

Microfinance in a Conflict Zone: The Battle of Marawi

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Abstract

The Battle of Marawi was a five-month long fierce armed conflict between government troops on the one hand and Islamic State adherent groups on the other. Involving the heaviest urban fighting seen in the Philippines since World War II, the Battle of Marawi killed over 1,200 people, injured more than 1,400 government forces and displaced an estimated 350,000 people. It left the once-bustling and cultured Islamic City of Marawi in ruins.

In the midst of this conflict zone, a microfinance institution, ASA Philippines Foundation, attempted to help its clients and even some non-clients. The Foundation's staff assisted people in evacuating from the conflict zone. The Foundation was the first NGO to give relief goods to clients and non-clients who were displaced by the Battle of Marawi. True to the Foundation's motto of "Be With Your Client" during times of disaster, the Foundation's staff never left clients in their time of need, and continued to operate in Marawi City. It was risky for the staff to enter Marawi City as they would then be within shooting range of both military and Islamic militant group snipers.

In the aftermath of the Battle of Marawi, the Philippine government is now focused on rebuilding Marawi City. Is there a role for microfinance institutions such as ASA Philippines Foundation to play in the reconstruction efforts? The Foundation believes that microfinance institutions have a distinct and necessary role to play in the rebuilding of a devastated place such as Marawi City, a role that is separate from and that builds upon what the government, other countries and other private sector entities have to offer. Microfinance institutions can act as a spark for social change, helping to change the mindsets of impoverished and calamity-stricken Filipinos who tend to look to their government for dole outs to tide them over.

Keywords: Conflict, Marawi, Microfinance, Rehabilitation, Relief

The Islamic City of Marawi

In the southern island of Mindanao, nestled by the shores of Lake Lanao, lies the Islamic City of Marawi. At an elevation of 700 meters or 2,300 feet, it has a cooler climate compared to most other areas in the Philippines. It is thus known as the "Summer Capital of the South".

Marawi is the capital city of Lanao del Sur province. It is the province's commercial and educational center. It has a total land area of 87.55 square kilometres (33.80 square miles). In 2015, Marawi had a population of 201,785 (2015 Census of Population and Housing). Though Marawi City has the second smallest land area in Lanao del Sur province (its area is just 0.58% of the total land area of Lanao del Sur), it is home to one in every five residents of Lanao del Sur. Lanao del Sur is the poorest province in the Philippines with a 74.3% poverty incidence (Philippine Statistics Authority 1st semester 2015 report) which means that 7 out of every 10 families in the province are poor. Of the 20 poorest provinces in the Philippines, 11 are located in Mindanao, and 3 out of 5 provinces of Muslim Mindanao are among the poorest. The poverty situation in Mindanao exists despite its vast natural resources, which remain untapped due to decades-long conflicts brought about by communist rebels, Islamic separatists and local warlords in the region. A century-long discrimination resulted in resentment and rivalry, and destroyed the once highly valued and unique Muslim culture.

The people of Marawi are called Maranaos. They are named after Lake Lanao which is called Meranau in the Maranao dialect. Lake Lanao is the second largest lake in the country and is one of a handful of ancient lakes around the world. Marawi was founded under the name Dansalan in 1639 by would-be Spanish conquerors led by Francisco Atienza. The Spanish conquistadores, however, were thwarted by thousands of Maranao warriors who forced the Spaniards to retreat that same year.

The Islamification of the Maranaos began in the 15th century with the arrival of Tausug preachers in Lake Lanao and culminated in the 16th century with the coming of an Arab named Muhammad Sharif Kabungsuwan. Though among the last Muslims in the country to be fully Islamized, the Maranaos are staunch believers. This is evinced by their many graceful mosques -- from the glistening, golden Capitol Mosque to the largest mosque in Marawi City, the King Faisal Mosque, which was donated by the former king of Saudi Arabia to Mindanao State University.

Along with the domes and minarets which punctuate Marawi's skyline, the *torogans* or the ancestral homes of Maranao royalties dazzle with their indigenous, ornate *okir* designs carved into prominent *panolongs* (beams which protrude in the front of a house), together with their steep roofs and thick wooden columns. One can almost visualize the sultans and *datus* who once proudly lived there.

Maranaos are known for their vibrant traditional arts and culture. There's the famous *singkil* dance where a dancer gingerly steps in and out of moving, criss-crossed bamboo poles. Colorful multipurpose *malongs* are handwoven on backstrap looms. Expert craftsmen create unique brassware as well as woodcarvings of the mythical *Sarimanok* bird.

Maranaos are a business-minded people. They enthusiastically engage as shopkeepers, entrepreneurs or traders of various types of businesses.

Marawi City is home to a marker designated as Kilometer Zero. Located near the Marawi City Hall, it is considered the beginning of or KM 0 for all road distances on the island of Mindanao.

The Battle of Marawi: From Kilometer Zero to Ground Zero

For the staff of ASA Philippines Marawi Branch 0521, May 23, 2017 started out just like any other day. Five microfinance officers (MFOs), 1 branch manager (BM) and 1 househelp attended to their daily duties. The MFOs and BM visited their clients in the morning, then came back to the branch to do loan releases at 1:00 pm. It was the month of Ramadan. They suddenly heard gunshots from close by. They were not alarmed though as they thought some neighbors were welcoming the coming of Ramadan by making loud noises. After the loan releases, they decided to visit some clients who had not paid their loans. The MFOs paired up with each other and went out. MFOs Monalisah and Abdul were wondering why there were so many people going out into the streets, but other than that, they didn't notice anything unusual. While at the client's community, they met some people who urged them to go home. Monalisah didn't want to go home though, she wanted to stay and try to collect from the client. Then they got a call from the branch telling them to go back. So they started to make their way back to the branch, and that is when they saw an ISIS (Islamic State of Iraq and Syria or ISIL - Islamic State of Iraq and the Levant) inspired militant at the end of a bridge in a truck. What the ASA Marawi Branch staff did not realize at that point was that they had walked into the start of what would become a sustained urban battle between the Philippine military and police versus local Islamic militant groups led by the Abu Sayyaf and the Maute groups. The Abu Sayyaf is a notorious group responsible for kidnappings and bombings in the Philippines. These militant groups are inspired by the Islamic State (IS) terrorist group.

Incidentally, a gathering of Tablighi Jamaat (Muslim missionaries who preach fellow Sunnis to practice faith) started on or around May 16 in Marawi. Many devotees from across the country as well as foreigners attended. It was most likely that some known terrorists like Isnlon Hapilon, the head of Abu Sayyaf, entered into the area disguised as attendees of Tablighi.

Prior to May 23, the military together with the police descended upon Marawi to verify information that the wanted Maute brothers Omar and Abdullah were in the area. Instead of the brothers, they saw Isnlon Hapilon. Hapilon had been appointed "emir" of the IS caliphate of the Philippines. He was in the process of unifying his Abu Sayyaf group with other terrorist groups including the Maute group.

The military decided to conduct a precision operation to capture Hapilon. On May 23, it proceeded with the operation, engaging the Abu Sayyaf in firefights. In response, the Abu Sayyaf called for reinforcements from the Maute group. Instead of a swift in-and-out operation, much to the military's surprise, they had walked into an entire city swarming with armed Islamic militants. Unprepared to deal with this armada, the military retreated. Around 400

Islamic militants in trucks equipped with machine guns then spread out across Marawi City. Carrying high-powered rifles, rocket-propelled grenades and Molotov cocktails, they laid siege to the city and declared the city a new caliphate of ISIL. They attacked Camp Ranao military base and the police station. They occupied the main streets, major bridges, the public hospital Amai Pakpak Medical Center, Marawi City Hall, Mindanao State University and Marawi City Jail. Fire broke out in the city jail and prisoners escaped. The militants burned Dansalan College, Ninoy Aquino School and the Cathedral of Maria Auxiliadora. A priest named Fr. Chito and some churchgoers were taken hostage while a police officer was killed. Power was cut in the city.

Trying to avoid the ISIS inspired militants, Monalisah and Abdul found themselves trapped in Bubong private school. After some time, they ventured out and took a different route from their usual one. The area they passed was very quiet, seemingly like a ghost town as there was no one around. Night had fallen. Monalisah got a call from her sibling who warned them not to go out as the ISIS inspired militants were corralling guys in the streets, forcing them to join the militants' cause. They noticed that power had been cut across the city making the fires raging in the city even more prominent. When they got close to the branch, they saw that an abandoned house that they called the White House was occupied by the ISIS inspired militants. Power had not been cut to the White House nor to its surrounding area. The ASA Philippines branch, which was located close to the White House, benefited from the uninterrupted power supply.

Clashes continued that night. Residents took to social media to report explosions across the city. By the end of the night, President Rodrigo Duterte, who was in Russia for an official visit, declared martial law across the Mindanao group of islands. Marawi City, the proud owner of a Kilometer Zero marker in Mindanao, had become the center of an armed conflict that was to last for five long months, leaving more than 1,200 people dead. Marawi City had become Ground Zero. An exodus of people started filling all roads leading out of Marawi.

Microfinance in a Conflict Zone

Early in the morning of May 24, starting at 5:00 am, staff of ASA Philippines' Marawi Branch witnessed a mass of residents evacuating the city. From the branch location at Old Capitol, Barangay Matampay, staff had a front seat view of people fleeing Marawi by the thousands, heading towards the highway leading to Iligan City, Lanao del Norte. The staff themselves stayed put, waiting for the decision of their deputy director for operations as to what they should do. The decision soon came -- they were told to evacuate -- and they prepared to leave the branch at 7:00 am. They expected that they would be away for just 2-3 days so they only brought a few things. They brought some clothes and important work documents such as the microfinance officer register, daily collection sheet, voucher, cashbook and business permit. They left behind their desktop computer, IG Sat (satellite internet), refrigerator, Gasul LPG tank, expensive clothes as well as some personal gadgets (such as cellphones, the branch manager's laptop, sound systems). Most of the staff went to the Foundation's Satellite Unit in Baloi, Lanao del Norte near Iligan. It was three days before the start of Ramadan, the holiest time of the year for Muslims, who fast from dawn until dusk during the month of Ramadan.

The next morning, staff returned to Marawi to check on the branch. Things seemed normal -- there was nothing amiss at the branch. Residents of the city continued to evacuate with some bringing their pets and farm animals. The Foundation's staff started helping those evacuating on foot by offering them a ride on their motorcycles. The staff would continue to do this over the following days as they encountered evacuees walking along the roads. There were residents though who opted to stay put since in the early days of the siege, officials advised residents to stay in their houses and lock their doors. But as the clashes of the combined military and police forces versus the militant groups continued and escalated, more residents fled for their lives. Eventually, over a span of a couple of months, an estimated 350,000 people living in Marawi City and its environs would flee. Some would move in with their relatives while others would find shelter in government-run evacuation centers.

The next day, relief goods started arriving at the Foundation's Iligan City Branch and Baloi Satellite Unit. Staff worked hard to repack the goods into individual packages. Each package or sack contained 5 kilos of rice, coffee, sugar, creamer, sardines and noodles. On May 27, staff loaded the sacks of relief goods into the deputy director's truck which can accommodate 150 sacks at a time. Meanwhile, the BM and MFOs each brought as many sacks as they could carry on their motorcycles. The staff then embarked on a day-long distribution of relief goods. They called their Marawi Branch clients to find out where they were and delivered the relief goods to them. Some clients called the staff asking for help, and the staff made a beeline for their locations bringing with them much needed food relief items. The whereabouts of some clients couldn't be ascertained, so the staff went around the various evacuation centers such as Iligan, Saguwaran and Baloi to look for them. Relief goods were given to both clients and

non-clients, although clients were prioritized. By the end of the day, a total of 2,500 people had received food relief packages from the Foundation. ASA Philippines was in fact the first NGO to distribute relief goods to the displaced people of Marawi. It was a long and tiring day for the staff, but the smiles of the displaced residents made it all worthwhile. Both clients and non-clients were so thankful to receive these relief goods as they had little or no food to eat. Clients greatly appreciated that ASA Philippines remembered them and helped them in the midst of a fierce armed conflict situation.

This was in stark contrast to the way another microfinance institution handled the conflict zone situation. When clients called this MFI, there was no response. The MFI did not engage in relief efforts for its clients, perhaps due to the high-risk environment. Much to the surprise of these clients, instead of their MFI, it was ASA Philippines who extended relief assistance to them.

On two other occasions, the Foundation also distributed relief goods in the Lanao area. In the remote areas of Lumba-Bayabao, Lanao del Sur, non-clients were isolated by the war. While they had money to buy food, there was no supply of food available in these remote areas. Residents needed to travel 4 hours to get to Baloi or Iligan City to buy food but it would cost them an astronomical ₱1,000 - ₱1,500 in travel expenses. The Mindanao Development Authority approached ASA Philippines requesting for help. On September 25, the Foundation delivered 1,000 food relief packages to non-clients in Lumba-Bayabao. In December 2017, Typhoon Vinta struck Mindanao causing floods and mudslides. A state of calamity was declared in Lanao del Norte and Lanao del Sur. The Foundation helped out by distributing 499 sacks of relief goods to those affected by the typhoon.



**ASA Philippines Foundation
CSR Activities
Relief Goods**

DATE	# OF BENEFICIARIES	AMOUNT	NOTES
May 27, 2017	2,500	₱729,650	ASA Philippines was the first NGO to give relief goods to clients and non-clients who were displaced by the Battle of Marawi.
September 25, 2017	1,000	₱172,480	Distributed to non-clients who were affected by the war and were isolated in remote areas of Lumba-Bayabao
December 22, 2017	499	₱139,239	Distributed to those affected by Typhoon Vinta
Total	3,999	₱1,041,369	

By the end of May, government troops had secured all entry points to and exit points from Marawi City. Checkpoints were established and entry into Marawi City became quite difficult due to the strict military security. At these checkpoints, soldiers scrutinized identity papers of people, checking them against a list of names and

photos of more than 100 suspected Islamic militants. All four of the country's Islamic State adherent groups had joined Marawi's armed conflict:

- the Abu Sayyaf Group,
- the Maute Group,
- the Bangsamoro Islamic Freedom Fighters, and
- Ansar Khalifa Philippines.

The terrorists controlled large swathes of the city and at one point occupied more than 4,000 buildings. They were well prepared for a long, drawn-out battle having stockpiled months in advance arms, explosives and food in building basements, mosques, and a network of tunnels they dug up around the city. The military mounted ground and air attacks, dropping bombs on the city several times a week.

ASA Philippines' staff did not let these difficulties faze them. Every day, once a day, they would try to get into Marawi City, even if soldiers stopped them. They would start a conversation with the soldiers, trying to build rapport and explaining what they were doing until the soldiers allowed them into the city. It was very risky for the staff to enter the city as they would then be within shooting range of both military and Islamic militant group snipers. Yet every day the staff would see their clients to give them food, talk to them to find out how they were holding up, give them feedback on the situation, inquire about their health and/or inspect the condition of their houses. Clients really appreciated that the Foundation's staff did not leave them during their time of need. Amidst a fierce urban battle where hundreds of people were being killed and thousands were fleeing the city, the Foundation's staff was still there. They were an ever present, living testament to the Foundation's motto of "Be With Your Client" during times of disaster.

The Foundation has time and again demonstrated through the years its commitment to help its clients during disasters – during typhoons, floods and fires. With the Battle of Marawi, the Foundation expanded its definition of disasters to include armed conflict situations or conflict zones. The Foundation delivered the same steadfast commitment to its clients in the conflict zone of Marawi.

The siege was creating a humanitarian crisis. As the city continued to be a battleground, residents who had evacuated were unable to return home. Those who stayed in the evacuation centers faced limited food rations, medical supplies, clothing and basic sanitation facilities. Consequently, the temporary shelters were rife with outbreaks of waterborne and skin diseases, infections and gastroenteritis. People suffered from dehydration.

In June, the Foundation's Central Office in Pasig City, with the help of its Board of Trustees, sent over sacks of used clothing. First to arrive were some small-sized clothes which the staff in Baloi Satellite Office distributed to clients' children. Then the rest of the clothes arrived. The staff organized the clothing items by category -- clothes for a mother, a father, a brother, a sister and a child. They then put at least one piece of clothing for each category in a cellophane pack so that each pack would have around 5-6 pieces of clothing items. One hundred cellophane packs were distributed to clients and non-clients alike in Barangay Sarip-Alawi evacuation center in Baloi. The Foundation's MFOs also gave away clothes of their own which they weren't using. Clients and non-clients were thankful to receive these clothes as they were not able to bring enough clothes when they fled Marawi.

When ASA Philippines Foundation's President & CEO Kamrul Hasan Tarafter visited Marawi City in August, he brought along brand new polo shirts for men donated by the Bangladesh Association of the Philippines. These new polo shirts were distributed to 1,000 beneficiary clients and non-clients in Barangay Pantar (Lanao del Norte), Barangay Saguwaran (Lanao del Sur), Barangay Tibanga (Iligan City) and Moqlesh, Baloi (Lanao del Norte) evacuation centers. In January 2018, the Foundation's Board of Trustees donated clothes which benefited 112 people in Saguwaran evacuation center.



**ASA Philippines Foundation
CSR Activities**

Clothing

DATE	# OF BENEFICIARIES	ITEM	NOTES
June 4, 2017	100	Clothes	ASA Philippines Foundation's Central Office donated clothes to Barangay Sarip-Alawi evacuation center.
August 12, 2017	1,000	Polo Shirts	Bangladesh Association of the Philippines donated 1,000 brand new shirts to clients and non-clients in various evacuation centers: Barangay Pantar, Barangay Saguwaran, Barangay Tibanga, and Moqlesh in Baloi
January 27, 2018	112	Clothes	The Board of Trustees donated clothes to Saguwaran evacuation center.
Total	1,212		

Isnilon Hapilon, the head of Abu Sayyaf, and Omar Maute, one of the leaders of the Maute group, were killed on October 16. Following their deaths, President Duterte announced the liberation of Marawi on October 17. On October 23, government troops seized the last remaining building held by the Islamic militants, and the Defense Secretary announced the official end of the Battle of Marawi. Marawi was in ruins after the heaviest urban fighting seen in the country since World War II^[1]. Casualties of the Battle of Marawi include:

- 974 Islamic militants killed^{[2][3]} (including 13 foreigners)^{[4][5]}
- 12 militants captured (including 1 foreigner)^{[6][7][8]}
- 168 government forces killed^[9] (12 by friendly fire)^[10]
- 1,400+ government forces wounded^[11]
- 87 civilians dead (40 due to illness)^{[12][13]}

On November 2, ASA Philippines staff returned to its Marawi Branch. While the office structure was intact, several items were missing. The branch's IG Sat, desktop computer, scanner and printer, as well as the staff's clothes and personal gadgets were all gone. The refrigerator was still there, however smaller appliances such as the electric fan were taken.

The Foundation turned its focus to a third type of relief effort for its clients. The Foundation decided that all 1,543 of its clients as of the 3rd week of May 2017 were entitled to receive cash donations or rehabilitation grants. The amount of grants would range from ₱3,000 – ₱10,000, depending on the client's loan cycle.



**ASA Philippines Foundation
CSR Activities**

Rehabilitation Grants

LOAN CYCLE	AMOUNT OF GRANT
1ST – 2ND	₱3,000
3RD – 4TH	₱5,000
5TH – 6TH	₱8,000
7TH AND UP	₱10,000

In December, the Foundation started giving grant monies to its clients. A total of ₱1,155,000 was given that month to 190 clients. In January 2018, ₱2,564,000 was given to 624 clients. Every month since then, the Foundation has continued to give grants to entitled clients and will continue to do so for the rest of the clients yet to claim their share. Clients were delighted to receive this “free money” as they termed it. When they were called by ASA Philippines to go to the branch, they expected the Foundation to offer them loans. They could hardly believe that the Foundation was giving them instead free money on top of the relief food and clothing that they had earlier received. There were tears of joy, hugs and kisses from the clients. A group leader was so thankful for all the assistance that the Foundation had given her that she announced in a loud voice to people passing on the street that she was a proud client of ASA Philippines. She endorsed the Foundation to everyone within hearing distance. Some clients, on the other hand, wondered out loud if all these giving would bankrupt ASA Philippines. Some clients used the money as capital for their businesses while others used it to buy food.



**ASA Philippines Foundation
CSR Activities
Rehabilitation Grants**

DATE	# OF BENEFICIARIES	AMOUNT
December 13-22, 2017	190	₱1,155,000
January 8-31, 2018	624	₱2,564,000
February 6-21, 2018	25	₱705,000
March 6-28, 2018	20	₱62,000
April 12-25, 2018	11	₱35,000
May 2-29, 2018	11	₱35,000
Total	881	₱4,556,000

ASA Philippines decided that it was time to focus on helping its existing Marawi Branch clients get back on their feet and become economically productive once more. The Foundation offered its Muslim Maranao clients new Shariah financing in the form of Qard Hasan loans and Murabaha financings. Shariah financing is defined as a banking or financing activity that complies with Shariah law (Islamic law). The main principle of Shariah financing is the avoidance of all haram (harmful) activities such as charging interest. It was conceptualized in order to accommodate Muslims who deem the payment of interest on loans as contrary to Islamic principles.

Qard Hasan is an interest-free loan that is extended by a lender to a borrower on the basis of benevolence or goodwill. The principle of Qard Hasan is to assist the poor or needy by offering a loan whereby the borrower is only required to pay back the borrowed amount -- there is no interest involved. Qard Hasan is mainly for welfare purposes and is a calamity loan. In January 2018, the Foundation started offering this type of loan to its existing clients to help them restart their livelihoods which they had lost amidst the devastation of Marawi. The Foundation's Qard Hasan loan has a 1-year term, which is much longer than its regular 6-month loan, with no service or interest charge. Loan amounts range from a minimum of ₱6,000 to a maximum of ₱20,000. If a client for example borrows ₱10,000, she will pay back the Foundation 46 equal weekly payments which in total amount to ₱10,000.



**ASA Philippines Foundation
Calamity Loans**

Qard Hasan

“Giving Something Without Expecting Anything In Return”

MONTH	# OF BENEFICIARIES	ORIGINAL LOAN AMOUNT	LOAN BALANCE
January 31, 2018	25	₱204,000	₱200,600
February 28, 2018	112	₱810,000	₱763,650
March 23, 2018	169	₱1,296,000	₱1,173,000
April 30, 2018	288	₱2,238,000	₱1,939,250
May 31, 2018	394	₱3,236,000	₱2,659,750

Murabaha is the most common mode of Islamic financing. It is alternatively known as mark-up or cost-plus financing. It is a working capital financing which enables clients to make a purchase without having to take out an interest-bearing loan. It is used by a client who wishes to purchase goods or equipment instead of availing loaned money from a financial institution such as ASA Philippines. Under Murabaha financing, ASA Philippines provides its client with the products she wishes to sell instead of money. The Foundation, however, delegates the authority to purchase the goods to its client in the interest of efficiency and to ensure utmost client satisfaction with the goods purchased. Following the release of Qard Hasan loans in January, the Foundation started offering Murabaha financing in the same month. Murabaha financings have a 6-month term.



**ASA Philippines Foundation
Working Capital Financing
Murabaha**

MONTH	# OF CLIENTS	CLIENT SAVINGS	ORIGINAL LOAN AMOUNT	LOAN BALANCE
January 31, 2018	1,453	₱7,433,350	₱21,220,000	₱12,426,826
February 28, 2018	302	₱1,448,665	₱4,075,000	₱2,484,217
March 23, 2018	388	₱1,694,065	₱4,955,000	₱3,215,130
April 30, 2018	570	₱2,100,185	₱6,257,000	₱4,355,609
May 31, 2018	701	₱2,580,520	₱7,933,000	₱5,575,825

Maranaos are known for their trading skills, and with their Qard Hasan and Murabaha financings in hand, many of them decided to open a store. A spot along the highway from Marawi to Iligan City was a favourite location. They set up vegetable stands, fruit stands, sari-sari stores (local variety stores), and stands selling street food (e.g. chicken feet, chicken franks, chicken skin). There were clients who chose to set up a fish or vegetable business in the new market along the highway -- the old market in the city center was destroyed by the armed conflict. One client set up a small restaurant. Then there were clients who declined to accept a loan as they had not yet determined what kind of business to get into. Of those who did set up new businesses, some were able to earn enough to make payments on their new financings as well as make small amounts of payments on the previous loans they had when the armed conflict broke out.

Other types of loans given by the Foundation to Marawi clients include:

- Water and Sanitation Financing - In collaboration with Water.org, the Foundation offers clients health and hygiene education as well as loans tailored for the construction of clean water (for drinking, cooking, bathing and washing) and proper sewage disposal facilities.
- Home Financing – Home financing loans are extended to clients who wish to renovate or improve their houses.
- Educational Financing - Educational financing assists clients in sending their children to elementary, secondary or tertiary schools.



**ASA Philippines Foundation
Subsidiary Loans**

Water & Sanitation, Home, And Educational Financings

MONTH	# OF CLIENTS	ORIGINAL LOAN AMOUNT	LOAN BALANCE
January 31, 2018	85	₱1,188,000	₱732,043
February 28, 2018	18	₱254,000	₱211,522
March 23, 2018	18	₱314,000	₱247,696
April 30, 2018	19	₱334,000	₱239,913
May 31, 2018	42	₱624,000	₱498,719

When ASA Philippines Foundation's Board of Trustee Member Mr. Richard C. Dee and President & CEO Mr. Kamrul Hasan Tarafter visited Marawi, they saw for themselves the devastation of the city. They realized that it will likely take a long time for the Foundation's clients to go back to their way of living and earning. Some clients did not even have a home to return to as houses in the city center were destroyed or completely flattened after 5 months of house-to-house fighting between the government troops and the Islamic militants. This was the significant difference between two of the great calamities to befall the Philippines – Super Typhoon Yolanda and the Battle of Marawi. In the case of Yolanda, despite the devastation, people were able to return to their residential areas the following day. In the case of Marawi, it took 5-6 months before some people were able to return to their homes. Others, specifically the residents of 24 barangays (districts) in the main battle areas, have been prohibited by the military from returning to their residential areas as the military needs to clear Ground Zero of explosives. Around 7,000 of these residents were allowed to visit Sector 1 (the first area in Ground Zero cleared of explosives) for 3 days in April 2018 to see what was left of their houses and to take away any of their belongings which survived the siege.

In light of the situation, the Foundation decided to temporarily set aside clients' net loan balances on loans outstanding at the start of the armed conflict. Net loan balance is defined as a client's unpaid loan amount minus her savings. By setting aside clients' net loan balances, the Foundation hopes that clients will have one less burden to contend with as they focus on rebuilding their lives and starting new businesses. Once clients are able to rebuild their lives and earn enough to be able to comfortably pay back their old loans, they can do so without any interest or penalty for delayed payments.



**ASA Philippines Foundation
CSR Activities**

**Setting Aside Net Loan Balances In Marawi Branch 0521
As of February 11, 2018**

# OF CLIENTS	LOAN BALANCE	CLIENT SAVINGS DEDUCTED	NET LOAN BALANCE
1,274	₱12,481,180	₱5,745,660	₱6,735,520

The Rehabilitation of Marawi: How Will the City Rebuild?

The Battle of Marawi displaced an estimated 350,000 people and left the once-bustling Islamic City of Marawi in ruins. The government estimates that it will cost anywhere from ₱53.42–₱80 billion to rebuild the city over the next 5 years. The government has drawn up a preliminary master plan of 892 priority programs, activities and projects for implementation between 2018 and 2022. Of the total cost, approximately 49% is allotted for physical infrastructure, 19% for housing settlements, 15% for livelihood and business development, 11% for social services, 4% for land resource management, and 2% for local governance and peace building. Funding sources are currently being determined by the government. In addition to government funds and commitments from the domestic private sector, there are pledges of official development assistance (ODAs) from countries such as Japan, Australia and China. Japan committed ¥1.5 billion in November 2017 for the procurement and importation of heavy equipment for Marawi. It then committed a further ¥2 billion in May 2018 for Marawi City's infrastructure program.

Task Force Bangon Marawi ("TFBM") is the inter-agency body tasked by the government to oversee the recovery, reconstruction and rehabilitation efforts of Marawi City. TFBM has scheduled groundbreaking work in the most affected areas of the city this August 2018. This work involves clearing the areas through demolition of all affected structures. This process is expected to take several months, after which TFBM will focus on reconstruction of infrastructure such as roads as well as government buildings and other public facilities. Residents of the most affected areas will be allowed to reconstruct their homes only after the government is done clearing the affected areas. In light of the gargantuan nature of this reconstruction, the rehabilitation of Marawi City will necessarily take a long time.

Given the many parties involved in the reconstruction plans of Marawi City, is there a role for microfinance institutions to play in the reconstruction efforts? Certainly, microfinance institutions such as ASA Philippines Foundation have a distinct and necessary role to play in the rebuilding of a devastated place such as Marawi City, a role that is separate from and that builds upon what the government, other countries and other private sector entities have to offer.

ASA Philippines Foundation has proven in the Battle of Marawi that it can move quickly and effectively to address the pressing needs of its microfinance clients and even some non-clients. During a fierce armed conflict where hundreds of people were being killed and thousands were fleeing Marawi City, the Foundation at great danger to its staff delivered in many ways:

- "Be With Your Client" during times of disaster: Clients truly appreciated that the Foundation's staff did not leave them during their time of need. Despite strict military security at checkpoints, staff found ways to enter prohibited areas to see and help clients.
- The Foundation engaged in a multipronged relief effort where it:

- Donated clothing items to clients and non-clients
- Distributed food items/relief goods to clients and non-clients
- Gave cash donations or rehabilitation grants to clients
- Set aside clients' unpaid balances on loans outstanding at the start of the armed conflict without penalty in order to give clients a chance to focus on rebuilding their homes and livelihoods
- Working Capital Financing: The Foundation helped clients get back on their feet and become economically productive by offering new Shariah financing in the form of Qard Hasan loans and Murabaha financings.
- Quality of Life Financing: The Foundation offered water and sanitation financing, home financing and educational financing to help improve the lives of clients and their families.

In the same way that ASA Philippines was able to help its clients while the Battle of Marawi was ongoing, the Foundation can address clients' needs in a timely manner as they try to rebuild their lives.

Right now, the military is focused on clearing Ground Zero of explosives. After that, the government will work on the demolition of affected structures, a process which is expected to take several months. Following that, the focus will shift towards reconstruction work. Of the government's budget for reconstructing and rehabilitating Marawi, the bulk or 49% is allotted to physical infrastructure. As the city is being rebuilt, it is vitally important to kick-start the rehabilitation process of the Maranaos themselves who need to rebuild their homes and livelihoods soonest. While residents of the most affected areas have to wait until after the government is done clearing the affected areas before they are allowed to reconstruct their homes, residents in the less affected areas have already returned to their homes. Though they were less affected by the battle, many of them still need to repair their houses. This is where microfinance institutions can play a material role by funding clients' home reconstruction efforts. Indeed, ASA Philippines Foundation has already started giving clients home financing loans as well as water and sanitation loans.

It is imperative that Maranaos be given the means to jump-start their livelihoods in short order. Microfinance institutions are well placed to work with enterprising Maranaos who wish to set up new businesses quickly. ASA Philippines has in fact already disbursed new funds to both old and new clients for their microbusinesses. These loans are Shariah compliant in recognition of Muslim Maranaos' Islamic principles. Some previous clients have done well enough with these new loans that they were able to make payments not only on their new loans but also on their prior outstanding loans. The Foundation's loan portfolio in Marawi City is slowly but steadily growing. Marawi Branch 0521 has been able to:

- form 8 groups of clients,
- help 499 or 32% of its previous clients recover, and
- recruit 202 new members.

A new branch in Ditsaan-Ramain, Lanao del Sur just opened this June 2018 to work with people who fled Marawi City, are uncertain as to when they can go back to the city, and are now trying to rebuild their lives in Ramain.



ASA Philippines Foundation

Marawi Branch 0521

Comparison of Client Numbers During & After Battle of Marawi

	MAY 26, 2017 (START OF BATTLE)	MAY 31, 2018 (AFTER BATTLE)
# of Active Clients	1,543	701
# of Inactive Clients	917	907
Client Savings	₱7,784,290	₱2,580,520
Active Loan Amount	₱25,277,000	₱11,793,000
Active Loan Balance	₱13,033,913	₱8,734,294

Impoverished and calamity-stricken Filipinos tend to look to their government for assistance or doleouts to tide them over. The government, however, cannot be expected to continuously assist them given the massive amounts of funds needed for the reconstruction and rehabilitation efforts of disaster areas such as Marawi City. Microfinance institutions can step in and build upon what the government has done for these people. They can offer a lifeline of loans to industrious and business-minded people who are willing to work hard and fend for themselves. MFIs can help change the mindsets of impoverished Filipinos -- for those willing to exert effort, there is a way out. There is a famous proverb attributed to the ancient Greek philosopher Epicurus that states "Self-sufficiency is the greatest of all wealth." Dole outs are fine for the short-term. To achieve a longer-term solution, MFIs such as ASA Philippines Foundation can act as a catalyst or a spark for social change by putting Maranaos in a position to lift themselves out of hardship. The Foundation is confident that the industrious and entrepreneurial people of Marawi can take this lifeline and run with it. The Maranaos can rebuild their historic Islamic City of Marawi and their lives, and serve as a shining example to the rest of the country that the concept of alleviating poverty by encouraging self-sufficiency works.

Conclusion

ASA Philippines Foundation's experience in handling natural calamities is substantial. Today, the Foundation knows very well how to handle these disasters and Super Typhoon Yolanda was its best teacher. The Foundation was able to recover in full with almost no losses after Yolanda. But the Marawi war is not the same, it was a man-made catastrophe. Yolanda is but a distant memory for people in Leyte and Samar, but for Maranaos the horror of

the Marawi war will likely not go away soon. The scars will remain for generations to come. Important historical landmarks have disappeared. 24 barangays in Ground Zero will be flattened and many of the residents will never be able to go back home, according to a government statement. Even for those who do return, it will take a very long time to settle down. For the Foundation's 735 clients from Ground Zero, life will not be the same.

The Foundation believes that it will be able to rebuild the livelihoods and lives of its clients and other local women entrepreneurs in Marawi, but it doesn't know yet whether it will be successful for most clients. Time will tell whether all of its efforts taken as a whole are a success or a failure. Whatever the outcome may be, the Foundation will continue to try its best to be true to its motto "Be With Your Client". ASA Philippines believes in people and in never giving up hope. After all, the word "asa" in Filipino and Bengali means hope, and indeed ASA Philippines Foundation is the hope of the poor.

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