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From Informality to Inclusion:

Exploring the Informal Economy Landscape in **Marawi City** through a Systems Approach





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Executive Summary

The onset of the COVID-19 pandemic triggered socio-economic impacts that particularly affected MSMEs and informal workers. While initial response measures targeted the poor and formally registered, they created a gap in support for those who were not categorically qualified for social assistance, thereby further increasing the vulnerable population. Vulnerabilities have been further exacerbated by the on-going poly-crisis with the interplay of an increasingly volatile environmental, economic, social, and geopolitical climate that threaten to reverse progress towards Sustainable Development Goals, especially felt by marginalized groups.

Yet the informal economy, particularly in emerging and developing countries, contributes as much as 65 per cent to the gross domestic product (GDP) and generates around 70 per cent of employment. Beyond their contribution at the macroeconomic level, positive societal contributions attributed to the informal sector include providing access to goods and services, particularly in times of crisis-afflicted and last-mile contexts, as well as innovation, skills development, and social cohesion. Harnessing such socio-economic contributions would require bridging their inclusion in broader production and innovation ecosystems, as well as in entities that may facilitate such linkages. Strategic interventions aimed at boosting productivity in the informal sector can help realise its full potential, including through facilitating transitions to formality. These entail a targeted approach informed by ground level analysis, given the complexity of vulnerabilities at play and heterogeneity of small enterprises, with features that may be overlooked when under broad classifications for interventions. This

is especially the case in post-conflict settings where transitioning to formality can be a means to usher peace and resilience, as in the case of Marawi City in the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM), where the informal economy comprises a majority of the region's economic profile.

With support from UNDP's Informal Economy Facility, Accelerator Lab Philippines (ALab PH) developed this study to understand how social innovation, can be leveraged to foster the participation and inclusion of informal actors, both workers and enterprises, in the recovery of BARMM. It seeks to do this through an understanding of informal actors' journey from social assistance to socioeconomic upliftment, as well as the role that they fulfil amid various shocks. The study employed rapid ethnography for primary data collection, literature review for conceptual alignment with the extensive discourse on the subject, and systems thinking for analysis. This was underpinned by stakeholder consultations throughout the process for joint analysis and validation. Key local stakeholders were engaged during data collection, analysis, validation, and co-design of the recommendations.

Findings were clustered under three major themes to help make sense of the drivers of informality in Marawi City: (1) governance and political drivers (i.e. transition period, policy and regulatory landscape, institutional capacities, and local community leadership); (2) economic and market drivers (i.e. opportunity cost to formalize, access to financial support and capital, flexibility of value chains, business environment landscape); (3) sociocultural drivers (i.e. aspirations for recovery, social

cohesion, cultural heritage, access to opportunities of special groups). These findings were synthesized through the lens of integration, innovation, and inclusion. Drawing from the analysis and multi-stakeholder consultations, recommendations were made on (1) integrated response (i.e. inclusive

programming, coordination mechanisms, area-based approach); (2) economic convergence (i.e. innovation ecosystem, market expansion, halal value chains); (3) research and advocacy (economic analysis, transboundary flows, community-based practices).

Foreword



The world has seen the emergence of drivers that forge a context defined by the polycrisis—the COVID-19 pandemic, coupled with increasing impact of climate change, and geopolitical factors that affect global supply chains, is forcing a fundamental rethink of business and operating models that currently shape the economic landscape and the people who get to participate in it. The International Labour Organization estimates that up to two billion people over the age of 15 currently belong to the informal economy, that is associated with unincorporated, unregistered, or small enterprises whose workers often have little or no social protection. While informality is associated with precariousness and vulnerability, the reality is that the informal economy plays a crucial role in the survival and livelihoods of marginalized communities.

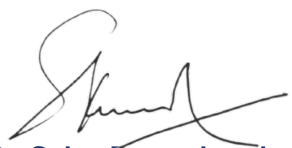
In the age of the polycrisis, a systemic perspective is critical in informing an integrated approach for effective, context-based interventions, grounded

in a nuanced understanding the realities of informality. With support from the United Nations Development Programme (UNDP) global Informal Economy Facility, UNDP Philippines sought to leverage data and social innovation to support the informal sector in the socioeconomic recovery of the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM). It aimed to seed the foundations for a holistic understanding of the issue, through the development of a social protection database for the Bangsamoro Ministry of Labor and Employment complemented by this research on the informal economy landscape in Marawi City.

Building on UNDP's long-standing efforts to promote an enabling environment and build capacities for inclusive growth, This rapid ethnographic study was conducted to map the journey of informal workers and entrepreneurs, financial flows within the value chains in which they operate, and the system that influences inclusive financial access in the region. It highlights the multiple drivers and dimensions of informality in the area, surfacing that while it undeniably serves as a major driver of the local economy and livelihoods, cultural preservation, social cohesion, and heritage also provide a strong motivation for informal enterprises to engage in the value chain. This presents an opportunity for policymakers to better understand informality and device strategies to address informality as part of inclusive recovery. While this study focuses primarily on Marawi City and surrounding areas, it is our hope that the multitude of perspectives shared across communities and different levels of governance can inspire opportunities for integrated and area-based development.

We wish to thank local stakeholders who have trusted the team with their experience and have been generous with their reflections on inclusive pathways

for the region. Your contributions to the findings shall feed into integrated programming through the development of pipeline initiatives and a portfolio of experiments for inclusive business models, in line with the broader agenda to advance sustainable peace and development in BARMM. May this report contribute to critical discussions that will forge a peaceful and progressive Bangsamoro region, where peace dividends are shared by all.



Dr. Selva Ramachandran
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Contextual Overview



A. The Global Context



The onset of the COVID-19 pandemic triggered socio-economic impacts that particularly affected micro-, small-, and medium-sized enterprises (MSMEs) and informal workers. While initial response measures targeted the poor and formally registered, they created a gap in support for those who were not categorically qualified for social assistance, thereby further increasing the vulnerable population. Vulnerabilities have been further exacerbated by the on-going poly-crisis with the interplay of an increasingly volatile environmental, economic, social and geopolitical climate that threaten to reverse progress towards Sustainable Development Goals, especially felt by marginalized groups.

According to the International Labour Organization (ILO), two billion people comprised the informal economy in 2019.¹ An informal economy represents economic activities with insufficient

government regulations coverage or completely without, either in law or in practice. “In law” pertains to those excluded or only partially covered by the law, whereas “in practice” pertains to situations wherein despite the existence of laws, particular workforce segments remain out of reach by state institutions or by enforcement mechanisms.² Drivers of informality span the range of factors associated with governance and regulations (i.e., fiscal policies, enabling business environment, and employment-related), access to resources (e.g., safety nets, assets, formal banking, information, networks, and basic services such as education/skills development), as well as social perceptions (e.g., lack of organization, recognition, discrimination, risk aversion, and trust in public institutions).³ These thrive in a context where there are limited opportunities for decent livelihood, especially in fragile settings⁴, further exacerbated by

1 International Labour Organization (2019). Promoting transition to formality for peace and resilience. Accessed via https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/instructionalmaterial/wcms_736145.pdf

2 International Labour Organization (2002). Resolution and conclusions concerning decent work and the informal economy. Accessed via https://www.ilo.org/global/topics/dw4sd/themes/informal-economy/WCMS_080105/lang-en/index.htm

3 Inter-Agency Task Team. (2022). Roadmap: Informality - Global Accelerator on Jobs and Social Protection for Just Transitions. Accessible via https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---soc_sec/documents/publication/wcms_855478.pdf

4 ILO, “Formality for peace and resilience.” (footnote 1)

inequalities and financial constraints, which compromise the capacity for resilience against shocks.⁵

It is important to nuance formality in the context of workers and enterprises, recognizing that while formalization of enterprises is key to formalization of employment in the informal sector, these do not always take place concurrently.⁶

Unreported economic activities by workers, units, and enterprises, typically MSMEs, are defined by low productivity, income, and social protection coverage.⁷ Yet the informal economy, particularly in emerging and developing countries, contributes as much as 65 percent to the gross domestic product (GDP)⁸ and generates around 70 percent of employment.⁹ Beyond their contribution at the macroeconomic level, positive societal contributions attributed to the informal sector include providing access to goods and services, particularly in times of crisis-afflicted and last-mile contexts, as well as innovation, skills development, and social cohesion.¹⁰

Harnessing such socio-economic contributions would require bridging their inclusion in broader production and innovation ecosystems, as well as in entities that may facilitate such linkages. Strategic interventions aimed at boosting productivity in the informal sector can help realise its full potential, including through facilitating transitions to formality. However, these entail a targeted approach informed by ground level analysis, given the complexity of vulnerabilities at play and heterogeneity of small enterprises, with features that may be overlooked when under broad classifications for interventions.¹¹ This is especially the case in post-conflict settings where transitioning to formality can be a means to usher peace and resilience.¹²

5 Brucal A and Grover A (2023). *Masters of Disaster: The Heterogeneous Effects of a Crisis in Micro-Sized Firms*. Accessed via <https://openknowledge.worldbank.org/server/api/core/bitstreams/38073af0-24a7-4b2c-99a5-f77154795438/content>

6 Ibid (3)

7 International Labour Organization (2020). *COVID-19 crisis and the informal economy: Immediate responses and policy changes*, Accessed via https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/briefingnote/wcms_743623.pdf

8 International Monetary Fund (2017). *Regional Economic Outlook: Restarting The Growth Engine*. Accessed via <https://www.imf.org/en/Publications/REO/SSA/Issues/2017/05/03/sreo0517>

9 Ohnsorge F and Shu Y, eds. (2022). *The Long Shadow of Informality: Challenges and Policies*. Chapter 2 *Understanding the Informal Economy: Concepts and Trends*. Washington, DC: World Bank. doi:10.1596/978-1-4648-1753-3. Accessed via <https://thedocs.worldbank.org/en/doc/37511318c092e6fd4ca3c60f0af0bea3-0350012021/related/Informal-economy-Chapter-2.pdf>

10 UNHABITAT (2021). *Surviving, Managing, Thriving: The Informal Economy in Post-Conflict Cities*, Accessed via https://unhabitat.org/sites/default/files/2020/02/1-post-conflict_cities.pdf

11 Brucal and Grover, "Masters of Disaster" (5)

12 ILO, "Formality for peace and resilience." (1)

B. Informality in the Philippines and Bangsamoro: Overview

Aligned with the standard definition adopted by the ILO at the global level, in the Philippines, the “informal sector” is defined for statistical purposes as “household unincorporated enterprises which consist of both informal own account enterprises and enterprises of informal employers.”¹³ Operationally, this definition excludes corporations and quasi-corporations, along with single proprietorships, and commercial fishing, farming, and livestock raising, and those owned by cooperatives or those whose accounts are separated from the household.¹⁴ This definition also emphasizes the nature of the informal sector as enterprises and employers within the economy. Related to this, Republic Act No. 8425 identifies “workers in the informal sector” as one of the basic sectors that include “poor individuals who operate businesses that are very small in scale and are not registered with any national government agency, and to the workers in such enterprises who sell their services in exchange for subsistence level wages or other forms of compensation.”

Workers in the informal sector often comprise those who are most vulnerable, including those engaged in casual or seasonal employment with no legal or contractual arrangements. This makes measuring the size of the informal

economy a challenge, particularly since many individuals and enterprises operate on a much smaller scale or below the threshold for regulation.¹⁵

Based on these indicators, the Department of Labor and Employment (DOLE) approximates that in the decade between 2008 and 2017, employment in the informal economy has averaged 21.1 million workers or roughly 56 percent of total employment in the country, covering those in precarious employment (e.g. wage and salary workers in seasonal jobs or different employers on a daily basis) or vulnerable employment (e.g. self-employed without paid employee or unpaid family workers in a family-owned business). In the same period, employment in the informal economy can be disaggregated into 60 percent male and 40 percent female on average, with agriculture and services having the biggest share among industries.¹⁶

An assessment by the ILO in the Philippines estimates that roughly half of all workers in the Philippines are informal workers, mostly employed in agriculture and services. Meanwhile up to 80 percent are estimated as informal workers in the Bangsamoro Autonomous Region of Muslim Mindanao (BARMM), with 80.2 percent of men and 80.6 percent of women facing “vulnerable”

13 National Statistical Coordination Board Resolution No. 15, s. 2002. “Adoption of an Official Definition on the Informal Sector.”

14 National Statistical Coordination Board Resolution No. 16, s. 2003. “Adopting a Set of Criteria for Identifying the Informal Sector.”

15 Quiros-Romero G, Alexander TF, and Ribarsky J (2021). Measuring the Informal Economy. International Monetary Fund. <https://doi.org/10.5089/9781513568249.007>

16 Gonzales, M (2018, July 16). Size of the Informal Economy in the Philippines [Presentation]. Situation Analysis on the Philippines - Putting the present policy mix in the R204 context. Makati City. Retrieved from https://www.ilo.org/manila/eventsandmeetings/WCMS_634914/lang--en/index.htm

employment”, defined as the sum of self-employed and unpaid family workers.¹⁷ The Bangsamoro Development Plan 2023-2028 recognizes the influence of conflict on the region’s fragility, and how barter trade, which is primarily prevalent in the informal economy, has emerged as a robust mechanism for safety and social protection, especially during crises or scarcity. With a poverty incidence of 29.9 percent¹⁸ in 2021, the BARMM region is considered the poorest in the country and had the highest unemployment rate at 8.1 percent as of April 2022.¹⁹ The history of armed conflict and displacements, weak governance, as well as natural disasters in light of climate change, have posed considerable developmental challenges in the region.

While the informal economy has provided alternative sources of income, employment opportunities remain scarce in the region due to limited private sector investment, posing the challenge of reliance on low-quality employment.²⁰

The COVID-19 pandemic has further magnified existing vulnerabilities of actors in the informal economy in the region.²¹ Most MSMEs in the region operate within the informal sector, leaving businesses to function outside the boundaries of state regulations and support, which could compromise product and service quality, low productivity, and limited legal and social safeguards for their workers. The high prevalence of informality in the region hinders the full potential for economic growth in the region, as MSMEs’ contribution for wider-scale

growth and state-building remain underutilized.²²

In 2022, the extended BARMM Parliament, led by the Chief Minister, has issued a 12-point agenda in which the last point is geared toward exploration of the Bangsamoro economic potential. Achieving comprehensive and sustainable peace and development in BARMM is therefore contingent on acknowledging the informal economy’s importance in socio-economic and peacebuilding mechanisms.



17 International Labour Organization (2022). Decent work: the road to lasting peace Labour administration and inspection needs assessment in the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM). Retrieved from https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-manila/documents/publication/wcms_849890.pdf

18 Philippine Statistics Authority (2021). Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) Poverty Statistics. Accessed via <https://rsoarimm.psa.gov.ph/statistics/poverty>

19 Philippine Statistics Authority – Regional Statistical Services Office III (2022). Special Release April 2022 Labor Force Survey. Accessed via https://rso03.psa.gov.ph/sites/default/files/SR_April%202022%20LFS.pdf

20 ILO, “Decent work” (16)

21 UNDP in the Philippines (2021). The Socioeconomic Impact Assessment of COVID-19 in the Bangsamoro Autonomous Region in Muslim Mindanao. Accessed via <https://www.undp.org/philippines/publications/socioeconomic-impact-assessment-covid-19-bangsamoro-autonomous-muslim-mindanao-region>

22 Bangsamoro Planning and Development Authority (2023). Bangsamoro Development Plan 2023-2028, p. 127

Box 1

Bangsamoro Transition Authority issued BTA Bill No. 109 or “An Act institutionalizing the registration and regional database for informal workers, economic units, and organizations or associations,” to address the issue on the quality of employment of the informal workers.

Section 4.b of the BTA Bill No, 109 defines the Informal Economy as “all economic activity by workers and economic units that are, in law or in practice, not covered or insufficiently covered by laws or any formal arrangements. It does not cover illicit activities, in particular the provision of service or the production, sale, possession or use of goods forbidden by law.” The said Bill also defines Informal Employment as “an employment arrangement in the formal or informal sectors or in households that exist based mostly on casual employment, kinship, or personal and social relations with no formal guarantees on pegalm protection, and benefits economic units that are unregistered, unlicensed, and unregulated.”

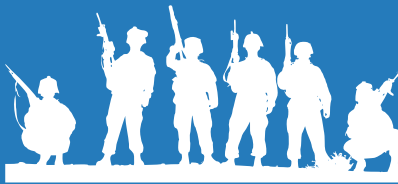
Marawi, a city within the Province of Lanao del Sur in BARMM, had been a trading hub prior to its siege and was known for its mosques and lively commercial areas. Its economy hinges significantly on agriculture, trading, and exporting.²³ The agricultural industry in the city comprises rice and corn farming, and commercial operations such as hollow block manufacturing, goldsmithing,

and saw milling. Smaller enterprises had operations in making garments, brassware, and wood carvings, as well as blacksmithing and weaving mats and malong. Some workers were involved in web development. The National Power Corporation Agus 1 Hydro Electric Power Plant and the first of the six cascading Agus Hydro Power Plants are also in the city.



23 "Islamic City of Marawi". armm.gov.ph. June 4, 2010. Archived from the original on January 30, 2012.

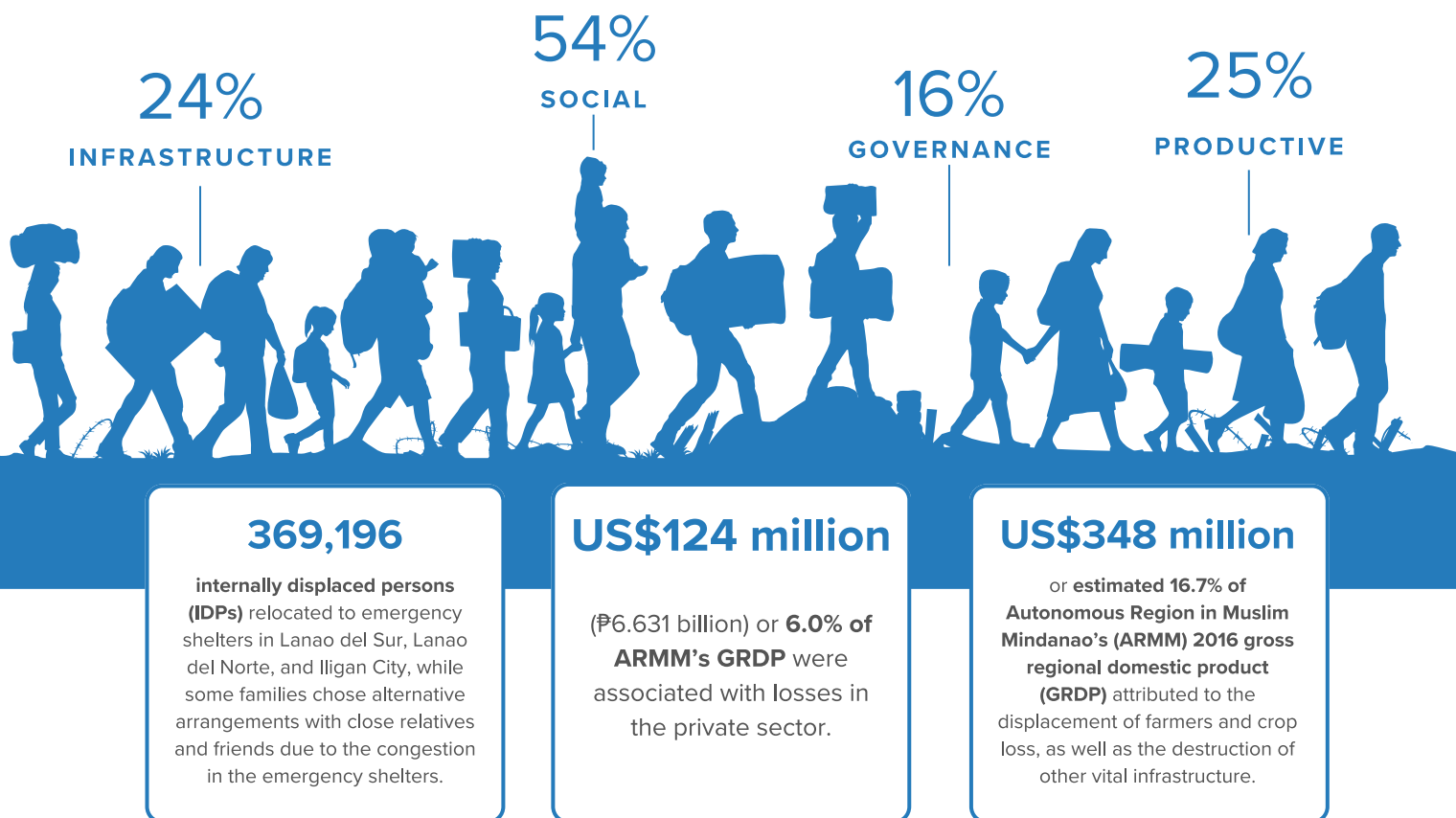
The Marawi Siege in Numbers



23 May 2017

Militants affiliated with the Islamic State of Iraq and the Levant invaded Marawi City, resulting into urban gunfight with the armed forces and airstrikes, causing significant damage to the city:

Breakdown of total damage & losses incurred by sector



3 days before Ramadan

when the siege took place, resulting to businesses losing inventory, raw materials, goods, products and equipment (stockpiled in anticipation of demand) that were lost to gunfighting and looting.

Small businesses were especially affected due to disruptions to their:



PUBLIC MARKETPLACES



RELATIONSHIPS WITH OTHER VENDORS/SUPPLIERS



VALUE CHAINS

Source: "Philippines: 'Battle of Marawi' Leaves Trail of Death and Destruction". Amnesty International. 2017-11-17. Archived from the original on 2021-09-30. Retrieved 2021-09-30 - Asian Development Bank (2018). Summary Assessment of Damage and Needs. Accessed via <https://www.adb.org/sites/default/files/linked-documents/52313-001-sd-01.pdf>

TWO

Background of the Study



A. Rationale

Recognizing that solutions to tackle the complex issue of informality would need to be context-specific and adequate to conditions defined by the availability of social safety nets, wages, and an enabling environment, UNDP launched the Informal Economy Facility (IEF), as a knowledge platform and policy initiative to help “move the needle on poverty, vulnerability and inequality by protecting actors of the informal economy and empowering them to benefit from and contribute to inclusive, job-rich, and green recovery & development pathways.”²⁴ UNDP especially promotes a systems approach in tackling the complexity of issues surrounding informality in order to better elucidate the dynamics between factors that shape the sector, which can then better inform integrated policy and programmes for sustainable impact.

Furthermore, informality became a priority research agenda for UNDP global Accelerator Lab network in response to signals that have emerged from numerous initiatives undertaken by respective Accelerator Labs at the country level.²⁵ Recognizing deviance from the assumption of the informal economy’s negative correlation with GDP growth as well as its agility,²⁶ a number of learning questions needed to be unpacked: i) perceptions and motivations that drive informality; ii) unseen contribution of the informal sector, particularly in terms of environmental sustainability;

iii) the implications of pandemic-induced rapid digitalization on informal entrepreneurship; and iv) policy policies that protect people from hazardous labour and tap into informality’s ingenuity.

As part of the IEF initiative, the Accelerator Lab Philippines (ALab PH) developed this study to understand how social innovation, defined in the context of the global Accelerator Lab network as the “process of creating and implementing effective solutions to systemic and complex social issues through renewed and novel perspectives and innovative approaches,”²⁷ can be leveraged to foster the participation and inclusion of informal actors, both workers and enterprises, in the recovery of BARM. It seeks to do this through an understanding of informal actors’ journey from social assistance to socioeconomic upliftment, as well as the role that they fulfil amid various shocks.

Initially looking at the 2017 Marawi Siege and 2020 COVID-19 pandemic, that Typhoon Odette struck Marawi City during data collection in 2021 further underscores the need for resilience in the age of the poly-crisis. Furthermore, the study draws from ALab PH’s support to UNDP Philippines’ pandemic response on digital cash transfers, MSME-related initiatives to develop a platform and survey assessments, as well as grassroots innovation towards inclusive value chains.²⁸

24 UNDP, “Informal Economy Facility” (3)

25 Lucarelli G (2021). How do we learn from a network of ecosystems to reinvent knowledge management? Accessed via <https://www.undp.org/acceleratorlabs/blog/how-do-we-learn-network-ecosystems-reinvent-knowledge-management>

26 von Hippel E (2020). Informal innovation: It’s not a bug, it’s a feature. Accessed via <https://acclabs.medium.com/informal-innovation-its-not-a-bug-it-s-a-feature-16834176cc7a>

27 Lawrence et al. (May 2020). Strategy to Scale Social Innovation for Development: A hands-on report for UNDP Accelerator Labs to enable context-specific scaling of social innovation to achieve the SDGs. Accessed via <https://www.undp.org/acceleratorlabs/publications/strategy-scale-social-innovation-development>

28 UNDP in the Philippines (2022). Accelerator Lab Philippines Dossier. Accessed via <https://www.undp.org/philippines/publications/undp-accelerator-labs-philippines-dossier>

B. Objectives

The study aims to highlight the experiences of informal actors (workers and enterprises) to support the formulation of strategies for an inclusive socioeconomic recovery in Marawi City by:

1. Establishing a nuanced understanding of their needs, challenges, and opportunities in terms of accessing programmatic assistance, as well as in their participation in local value chains;
2. Deepening appreciation of their role in defining an inclusive economic and financial ecosystem;
3. Mapping the factors and levers that can facilitate the full realization of their economic participation, socioeconomic upliftment, and financial autonomy.

Overall, these objectives seek to provide the foundation for contextually embedded programmatic interventions and targeted policy recommendations. Findings are consolidated through a profiling of informal economy actors that were interviewed in key sectors: agriculture, fisherfolk, artisans, tricycle drivers and micro-retailers. This is followed by a discussion of drivers that influence their circumstances and motivations, categorized as accordingly:

1. Governance and political;
2. Economic and market; and
3. Sociocultural.

A synthesis discussion aims to weave the interplay of drivers through the lens of integration, innovation, and inclusion.



C. Approach

The study employed rapid ethnography for primary data collection, literature review for conceptual alignment with the extensive discourse on the subject, and systems thinking for analysis. This was underpinned by stakeholder consultations throughout the process for joint analysis and validation. Key local stakeholders were engaged during data collection, analysis, validation, and co-design of the recommendations. These engagements were conducted in compliance with protocols outlined in the directives from local government health units and the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF) for COVID-19 risk management.

1. Scoping and data collection

In assessing the informal sector's access, barriers, resources, and social innovation practices, the study sought to start from a human-centred approach through rapid ethnography. Rapid ethnography is a form of qualitative research that includes a variety of methods that are all integrated to provide deeper insights into a person's life and how they interact with the world and systems around them (MaRS Solution Lab, 2021).²⁹ Sangaramoorthy and Kroeger (2020) highlight several contexts wherein rapid ethnography is especially useful for, such as when hidden or vulnerable populations need to be reached, as well as in involving communities in developing or adjusting programs or policies, among others.³⁰

The data collection is deemed complete when raw findings gathered from various sources have reached a saturation point of similar views for triangulation. To this end, a series of activities were conducted to gather information regarding the state of informality in Marawi City. The team employed semi-structured interviews and focus group discussions, the outputs of which were analyzed through journey mapping and synthesized into sectoral personas. These were deemed most appropriate given the pandemic context when data collection took place, which discouraged other methods that require deep community immersion.

Given the limitations in time and available data, within the context of the COVID-19 pandemic as well as Typhoon Odette that hit the Philippines during data collection, purposive sampling was used to focus on the characteristics of the targeted

population through key informant interviews. In a bid to understand the impact of development assistance on the life cycle of economic activities, workers and enterprises at different stages of formality were targeted:

- ❖ **6 to 10 December 2021:** Former community recipients of development programs (seven female-, four male-led enterprises) in the context of the post-Marawi siege to understand their situation following various programs towards recovery, and impact amid compounding shocks;
- ❖ **16 December 2021 to 31 January 2022:** Fisherfolks, tricycle drivers, farmers, and sari-sari store owners (11 female, 16 male respondents) to deep dive into their context, purpose, their challenges, access to services to address these, and aspirations.

The localized insights that surfaced from these interviews were triangulated with insights shared by ecosystem actors, such as government partners at the ministry and local level, as well as enablers from the academe and civil society, to provide anchors for a systems lens. These include a focus group discussion with representatives of provincial offices (10 females, four males), as well as dedicated key informant interviews with representatives from different levels of governance at the city and ministerial level, as well as the academe.

²⁹ Basic ethnography guide by MaRS Solution Lab. Accessed via <https://mars-solutions-lab.gitbook.io/living-guide-to-social-innovation-labs/seeing/design-research/ethnography>

³⁰ Sangaramoorthy T and Kroeger KA (2020). Rapid Ethnographic Assessments: A Practical Approach and Toolkit For Collaborative Community Research (1st ed.). Routledge. <https://doi.org/10.4324/9780429286650>

2. Analysis and validation

The study seeks to provide a qualitative complement amid data gaps about the informal sector, considering its size and links to poverty and inclusive growth. To this end, the analysis employed a complementary approach to bridge individual experiences with a systems perspective. It aimed to build on and contribute to the richness of the existing discourse by contextualizing these in a fragile setting through patterns identified and nuances that surfaced on the ground for triangulation.

In line with this, an extensive desk review of related literature on conceptual and case studies was consolidated to ground emerging insights from the key informant interviews. Published research and publicly available statistical data regarding various characteristics of the informal sector as well as the response programmes in the Philippines and BARMM were also considered. These served as the basis for a series of consultations to solicit feedback on the initial findings of the research, which were incorporated in finalizing the synthesis for this study.

A validation session of initial findings was conducted with local stakeholders in August 2022, through a focused group discussion with community respondents and dedicated key informant interviews with government representatives, followed by virtual discussions, covering a total of 25 representatives (12 women and 13 men) spanning four sectors (civil society, academe, government, enterprises). Such discussions also served as an opportunity to revisit baseline findings and note emerging developments that present opportunities for ways forward.

Systems mapping was employed during the internal analysis to understand and synthesize insights from diverse lenses. Building on emerging points of convergence from the rapid ethnography outcomes, review of related literature, and stakeholder feedback, these then served as thematic anchors to frame the conceptual analysis.



3. Consolidation and co-design of recommendations

Following the initial phases of the study, a brainstorming workshop with 33 participants (19 women, 12 men, and two who did not indicate sex) representing government, academe, MSMEs/social enterprises, civil society, and private sector, was facilitated in December 2022 to explore interventions that could support the informal economy in harnessing the sector's ingenuity and creativity.

To support the synthesis discussions a social business model canvas, needs mapping, value chain framework, and foresight approaches were applied to facilitate the breakout groups. The outcomes of these discussions feed into the recommendations regarding the promotion of inclusion and participation of the informal sector in BARMM's recovery through social innovation.



DEC 6 - 10 2021

Data Collection

Rapid Ethnography (Human-Centered Approach)

Activities

- 1 **Key Informant Interviews:**
 - Former community recipients of development programs (7 female-, 4 male-led enterprises)
- 2 **Focus Group Discussion:**
 - Representatives of provincial offices (10 female, 4 male)

Targeted Demographics

11 female, 16 male respondents

- fisherfolks
- tricycle drivers
- farmers
- sari-sari store owners



DEC 2022

Consolidation and Co-Design of Recommendations



Brainstorming Workshop with 33 representatives

(19 women, 12 men, 2 did not say) from government, academe, MSMEs/social enterprises, civil society, and private sector.



Outcome

Interventions to support the informal economy through social innovation.



AUG 2022

Analysis and Validation

Complementary Approach: Individual experiences + systems perspective

Activities

- 1 **Extensive Literature Review**
- 2 **Feedback Solicitation from Local Stakeholders** (FGD and Key Informant Interviews with community respondents and government representatives, followed by virtual discussions with 25 representatives (12 women and 13 men) spanning, 4 sectors (civil society, academe, government, enterprises)).



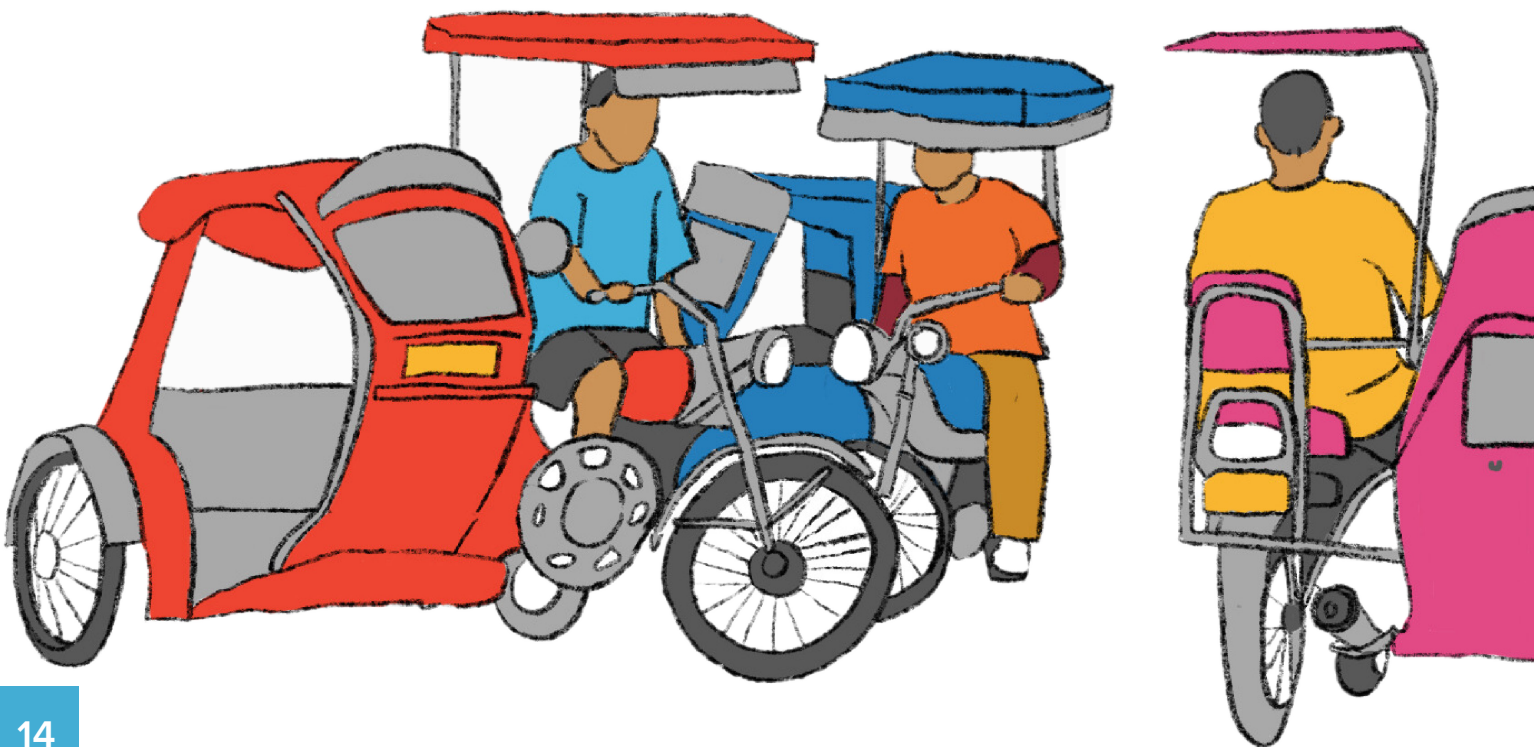
Systems Mapping

- Internal analysis using systems thinking
- Thematic Anchors: Emerging points of convergence from rapid ethnography, literature review, and stakeholder feedback.

Research Timeline

THREE

Findings



A. Sector Profiles

This illustration summarizes the profiles of key sectors that the field research team encountered during the rapid ethnography interviews in Marawi City. This provides an overview of the respective contexts, challenges, and aspirations from each sector, which then feeds into the analysis, in order to understand and synthesize insights from diverse lenses.

Fisherfolk



Marawi City is located along the shores of Lake Lanao, the largest lake in Mindanao and the namesake of the Maranao people, where the fishing villages provide livelihood for the communities. Fishing knowledge is often passed down to the sons of fisherfolk through early exposure and apprenticeships, where the son accompanies the father in many instances whenever the latter goes to the lake. Similarly, the mother would rely on the help of her daughter to sell the caught fish and perform house chores. These traditional roles and responsibilities of men and women are thus also passed down from generation to generation. Fishing provides food and income for the daily needs of the family. The respondents also view their occupation as a beneficial source of fresh affordable food for their village or community.

Artisans



Artisans are employed by more established enterprises, particularly those selling heritage-inspired goods, souvenirs, and products. Some of these enterprises are registered, whereas others are not. Nevertheless, regardless of status, enterprise owners need to establish trust and relationships with the artisans they employ and if possible, provide necessary training for them. Most of the weavers tend to be women whereas woodcarvers tend to be men. These artisan products and crafts are marketed within the community and externally through trade fairs, exhibitions, and even online platforms. Since this is a niche market, cultural value and aesthetics become important factors in pricing. Additionally, this becomes a source of pride and a means for cultural awareness, as well as a means for artisans to participate in this niche market.

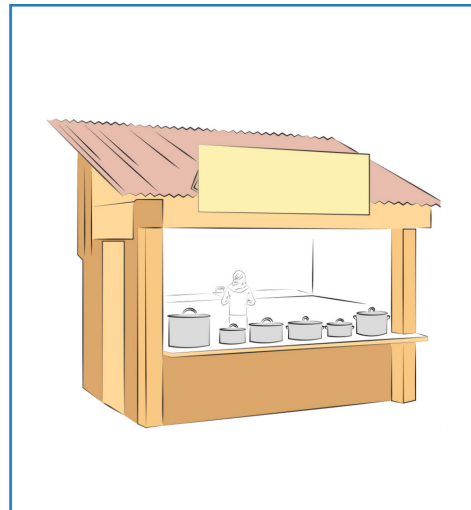
The destruction of post-harvest facilities, equipment, and rice mills during the Marawi siege impacted the livelihood of farmers, who often had been tilling the land for decades. Despite their crucial role in producing food, farmers remain among the poorest population and endure the consequences of the agricultural sector's sluggish growth. Farmers without their own land end up working for others or illegally occupying public or private land. Lack of access to credit and insurance, poor adoption of new technologies, and lack of proper training relevant to the industries have contributed to the perception that registration to systems such as the Registry System for Basic Sectors in Agriculture (RSBSA) is unnecessary and does not have added value.

Farmers



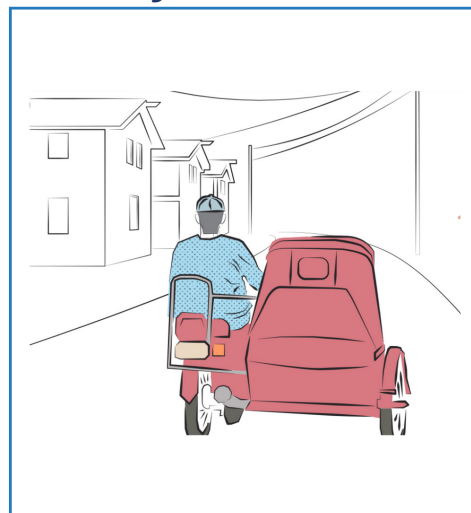
Tiangges and sari-sari stores are classified under micro-enterprises and are considered informally as part of the “underground economy” due to their small business size and lack of registration with the appropriate government agencies. Many sari-sari stores operate unregistered. A major challenge identified is the limited customer base, often confined within the community; however, at least one respondent has utilized online selling during the pandemic as a means to reach potential buyers. Delivery in Marawi City has been observed to be mostly “one-way,” with no known outgoing delivery providers.

Micro-retailers



All of the interviewed tricycle drivers were married men, with at least an elementary education, and at least six years of experience operating within Marawi City, earning an average of about PhP 4,000 to PhP 5,000 per month. However, pandemic lockdowns shortened operation hours due to the curfews imposed by the city, thereby doubling waiting time and lessening income. Some tricycle drivers also resorted to providing private services to senior citizens and persons with disabilities. The issue of deteriorating health was also raised by the drivers. The lack of sleep, along with the longer working and waiting hours, significantly endangers the health conditions of many tricycle drivers who become more vulnerable to illnesses or depression in the long run.

Tricycle drivers



B. Understanding the Drivers of Informality in Marawi

Results from the rapid ethnography and consultations were consolidated and analysed through a systems lens to identify recurring themes and possible interlinkages across responses coming from the different sectors in the community. Through this, the study sought to establish a deeper and more nuanced understanding of the informal sector specific to the context of Marawi City, with the view of nuancing the discourse on prevailing assumptions about the informal economy.

Existing metrics of “formality,” such as registration or certification do not fully capture the experiences on the ground. Notably, the respondents for this study do not necessarily identify or are aware of the categorization between “formal” and “informal.” Deeper probing revealed that the distinction between “formal” and “informal” has also been blurred to the extent that external events, such as conflict or emergencies can push an individual or an enterprise to identify themselves as being “informalized.” Delineating such definitions have policy implications, noting differences in the circumstances of individuals and economic units, amid assumptions that

formalization is correlated with scaling of economic ventures from individual to collective enterprises. In this regard, responses from the community were cross-checked with insights gathered from the literature review and validation sessions with other local stakeholders, to situate the experiences of respondents with the broader socioeconomic context in the region.

Emerging findings were clustered under three major themes to help make sense of the drivers of informality in Marawi City:

1. governance and political drivers,
2. economic and market drivers, and
3. sociocultural drivers.

A crucial point to consider is that instead of solely focusing on the concept of “informality” itself, these themes could also be viewed as an exploration of the drivers of economic decision-making and participation in Marawi City. These themes are based on the experiences and perspectives of the local stakeholders as further discussed below.

1. Governance and Political Drivers

Institutions, policies, and regulations provide the needed recognition and possible safety nets for those in the informal sector. Marawi City is not isolated from development in the ongoing Bangsamoro transition period, which has implications for institutional arrangements. Understanding the evolving institutional arrangements during this period is crucial for analyzing and addressing the dynamics of the informal sector.

Laws at the national level put emphasis on formal registration in order to avail of services, while also encouraging coordination at the local level. While national laws also provide some recognition of the informal sector, proposed bills at the regional level, such as the Bangsamoro Magna Carta of Workers in the Informal Economy and the Informal Economy Registration and Database bill, can provide guidance on ensuring protection for informal workers

or individuals otherwise not covered by existing labour laws. Efforts to establish the MSME Development Plan for the Bangsamoro region are also being undertaken, aimed at providing a clear, cohesive roadmap that will take into account the unique context of the region in relation to enterprise development. In doing so, there is a need to review and

analyze existing institutions, policies, and regulations to determine their impact to the informal workers or businesses, with the view of identifying mechanisms for protection that is often lacking in unregulated sectors.

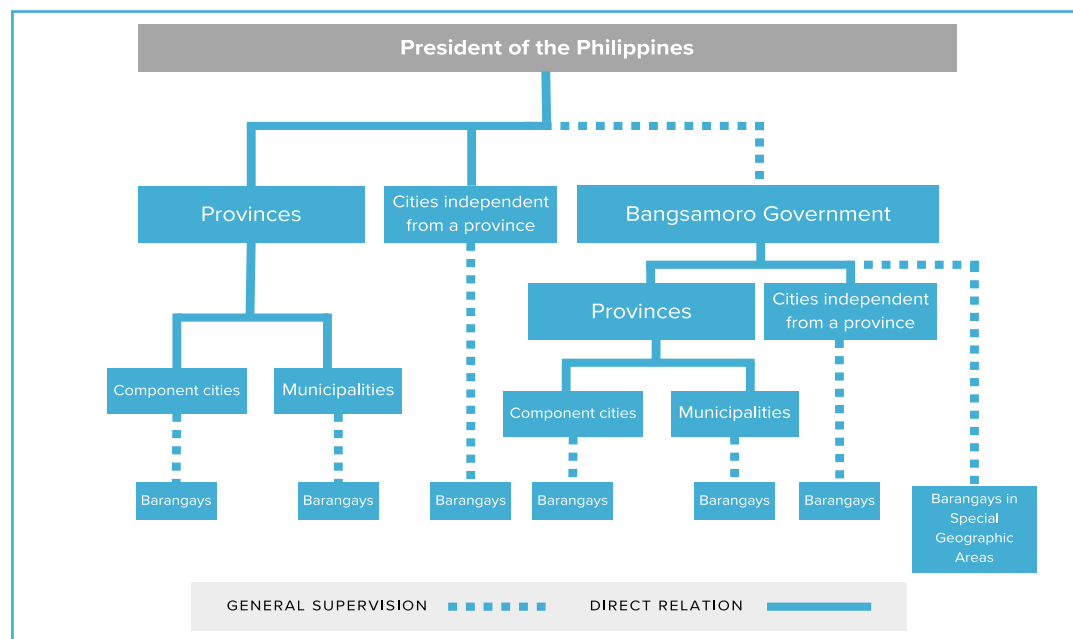
a. Ongoing BARMM transition period

The creation of BARMM in 2019 ushered in a new chapter for peace and development in the region, including the creation of new bureaucratic structures and institutions. There is a high expectation from the BARMM government to deliver on the “peace dividends” as BARMM continues to catch up with the rest of the country in terms of socioeconomic outcomes.

Both the Local Government Code of the Philippines and the Bangsamoro Organic Law mandates that while the national government still exercises general supervision over the Bangsamoro Government, the current legal framework grants specific authority to BARMM over

general welfare and the delivery of key social services within its jurisdiction (see Figure 1). However, the evolving structure and mandates have made it difficult for interested individuals and economic units to coordinate with the proper office to avail of assistance, especially for sector-based social protection that rests at the level of national government agencies. While the ongoing transition may have brought a lack of clarity in terms of mandates and jurisdiction, especially during the pandemic, the BARMM regional ministries and offices have since forged agreements with each other to clarify their responsibilities as these agencies are being operationalized.

Figure 1. Local Government Supervision in the Philippines



Sources: Local Government Code of 1991 (Republic Act No. 7160), Bangsamoro Organic Law (Republic Act No. 11054), Bangsamoro Administrative Code (Bangsamoro Autonomy Act No. 13)

*Special Geographic Areas (SGAs) are barangays that are geographically part of Cotabato province that voted to be part of BARMM. Since 2019, the SGAs are collectively under the supervision of the Bangsamoro Government.

The BARMM government also supervises its constituent local government units, with the caveat that these units retain the autonomy and privileges granted to them by the Local Government Code. At the time of the research, the Bangsamoro Transitional Authority, which serves as the regional legislature, had yet to pass a Bangsamoro Local Government Code, which would clearly define the relationship between the new BARMM government and its constituent local government units, including the delineation of responsibilities and devolved services between national programs and local implementation. This added layer of relations between the new regional government and the local government units led to confusion among ordinary citizens seeking to access support or services from the government. Processes regarding access to the services were unclear to their intended beneficiaries, especially when they involve different agencies from the national, local, and, in the specific case of BARMM, regional levels. Respondents were not always aware of existing social protection or the kinds of assistance available to them, yet when prompted further on the types of social welfare programs, some respondents would refer to the national healthcare coverage (i.e., PhilHealth) or *ayuda* (e.g., social amelioration program).

These changes may also present challenges for interested cooperatives and MSMEs in partnering with the appropriate offices for training and support. The restructuring process may have led to unfamiliarity for cooperatives and MSMEs in identifying the specific office that deals with their needs, as the relevant agency or ministry's mandate may not be immediately obvious to them. Furthermore, the allocation of resources and funding to ministries and agencies vary, affecting the availability and quality

of training programs and support services for cooperatives and MSMEs.

Along with this transition at the regional-level, Marawi City is still grappling with the effects of the siege, which occurred less than two years before the establishment of BARMM. The Marawi Siege resulted in extensive damage to infrastructure, displacement of residents, and a complex security situation. As a result, several factors contribute to informality in Marawi City, such as:

- ❖ The delays in reconstruction efforts due to the absence of formal housing solutions has forced displaced individuals and families to resort to informal settlements or housing arrangements, leading to informality in land use and property rights.
- ❖ The lack of formal job opportunities and limited access to financial resources, coupled with the destruction of businesses and livelihoods during the siege has pushed many to engage in informal economic activities.
- ❖ Rebuilding Marawi City requires substantial financial and administrative resources, and the local government face capacity challenges in managing and coordinating these efforts effectively.

The pace of reconstruction and compensation for displaced residents is a lingering concern. Issues related to land and property rights have also been a major point of concern among residents in the aftermath of the siege, as it took almost six years after the siege to pass and promulgate the implementing rules and regulations for the Marawi Siege Victims Compensation Act (Republic Act No. 11696).³¹

31 Gallardo F (2023). Rappler. " Marawi Compensation Board signs compensation law's implementation rules." Accessed via <https://www.rappler.com/nation/mindanao/marawi-compensation-board-signs-compensation-law-implementing-rules-regulations/>

Government stakeholders also articulated that the BARMM's vision for a better Bangsamoro region and the rehabilitation of Marawi City should include a discourse on the informal sector, focusing not only on its socio-economic

implications but more so on the labourers and their working conditions, as well as the sector's impact on enterprise growth and development, public revenues, the scope of government action, institutional integrity, and fair competition.

b. Current state of policy and regulatory environment






At the national level, there are existing laws that specifically recognize and support workers and members of the informal sector (see Table).

Table 1. Select National Laws in Recognition and Support of the Informal Sector

Law	Description
Republic Act 8425 (Social Reform and Poverty Alleviation Act)	Includes informal sector as among the 14 basic sectors and defines workers in the informal sector as “poor individuals who operate businesses that are very small in scale and are not registered with any national government agency, and to the workers in such enterprises who sell their services in exchange for subsistence-level wages or other forms of compensation.”
Republic Act 9710 (The Magna Carta of Women)	Identifies women workers in the informal economy as among the marginalized sectors.
Republic Act 10606 (amendments to the National Health Insurance Act of 1995) and Republic Act 11223 (Universal Health Care Act)	Mandates social health insurance coverage for all Filipinos, including members of the informal economy.
Republic Act 9178 (Barangay Micro Business Enterprises BMBE's) Act of 2002)	Encourages the formation and growth of BMBEs as well as the integration of informal sector enterprises into the mainstream economy.
Republic Act 11199 (Social Security Act of 2018)	Promotes “social justice through savings,” and ensures “meaningful social security protection to members and their beneficiaries” including self-employed individuals.

The Bangsamoro Development Plan 2023-2028 specifically identifies the Social Protection Project for Workers in the Informal Sector as a component of the Workers' Social Protection and Welfare Program, among the region's priorities to create an enabling environment for equitable, competitive, and sustainable economy.

Aside from these existing laws, a proposed Bangsamoro Magna Carta for Workers in the Informal Economy (Bill 190), has been referred to the Committee on Labor and Employment and Committee on Trade, Investment and Tourism in the Bangsamoro government. It lists specific provisions for the following objectives:³²

-  Promotion of decent work for every Bangsamoro worker in the informal economy, particularly adequate earnings and productive work, equal opportunity and treatment, safe work environment, access to social protection, self-organization and representation, and skills development worker.
-  Promotion of entrepreneurship, MSMEs, and other business models and economic units.
-  Recognition of the role and contribution of workers in the informal economy, including women involved in care work.
-  Promotion of gender equality and elimination of gender-based discrimination in entrepreneurship and employment to ensure equal access to economic resources and equal pay.
-  Special attention to vulnerable groups, including but not limited to

women, young people, migrants, senior citizens, differently-abled persons, persons living with HIV, indigenous peoples, domestic workers, and subsistence farmers.

Another proposed legislation, the Informal Economy Registration and Bangsamoro Database Bill (Bill 194) seeks to establish a comprehensive database that covers all workers and economic units in the informal economy.³³

In terms of setting up and running a business, other laws such as the Magna Carta for Micro, Small, and Medium Enterprises (Republic Act No. 9501) and the Go Negosyo Act (RA 10644) put emphasis on formal registration as a prerequisite to avail of government assistance. These laws also mandate the creation of MSME Development Plans and the coordination of programs at the local level. Despite these, respondents from the informal sector are still not fully aware of the incentives or benefits offered through formal registration under these laws. The process of formal registration involves costs and administrative burdens that informal workers businesses might find challenging, particularly if they are operating on a smaller scale or are facing financial constraints, which in turn could be a deterrent to formalization.

Another related initiative identified in the Bangsamoro Development Plan 2023-2028 is the Bangsamoro Local Economic Support Services (BLESS) Program, which seeks to support the operationalization of Local Economic Enterprises in local government units as part of their drive to promote area-based development, stimulate local economic activities, and create opportunities for development.

32 An Act Providing for Bangsamoro Magna Carta for Workers in the Informal Economy, Providing Mechanisms For Recognition, Integration, and Transition to the Formal Economy and for Other Purposes. Accessed via <https://parliament.bangsamoro.gov.ph/wp-content/uploads/2022/05/Bill-No.-190-MP-Rome-K.-Sema-MAGNA-CARTA-FOR-WORKERS-IN-THE-INFORMAL-ECONOMY.pdf>

33 An Act Institutionalizing the Registration and Regional Database for Informal Workers, Economic Units, and Organizations or Associations Within the Bangsamoro Autonomous Region. Accessed via <https://parliament.bangsamoro.gov.ph/wp-content/uploads/2023/06/Bill-No.-194-Enhanced-MP-Rasol-Y.-Mitmug-Jr.-IE-Regisitation-Database-June-2023.pdf>

The Proposed
**Bangsamoro Magna Carta for Workers
in the Informal Economy**

Section 5

**Rights and Benefits
of Bangsamoro Workers in the informal economy**



Security in the workplace



Make a living



Make a living wage and equal remuneration



Safe and healthy working conditions



Basic social services



Rest and leisure



Paternity and maternity benefits



Equal access to education



Equal and equitable access to justice

Section 6

**Rights and Benefits
of Own-Account Workers**



Infrastructure support



Transport of goods and services



Promotion and protection of locally-produced goods and services



Ease and facilitation of access to markets



Access to reasonable financial resources



Support on the acquisition of machinery



Protection from unjust dislocation



Measures by Bangsamoro government against extortion and harassment



Common and shared facilities and technology support



Access to affordable social security and insurance programs

In addition to spurring local economic growth, enterprise development can also address socioeconomic outcomes while aligning with the local culture and values. The proposed BARMM Social Enterprise Act (Bill 157) provides a framework that recognizes “social enterprises” (SEs) as businesses that primarily cater to a social, cultural, or environmental purpose and only secondarily seeks to create profit. The bill highlights that the concept behind SEs actually aligns with Islamic beliefs of “Zakat” or care for the poor, emphasizing how businesses can offer “transformational services for the well-being of the marginalized sector it serves or society at large.”³⁴

Ideally, the bill can potentially encourage the growth of SEs and, in turn, inspire the informal sector in Marawi City to consider aligning with these social and environmental goals. Specifically, “Zakat” could resonate strongly within the predominantly Muslim population, which could incentivize informal businesses or individuals within the informal sector to consider adopting the principles of social enterprises, aligning activities with their cultural and religious values.

The bill’s objective to promote SEs may also inspire partnership between the formal and informal sectors, that could lead to collaboration or mentorship opportunities wherein established SEs support or guide informal businesses in transitioning towards these socially impactful models. However, challenges may still arise regarding the transition of informal businesses into a more structured social enterprise model, including meeting regulatory standards, access to resources, and adapting operational structures. Hence, while the proposed bill presents an opportunity for recognition and alignment with socially impactful models, support mechanisms and transitional assistance will still be necessary in order to facilitate the integration of informal businesses within the social enterprise framework.



34 An Act Ordaining the Promotion of Social Enterprises in the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM), Establishing for the Purpose the Bangsamoro Resilient, Inclusive Social Enterprises (RISE) for Peace and Sustainable Development Program, Providing Incentives, Benefits and Appropriations Therefor. Accessed via <https://parliament.bangsamoro.gov.ph/wp-content/uploads/2022/03/Bill-No.-157-MP-Maisara-C.-Dandamun-Latiph-ORDAINING-THE-PROMOTION-OF-SOCIAL-ENTERPRISES-IN-THE-BANGSAMORO-AUTONOMOUS-REGION-IN-MUSLIM-MINDANAO-BARMM.pdf>

c. Institutional capacities for program implementation at different levels of government

Stakeholders discussed at length the implications of developments in Marawi and the broader BARMM region on institutional capacities, noting opportunities for transformation amid these transitions. There is a need to clarify the scope of mandates of BARMM ministries, offices, and agencies to distinguish whether a particular agency or institution is focused primarily on regulation and oversight or is also involved as a policymaking body. Some BARMM offices are currently underfunded despite having an expanded mandate.

Amid the anticipated flow of external funds into BARMM (e.g., block grant from the national budget, and support from donors, among others), government stakeholders and similar organizations operating in the area note the challenges in accessing funds. The distribution of these funds is dependent on institutional mechanisms set out by the Intergovernmental Fiscal Policy Board (IFBP), as well as planning and budgeting procedures within BARMM, the realities of which may entail complex administrative procedures that can hinder the efficient access.

Lengthy processes for approval, disbursement, and compliance slow down the allocation of resources, making it difficult for BARMM offices, private sector entities, and civil society organizations to access the available funds promptly.

Nevertheless, government representatives saw the ongoing rehabilitation of Marawi City as an opportunity to engage members of the informal economy, noting that recovery efforts can be designed to encourage the formal registration of workers and enterprises. Apart from serving as a form of social protection through employment guarantee schemes,³⁵ it can also serve as a display of governance to build an appreciation for how taxes are spent.

It was likewise reiterated that efforts to support peace and development in the transition require accountability to be fostered across the new regional government and local government units comprising BARMM.

d. Local influence of community leaders

At the grassroots level, the barangay, which is the smallest administrative unit in the Philippines, serves as the first interface between citizens and the government. Given their local knowledge, familiarity, and reach within the community, engaging local leaders (such as barangay captains) has been critical in informing better targeting, operationalization, and coordination in terms of program design or intervention. They often become the first recourse for assistance in times of shock.

During the pandemic, barangays were the main distribution point for the ayuda or assistance. A best practice that has been reported in the context of the pandemic was addressing special needs amid the lockdowns, i.e., matching tricycle drivers with constituents that have particular mobility needs such as senior citizens and PWDs. In certain instances, given the urgency and immediacy of the situation, some barangay captains were reported to provide assistance out of their own pockets.

35 International Labour Office (2017). Local Development Strategies: Opportunities for integrated support for moving out of informality. Accessed via https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_policy/documents/publication/wcms_210470.pdf

For example, one respondent shared that the barangay captain was able to lend them money when they wanted to start their livelihood. In another instance, a barangay captain subsidised the struggling community enterprise borne out of a recovery intervention.

Barangays are also an important source of information regarding the availability of and facilitating access to support. The leadership arrangements of cooperatives and associations that provide livelihood support may be influenced based on personal ties, as revealed during a visit to one of the enterprises. Furthermore, there were cited instances where leaders at the community level are able to gatekeep resources or are even reported to withhold assistance. In extreme cases, local leaders can deter individuals from setting up their livelihood within the community.

These cited incidents point to the realities of governance at the local level, highlighting both opportunities and risks that blur ownership and accountability to constituents at the cost of perpetuating patronage politics. Further implications arising from this include upholding untenable business practices, unduly influencing the leadership of local enterprises or organizations based on the strength of personal ties, or even blocking access to assistance. In the aftermath of recovery efforts, continued unsustainable or unregulated business practices within the informal sector undermine trust in government and could impede their integration into the formal economy. Encouraging the transition to formality becomes a challenge when businesses are entrenched in practices that do not align with regulatory requirements and standards.

2. Economic and Market Drivers

Marawi City was regarded as the centre of economic activity in the Bangsamoro region, wherein goods and services continuously flowed, were processed, and exchanged. With the Maranaos' intrinsic business acumen, the city was a melting pot of simple to complex livelihood activities where different actors within and outside the Province of Lanao del Sur got to participate. Doing business within Marawi entails mobility, thus residents from other municipalities move toward the city to engage in labor, trade and back after their day's work. Enterprises – both registered and “unregistered” - interact with each

other freely to be able to fulfil their requirements. For instance, a registered business company might be sourcing their raw materials from small-scale unregistered enterprises, and selling the processed products to their markets. These interactions make up the market and business environment in Marawi. This is why the twin shocks of the siege in 2017 and the COVID-19 pandemic in 2020 did not just disrupt the local economy – for the respondents, these also became a stress test if going formalized and/or renewing their business permits truly makes economic sense.



a. Opportunity cost to formalize

Formalization is generally perceived as beneficial and necessary to improve one's economic condition. The respondents who used to have businesses in Marawi City pre-siege echoed the opportunities extended by registration such as getting recognition through market promotions and mileages, accessing government benefits, and "doing the right thing." However, the common cited barriers to formalization are the bureaucratic red tape and complex regulatory processes, and convoluted procedures for business registration, permits, and licenses that discourage individuals and businesses from seeking formal status.

In BARMM, getting registered and acquiring a business permit is expected to provide protection and aid to recover from loss and displacement. Expectations regarding the delivery of assistance influenced the decision of the respondents to continue their registration or remain in the informal sector. The respondents went on with the latter because they had not seen the advantage of registration thus far, saying that no assistance has been extended.

As one sari-sari store owner puts it:



I [used to] have permits—from LGU permits down to barangay permits—because I believed that having them would give me benefits until it expired. Then the siege happened, followed by the lockdown measures caused by the COVID-19 pandemic. It was a horrible and disappointing feeling that I haven't received support or assistance from the government. I have heard on the news that there will be assistance from the government. We waited until we got frustrated. Now I am thinking whether to renew my Business Permits from the LGU or not. The permit I only have now is from the barangay because I see that it is just the same whether you have a permit or not.

Cooperatives allow businesses to thrive while also providing employment and making activities visible in the community. However, the principles of cooperatives differ from the persisting cultural norms in Marawi City. Livelihood activities are often conducted on a small scale and are family-based enterprises without the need to hire formal employees or participate in large-scale commercial operations – keeping the business within the family and gaining savings in operation costs. Being a member of a cooperative or having a group registered as a cooperative has its corresponding fees and documentation, which are viewed as an additional transaction cost.

For the respondents that directly interface with regulatory measures, getting registered is necessary to

access their markets. Such is the case of the transportation sector wherein having a driver's license is critical to operating and gaining the trust of their clients. Nevertheless, disruptions served as a tipping point for majority of the respondents, maintaining that they saw no benefits to registering and being formalized, or if there are any, that these benefits were less than what informality offered. Informal businesses often operate with lower overhead costs such as taxes, regulatory compliance, or formal labor standards. This reduced financial burden and allowed them to offer goods or services at more competitive prices, potentially attracting a wider customer base in the local market, as well as more available cash on hand from not having to pay registration permits. They can adapt quickly to changing market

conditions, customer demands, and other external factors without being tied down by bureaucratic processes or formal regulations. The perceived risk associated with informality was also low seeing that they know many members within their community that are also informal or continuously operating their businesses even without business permits.

The BARMM Development Plan 2023-2028 considers BNR as the initial step for MSMEs to access capacity development support to enhance their products and services, and likewise, for the government to be able to track baseline conditions and monitor progress. Bundled support during the actual business operations of an enterprise, such as market research, will maintain the momentum of enterprises who participated in business name registrations. To this end, the Bangsamoro Ministry of Trade, Tourism and Investment (MTIT) held the Business Name Registration (BNR) in 2021, which resulted in the registration of 8,427 MSMEs, a 161.46 per cent increase from 2020. The period between 2020-2021 saw a registration of 11,650 businesses in BARMM, and the creation of 31,000 jobs³⁶ generated an investment of around 2.5 billion PHP. The observed uptick in registration was an insight to the government that there was a need for enhanced outreach for public services and its benefits, as well as the succeeding demonstration of response and follow-through action to make the case for business registration. However, despite the significant increase in BNR, it remains the lowest in the country at 0.92 per cent in 2022.³⁷

Respondents from the government acknowledged the areas that need improvement to popularize the benefits of getting registered. Harnessing social media, MTIT has also released a video to raise awareness on the business name registration, framing this as way

of protecting the reputation of their commercial activity. It was also proposed that spreading information on how taxes paid are utilized to provide public goods and services could complement this, while exemplifying transparency and accountability to the public.

Getting registered has its cost implications and with some earning only around PHP 100 to 200 (US\$ 3 to 5) per day, the utilization is focused on fulfilling basic needs such as food for the household. A common sentiment from the respondents was their lost savings during the siege because these are kept in their stores/business establishments in Marawi City. Pre-disruption, they heavily relied on their savings from their businesses to support their household and operating expenses. Post-disruption, the majority of the respondents believed that the biggest obstacle in their business operations is the lower sales affecting cashflow to direct to their business recovery. Another obstacle pointed out was the shortage in the supply of goods due to import and border restrictions.



³⁶ Bangsamoro Planning and Development Authority (2023). Bangsamoro Development Plan 2023-2028, p. 128

³⁷ Ibid (BDP 2022)

b. Scarcity of resources and means to access financial support and capital

During the height of the pandemic, respondents shared that there were days with no buyers or clients visiting their stores. In the case of businesses with consumable goods, the stocks were appropriated for their own consumption, contributing to the lack of capitalization to sustain their enterprise.

Accessing loans could have been a viable option for recovery, however, financial institutions typically require collaterals, which many MSMEs had lost or that were damaged during the siege. This made it difficult to access formal financing and pushed them towards informal options instead.

In both cases, their immediate family members – locally and abroad – became major sources of capital to rebuild or establish a new business. This financial support is channelled through Palawan Express, a go-to platform for money transfers in Marawi City. Another shared experience is pawning their gold jewellery to obtain capital for restarting their enterprises. Furthermore, money was kept at home or “handed over to the wife” as a common practice of safekeeping, making it easier to access during emergencies and on days when they have no sales or customers.

Safekeeping money at home instead of the banks is perceived to be more appropriate in the Bangsamoro context. One common denominator in their concern is the lack of access to halal capital/credit. Almost all the respondents have cited that a major barrier for their growth and development as individuals and economic units is the lack of or absence of Shari’ah compliant finances in their locality. Since majority of the population in Marawi City are Muslim, individuals and businesses require financing schemes that adhere to Islamic principles. This is vital as the concept of *riba* or interest-based financing) is prohibited in Islam. Rooted in Islamic jurisprudence (Shari’ah law), *riba* is

viewed as unethical and contrary to the principles of fairness and justice. When such institutions are lacking, individuals and businesses may face limited access to financial products and services that align with their religious beliefs. This can push them toward informal financial channels, including moneylenders or informal savings and credit groups.

In 2018, the UNDP implemented the Financial Inclusion for Recovery of Marawi (FIRM) project to provide cash transfers for internally displaced persons (IDPs) from the Marawi siege for business and livelihood recovery. The financial assistance was coursed through online transactions with a physical card and charging a minimal interest fee. According to the FIRM project beneficiaries, the project had been helpful in their recovery and its design was apt for Islam, adding that “the existing financial system in the Philippines is not Shari’ah compliant. At present, most of the banking institutions operate within a conventional environment that is based on interest.” This underscores the need to align development interventions in BARMM including financial, with Shari’ah objectives, ensuring end-to-end transactions are halal or acceptable to the beneficiaries.

The enterprises mostly operate and make business to cover their family’s daily needs, and thus placed the Maranaos and their businesses in survival mode when the shocks happened. Stripped of their livelihood, daily sustenance is the primary priority to recover. In terms of transitioning to formality, the ILO refers to two (2) types, the opportunity entrepreneurs and the survivalist entrepreneurs. The former immediately sees the benefits of enterprise formalization while the survivalist entrepreneurs are constricted by among others, the lack of means and ambition to formalize. Majority of the respondents interviewed currently operate as survivalist entrepreneurs.

There are mixed responses on whether registration will be considered once the enterprise owners and their businesses have fully recovered. Those who have a positive outlook on registration mentioned that having a business permit has helped them in the past and they are thus encouraged that the situation will be similar in the future. By contrast, other respondents are perplexed by the option and would like to concentrate on using their limited resources to improve and stabilize their livelihood rather than on registration purposes.

c. Flexibility of the value chains

The value chain framework is straightforward – it pertains to the end-to-end process of getting the raw materials from producers for use in processing into products and services for selling to the target market and consumers. With the processes and activities that happen along the chain, value is created and added. However, value chains are also influenced by their context and the interaction of the actors and enablers. From the interviews, the respondents shared that economic units in their upstream and downstream value chains are not necessarily registered, and only need to fulfil the need and requirement of the transaction – opening the opportunity for the informal sector’s participation. Entry into these types of economic activities typically does not require formal education or specialized training. In farming, for example, there are activities that are seasonal and mostly hire individuals for part-time work. This provides leeway for the informal workers to engage in other casual work during off-seasons and achieve multiple streams of income.

Gaps in linkages within the value chains and infrastructures have paved the way for locally innovative approaches that could help expansion have emerged, providing alternatives to mainstream commercial models that are not available in Marawi. An example is the apparent

Several respondents confirmed receiving aid from the government during both shocks that happened. However, it was noted from the interviews that there was no aid provided for MSMEs’ recovery. The government stakeholders say that extending aid is easier to formal groups/enterprises compared to reaching individuals, which would have required additional resources from their end. With that approach, they noted that there was a rise in registration during the pandemic and mainly because aid will be coursed through registered groups.

absence of logistics service providers that can cater to MSME needs, which have been addressed by “pasabay” or co-loading mechanisms executed through the community or relatives. Another example is a youth-led enterprise working with individual rice farmers in providing needed raw materials. Cost, according to a government stakeholder, is also a point of flexibility for the value chains, as the absence of permits to provide official receipts enables the informal sector to offer lower prices to their clients in the upstream and downstream of their value chains.

The Bangsamoro Development Plan 2023-2028 recognizes that informal transactions such as barter trade are considered part of the informal economy wherein transactions and exchanges happen because of existing relationships and trust between the traders/individuals.

There is flexibility in addressing differences and gaps in the value of products and services exchanged – and no formal requirements/contracts are needed to fulfil the transaction. It was considered an advantageous mechanism for value chain actors during times of hardship and economic downturns.

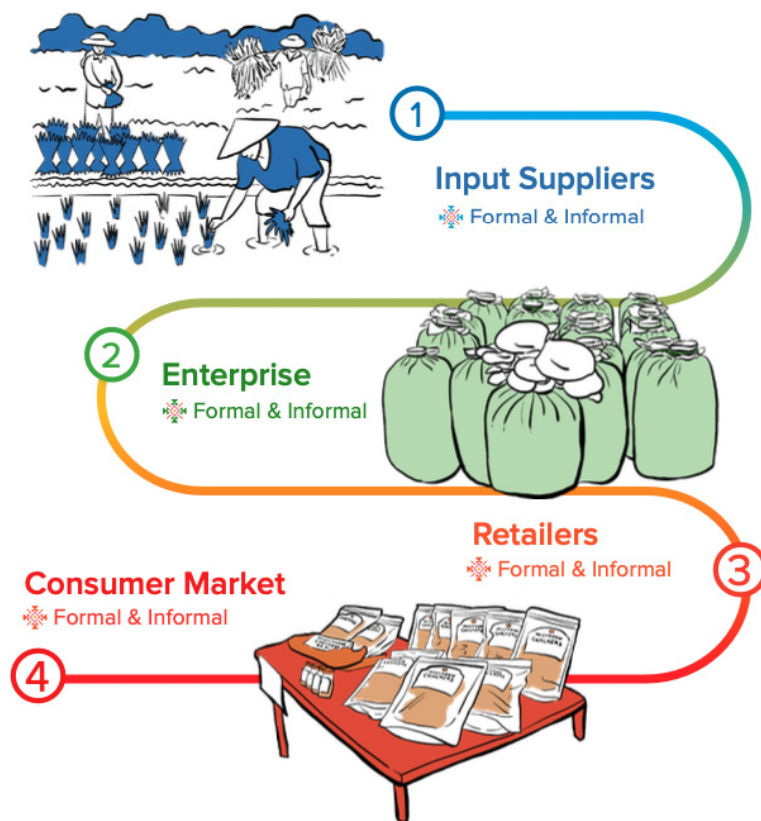
Nevertheless, this situation has additional costs and continuously impede the growth of the enterprises, as well as risk the sustainability of their value chains.

As one of the MSME respondents shared:

While the flexibilities are perceived to be advantageous by the informal sector, informal businesses do not have access to legal support such as social protection and capacity or skills enhancement that are provided to the registered enterprises for long-term benefits and sustainability.



Our weavers are from far-flung areas and our perennial problem is the limited supply of the raw materials in Marawi, especially after the siege. The suppliers of raw materials for weaving were also displaced and had financial difficulties. For us to weave, we need to travel to Iligan, Cagayan, and sometimes to Manila to buy the thread we need. The lockdown measures aggravated the situation, disallowing us to travel freely. Transportation and transactional costs are added to our expenditure, which cost us a lot. And now, there has been a steady decline in orders. We are hoping that the government invests in infrastructures for us to do our business with ease and bring the raw materials closer to us to lessen our costs.



d. The business environment landscape and the absorptive capacity of the local market

With the establishment of a new regional bureaucracy and with the influx of funds for BARMM programs and projects, the government had become a significant market player, as observed by local stakeholders. These new programs and projects have also generated employment, both directly and indirectly. The latest available figures from 2021 show that the BARMM economy is largely comprised of the services sector at 38.9 per cent, of which public administration, defence, and compulsory social services comprise almost a quarter of the sector (23.4 per cent).³⁸ Furthermore, up to 37.9 per cent of expenditures in the region can be attributed to government spending.³⁹ It is widely acknowledged that the biggest market for local expansion in BARMM is currently through public procurement, which would entail registration for proper documentation and receipts. This highlights the need to stimulate financial flows within BARMM and the advocacy to localize social value procurement in the region. Steady increase of MSME

participation in government procurement has been noted at the national level, with microenterprises accounting for majority of contracts awarded to MSMEs between 2013-2017.⁴⁰

Likewise, there is a mismatch of available opportunities for skilled professionals and the limited capability of the BARMM government to absorb them as the main employer in the region - an example of which would be the need for professionals in agri-based programs and complementation (e.g., in programs where coffee beans are the crops). However, there is a lack of training opportunities for other jobs in the value chain. In terms of formal education, the majority of respondents were either elementary school or high school graduates. Some have acknowledged that this has led to limited opportunities for employment, whether formal or informal, leaving low skilled labor or micro retail entrepreneurship as viable entry points for economic participation.

38 PSA-BARMM (April 2022). 2021 Gross Regional Domestic Product.

39 PSA-BARMM (April 2022). 2021 Gross Regional Domestic Expenditure (GRDE).

40 Santiago-Yan, M (2018, July 16). MSME Access to Public Procurement in the Philippines [Presentation]. Situation Analysis on the Philippines - Putting the present policy mix in the R204 context. Makati City. Retrieved from https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-manila/documents/presentation/wcms_634942.pdf



A challenge or barrier identified is the lack of access to capacity-building support, whether formal or informal, in relation to livelihoods. Most of the respondents shared that they are engaged in micro-retailing because it only requires minimum technical and business skills to operate it. While all of them have learned the nitty-gritty of entrepreneurship by trial and error, some of them are successful and still manage to bring in money. This underscores skills development to shape the preparedness of micro-entrepreneurs through training to improve or employ new technologies; training in new skills or entrepreneurship to be able to expand their choices in terms of income sources; and financial literacy and management for resilience beyond day-to-day subsistence.

The implementation of the Magna Carta for Workers in the Informal Economy is expected to enable a whole-of-

government approach to foster the ecosystem of support for the right to self-organization of the workers in the informal economy. Included here are skills training, credit facilities, and fair pricing for inputs that will directly contribute to enhancing their entrepreneurial skills and livelihood initiatives. Government agencies like the Department of Social Welfare and Development, Department of Trade and Industry, and Department of Labor and Employment have integrated their respective frameworks to increase access to entrepreneurship through skills training and business development services from starting up, livelihood enhancement, until the enterprises reached the transformation phases. The interventions are designed to build resilience of the micro and informal enterprises so they can continue contributing to economic growth through production, expansion, and job creation.



3. Sociocultural Drivers

The Bangsamoro Organic Law and Bangsamoro Development Plan recognize the role of culture, heritage, identity and diversity as critical factors in addressing inequalities, sustaining healthy communities and promoting partnerships for development. Community context, along with shared or collective experiences, can shape (or limit) opportunities for its members. Moreover, an individual's outlook, aspirations, and sense of identity

vis-a-vis the community where they live and operate their livelihoods can also drive the motivations or decisions to pursue opportunities in terms of their social belonging. Engaging in a craft, offering a particular service, or pursuing a means of gaining an income can also be a means to express one's sense of belonging and pride in their community, which contributes to BARMM's cultural governance.

a. Legacy of poverty, external shocks, and common aspirations for recovery

Experiences around poverty is a consistent theme articulated by the respondents, with some even calling it a “way of life” that has persisted even before the major shocks of the Marawi siege and the COVID-19 pandemic. Poverty incidence in the province was at 66.3 per cent in 2015, just two years before the siege. Although official statistics have since indicated a decline in poverty in the area, several respondents shared that they experienced greater difficulties due to these shocks.⁴¹

A common framing by respondents is in terms of “before and after” a particular shock (e.g., “before the siege,” “before COVID” etc.). There is frustration about how these circumstances add to the burden they already experience prior to the onset of such shocks, while others reveal that they were getting along fine, if not for these crises, highlighting the diverse outlooks of respondents in the informal economy. All respondents also cited sustainability challenges due to environmental degradation and changing weather patterns, leaving them to further grapple with having to

balance economic needs and preserving their resources. This demonstrates how external shocks can push vulnerable groups over the brink, which speaks to the fragility of socioeconomic conditions in the community. Such vulnerability can make it challenging for individuals to formalize their businesses, as the focus shifts to immediate survival rather than navigating bureaucratic formalization processes.

Interestingly, the respondents still expressed a more forward-looking view of what comes “after” the crises despite the challenges. While some respondents share that they hope to even just get by, even one day at a time, some articulate that they will be able to fully recover or that their situation will get better. A number have also observed their tendency to be more “conservative” or mindful in using their resources, as relayed by a respondent:



Before, people were easy-go-lucky (this is based on my opinion) maybe because they have full coverage of their activities. Now I have noticed that people are more conservative in terms of their resources. Somehow they work hard, find resources to provide for their family and even the unnecessary things. They converted to planting vegetables, conserving their food, and now are quieter and more peaceful.

These behavioral shifts also translate to incentivizing formalization at an individual level. For instance, a respondent who has since made sure that he had a driver’s license, and that his tricycle is registered with the Land Transportation Office (LTO) so he can legally drive in broader areas allowing him to increase earnings,

relayed the peace of mind this change has afforded him against the anxieties of being caught. However, the same respondent cites the fear of attracting bad luck that would compromise his and his family’s health, as a source of hesitation to avail of PhilHealth. This highlights the need for counselling amid

⁴¹ Philippine Statistics Authority (2021). Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) Poverty Statistics. Accessed via <https://rssoarimm.psa.gov.ph/statistics/poverty>

the context of disruptions and uncertainty, to develop a mindset that can maximize economic opportunities and assistance as these are extended. This emphasizes the psychological and cultural factors that influence into the decision-making

of individuals and communities, further drawing attention to the importance of implementing appropriate, context-specific interventions.



b. Social cohesion and sense of belonging

Another important framing of livelihood by the respondents is in terms of being able to contribute to the community, such as being a more accessible and cheaper source of goods and services to the rest of the community, considering poverty alleviation and post-conflict recovery

needs. Livelihood is a source of pride (as one respondent mentions, “I don’t really care if [my enterprise] is formal or informal; I will just [do what needs to be done]”) or belonging and contribution to community.



In our community, I am accepted well because my neighbours are my loyal customers. I am thankful that I belong to this community because everyone has the initiative to help each other, it is relatively peaceful and has unity. In small things, I contribute to help my community as they can easily access my store if they need some ingredients for their dishes, which can be found in my store. They don’t need to go to the big stores, so I somehow felt that I’m helping them with their immediate needs.

- Sari-sari store owner

The need for self-reliance is pronounced in the context of a government in transition, as a capacity for program development and implementation, as well as mechanisms for availing of social services, are being established. Respondents have also shared that ultimately, their obligation to provide for their family fuels their motivation to engage in economic activities. In an environment with limited private sector investments, transactions availed are facilitated through social capital, such as bundling logistics for the movement

of goods from Marawi to Iligan, Cagayan de Oro, and beyond. These foster social cohesion in the same way that social cohesion makes social capital possible. As various shocks exacerbate the vulnerability of informal economy actors, the volatile, uncertain, complex, and ambiguous context shaped can undermine this social contract, with implications on community cohesion and development gains. These underscore the need to fully recognize and realize their potential socio-economic contributions.

c. Preserving cultural heritage

Heritage is an important part of community life in Marawi, officially called the “Islamic City of Marawi” and a major centre for the Maranao people. In this regard, the damage inflicted by the Marawi siege in 2017 can also be described in terms of the devastation to cultural assets in the city, including the Grand Mosque, at least 30 mosques, and 10 madrasas, as well as the reported looting of cultural artifacts, antiques, and relics within the battle zone, and the markets lost for Maranao products.⁴²

Moreover, respondents have expressed their pride in their culture and faith. Morning prayers, for example, are a part of their daily routine before heading out to work. For some of the respondents, the reason they pursued a particular livelihood is partly based on what they inherited and learned from their parents, as well as their advocacy to preserve and promulgate the Marano heritage through cultural products. Weaving, farming, fishing, and even retailing may have distinct cultural practices related to local knowledge passed down through generations. This deep connection to cultural heritage might impact businesses potentially resisting certain formalization requirements that may conflict with these practices. Related to this, the Bangsamoro Development Plan 2023-2028 recognizes the promotion and preservation of Bangsamoro identity as an important aspect of socioeconomic development in the region.

For certain sectors, such as artisans and retailers, innovations in traditional products are driven partly by renewed local interest and potential links to external markets where there is greater value and capacity to pay for their products, as stakeholders have acknowledged. However, this also raises the challenge in terms of logistics, market linkage, and viability to compete in the market amid the rise of fake heritage goods and the availability of cheaper materials from abroad.

Nevertheless, past efforts have seen a new generation of Maranaos emerge with their understanding of and appreciation for the value chain of local cultural assets, including coffee or tablea, presenting the opportunity to engage the youth more meaningfully, drive heritage preservation, and enhance recognition of their cultural identity. More established MSMEs and social enterprises in the city have also raised the need for increased awareness of the social impact and cultural contribution embodied by their traditional products, as well as enhancing information on the provenance of cultural assets and protection of intellectual property.

⁴² de Castro C (2017). *The Art of War*. Accessed via <https://gridmagazine.ph/story/marawi-art-of-war>

d. Special groups and access to opportunities

Access to opportunities may also be defined in part by social identity or affiliation to a particular social group. Women and girls, for example, were still expected to take on the role of primary caretakers in the household amid the pandemic lockdowns in BARMM. Based on the experiences of respondents, it also appears that traditional gender roles are still applied even in managing finances or earnings with the father as the “provider” and the mother as the “keeper” of the family’s income. However, there are such instances as single parents taking on both of these roles out of necessity, regardless of gender. In this regard, the implementation of the BARMM Gender and Development (GAD) Guidelines, which mandates that 2 percent of the mandatory 5 percent GAD budget of each BARMM ministry or agency be allocated to women’s economic empowerment,⁴³ can support the specific needs of women and girls in the region.

Discussions with other stakeholders also brought to light the situation of other special groups. For example, registered social enterprises in Marawi City have employed IDPs to work in their facilities or shops. Up to 5,000 families are reported to still be living in temporary shelters and are yet to return to their homes.

Meanwhile, government stakeholders have also discussed the reintegration of former combatants, including those coming from surrounding areas in Lanao del Sur. They note that special care and attention must be placed to ensure that the criteria for participation in the programs are inclusive and coherent with other policies and processes related to camp transformation and rights of People Deprived of Liberty who are already engaged in livelihood programs but may be unable to register their cooperative due to their status.

An expert from the academe also pointed out the lack of representation of indigenous peoples in discussions of the informal economy, noting the vulnerabilities of indigenous peoples in the plantations of Lanao del Sur who are possibly not protected by labour laws. At the time of the research, the passage of the Bangsamoro Indigenous Peoples’ Rights Act is currently one of the priority codes for enactment, as identified by the Bangsamoro Development Plan 2023-2028.



43 Bangsamoro Women’s Commission Memorandum Circular No. 007. Enhanced Guidelines for the Preparation and Submission of the 2022 Gender and Development (GAD) Plan and Budget (GPB). Accessed via <https://drive.google.com/file/d/1GTuzN5H4AGIzwbG0D3qru68P9VDezrq/view>

FOUR

Synthesis



The previous section explored the informal economy landscape in the context of Marawi, primarily through an investigation of how informality drivers have manifested and been experienced by informal and other actors in the ecosystem. It aimed to provide a foundation for understanding needs and identifying how innovative strategies can be leveraged in the journey of informal economy actors from immediate response and assistance towards longer-term impact that can facilitate their transition to formality and sustain socioeconomic inclusion, ultimately towards lasting peace and development in BARMM.

A. Integration

In supporting the normative discourse to uplift informal economy actors, including support to their gradual transitions to formality, this study aims to surface the interplay of drivers, motivations, and contributions to socioeconomic development, with the view of informing approaches for action. Through a systems approach, the implications of these interconnections for policymaking and programming are explored.

❖ **Interlinkages:** This dynamic is marked by a self-reinforcing political economy, primarily in terms of the administration of social protection initiatives, as well as the mandate to create an enabling environment for local economic development as an engine for trade and livelihoods, and eventual taxation. Social protection and safety nets are primarily financed by government resources, which are generated through revenue from the taxation of economic activities. Targeting of social assistance is informed by data, based on individual operators and economic units that are registered. However, marginalized groups are faced with financial constraints that hinder registration

This section aims to synthesize the findings through the following frames:

Integration: interplay of interlinkages between political and governance (III.2A), economic (III.2B), and sociocultural (III.2C) considerations as the basis for holistic approaches.

Innovation: potential application and examples of innovative strategies already employed to support informal actors navigate conditions that have shaped their context.

Inclusion: prospects and considerations for scaling the impact of interventions to Leave No One Behind.

of their livelihoods and enterprises, which include fees as well as other associated non-financial costs, such as transport and time away from their livelihood during registration processing. Likewise, the lack of trust disincentivizes tax registration, particularly when the value of doing so, such as social services, is not felt. This is especially the challenge when institutions are undermined by both natural and human-induced disasters, which also create an uncertain environment where the informal economy thrives.

The study's findings surface that while prevailing attitudes toward registration recognize its practicality to ease business operations (i.e., avoiding penalties) and the family's well-being (e.g., insurance), respondents have raised questions on the extent to which registration can help improve outcomes or allow them to access government services, especially given the 'informalization' brought about by the siege and pandemic, which saw the regression of previously registered entities towards informality.


Given these dependencies, government partners are interested to approach the issue from various leverage points, acknowledging the need for convergence among ministries, coordination with provincial/local government units, and partnership with other actors to address these through institutions, evidence, and capacity-building to ensure entrepreneurial sustainability. Policy coherence is especially critical given institutional mechanisms in line with the Bangsamoro's regional autonomy, as well as harmonization of efforts within the region's ministerial mandates. This would also need to be translated to complementation to align and integrate various programs, strategies, and initiatives in support of informal economy actors, through an enabling ecosystem, with the view of ensuring the sustainability of socioeconomic pathways that empower and facilitate the gradual transition of informal economy actors towards formality.

On this note, the International Labour Organization (ILO) launched Recommendation No. 204 (R204) in 2015 which provides a guiding principle and

framework for member-states to adopt in supporting the transition of informal workers to formalization. ILO R204 had been adopted by the Philippine National Department of Labor and Employment and implementation has been rolled out at the regional offices. Among the recommendations to enable a just transition to formality is prioritizing the reduction of compliance costs of being formal such as taxes, social security, and labor protection over reducing the cost of becoming formal such as timeframes and corresponding fees to register. The R204 also includes improving the access to social security coverage as a critical benefit component for entrepreneurs to consider transition to formalization. Contextualizing its application in the recovery of Marawi and BARMM's long-term growth entails a phased approach, drawing from the experience of the informal economy's recovery in post-conflict cities captured by UN-Habitat: immediate post-conflict, transition and stabilisation, and development.⁴⁴



44 UN-Habitat (2019). *Surviving, Managing, Thriving: The Informal Economy in Post-Conflict Cities*. Accessed via https://unhabitat.org/sites/default/files/2020/02/1-post-conflict_cities.pdf



❖ **Policy implications:** To this end, the Bangsamoro Transition Authority Bill No. 58 or the Magna Carta for Workers in the Informal Economy outlines key provisions that put a focus on decent work, social protection and welfare, organization and representation, skills development, and labor market programs, alongside the development of MSMEs and social and solidarity economies, as well as particular attention to the needs of vulnerable sectors and promotion of gender equality. These signal the application of R204 principles in the local context, with the view of lifting informal businesses above survival before considering possible transitions to formality, given the capacity, means, and main motivation that survivalist entrepreneurs maintain.⁴⁵ It prioritizes interventions that support the transition of informal economy actors from survivalist to stability, that will eventually enable them to take a more opportunist stance towards formality as their productivity allows. Supporting informal firms towards the primary goal of boosting productivity also aligns with a human-centered approach. Securing their stability is a necessary step in ensuring that efforts to facilitate the transition to formality and the impact of such efforts can be sustained. Servicing these basic needs effectively provides the critical foundation to bridge immediate assistance with sustainable interventions that can harness financial autonomy and self-sufficiency in the longer term.

By legally recognizing the value of home-based work, the bill also responds to the specific barriers women encounter in balancing responsibilities, creating broader opportunities for economic participation, especially in a context where economic activities are strongly rooted in family ties, both from the lens of survival and legacy. Likewise, it also complements other strategic levers such as macroeconomic strategies driven at the national level, in terms of competitiveness as well as fiscal policies. For instance, it is crucial to note that value-added tax in the country is a hidden cost already borne by the informal sector through commodity transactions, but which they may neither necessarily account for nor the benefits for which they are able to fully absorb, unless safety nets are in place.

The passage of this bill can provide the legal basis to set aside resources to implement and spur an inclusive socioeconomic recovery for BARMM, through an integrated approach to facilitate the transition to formality by bridging social protection, skills development, livelihood support, and economic expansion. This phased approach also applies to broader aspirations for scale, which also build on the unique value proposition in BARMM, such as the value chains for Halal and high value crops.

⁴⁵ International Labour Organization (2017). Enterprise Formalization. Accessed via https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---ifp_seed/documents/publication/wcms_544828.pdf

B. Innovation

Building on how informal economy actors experienced drivers that influence their conditions, examples of practices around these—whether by necessity or through facilitation of available support—demonstrate the different ways through which innovation can thrive at the grassroots level.

This supports the notion of social and inclusive innovation, which expands the conceptual understanding of innovation beyond the one that equates it with science and technology alone. Such definition also serves as the premise for more responsive interventions and inclusive models in the longer-term, rooted in contextual realities of informality on the ground.

Government partners recognize that an innovative spirit is a prerequisite to recovery and resilience, citing examples of how an entrepreneurial spirit has been sparked amid the siege. An innovative mindset can play a role in bridging resilience and transitions to formality amid shocks and calamities, where being attuned to changes in their community enables actors to anticipate and respond to market demand. This ability to innovate by upgrading offers and/or operations then enhances resilience and prospects for transitions to formality.

On this note, examples of social innovation practices that have been identified during this research include:

❖ **Foresight:** An IDP who sold a seemingly random selection of items while staying at the evacuation centre (e.g., plates for upcoming food distribution, padlocks in response to military operations, etc.) by sourcing products based on emerging needs, while looking for their family in other towns.

❖ **Product differentiation:** A social enterprise remaking a local delicacy into different flavours to differentiate itself from the traditional products dominating the local market and expand its customer base both among the youth within Marawi and beyond.

❖ **Sustainable value chains:** A social enterprise that sources post-harvest rice straws from local farmers for mushroom culture.

❖ **Complementation:** A social enterprise that incorporates components produced by different sectors in the design of its products (e.g., a bag with fabric weaved by women, stitching accent by youth, and wood handle carved by men in the traditional okir with shell inlay).

Ensuring that disruption to traditional business models can be harnessed towards productive endeavours is contingent upon opportunities extended by enablers, such that innovation can be facilitated in a manner that can be sustained for the benefit of the Bangsamoro people.

❖ **Public sector innovation:** Examples of innovation in governance in support of entrepreneurship have been noted at various levels. Expanding these through convergences can be effective in targeting hard-to-reach groups, such as own-account workers and micro and small enterprises, and facilitating their transition to the formal economy.


The MTIT introduced the Growth Enhancement Approach towards Regional Economic Development (GEARD), which is a consolidation of various programs in the region.

It demonstrates that addressing informality requires institutional building as in the case of Tawi-Tawi (Sibutu), where seaweed farmers, producers, and traders were organized into local market consolidators for export. As a result, they became members of the Seaweed Industry Association of the Philippines, making them more competitive and motivating them to appreciate and effectively transition into the formal sector, which in turn requires support from different stakeholders. This is an example of integrated programming to address concerns of informal enterprises, such as the lack of resources and organization, that can facilitate the transition to formality.

The National Government has enacted Republic Act 11032 “Ease of Doing Business and Efficient Delivery of Government Services” in 2018 for government agencies from the national up to the local levels to improve the overall business environment in the country and provide quality government service through streamlining and digitalizing business registration compliance procedures that will reduce expenses, inconvenience, and time. The reforms target to achieve competitiveness and spur economic growth by easing the transition of MSMEs towards formality. Laws, policies, and mechanisms need to be reviewed, simplified, and streamlined to design more relevant and practical solutions for informal actors. For instance, other efforts undertaken by local government units to streamline their processes include removing fire permits as a requirement for MSMEs that do not have a building.

Digitalization has also been harnessed to support the government in streamlining its operations by making it more efficient and reducing transaction costs, including the required time for informal economy actors to be away from their respective trade and livelihoods. As of August 2023, the Department of Trade and Industry’s online business registration website has been fully launched, covering economic activities such as micro-retailing and tricycle operation, with instructions and information, including on registration fees starting at 200 pesos for a barangay-level scope. The BARMM MTIT has also disseminated this, while also offering complementary channels through their traditional centers, which can serve as intermediaries given that current user interface is in English. These mechanisms can also enhance visibility and data analytics to provide tailored support based on the profiles of those who have registered and where the gaps may be.

Partnerships with the academe can also be harnessed at the local level, such as the Mindanao State University’s innovation center in Marawi City, which can democratize access to facilities for product improvement and diversification, towards an inclusive and competitive local economic development.

 **Digital inclusion:** As the pandemic has seen the rise of digitalization in bridging value chain linkages, it was also made evident that its opportunities are not widely distributed given issues of access.⁴⁶ This is especially pronounced in the context of BARMM, given

46 Akinyemi, T. (2022). Digitalizing Informal Business: What Systems Mapping Reveals about Drivers and Effects. Accessed via <https://www.undp.org/acceleratorlabs/blog/digitalizing-informal-business-what-systems-mapping-reveals-about-drivers-and-effects>

inequalities in hard infrastructure and as well as the capacity to take advantage of the prospects presented by the digital economy. Respondents cite market interest from overseas who reach out via social media, but which they are not able to follow through given the hand-holding they require for the upkeep of accounts. Likewise, they cite tangential opportunities by providing ancillary services, such as a tricycle respondent noting that he could expand his service line by providing logistics for online orders, and how social media has become a tool for informal network building.

While digital platforms can provide opportunities, these can only

be maximized through digital literacy. In this regard, training for younger members of the family can enable them to mediate and transfer knowledge for application toward family ventures. Given the strong familial approach in running enterprises, this also opens the opportunity for intergenerational collaboration where younger members can be equipped to help facilitate the digital transformation of their business and take advantage of emerging platforms such as TikTok, which respondents have noted as a prominent platform in Marawi compared to other social media platforms, but which likewise has been used to promote cultural diversity.

C. Inclusion

A prerequisite for scaling impact towards social inclusion entails a recognition of unequal structures and the leverage points that cut across drivers, effectively triggering simultaneous shifts in the system in a bid to support the peace process through socio-economic development. Such efforts must recognize the unique cultural, social, and economic contexts in which informal actors operate to effectively address the diverse needs and challenges of marginalized communities.

 **Infrastructure and connectivity:** The respondents talked about the lack of necessary infrastructure that allows them to easily access raw materials or market their goods. In the case of farmers, fisherfolks, and weavers, among others, product processing and production in rural areas may be harnessed if communication sites and facilities to support economic development are well established. This is affirmed by one of the respondents with a registered business who said that because they live in

remote areas, accessing raw materials is expensive. This lack of access limits their productivity and economic reach, posing a challenge for stabilizing and scaling their businesses.

With the view that this can support communities to scale their economic activities beyond their household/backyard, benchmarking various models for value-adding services and Shared Service Facilities have been undertaken by the MTIT. Operationalizing these would entail massive infrastructure investments such as road, electricity, and water connectivity, thereby highlighting the need to anchor it to spatial development plans and financing mechanisms. This has been echoed in parallel at the local level, where data on local market demand can inform programming for livelihood and economic development, as well as serving as anchors for developing the city's Comprehensive Land Use Plan.

Infrastructure development can also serve as a display of good governance that can reinforce people's trust and confidence in the government; therefore, accountability mechanisms are critical in ensuring that government revenues are effectively invested in public services.

❖ **Nature of assistance:** Two arguments are raised as to which approach should be undertaken (i.e., between cash-based and in-kind support). On the one hand, the absence of monitoring to ensure cash is invested in livelihood, as opposed to immediate basic needs, and the challenge to do so efficiently for the number of families, makes a case for in-kind support of specific inputs or facilities. On the other hand, a point was also raised about how capital can provide the latitude and agility for microenterprises to diversify products in response to situational needs and market demand, enabling their entrepreneurial spirit to identify the best use of it as a means of livelihood.

In all this, a displacement lens is necessary to identify complementary strategies that can balance considerations regarding the realities of human mobility and dignified return, to support sustainable recovery. Other key challenges identified by respondents across sectors are the disconnection of interventions, as well as the absence of follow-through activities to bridge capacities (e.g., training for product development takes place but there is a lack of infrastructure that can house the products), which then raises the question of which entity can best manage such facilities. Given the dynamics that may arise from these, a shared sentiment among various stakeholders interviewed is the importance of

vetting local community partners to ensure that access to assistance is distributed fairly. This calls for contextual approaches and measures that can balance trade-offs between equity, efficiency, and effectiveness.

To survive these shocks, informal businesses need liquidity support and a structural reduction on the finance gap. Understanding the kind of support an informal business would need, such as extending microfinance systems and other services such as insurance, technical assistance in accessing loans and business trainings, can help economic recovery and resilience. A review of rules, policies, strategies, and information campaigns should also consider areas that can be amended or special considerations that can be embedded in order to encourage access.

❖ **Financial resilience:** Different perspectives have been shared in relation to liquidity among informal economy actors. On the one hand, some note that the siege has resulted in loss of savings, due to the absence of the appropriate Islamic financing institutions for safekeeping, with options that run counter to their way of life. Likewise, respondents perceived that bank loans charge higher interest than the usual money lending, which is detrimental to their business. Another argument that has been posed is the absence of savings due to abject poverty. This further drives the need to institute financial services in time for the distribution of the block grant, such that social protection schemes may bridge financial inclusion in the longer term through savings, investments, and other options for safekeeping in financial institutions.

On this note, government efforts include establishing the Al Amanah Islamic Investment Bank of the Philippines, establishing the Shariah Finance Framework, with specific elements on the Islamic Finance Regulatory Framework, Islamic Banking System, Islamic Social Finance, Takaful, Shariah Governance, and Hajj Management,⁴⁷ and capacity development programs. Mainstreaming Islamic finance presents great potential to develop economic models that could support the resilience of informal microenterprises and facilitate gradual transitions to formality. However, key stakeholders deem that such progress is currently hampered by discrepancies in policy implementation vis-à-vis national constitutionality, alongside limited institutional expertise within the region, giving rise to misinformation that threatens its integrity (i.e., the rise of “bogus certifiers” or the use of seals despite the lack of appropriate training or knowledge on compliance).

Amid these realities, respondents continue to envision a future where BARMM serves as the capital for Islamic Economy in the country. It is one that holds a Shariah-compliant economy that is able to facilitate linkages, enabled through Islamic hubs with a pool of experts and monitoring mechanisms in place. Ultimately, it is reflective of Bangsamoro values and right to self-determination, harnessing a source of pride and identity, towards a peaceful life for themselves and their loved ones. Respecting local cultures and customs through context-based and culture-sensitive mechanisms foster trust in community members. It is necessary that in any form of intervention, various sectors are well-informed, engaged, and are able to shape policy and programs. Altogether, these in turn can facilitate meaningful engagement in support of the initiative.

⁴⁷ BARMM Ministry of Finance, and Budget and Management. MFBM Embarks on Islamic Finance Capacity Development in BARMM. Accessed via <https://mfbm.bangsamoro.gov.ph/mfbm-embarks-on-islamic-finance-capacity-development-in-barmm/news/>

FIVE

Recommendations



The recommendations below based on a consolidation of insights shared by community respondents and ecosystem actors interviewed during the research process, as well as the analysis of findings. These are presented for

consideration in line with and in support of operationalizing the proposed Bangsamoro Magna Carta for Workers in the Informal Economy and the MSME Development Plan.

A. Integrated Response

Social protection and assistance schemes need to be designed in an integrated manner to enable agility, in response to the unique circumstances of informal economy actors, while fostering their resilience such that they can withstand risks that exacerbate vulnerabilities. Agile programming entails setting up coordination mechanisms that could streamline and facilitate the flow of information between relevant ministries, across sectors, and levels of governance, including at community level, to ensure program execution is appropriate

to the local context while building on other initiatives already in place. These are critical as key stakeholders emphasize the need to elevate the social protection discourse beyond social insurance and obligatory contributions to shock-responsive social protection. For instance, an integrated response towards informality encompasses a comprehensive safety net, flexibility, inclusivity, collaboration, and innovative policy measures to address the vulnerabilities and challenges faced by those engaged in the informal economy.

1. Engaging informal actors and marginalized groups in program design and implementation

Targeted and conflict-sensitive approaches to programme design and implementation necessitate engaging marginalized, vulnerable, and informal workers and representatives of informal units to ensure their voices are heard in policymaking and program development. Formulating tailored support services for informal workers, such as skills training, access to affordable healthcare, and financial literacy programs, should place attention to systemic structures that hinder access and participation of special groups, while upholding principles to Leave No One Behind and Do No Harm:

- ❖ Considering household and childbearing duties that women attend to, which keep them from participating or learning about economic cooperatives and community organizing activities. Local stakeholders across sectors

propose developing a livelihood program for stay-at-home wives to augment household income, acknowledging need for tailored programs that create opportunities for women's economic participation and empowerment;

- ❖ Reviewing laws to find opportunities that can be leveraged to ensure the inclusion of marginalized people operating in the informal economy, such as the Gender and Development allocation, the passage of the Indigenous People's Act, and practicing Free Prior Informed Consent in respect of land and cultural assets;
- ❖ Ensuring coherence of criteria for participation in programs with other related policies and processes related to camp transformation

and reintegration – an example of this includes regulations around the registration of groups formed by People Deprived of Liberty who may already be engaged in economic activities, such as the production of artisanal crafts;

- ❖ Strengthening the inclusiveness of interventions would also require enhancing criteria in targeting beneficiaries to ensure that those receiving aid go beyond those who are already skilled or recognized;
- ❖ Applying a climate security lens to safeguards and social enterprise interventions given the vulnerability of informal economy actors to extreme weather events and natural disasters.

Building on the cited need to ensure that programming gains go to those most in need, it was recommended that due diligence is crucial to caution against community actors who may not necessarily represent the interest of intended beneficiaries. Stakeholders have also emphasized support for organizational mechanisms to ensure collective ownership and decision-making to guard against risks that may arise from group dynamics.

2. Coordination mechanisms for data systems harmonization

Comprehensive mapping and data collection exercises to understand the size, composition, and needs of the informal sector in BARMM are essential in designing targeted interventions. Issues regarding the lack of real-time, complete, and reliable data on the BARMM population have been raised, in addition to unconsolidated data collection efforts by development partners. Consolidating these can support enhanced governance in the implementation of social protection programs to inform proper targeting and avoid duplication.

A brainstorming based on needs mapping in relation to data and digitalization surfaced the following recommendations:

- ❖ Designing a “rapid” version of the Community Based Monitoring System (CBMS) survey, using non-traditional data sources and collection methods, and initiating conversations among ecosystem actors on alignment in data collection initiatives;

Initial mapping of UN and non-UN agencies at work in BARMM as well as mapping of related knowledge products produced is recommended to identify gaps and overlaps in terms of information being gathered and the respondents being surveyed;

- ❖ Opportunities for a data centre that can aid consolidation have been presented through academic partners that have expressed willingness to collaborate on research on the informal sector, providing additional manpower to digitalize existing data sets, while establishing data sets that are available locally for processing;
- ❖ The availability of local data sets could also strengthen local research about BARMM by enhancing capabilities for analysis. While this has been encouraged in higher educational institutions, practical concerns among students to complete and graduate on time have been challenged by data

sets that are often aggregated nationally;

- ❖ Data disaggregation can inform targeted approaches (e.g., gender-disaggregated data to ensure gender-responsive programming). However, this would require proper data management and security protocols, especially considering sensitive information and concerns on privacy.

Overall, these demonstrate core data and digitalization elements in pursuing initiatives to help the informal sector concerns, particularly in (1) making information on informality available and (2) establishing an information network that will carry data on the informal economy across government and nongovernment actors to strengthen information-based decision making.

3. Area-based approach for inclusive local economic development

Local government units play a vital role in addressing informality, and likewise, initiatives to drive entrepreneurship and innovation contribute to their competitiveness. Facilitating alignment among stakeholders at the local level can harness a multi-stakeholder approach that can leverage strengths and mitigate the risk of resource-based conflict:

- ❖ Consolidation through local government units' Local Economic Enterprise mandate for coordination at other levels of governance, e.g., barangay, regional, and national levels;
- ❖ Production and processing for local consumption instead of reliance on external imports considering limited logistics and support infrastructure, based on the strength of each area and anchored upon the Comprehensive Land Use Plan;
- ❖ An outlook for complementation of raw materials and economic activities among neighbouring localities for value addition and resource optimization, which can be reflected in the Bangsamoro Regional Development Plan to ensure alignment of infrastructure such as transportation, logistics and other connectivity requirements that would facilitate the movement of goods and materials;

- ❖ Promotion and protection of local crafts and other heritage-inspired products, noting opportunities for value chain linkages and the participation of women, IDPs, and indigenous peoples;

- ❖ Leverage points that can be maximized, including the collaboration of development partners with the provincial government on the Halal industry, businesses' interest to learn about the Islamic economy, and government to enhance capacity for coordination.



B. Economic Convergence

Extending support across the journey from informality to formality entails a recognition of the different modalities that could emerge across various sectors. To this end, a Social Solidarity Economy⁴⁸ lens provides an inclusive framework that accommodates different forms of units and collective enterprises, including cooperatives and associations, rooted in economic, social and environmental goals. It allows for various models in transitioning informal economy actors, given the solidarity economies

that emerge in times of conflict,⁴⁹ while keeping in line with the region's longer-term economic recovery that is geared towards global competitiveness. This outlook is shared by various actors in BARMM, in recognition of the economic opportunities that can be generated across the value chain, given the premium that external markets place on commodities and unique products available within the region.

1. Institutionalizing an ecosystem for innovation

A comprehensive MSME Development Plan in the region will be an important blueprint to make BARMM more globally competitive while steering the participation of all sectors as well as collaboration of relevant government and private institutions for MSME development. This can be complemented through the establishment of a Regional Inclusive Innovation Centre (RIIC) for BARMM, which can bridge initiatives to allow continuously honing skills for upliftment, as well as the provision of appropriate facilities to scale and sustain productivity.

❖ As the institutional presence of MSME development, the Bangsamoro RIIC can serve as a hub for collaboration that could tap the economic potential of BARMM and develop local markets, including products with unique local cultural value.

❖ Programs may focus on (1) strengthening networks, market linkages, and access

to finance, including grants and funding for R&D projects to address the specific needs and challenges of local industries, (2) provision of co-working spaces and equipment, (3) product development and business incubation, and (4) skills development and mentorship;


❖ To support policy and programming, there is a need to conduct mapping exercises on the following: (1) the overall Bangsamoro innovation ecosystem, (2) agro-industrial products, (3) creative industries, and (4) social enterprises;


❖ Harnessing universities and research institutions as potential partners given their existing facilities, research and innovation capacity, training, extension services, and access to communities


48 United Nations Research Institute for Social Development. 2013. *Social and Solidarity Economy: A Pathway to Socially Sustainable Development?* <https://www.unrisd.org/en/library/blog-posts/social-and-solidarity-economy-a-pathway-to-socially-sustainable-development>

49 UN-Habitat (Ibid 45)


– this may encourage a decentralized network of innovation hubs, incubators, and accelerators that can make mentorship and coaching more accessible to small businesses and start-ups.


 The BARMM Competitiveness Council can serve as a host in collaboration with university Fab Labs, with the view of upgrading products and services to enhance resilience and productivity. Proposed areas for capacity building and extension services include:


 Market research to identify target markets and consumer preferences of the BARMM's local industry - an analysis of the market trends and competition to identify opportunities for product or service differentiation to inform economic development strategies, to ensure local relevance while providing the foundation for global competitiveness and activation of services and industries across the local value chain.


 Strategies for cost efficiency in production and operations, and fulfilling certain requirements for registration or accreditation, such as audited financial statements;

Trademark registration to mitigate the rise of counterfeit indigenous designs produced elsewhere and protect designs of certain crafts through the transfer of knowledge, Intellectual Property Rights, and boosting traditional supply production;

 Maximize opportunities presented during international exhibitions through quantitative information such as data on MSMEs and qualitative information such as the meaning behind designs to increase appreciation and mitigate misappropriation;

 Course on Islamic Economy and Halal Marketing (c/o Mindanao State University);

 Baseline mapping of Halal/Muslim-friendly establishments and Halal certifiers.

 There is also wide recognition that messaging needs to be improved in order to build an appreciation for registering businesses and paying taxes by increasing awareness on how these contribute to social services, safety nets, and livelihood support.

2. Market expansion

Given the limited market within the region, boosting the productivity of informal economy actors entails expanding their market base by tapping the government, which is currently the biggest market, but also through vertical integration, both of which could facilitate the transition to formality.

- ❖ Leveraging policy and programmatic efforts to link MSMEs to public procurement through information sharing and adoption of social value procurement at the local government level present great opportunities to sustain market demand and stimulate local economic activities, which can further stimulate local purchasing power;
- ❖ Enhancing quality standards, control systems, and certifications for MSMEs to gain consumer trust and eventual access larger markets and value chains, including international ones such as the opportunity to access global halal value chains;
- ❖ Developing digital marketing support for BARMM MSMEs and establishing an online presence

through e-commerce platforms/websites, provision of training in digital marketing and e-commerce strategies;

- ❖ The momentum built through cooperation established between MTIT and the Mindanao Development Authority (MinDA), the Department of Trade and Industry, as well as the Department of Tourism's Muslim-friendly guidelines, could harness emerging opportunities to utilize the Davao port, which should ease logistical costs, as well as maximise trade and learning opportunities through the Brunei-Indonesia-Malaysia-Philippines East Asia Growth Area (BIMP EAGA);
- ❖ Islamic financing options for capitalization to help scale businesses through innovative digital platforms that can facilitate financial inclusion and have a relative level of acceptance, while ensuring principles that resonate with the local cultural context;

3. Halal value chains

The halal value chain presents a strategic leverage that contribute to economic growth in the region. This requires collaboration among stakeholders and a shared commitment to halal compliance and quality. Business practices must be aligned with international halal standards and that local businesses have the necessary support to participate in the halal economy effectively. One way to do it is to enforce halal certification and standards that meet international requirements. This provides a strong indication of the authenticity and quality of halal products, which can enhance

consumer trust and expand market opportunities especially if BARMM will position itself as a halal hub of the Philippines.

A brainstorming session between members of the academe, civil society, government, and private sector was facilitated to prototype how informal sector may participate in the halal value chain. Considering the investment and social preparation for the Halal certification, a phased approach in implementing the intervention was recommended:

- ❖ Recovery (1st year of intervention) where participants/beneficiaries are assessed, production capital needs are identified, and capacity-building interventions are initiated;
- ❖ Post-recovery (2nd year) to test a waived Halal certification coupled with rewards and engagement on both the producers and participating markets (e.g., marketing promotions, Islamic financing, etc.);
Registration (3rd year) to move towards formalization and scaling to more markets;
- ❖ Awareness raising and sustainability mechanisms (e.g., accessing climate financing or other forms of impact investment).

Existing business models indicate that the private sector/market is involved even at the supply/production phase of the value chain to ensure product quality from the source until consumption. Stakeholders recognize that the establishment of the Halal BARMM Board and policies such as tax holidays and marketing promotions were critical to encourage private sector engagement. On this note the Ministry of Trade, Investments and Tourism has initiated the six-year Bangsamoro Halal Development Plan 2024-2029, which can institutionalize the suggestions above.

C. Research and Advocacy

Dissemination of existing policy and research among stakeholders can inform policy dialogue, while providing open information for enterprises, as well as

feeding into the development of courses that can also cater to tertiary and senior high school modules.

1. Economic analysis

Rigorous assessments can make a case for investments that can be reallocated towards appropriate support. Stakeholders have proposed the following points for economic analysis:

- ❖ Role of the informal economy in helping to keep inflation low, by providing competitive prices at a time when workers would not be able to afford products and services from formal enterprises;
- ❖ Local market assessment, particularly the demand and purchasing power of the community to inform product differentiation. It has been noted that the low purchasing capacity has also led to

bargaining and barter type of trade in communities;

- ❖ Examining the impacts of and opportunities to shift towards climate-resilient livelihoods, given the risks and challenges it brings about on the informal economy, particularly for non-Moro indigenous women.

2. Transboundary flows

An analysis of transboundary flows could also provide insights into implications and leverage points for intervention. Specific points for further research have been proposed on the following:

- ❖ Negotiating taxation in order to compensate community stewardship of transboundary ecosystem services and natural resources therein (e.g., Lake Marawi and the economic value of its water resources for the region and beyond), which could unlock sustainable income generating activities;
- ❖ Daytime population flows between Marawi and neighbouring municipalities in Lanao del Sur to inform appropriate scale of support interventions at local, provincial, or regional level;

❖ Sizeable Maranao diaspora in other parts of the country, such as metropolitan areas—that can bridge value chains—and tourist areas, which present the opportunity to contribute to Halal tourism, given the demand noted by the local private sector. It has also been noted that some opt to have family members register their businesses in Lanao del Sur instead of having to leave their businesses in these commercial hubs to register.

3. Local mapping of community-based practices and benchmarking

Mapping community-based examples of the Islamic Economy in the Bangsamoro context, which can inform local processes for Halal certifiers, Halal research from different institutions and support legislation:

- ❖ Cultural mapping of local Islamic financial practices at the community level and tagging terms of agreement as intangible cultural heritage (e.g., barter, asset in lieu of interest);
- ❖ Women's conjugal ownership as stated in the Sharia law and recognition of women's roles, particularly in the financial management of enterprises;
- ❖ Peer exchange on existing models for Islamic Economy from other countries with experience and

best practices on Islamic financial transactions (e.g., Haj savings bank), products, and services.

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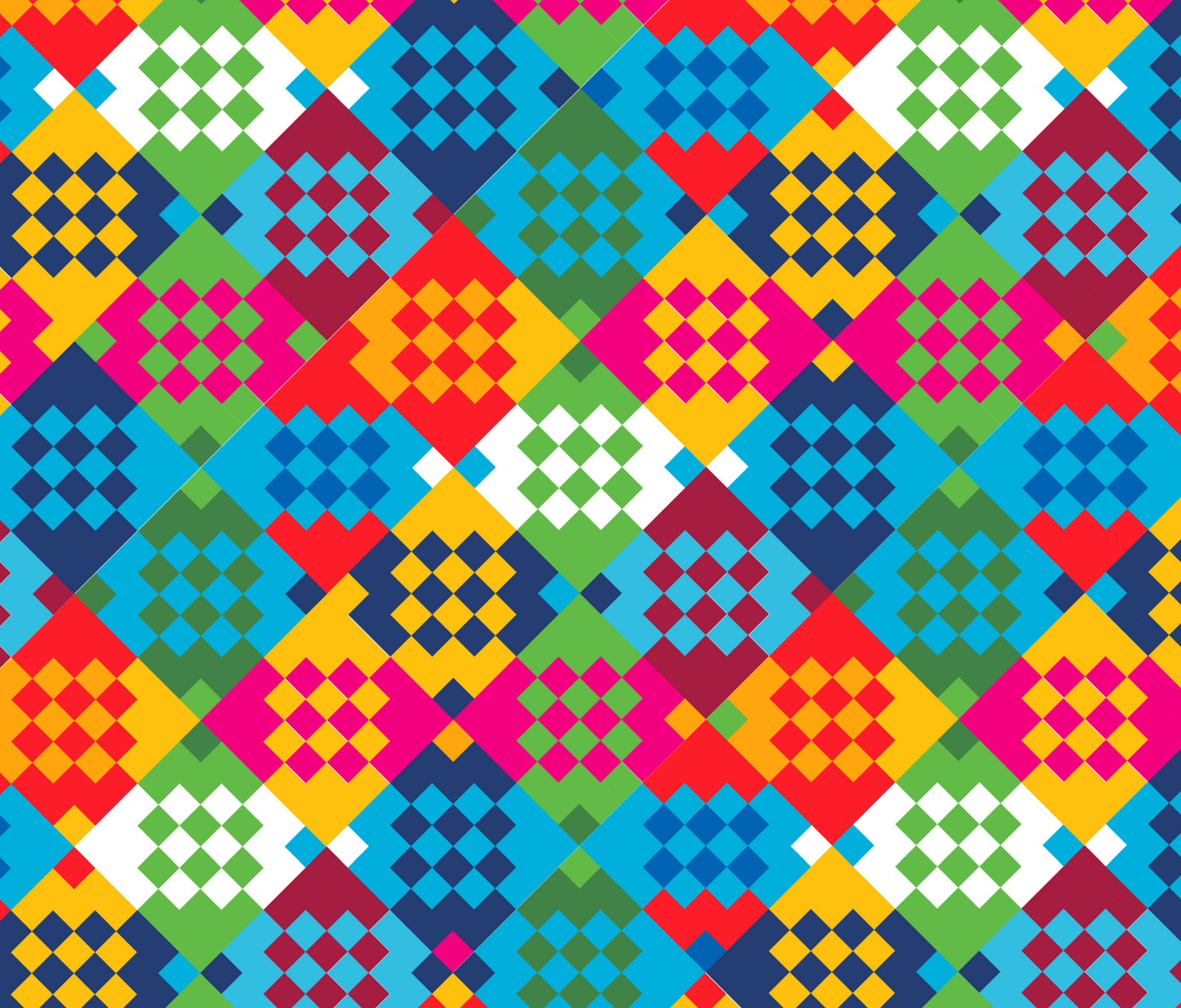
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