



**PROCEEDINGS 2026-26**

Program on Escaping the Middle - Income Trap: Chains for Change

# Islamic Finance in the BARMM: Opportunities, Challenges and Paths Forward

---

09 December 2025

N Hotel, Cagayan de Oro City

*Jane Lynn D. Capacio*



UNIVERSITY OF THE PHILIPPINES  
CENTER FOR  
INTEGRATIVE AND  
DEVELOPMENT  
STUDIES

ISSN 2718-9295 (PRINT)  
ISSN 2718-9309 (ONLINE)



**PROCEEDINGS 2026-26**

Program on Escaping the Middle - Income Trap: Chains for Change

# **Islamic Finance in the BARMM: Opportunities, Challenges and Paths Forward**

---

09 December 2025

N Hotel, Cagayan de Oro City

*Jane Lynn D. Capacio*

# UP CIDS PROCEEDINGS

2026-26

UP CIDS Proceedings is published by the

**University of the Philippines  
Center for Integrative and Development Studies**

Lower Ground Floor, Ang Bahay ng Alumni  
Magsaysay Avenue, University of the Philippines  
Diliman, Quezon City 1101

Telephone: (02) 8981-8500 loc. 4266 to 4268 / (02) 8426-0955

Email: [cidspublications@up.edu.ph](mailto:cidspublications@up.edu.ph)

Website: [cids.up.edu.ph](http://cids.up.edu.ph)



[cids.up.edu.ph](http://cids.up.edu.ph)

**Copyright © 2026  
by the UP Center for Integrative and Development Studies**

The views and opinions expressed in this discussion paper are those of the author/s and neither reflect nor represent those of the University of the Philippines or the UP Center for Integrative and Development Studies. No copies can be made in part or in whole without prior written permission from the authors/editors and the publisher.

**ISSN 2718-9295 (Print)  
ISSN 2718-9309 (Online)**

**Cover Image Credit**

"Key participants of the Islamic Finance Discussion reading the EMIT C4C and PEF monograph published by UP CIDS"

Photo by Peace and Equity Foundation

# Table of Contents

<b>About the Proceedings</b>	vii
<b>Opening Remarks</b> <i>Martiniano “Dodoy” Magdolot</i>	1
<b>Presentation of the Highlights of the Monograph</b> <i>Annette Balaoing-Pelkmans, Ph.D.</i>	1
<b>Updates on the CARD-MRI Shari'a-inspired Paglambo Program</b> <i>Daissiel Gonzales</i>	3
<b>BARMM Government’s Initiatives on Islamic Finance</b> <i>Nassef Manabilang Adiong, Ph.D.</i>	4
<b>Open Forum: Part 1</b>	5
<b>Presentation of the Dompot Duafa and other best practices from Indonesia</b> <i>Rini Supri Hartanti, Ph.D.</i>	9
<b>Open Forum: Part 2</b>	11
<b>Closing Remarks</b>	13

## **Get your policy papers published.**

## **Download open-access articles.**

The Philippine Journal of Public Policy: Interdisciplinary Development Perspectives (PJPP), the annual peer-reviewed journal of the UP Center for Integrative and Development Studies (UP CIDS), welcomes submissions in the form of full-length policy-oriented manuscripts, book reviews, essays, and commentaries. The PJPP provides a multidisciplinary forum for examining contemporary social, cultural, economic, and political issues in the Philippines and elsewhere. Submissions are welcome year-round.

For more information, visit [cids.up.edu.ph](http://cids.up.edu.ph).

All issues/articles of the PJPP can be downloaded for free.

## **Get news and the latest publications.**

Join our mailing list to get our publications delivered straight to your inbox! Also, you'll receive news of upcoming webinars and other updates.

[bit.ly/signup\\_cids](http://bit.ly/signup_cids)

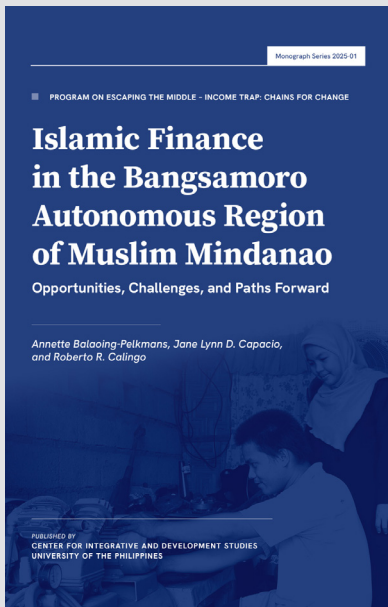
## **We need your feedback.**

Have our publications been useful? Tell us what you think.

[bit.ly/dearcids](http://bit.ly/dearcids)

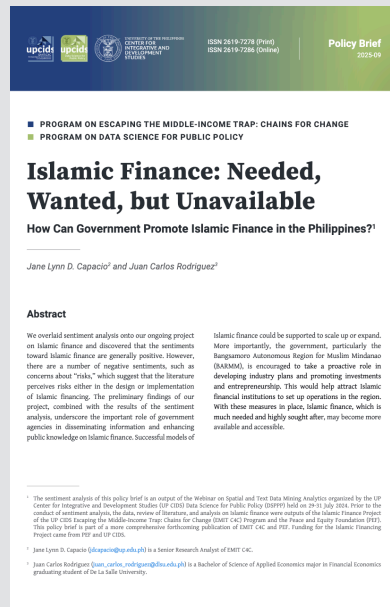
# Download related policy papers for FREE

[cids.up.edu.ph/collection-database](https://cids.up.edu.ph/collection-database)



## MONOGRAPH

Islamic Finance in the  
Bangsamoro Autonomous  
Region of Muslim  
Mindano: Opportunities,  
Challenges, and Paths  
Forward



## POLICY BRIEF

Islamic Finance: Needed,  
Wanted, but Unavailable



# About the Proceedings

The Escaping the Middle-Income Trap: Chains-for-Change (EMIT-C4C) Program of the University of the Philippines Center for Integrative and Development Studies (UP CIDS) and the Peace and Equity Foundation (PEF) launched the UP CIDS Monograph entitled Islamic Finance in the Bangsamoro Autonomous Region for Muslim Mindanao (BARMM): Opportunities, Challenges and Paths Forward on December 9, 2025 in Cagayan de Oro City. The launch did not just discuss the contents of the monograph, but also provided updates on the Islamic finance efforts of key stakeholders like the BARMM government and the Parliament. It likewise gave an opportunity for a distinguished guest from Indonesia, Rini Supri Hartanti, Ph.D., an expert in Islamic social finance, to share the experiences of Dompet Dhuafa, a Ramon Magsaysay Awardee, in implementing Islamic social finance and Islamic finance programs and services. Dr. Supri Hartanti also discussed the enabling environment of Islamic finance in Indonesia.

The launch was participated in by 40 participants from the BARMM Government (Ministry of Finance, Budget and Management, Cooperatives and Social Enterprise Authority), Bangsamoro Parliament (Policy Research and Legal Services), civil society organizations (Ramon Magsaysay Transformative Leadership Institute, Mahintana Foundation, Pakigdait Inc.), cooperatives, social enterprises, and microfinance institutions (CARD-MRI, Raheema Peace Weavers Producer Cooperative, Kadtabanga Foundation, North Western Mindanao Front base camps, Federation of United Mindanawan Bangsamoro Women Multipurpose Cooperative, Bayan EDGE), academe (MSU IIT GAD Center, MSU Shari'a Center), and experts (DAGPh, BAZNAZ Provinsi DKI Jakarta).

The monograph on Islamic Finance was the result of the action research undertaken by EMIT-C4C and PEF in collaboration with UPSTREAM of UP Mindanao. Data gathering, interviews with stakeholders from Metro Manila, and fieldwork in Mindanao were undertaken from April to August 2024. The fieldwork covered the following areas: Cotabato City, Saranggani, Lanao del Norte, Lanao del Sur, and Zamboanga City to be able to see how financing schemes are undertaken by various partners of EMIT-C4C and PEF. In September 2024, the pre-published monograph was discussed with a select number of partners. The eventual UP CIDS monograph, authored by Annette Balaoing-Pelkmans, Ph.D., Jane Lynn Capacio, and Roberto Calingo, was published in mid-2025. The proceedings were written by Jane Lynn D. Capacio, a Research Fellow of EMIT C4C and Assistant Professor at the UP Diliman Extension Program in Pampanga and Olongapo (UPDEPP).



# Opening Remarks

***Martiniano “Dodoy” Magdolot***

*Board Member, Peace and Equity Foundation*

Martiniano “Dodoy” Magdolot opened the discussion, stating that since the transformation of the BARMM, the region grew by 7.9 percent outpacing the national average. But while there was economic growth, challenges have remained including high poverty incidence, limited access to basic services, and lack of viable markets. He emphasized that the PEF stands with the Bangsamoro people in its efforts to promote peace and development through Islamic finance. The PEF’s action research with EMIT-C4C sheds light on the opportunities for Islamic financing, which is rooted in risk sharing, ethical financing, and social responsibility. He recalled that a few years back, he joined the PEF and its partners in studying Islamic finance in Indonesia.

Mr. Magdolot noted that the PEF is preparing to celebrate its 25th anniversary with the theme of partnerships for every family. He maintained that the PEF affirms its commitment to forge lasting partnerships that will uplift the lives of Muslims. Islamic finance, he said, resonates with households that are poor and vulnerable.

Mahintana Foundation, his base organization, is very much interested in Islamic finance particularly on the appropriate interventions for communities composed of Christians, Muslims, and indigenous peoples. He encouraged the attendees to ask questions and to build a future where every family has sustainable livelihood.

# Presentation of the Highlights of the Monograph

***Annette Balaoing-Pelkmans, Ph.D.***

*Convenor, EMIT-C4C*

Annette Balaoing-Pelkmans, Ph.D. presented the key findings of the Islamic financing monograph noting that she is doing so with much humility; thus, she invited the attendees to share thoughts and comments later on. She noted that the paper and presentation are founded on an admiration for Islamic

finance, a practice that combines ethics with financing. She also emphasized that her presentation aims to build bridges that exist between Christian and Islamic finance. She said that the Christian faith back in earlier centuries also emphasized that resources came from God and that people are mere stewards of gifts. There were common roots and views of money between faiths. It is just that over the years, the Christian tradition did not codify the more ethical rules and that finance, in general, metamorphosed into capitalist finance.

Asking “Why Islamic finance?,” Dr. Balaoing-Pelkmans mentioned that it is an appropriate and relevant tool to promote financing because it addresses the pressing need to mobilize capital ethically, fairly, and inclusively. It offers many mechanisms that share risk for real economic activities while at the same time, discouraging speculation and exploitation. Part of the audience of the monograph are Christians who could see that it is a good practice.

It is not that profits are discouraged; it is that profits need to be transparent and be used to lift the poor out of poverty. Dompert Dhuafa, for instance, shows that enterprises can be large or have scale. It is not that profit is frowned upon but it needs to be earned with the risks being shared and the assets being present and clear. In markets today where “*Hindi pa nangingitlog ang manok ay nabebenta na*” (unlaid eggs are already sold), Islamic financing is based on what can be seen and touched and not based on speculation. Assets should be visible which therefore limits risks.

She also discussed the differences between conventional contracts and Islamic contracts, which will be useful later on for developing Islamic finance instruments. She likewise described the different instruments including various modes of Islamic banking, insurance, and investments. She also gave an overview of Islamic social finance showing that there is a spectrum of instruments. On the regulation side, she informed that the governance approach of the Bangko Sentral ng Pilipinas (BSP) is demand-driven so it will only address issues as these are flagged to them. The BSP does not have the whole Islamic finance planned out. She also said that there is a roadmap and she challenge everyone to take it seriously, to make it implementable.

In discussing the paths forward, Dr. Balaoing-Pelkmans emphasized the need for people to trust that Islamic finance instruments are truly halal. The uptake for the models is low because the people do not yet trust these. There is also a limited halal ecosystem that should utilize Islamic finance for its transactions. At present, the pace of the development of community-based or organic

Islamic finance models is slow. Equally slow is the development of an enabling and regulatory environment. At this stage, it is important for community-centric or community-based models to develop and mature so the regulatory environment can respond to the evolving models. It will be a relatively slow pace but there are indications that it will be more sustainable because the process will be trusted by stakeholders.

## Updates on the CARD-MRI Shari'a-inspired Paglambo Program

**Daissiel Gonzales**

*Program Manager, Paglambo Project*

While the Center for Agriculture and Rural Development - Mutually Reinforcing Institutions CARD-MRI wanted to be in Cagayan de Oro to share updates on their Paglambo Program, the whole institution had a concurrent planning session. Ms. Daissiel Gonzales, Program Manager of the Paglambo Project, graciously agreed to provide a virtual presentation.

CARD-MRI is composed of 34 institutions and was formed in 1986 out of a felt need to contribute to eradicating poverty in the Philippines. The Paglambo project, their Shari'a-inspired microfinancing program, was initiated in Feb 2018 and has been operating in various provinces in Mindanao. It is part of CARD-MRI's thrust of promoting financial inclusion. The coverage includes the following instruments: *Musharakah*, *Murabahah*, and *Kafalah*. They have *Wadi'ah* deposits which safeguards clients' deposits. Their repayment is at 99 percent. CARD-MRI also has *Takaful*, a Shari'a micro-insurance instrument that provides protection to participants in case of unexpected losses.

CARD Bank made history as it is the first institution that was granted an Islamic Banking License by the Bangko Sentral ng Pilipinas. Their Cotabato branch started in January 2024 while their second branch, which is in Marawi, was inaugurated in November 2025.

They incorporate education and training with their credit programs. They likewise have psycho-social interventions to support clients' mental health along with their financial wellbeing. The Paglambo Program is thus a holistic initiative.

# BARMM Government's Initiatives on Islamic Finance

*Nassef Manabilang Adiong, Ph.D.*

*Director II, Bangsamoro Parliament's Policy Research and Legal Service*

Nassef Manabilang Adiong, Ph.D., Director II of the Bangsamoro Parliament's Policy Research and Legal Service, presented the past and ongoing efforts of the BARMM government on Islamic finance. He acknowledged the presence of the Ministry of Finance, Budget, and Management (MFBM) in the room and later on invited Mr. Farrell Hazsan Usman of MFBM to join him as panelist in the open discussion.

Dr. Adiong began by noting that the Chief Minister constituted the technical working group or TWG for Islamic Finance in 2021. Specifically, the technical working group (TWG) aims to provide capacity building on Islamic finance and Halal and to incorporate the former in the programs, projects, and activities of the BARMM government. In 2024, they launched the Roadmap of the Islamic Finance of the Bangsamoro using baseline studies. In 2025, the BARMM Government, along with the Bangko Sentral ng Pilipinas, Department of Finance, and the National Commission on Muslim Filipinos issued a circular establishing the Shari'a Supervisory Board to consolidate the provision of *Fatwas* or legal opinions on Islamic finance. Dr. Adiong noted that in the experiences of Muslim civilizations, there are many schools of thought so when an *Ulama* or Islamic scholar is consulted, he issues an opinion, which is not binding (in contrast to the Christendom or the institution of the Christian church where there is hierarchy and authority). He also said that in countries with a predominantly Muslim population, the Shari'a is above the sultanate government. In the Philippines, however, since the Muslims are the minority, Shari'a is under the Supreme Court that provides impetus for Shari'ah courts nationwide.

The following are some of the policies that serve as foundations of the existing policy environment on Islamic finance: a) the institutionalization of Islamic finance in the Philippines, b) Bureau of Internal Revenue Ruling on Tax Neutrality for Islamic transactions, c) Republic Act No. 11840 which extends Philippine Deposit Insurance Corporation (PDIC) insurance to Islamic banks, d) Joint Circular creating the Shari'ah Supervisory Board, and e) the

strengthening Al Amanah Bank and the creation of Islamic banks that paved the way for the financial services of CARD Bank in Cotabato City and Marawi and Maybank in Zamboanga.

Dr. Adiong also walked the participants through the framework of the Islamic Finance Roadmap. Islamic finance is premised in having a robust halal ecosystem, which will demand for Islamic banking, Islamic insurance, and other products and services. The roadmap also includes the development of micro, small, and medium enterprises, intensification of partnerships with stakeholders, and the use of financial technology or fintech. The target year for the achievement of the roadmap is 2028.

He also discussed the proposed resolutions of the Members of Parliament that provide impetus for Islamic finance. These include the proposed resolution on the establishment of *Takaful* Insurance, and on the giving of scholarship support for pertinent BARMM government personnel to study Islamic finance overseas. The Revenue Code contains provisions on Islamic finance and explicitly notes the importance of women in Islamic finance.

## Open Forum: Part 1

At this point, the moderator of the discussion, Assistant Professor. Yasmira Moner of Mindanao State University - Iligan Institute of Technology (MSU-IIT) opened the conversation to questions and comments of the attendees. The panelists included Dr. Balaoing-Pelkmans, Dr. Manabilang Adiong, and Mr. Ferrell Hazsan Usman of the MFBM.

Roek Ian Blanker of Mahintana Foundation asked how Shari'a-compliant financing can be implemented in non-BARMM areas like Region XII where there are Muslims and non-Muslims. He further asked how Moro enterprises can be supported by Islamic finance or Shari'a-inspired finance? Mr. Usman replied that one of the main goals of the MFBM is to improve financial inclusion of unbanked individuals and entrepreneurs. One way is by encouraging them to participate in formal financial banking. So far, the institution that has the highest number of branches and with the greatest number of Islamic products is the Al Amanah Bank. Muslims MSMEs can be encouraged to partner with the Al Amanah Bank to use its products and services. Since the Islamic Banking Act was passed only in 2019, naturally, there are only a few players yet. Dr. Balaoing-Pelkmans said that fintech, including e-wallets, can be a game changer. If the existing e-wallets would have

Islamic finance products and services then they could be a boost to financial inclusion. This could be part of the advocacy agenda. Mr. Usman agrees with Dr. Balaoing-Pelkmans since fintech can meet more customers at a much lower cost. There is opportunity with the BSP welcoming digital banks.

In regard to the query on who should be tapped by MSMEs in regard to Islamic finance, Mr. Ferrell said the Ministry of Trade, Investments, and Tourism supports the off take of enterprises through the Al Amanah Bank. In terms of Shari'a compliance, there are now Guidance Notes on the utilization of Shari'a products. The Guidance Notes, which are now available online, can quell peoples' doubts on services and products.

A follow up question was asked on what could be done to financially include those who are unbanked. Is there a way for communities, especially those outside of BARMM, to learn about and use Islamic products? Dr. Adiong said that in communities near UP Diliman, a number of Muslims established the infrastructure for *Zakat* and *Waqf*. So far, these are gaining traction in those barangays. Mr. Usman also said that requesting for an opinion regarding Islamic services or products need not be through a Shari'a Supervisory Board or SSB. An Ulama or a qualified Shari'a scholar can do it. When asked for a *Fatwa*, he will study the matter through established methodology. If one is looking for a Shari'a opinion, they can approach a scholar from recognized Islamic universities. Dr. Adiong replied, however, that the resulting ecosystem could be difficult because there could be a plethora of opinions. When asked for their halal certification, supposedly halal restaurants said they were accredited by a certain personality who is not a Muslim scholar. In Singapore where Muslims are also a minority, the government centralized the accreditation of the *Ulama* and the issuance of *Fatwas*. There are efforts now by the Bangsamoro government to centralize the accreditation.

Mr. Robert Calingo shared the pattern that he was seeing. He recalled that in her presentation, Dr. Balaoing-Pelkmans asked for the pathway for the Philippines: Will we do government-centric or community-led Islamic finance? He opined that regardless of the source of the push for Islamic finance, there is a need for communities to be able to understand, test, and eventually scale up Islamic finance models. CARD's Paglambo Program studied models including Domfet Dhuafa, got acquainted with Dr. Supri Hartanti who is an expert, and eventually scaled up the models that worked. How can this process be made available to those who want to get into it? How can costs and risks be laymanized for ease of use. In 2014, when the PEF started with Islamic finance, they were grappling because there were no working models; hence, their trip

to Indonesia to learn from practitioners. There, they learned that Indonesia went through 7-7-7 where the first seven years were spent on discovering and developing models, the second set of seven years were on the establishment of policy and regulatory institutions, and the last seven years were spent to purify the models. CARD went through all these in a period of seven years only.

Dr. Balaoing-Pelkmans replied that indeed, the time is ripe. From the roadmap, a blueprint paper can be developed, which can be followed by a structured piloting of models that are monitored and documented. The private information emanating from the lessons can be made into public good that can be accessed and learned. Universities can cull lessons in a coordinated way so knowledge institutions should become partners in the process. Practitioners should be able to test the models. Civil society organizations can help fund and train practitioners. Mr. Uzman agreed that there is a need to fast track and scale up the practices. Stakeholders need not only use the experiences emanating from those in the BARM. Islamic finance has been practiced for 30 years now so there are existing practices in other Islamic jurisdictions. There is a model in Pakistan where they first provided Islamic social finance to clients and then afterwards, they were provided with benevolent loans. Only when they were more established did they engage in instruments like *Murabahah* and *Salam*. He agrees with Dr. Balaoing-Pelkmans that it is not just government that should do everything. Islamic finance should be market-driven.

Jamilah Salindawan of the Northwestern Mindanao Front asked how *Murabahah* can work in a cooperative. Dr. Balaoing-Pelkmans replied that a cooperative is about organizing a group of people to become a viable partner of a financing institution. The next step is to find a partner who will put a stake in the business of the cooperative and complement its skills and resources. Afterwards, both the cooperative and its partner can undertake profit and risk sharing. Mr. Usman replied that *Murabahah* is a cost-plus, buy and sell instrument where mark ups are fully disclosed. Cooperatives, for instance, need to buy and own products before selling these to members on a cash or installment basis. Cooperatives can use this instead of simply extending finance or money lending to their members. Apart from the mark-up, there should be no interest and if members cannot pay their installment, they should still be allowed to pay without additional penalties. If the cooperative wants to impose penalties to encourage payment, they may do so but these should not be considered as revenue but must be given to charity.

According to Dr. Balaoing-Pelkmans, the literature on Islamic finance shows that there is cynicism about interest rates masking as costs. They would say that it is just semantics. But there is a difference when one calls and treats something as cost and not interest. Cost has a natural ceiling whereas interest rates can be so high.

Ms. Hayat Pilas of the Cooperatives and Social Enterprise Authority (CSEA) of the BARMM said that there is a need for them to be aligned with what are being discussed. They can help educate and promote Islamic finance to cooperatives and social enterprises. She said that they want to maximize the opportunities and collaboration is crucial to seize the benefits and opportunities. As drivers in the community, she shared that they are partners with the Bayan Family of Foundations in crafting capacity building programs that are aligned with Shari'ah principles. She said they can replicate these to other cooperatives.

Before the Q&A, Dr. Balaoing-Pelkmans made an erratum on page 32 of the Monograph where Muslim groups are discussed together with indigenous people groups. She thanked the one who raised the error and noted that because biases are very prevalent, things like this error can be easily overlooked. She apologized and committed to correct the paper moving forward.

Ms. Moner turned over the facilitation of the ensuing discussion to Ms. Carmencita “Chicklette” Toledo of the Ramon Magsaysay Awards Foundation (RMAF). Ms. Toledo began by discussing the journey of Islamic finance of the PEF, RMAF, CARD, and PEF partners like Kadtabanga Foundation. She said that a year after Dompot Dhuafa received the Ramon Magsaysay Award, they went to Jakarta a number of times to engage in a technology learning exchange with Dompot Dhuafa. There, they learned the following:

- Islamic finance is grounded in ethical finance;
- Money should only be gained through productive efforts;
- Islamic social finance can be complemented with Islamic commercial funds;
- The Baitul Maal wat Tamwil or BMTs, which are essentially microfinance institutions, operate on trust;

- Field officers are relationship managers, they did people-to-people transactions well;
- They had digital tools that escalated Islamic finance;
- There is a need to identify institutional drivers and meet these; and
- The lack of SSBs is a gap and when they were doing the technology learning exchange, SSBs and Ulama Councils were not functioning to provide *Fatwas*.

In those three years, many things were accomplished to prepare the ground. The EMIT-C4C and the PEF Monograph is a continuation of the conversations.

Ms. Toledo then introduced Dr. Rini Supri Hartanti who at the time of the RMAF award was the head of Dompét Dhuafa Travel and Dompét Dhuafa Social Enterprise. The former was crucial for bringing pilgrims to the Hajj.

Dompét Dhuafa is one of Indonesia's largest charitable institutions. It is not a religious organization; it is composed of journalists who owned Republik, a newspaper, where they started collecting *Zakat*. Dr. Rini Supri Hartanti moved from Dompét Dhuafa and became the vice chair of BAZNAS or the Badan Amil Zakat Nasional, the national government *Zakat* agency. She is part of the SSB of CARD Bank's Paglambo Program.

## **Presentation of the Dompét Duafa and other best practices from Indonesia**

*Rini Supri Hartanti, Ph.D.*

Dr. Rini Supri Hartanti started doing Islamic social finance since 1995. Two weeks ago, she was just in Marawi City to join the inauguration of CARD Bank's newest branch.

*Zakat* in Indonesia was practiced by communities long before there were regulations on *zakat* and Islamic social finance. BAZNAS started in 1968,

predating Dompet Dhuafa; but, the milestone for the modern management of *Zakat* was reached after Dompet Dhuafa established a transparent *Zakat* collection and governance system in 1993. It was audited even as early as the first six months of its operations.

Islamic social finance includes instruments like *Zakat*, *Infaq*, *Sadaqa*, and *Waqaf*. Islamic microfinance is also part of Islamic social finance. Indonesia is a supermarket of disasters except typhoons. *Zakat* institutions are efficient in providing resources and help even before government can respond. The poorest can be funded by *Zakat*. It can even be used for providing social protection and increasing peoples' purchasing power.

Since *Zakat* is part of the five pillars of Islam, it is an obligation of every Muslim to pay *Zakat*. Indonesia has an economic and finance masterplan and *Zakat* is well placed in the masterplan to be distributed accordingly. They have an Islamic ecosystem that includes social finance, commercial finance, and Halal. The demand for products and services comes from domestic and international consumers and clients.

Collections from *Zakat*, *Infaq*, and *Sadaqa* can be utilized for the consumption of the poor. These and *Waqaf* can be blended with one another and with other instruments to create, for example, a hospital that can be accessed by the people. *Waqaf* can be used for investments in infrastructure and can be blended with *Sukuk*.

Dompet Dhuafa was established before there were regulations on Islamic social finance. Under the current law, the management or coordination of *Zakat* is now with BAZNAS. There are similar institutions for other Islamic finance instruments. As a lesson, when there are no regulations or *Fatwa*, there is an opportunity to do new things and suit them to specific needs and contexts. When there are already regulations, there will be, immediately, audits and other requirements. She suggested to not ask for regulations early in the process. Islamic microfinance also had no regulations when it started in Indonesia. But it is being widely used now because it is trusted by the people.

In regard to instruments that use profit sharing, there is high level of trust so the parties declare the profit and these are shared. Encouraging savings is also a good track because the people will be happy to use their own money first before borrowing funds. In Indonesia, Shari'a Supervisory Boards of financing institutions issue opinions but *Fatwas* can only be made and issued by the Ulama Council, which is an independent institution.

Dompot Dhuafa has social enterprises that promote its own sustainability and that of the mushtahik (beneficiaries). It also has social development programs. It established BMTs at a time when they also did not understand Islamic finance and Islamic social finance so Dompot Dhuafa engaged in capacity building and the giving of financial capital. Now, BMTs are self-reliant and no longer rely on Dompot Dhuafa for assistance.

## Open Forum: Part 2

After Dr. Rini Supri Hartanti's presentation, Ms. Toledo opened the floor for questions and comments. Ms. Hadja Giopay Diocolano of Kadtabanga Foundation wondered if what they are doing is correct. She asked, for instance, if they implementing their *Mudarabah* correctly. She said they were provided capacity development fund by the PEF which they gave to communities who were former combatants. Dr. Supri Hartanti clarified that since the money from the PEF uses *Mudarabah* and the money from *Kadtabanga* to communities also utilizes *Mudarabah* then it appears to be okay, unless there are other pressing challenges. Ms. Diocolano replied that they really need *Takaful* since they are challenged by human-made and natural disasters. They have asked CARD about this and notes that hopefully, the BARMM government would finish the *Takaful* mechanism.

Mr. Usman noted that the question on *Takaful* was timely. He said that part of the improvement of the Monograph is in the recommendations section, where most of the policy suggestions are related to Islamic banking. The paper can be enhanced if the whole plethora of Islamic financing is covered in the policy and action recommendations. With *Takaful*, for instance, policies should be aimed at the Insurance Commission and *Takaful* players. Mr. Usman replied to Ms. Diocolano, noting that the BARMM government now has a Memorandum of Understanding with the Insurance Commission to promote *Takaful* products. Ultimately, it is the Insurance Commission that must approve *Takaful* products and services. Mr. Usman continued that the recommendations of the Monograph can be pointed to the Securities and Exchange Commission (SEC) that has oversight over microfinance institutions and non-government organizations.

Ms. Sittie Aishah Baicon Cayongcat-Nusca of the Raheema Peace Weavers Cooperatives noted the limited customer base in the country. It turns out that in Indonesia, the people have a choice on where to put their money. Their *Zakat* can be deducted from their income. In the Philippines, the peoples'

resources go to flood control projects. One concrete action could be in letting Al Amanah Bank manage peoples' taxes, deduct *Zakat*, and address the development needs of the poor.

Dr. Supri Hartanti said that in Indonesia, the groups implement micro *takaful*. In the BMTs, they have their own small *Takaful*. *Tambis* have the same *Takaful*-like instrument. The requirement would always be the number of members to make sense of the premium. Ms. Toledo said emerging MFIs in the Philippines should seize opportunities to consider micro *takaful* or the offerings of CARD's Paglambo.

At this point, Ms. Maharlika Alonto of DagPh underscored that there are many types of *Zakat* mechanisms in the world. Malaysia also has an efficient system because they have autonomous collection and distribution per state. They collect *Zakat*, purchase the products of farmers, and give these to mosques. In the Philippines, it may be difficult to push the BARMM government to collect and distribute *Zakat*. Our consciousness might not be geared to that.

For *Takaful*, Ms. Alonto said that there is so much traction lately and the good thing is that the efforts are very grassroots. Etiqa and Prulife are into life insurance so it is long term. She thinks that in the Philippines, the issue is not in generating Islamic funds but in creating Islamic assets. Where can we invest the money that is generated? Islamic finance cannot grow without a Halal economy; and vice versa, the halal ecosystem needs Islamic finance. In other countries, they have *Sukuk* where they can put their investments. There are very few businesses in the BARMM so business development is an issue. The good thing is development is evident; as mentioned, there is good traction in *Takaful*. Ms. Alonto said she is hopeful so long as halal and Islamic finance are not put in separate silos.

Dr. Supri Hartanti closed the discussion by saying that Indonesia is one of the models so the lessons must be adjusted to the local context. She reinforced that Islamic finance is not stand alone. There is a need to build the Islamic economic ecosystem. She also said that CARD Bank just launched a book entitled, *Opening Doors*, so her question is, "Who is opening doors?" Some say CARD Bank, others say the communities, but in the real context, the BARMM communities kept knocking at doors with hope, determination, and faith so doors are now being opened.

## Closing Remarks

On behalf of UP CIDS, Dr. Rosalie Arcala Hall thanked PEF that has partnered with EMIT-C4C and all the attendees of the discussion. She said she valued the conversation because it provided new inputs to the Monograph which will be published in final form in the near future. She looks forward to more partnerships like this given its importance in BARMM.

On behalf of the PEF, Mr. Calingo hoped that the discussion is not the end but there would be more until the issues are fully threshed out and goals are met. He said what stood out was that Islamic finance, including halal, is not just a financial option in the Bangsamoro, it a pathway to dignity, inclusion, and opportunities. The examples from CARD-MRI and Dompot Duafa show how Islamic finance can thrive if based on realities from the ground. The challenges are present: the need to build local Shari'a experiences, the need for stronger regulations, the need for fair and accessible financial products, the need for investments, and the need to build capacity. He expressed his gratitude to UP CIDS and EMIT-C4C since the research pushed the conversation forward. He also thanked the RMAF for introducing PEF to Dompot Dhuafa. He likewise thanked Dr. Supri Hartanti for sharing experiences and opening imaginations on what could happen when Islamic social financing is scaled up and done well.

The PEF, he said, is honored to be part of this conversation and is deeply committed to support efforts particularly the development and scaling up of community-based Islamic finance models. He also looks forward to partnering with local organizations and helping build the system to make Islamic finance instruments strong, trusted, and widely accessible across Mindanao. Mr. Calingo noted that this is not a one-time engagement for the PEF, but part of their long-term vision to empower families and strengthen local economies. He encouraged everyone to carry the energy and inspiration from the conversation to make Islamic finance and halal trusted and widely accessible.

# **Center for Integrative and Development Studies**

Established in 1985 by University of the Philippines (UP) President Edgardo J. Angara, the UP Center for Integrative and Development Studies (UP CIDS) is the policy research unit of the University that connects disciplines and scholars across the several units of the UP System. It is mandated to encourage collaborative and rigorous research addressing issues of national significance by supporting scholars and securing funding, enabling them to produce outputs and recommendations for public policy.

The UP CIDS currently has twelve research programs that are clustered under the areas of education and capacity building, development, and social, political, and cultural studies. It publishes policy briefs, monographs, webinar/conference/forum proceedings, and the Philippine Journal for Public Policy, all of which can be downloaded free from the UP CIDS website.

## **The Program**

The Program on Escaping the Middle-Income Trap: Chains for Change (EMIT C4C) examines inclusiveness and competitiveness in its research agenda and its efforts on working with its partners to address social development challenges. It undertakes three projects: (1) big data analytics on manufacturing, labor, and exports; (2) action research on agriculture and fisheries value chains; and (3) action research on business-for-peace in Mindanao. EMIT C4C provides learning and partnering platforms for the academe, government, civil society, and the private sector to share lessons and act on recommendations.

# Editorial Board

Rosalie Arcala Hall  
*Editor-in-Chief*

Honeylet L. Alerta  
*Deputy Editor-in-Chief*

# Program Editors

## Education and Capacity Building Cluster

Dina S. Ocampo  
Lorina Y. Calingasan  
*Education Research Program*

Rosalie Arcala Hall  
*Program on Higher Education Research and Policy Reform*

Romylyn Metila  
Marlene Ferido  
*Assessment, Curriculum, and Technology Research Program*

Ebinezer R. Florano  
*Program on Data Science for Public Policy*

## Social, Political, and Cultural Studies Cluster

Rogelio Alicor L. Panao  
*Program on Social and Political Change*

Darwin J. Absari  
*Islamic Studies Program*

Rosalie Arcala Hall  
*Strategic Studies Program*

## Development Cluster

Annette O. Balaoing-Pelkmans  
*Program on Escaping the Middle-Income Trap: Chains for Change*

Antoinette R. Raquiza  
Julius Lustro  
*Political Economy Program*

Eduardo C. Tadem  
Maria Dulce Natividad  
*Program on Alternative Development*

Iris Thiele Isip-Tan  
*Program on Health Systems Development*

## New Programs

Maria Angeles O. Catelo  
*Food Security Program*

Weena S. Gera  
*Urban Studies Program*

Benjamin M. Vallejo, Jr.  
*Conservation and Biodiversity*

Rosalie Arcala Hall  
*Local and Regional Studies Network*

# Editorial Staff

Jheimeel P. Valencia  
Bryan Patrick Garcia  
*Copyeditors*

Alexa Samantha R. Hernandez  
*Editorial Assistant*

Mikaela Anna Cheska D. Orfino  
*Layout Artist*



**UNIVERSITY OF THE PHILIPPINES  
CENTER FOR INTEGRATIVE AND DEVELOPMENT STUDIES**

Lower Ground Floor, Ang Bahay ng Alumni, Magsaysay Avenue  
University of the Philippines Diliman, Quezon City 1101

**Telephone** (02) 8981-8500 loc. 4266 to 4268  
(02) 8426-0955

**Email** [cids@up.edu.ph](mailto:cids@up.edu.ph)  
[cidspublications@up.edu.ph](mailto:cidspublications@up.edu.ph)

**Website** [cids.up.edu.ph](http://cids.up.edu.ph)