case of the Autonomous Region, you don't have to go to Manila, you can have a one-stop shop in the Autonomous Region in terms of government permits, requirements and the like.

Number one investment opportunity for us and that's been the situation for the longest time is agriculture, because 60% of our GRDP (Gross Regional Development Product) consist of what they call AHFF – Agriculture, Hunting, Fishing, and Forestry. So, this 60% is tied to the land - meaning agricultural products, forest products, aquamarine resources and diverse marine life. So, this is what our economy provides and as you know, food security now, is a very important issue in the world because of COVID-19 pandemic and a lot of people are worried that you can't source your food from outside because of lockdowns, barriers to entry.

So, the BARMM presents an opportunity, a green field investment opportunity for agricultural processors to source their materials here or to locate their agriculture process here because we are also the lowest cost in terms of labor. And in terms of policies, as I've said since we're practically virgin territory in the sense of an Autonomous Region where we can craft our own policies, then they can propose to us what kind of policies will make things easier for them to invest in agriculture.

In Maguindanao, we have the Ligauasan Marsh which is known to be very gaseous. You know, it has high prospectivity in terms of natural gas condensate and even oil. And the same with Sulu Sea, it's very prospective for oil and just across the border in Sabah, in fact there are oil fields already. So, we have not been able to exploit these natural resources.

So, with the Autonomous Region bringing in peace after the signing of peace agreement between the Moro Islamic Liberation Front and the Philippine Government and then going forward implementation through the Bangsamoro Organic Law, then there's relative peace wherein investors can invest and think in the long term because these kinds of projects requires a lot of lead time. It will not be finished in three years, it could be five years, ten years because natural resources requires a lot of capital investments.

Then of course in the power sector, we have the Agus-Pulangui Hydropower Complex which is located in Lanao del Sur because it's main source of power in the Agus-Pulangui Hydropower is the Lake Lanao, so where Marawi is or the famous or infamous Marawi City is. So, with that, actually we are generating 40% - 50% of the power in Mindanao and its low cost because it's hydropower.

So, next year the World Bank will be providing loan fund to assist or to make available that these funds for the rehabilitation of the Agus-Pulangui Hydropower Complex, that's around \$300-Million. So, of that is utilized, then that's big capital investment in the BARMM for next year. Well, of course the rehabilitation itself of Marawi City as you know, it's around P60-Billion, so the multiplier effect along with that is quite huge.

SEC. ANDANAR: Sino-sino na po ang investors sa rehiyon?

CHAIRMAN MASTURA: The primary investors in the BARMM are the agricultural processors. We have our perennial champions like Lamsan Holdings which owns the largest cornstarch factory in ASEAN, not just the Philippines but ASEAN. They dominate the market, they even import corn from the ASEAN countries of Thailand, Indonesia, just to meet up or cope up with their demand. Then that's located in Sultan Kudarat, Maguindanao.

They have been investing, reinvesting also their capital in the BARMM because they've been here even through thick and thin during the 1970's war. So, they invested for example, in biomass, that's generating 15 megawatts of biomass power. Then they invested in port services with our freight premier or which is the Port of Polloc in Parang, Maguindanao.

Then we have our biggest producer or agricultural processor for cassava which is Matling Corporation. The history of this company, it's been in the Philippines since 1920s during the

American colonial period because the owner, Mr. Spencer, was an American. So, it's continuing under the ownership of a Filipino now, and they are still planting cassava in the area, in Malabang, Lanao del Sur.

Then recently we had good news last year wherein the banana companies, Cavendish banana company which export to China, Japan, the Middle East, have expanded to BASULTA that's in Basilan. In fact, we are excited about this investment because for the first time, the banana companies are going into the Sulu archipelago. At first, we thought that the logistic supply would be difficult but they said since the ships are also passing through the Basilan Strait, so it's just a stopover for this cargo ships, so it's not really out of the way and will not entail huge cost for them to pick-up the production of banana coming from Basilan.

So, we hope that we can still champion for example, the banana export industry in Maguindanao because unfortunately last year, two banana companies closed down because of lack of financing. They were not able to get financing from the banks. So, that's a big challenge for us, but also an opportunity for finance to come in the Bangsamoro, because we are the most underbank region.

In fact, our primary players here are the DBP – Development Bank of the Philippines. But the number one bank that we have here is still the government bank which is the Landbank but not enough, we don't really have enough banks. That's why we hope also that microfinance sector will step in to the gaps because not everyone wants to go through the process of getting financing from banks because their requirements are more rigorous, for example, the informal lending sector. So, that's something that we hope to encourage, the microfinance sector.

In downstream, we would like also to have more investments in the healthcare and the education sector because that's where we are lagging. So, it cannot be done just by government but we would like investors to also come in healthcare and education sector. For example, we don't have as much or as many private hospitals in the BARMM. So, that's one area that is a fresh field. And then we also don't have as many private schools as other regions and lastly, we also want interconnectivity and in power as well as in internet.

I think the digital infrastructure must be there. We cannot be left behind in the digital infrastructure because so many things are happening online now because of the COVID-19 pandemic, and yet we still struggle with the daily power, meaning, the electricity requirements.

SEC. ANDANAR: Any message to the business community, Mr. Chairman.

CHAIRMAN MASTURA: My message to our kababayan and the business sector is you're very welcome to come to the BARMM. We have five provinces that have untapped resources, as well as people who are willing to work and are hardworking but looking for opportunities.

Now that we have relative peace in the region, what we need are jobs; and the government cannot provide it all. We cannot employ them all in government and we cannot subsist on dole outs. While we have the raw materials, we need the technology, we need the transfer of know-how in the region. And we can assure you that the cost of doing business in BARMM is the

lowest in the country. And since we are a green field investment, you can really set the rules. You can be a trendsetter. You can also be first mover. You can have the first mover advantage in the region.

SEC. ANDANAR: Sa ating pagbabalik, alamin natin kung ano ang Islamic financing at kumustahin natin ang Islamic microfinance sa BARMM, dito lang po kayo sa Cabinet Report.

Welcome back to the Cabinet Report. Ito po si Communications Secretary Martin Andanar. Sa mga majority Muslim na bansa, malaki ang papel na ginagampanan ng Islamic financing sa kanilang mga ekonomiya. Sa BARMM, ang microfinance NGO na ASA Philippines Foundation ay apat na taon nang nagpapatupad ng Islamic microfinance. Alamin muna natin kung ano nga ba ang Islamic finance sa ating panayam kay former Comelec Commissioner and Secretary of the National Council on Muslim Filipinos at ngayon naman ay Shari'ah Advisory Council Member ng ASA Philippines Foundation, Attorney Mehol Sadain.

Ano po ba ang Islamic financing at papaano po ito naiiba sa non-Islamic financing?

ATTY. MEHOL SADAIN: Basically, Islamic financing is the raising of capital or money through methods that are sanctioned by Islamic Law or by the Shari'ah – guiding principles which are Islamic in nature.

The guiding principles, the first actually which is the riba. Riba is considered in the Islamic law as something which is literally in excess of, for the credit facility that was given. So whether the transaction is a loan or a sale, if there is excess income in the nature of interest - that is considered a riba.

So that's the first principle, you avoid riba; you avoid usury in Islam, paring of loss and profit. Meaning, if you extend, as a creditor you extend financing to a debtor, and the debtor engages in business, theoretically it is actually both the creditor and debtor who are in business. So that when the business fails, it incurs a loss, both the creditor and the debtor share in the loss. In the same manner, if there is a profit, then they also share the profit. To us, to Muslims, that you don't just ... hindi iyong sinasabing kabig ka lang nang kabig kung ikaw ay nagpapautang. But if the business loses, you also share in the loss.

The third one, actually, would be the avoidance of uncertainty. There should always be certainty in the transaction. Because Muslims who are engaged in a capitalization business should know what to expect from each other.

And then the fourth would be avoidance of gambling which is maisir in Arabic, as well as speculations which is khimar. Because maisir and khimar or gambling and speculations are not actually sure way of earning money. Plus there is the uncertainty also of losing because that kind of business lies on chance. And Islam does not want a business that would be based on chance; it should always be based on real investment facts.

The reason why this is important for Muslims. That Muslims yearn for Islamic way of life. And when it comes to financing, trading, etc., etc., that requires generation of capital, all Muslims

would of course desire the avoidance of riba or interest instruments, and risk instruments. They, of course, want to avoid that so that they live according to the tenets of Islam. It says that Allah, God, has declared war against riba. So whether you are the one exacting interests or you are the one giving interest, both of you – the creditor and the debtor – are actually subjected to that war of God against interest.

SEC. ANDANAR: Bakit po mahalaga sa mga Muslim, kasama na ng mga kapatid nating Muslim Filipinos sa BARMM, ang Islamic financing?

ATTY. MEHOL SADAIN: As Muslims, wanting to live Islamic way of life – sometimes we call it the Halal way of life – Muslims would really desire to live that life. And Islamic financing is actually Sharia-compliant financing. Yes, yes, it has a lot to do with that actually.

I have always considered the Philippines as a predominantly Christian country that is swimming in a sea of Muslim countries. So the Philippines is practically relating with Muslims, not just today but more so in the future. And more so because of this concept of ASEAN integration. We started this actually with the old economic concept of the BIMP-EAGA – I hope you recall that ‘no, Mr. Secretary. The BIMP-EAGA was a way for ASEAN countries to trade with each other and mutually gain from this relationship – pushing for an ASEAN integration.

We have to already possess the rudiments of Islamic financing so that when we relate with them, we are at par with them; we understand each other. So that is the importance actually of being able to keep up, keep abreast with the Islamic economic and financing developments around the world. Malaysia is one of the best country to espouse and promote halal right now. Even the Middle Eastern countries would look up to Malaysia in terms of its halal product.

Now, the Philippines has been left behind. One of the latest laws enacted was one on Islamic banks here or Islamic windows for banking transactions here in the Philippines. The old law that we have actually is a charter of just one Islamic bank which is Al-Amanah Islamic Investment Bank. So no other banks can set up a branch here using that old law. But the new law allows new banks to come in.

There is also another law on the promotion of halal exports. So there are two new laws that promote halal, as well as sharia-compliant banking. Getting all of these legal delineations, legal terms, legal concepts that will jive with the concept that is being used in the Muslim Southeast Asian countries. So that’s very good.

Just a little anecdote, Mr. Secretary. Very people know that Malaysia and the Philippines started Islamic banking at almost the same time, in the 70s. That is how Islamic banking is to the Malaysians. But now, the Malaysians are way, way ahead in Islamic banking compared to the Philippines. Somehow we have stagnated; the Malaysians continue to develop, and all because they were given the right atmosphere, the right environment and maybe because it is a country dominated by Muslims. Now we hope the same thing can be done in the Philippines.

SEC. ANDANAR: Ano po ang papel ng isang Shari’ah Advisory Council tulad nang sa inyo, sa ASA? At ano na ang inyong natututunan sa ilang taon ninyong operation?

MEHOL SADAIN: ASA tried to move towards Islamizing some of their offerings like the Murabaha, it needs the imprimatur - a review and then an approval by a council that is composed of Sharia experts. The primary consideration of the Shari'ah Advisory Council, our council here, was to make sure that this Murabaha would exist and would operate within Islamic principles. You know, the more you go into Islamic financing or Islamic banking, the more you see the benefit of this to the people who need capitalization or financing. So in short, these are actually instruments that can help the economy.

SEC. ANDANAR: Ngayon naman kausapin natin si ASA Philippines Foundation President and CEO Kamrul Tarafder tungkol sa kanilang Islamic microfinance operations sa BARMM. Kamrul, please tell us a bit about ASA and your Islamic microfinance operation in BARMM.

KAMRUL TARAFDER: ASA Philippines Foundation is a non-profit institution organized in 2004 so we're existing here in the market for the last 16 years – 16 years of microfinance experience. But our Islamic finance is about 6 years. We started on pilot 2014 in Taguig and then we started to visit different other countries including Malaysia, Indonesia and Bangladesh. But we went to Indonesia more because it has cultural similarity with the Philippines and we visited several institutions and the Sharia school there, the Universitas Negara Islamiyah Indonesia, particularly their School of Sharia Law where we able to see the appropriate model for the Philippines.

And then we came back and then we applied it in BARMM. We are catering to close to 33,000 of our nanays in Muslim Mindanao with the Sharia-compliant products with the portfolio of over 526 million pesos. And their savings actually, more than 50% which is 263 million pesos. Our Islamic microfinance product or the size is small, I have to admit this fact. It's just nearly 2.5% of the overall loan portfolio of ASA Philippines. ASA's loan portfolio is 22.2 billion pesos while Islamic finance is only 526 million pesos. ASA has its 1.9 million borrowers, while Islamic finances only 33,000. It is also because of the smaller size of BARMM population.

But we are optimistic that in the future, we will be able to inspire more Muslim Filipinos to avail this product in microfinance. You know, ASA is an icon today, not only in the Philippines, it's an icon in entire Southeast Asian, the Pacific. ADB has granted a loan and this is the first time in ADB's history to give a loan to an NGO without sovereign guarantee. So ASA is an established internationally loan-known entity and the performance is excellent across the country.

However, our repayment rate is 99% collections. While it is actually is inspiring or Islamic finance is doing much better than the conventional microfinance in several ways: The repayment rate is higher here. At least 20 to 30 basis point, Islamic microfinance is a collection that is better. Our [unclear] ratio is also much better in for many years. The loan update, loan releases and they have various loan size. Loan ticket and whereas, the loan size is also much higher in Islamic finance particularly in BARMM areas so that's actually inspiring. It's probably because in the BARMM, our programs are small and these are the traditional Islamic traders and the business ladies.

As you know, as I is catering only to the ladies not the gentlemen, so they have been very well and the performance is relatively much higher compared to the rest of the country – both on the collection side as well as on the disbursement and they have various loan size.

SEC. ANDANAR: You mentioned that you want to share ASA’s experience with the Islamic microfinance in BARMM with government and the industry. What have you learned about the market there?

KAMRUL TARAFDER: In BARMM, they entered without traditional microfinance in 2012, in Sulu, Tawi-Tawi, Basilan and Cotabato it is 2012, we entered into these four provinces except Maranao. And the people were actually taking it even though it was not really is certified Islamic finance at that time, but the principle of Islamic finance was there. But when we started implementing our Sharia-compliant product, we saw much more enthusiasm. We saw that there is something they will never be excluded, it is something for them. It’s by design, it is inviting the Muslim traders to join immediately.

That was the first lesson. And the second lesson we saw that since it’s a compliant, it’s motivated much higher so the business profit is doing much better, so the loan update was much higher. The various loan size in Muslim Mindanao started to gain higher than compared to the various loan size of the rest of the country.

SEC. ANDANAR: What are your recommendations based on your experience there?

KAMRUL TARAFDER: The common and most important element we have seen everywhere for Shari’ah financing is that the country should have national Shari’ah, Philippines government including BARMM to establish Shari’ah Council for financial institution. And then they should advice all financial intermediary including us to have internal advisory council and then make regulations that all financial institution, all BSP-regulated or MNRC-regulated financial intermediary should be reporting to the National Shari’ah Advisory Council on their compliance of the product and services they are offering to. And there should be a national dialogue on a regular basis, so that there would be always an improvement and learning from each other.

And there should be also a Shari’ah advisory board within BSP. I’m not sure about the size but there should be a smaller scale of Shari’ah Advisory Council or Shari’ah advisory team within BSP to guide financial intermediaries, BSP-regulated or BSP-supervised who are saying they’re also venturing into Islamic finance. That would be our suggestion or immediate suggestion. I would actually advice every one. We have opened to show our books and records and the procedures how we are doing it. We are open to this, we are open to this from day 1. We don’t keep anything secret for ourselves because we believe that anything that institutionally, we learn from it, from us.

They will eventually provide services with the unserved people and it will help the people and we will indirectly benefit it if not here today, but hereafter – that’s my personal view. So we are inviting everyone to come to see what we have here and our Shari’ah Advisory Council there also open to discuss anyone interested in a dialogue.

SEC. ANDANAR: Pilipinas, mahalaga ang mga hakbang na patuloy na nagaganap ngayon sa BARMM. Mahalaga na baguhin na rin natin ang pagtingin sa rehiyon na ito. Maraming potensiyal ang BARMM and we should also view what is going there from a different lens – one that offers us a view of BARMM’s beauty, its culture and its prospects for progress. If we start with this and we accompany them as they journey towards this exciting new phase in their autonomous government, the whole country will be better off. Our archipelago further enriched by the diversity of its islands and its people.

Pilipinas, magkita-kita tayo ulit next Friday. Ito po si Communications Secretary Martin Andanar. Keep safe. Mag-ingat po tayong lahat. Have a happy weekend.

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