

**STOPPING AS SUCCESS:  
TRANSITIONING TO LOCALLY LED DEVELOPMENT**

# COFFEE FOR PEACE: AN ENTREPRENEURIAL APPROACH TO SUSTAINABLE DEVELOPMENT AND PEACEBUILDING IN MINDANAO

Farzana Ahmed, Peace Direct  
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## STOPPING AS SUCCESS

This case study was developed as part of Stopping As Success (SAS), implemented by a consortium consisting of Peace Direct, CDA Collaborative Learning Projects, and Search for Common Ground, with support and funding from the United States Agency for International Development (USAID). SAS is a collaborative learning project that aims to study the dynamics at play when ending a development program, and provide guidelines on how to ensure locally led development. In doing this, SAS looks beyond the technical aspects of an exit strategy to identify examples that demonstrate a transition toward locally led development. The case studies produced by the project highlight the past and present realities faced by international non-government organizations (INGOs), local civil society organizations (CSOs), and local NGOs, focusing in particular on how partnerships evolve during transitions or devolvement to local entities.

### I. INTRODUCTION AND METHODOLOGY

This report presents the case study of the Mennonite Church Canada and its relationship with PeaceBuilders Community, Inc. (PBCI), a Mindanao-based peacebuilding organization in the Philippines that carries out a range of peace and reconciliation activities with conflict-impacted communities and local leaders. In particular, the report examines how PBCI was able to achieve financial

independence from the Mennonite Church Canada by embarking on a social enterprise initiative: Coffee for Peace (CFP). The “transition” in this case study was initiated by the local partner organization, which started a social enterprise initiative in response to a conflict situation in Mindanao. This in turn generated sufficient income to allow for greater financial independence of PBCI from the Mennonite Church. The report looks at the strengths of the partnership between the Mennonite Church and PBCI. These were, firstly, that local ownership and involvement was factored in at the outset of project design; and secondly, the Mennonite Church gave PBCI sufficient time to invest in long-term relationships with communities on the ground, which built mutual trust and helped PBCI understand the local context.

This report draws on seven semi-structured key informant interviews, which took place in Davao City in April 2018. Interviews were conducted with four senior management staff from PBCI and CFP. Additional interviews were conducted in the Philippines with a former staff member of Mennonite Central Committee (the NGO arm of the Mennonite Church), as well as representatives of other civil society and peacebuilding organizations. Data from these interviews informed both the case study and analysis of the Mindanao aid context.

#### TYPE OF TRANSITION

The transition in this case study refers to the steps taken by PBCI to achieve financial independence from its key partner and funder, the Mennonite Church Canada, following the creation of the revenue-generating Coffee for Peace social enterprise.

#### ACRONYMS

CFP	Coffee for Peace
CSO	civil society organizations
INGO	international non-government organizations
MCC	Mennonite Central Committee
MILF	Moro Islamic Liberation Front
MNLF	Moro National Liberation Front
NGO	non-governmental organization
ODA	official development assistance
PBCI	PeaceBuilders Community, Inc.
SAS	Stopping As Success

## 2. CONTEXT

Mindanao is the second largest island in the Philippines and represents approximately a quarter of the country's total population. It is largely an agricultural economy, supplying 40 percent of the country's food requirements and contributing over 30 percent of its food trade.<sup>1</sup> Despite this, a large percentage of the island's people – ranging from 30 percent to 55 percent in some areas – still live in poverty. The mining, agribusiness, and fishing sectors in Mindanao have attracted a number of international corporations and businesses. The current conflict in Mindanao, which involves at least six major non-state armed groups, is rooted in the mainly Moro<sup>2</sup> population's long history of struggle and resistance, beginning during the Spanish colonial era and continuing to this day. The conflict goes beyond the Muslim–Christian divide, and is tied to a complex history of marginalization, structural inequality, and a series of land control policies introduced by the Spanish and American colonial powers and reinforced by subsequent Philippine governments.

The Moros started forming resistance movements in response to Spanish attempts to spread Christianity in the Philippines in the 16th Century. In 1898, the American colonial administration launched a series of migration programs, which encouraged Christian settlers to relocate to Mindanao in order to access new livelihoods and agricultural resources. During this period, large corporations were also allowed to acquire public land in Mindanao. This influx of outside groups led to greater socio-economic inequality and the marginalization of the Moro people. As a result, a number of organized resistance movements were formed over several years, including the Muslim Independence Movement and the Moro National Liberation Front (MNLF), along with its splinter group, the Moro Islamic Liberation Front (MILF). Despite various peace agreements having been brokered by the international community between the MNLF/MILF and the Philippine government, tensions and conflict over land rights are still ongoing in Mindanao.

### International assistance in Mindanao

As of December 2017, total official development assistance (ODA) to the Philippines amounted to US\$14.77 billion (US\$12.30 billion in loans and US\$2.47 billion in grants). Japan was the largest provider of ODA



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loans, accounting for 42 percent of the total. This was followed by the World Bank (25 percent of loans) and the Asian Development Bank (23 percent of loans)<sup>3</sup>. In the early 2000s, it was widely stated that the vast majority of ODA went to the Mindanao region (some put the figure at 60 percent of total grants). However, recent figures show that Mindanao currently receives only around 7.2 percent of ODA loans and 4.9 percent of ODA grants.<sup>4</sup>

International assistance in Mindanao has primarily focused on responding to ongoing conflict and humanitarian crises, and has mostly been channeled through the government. Although much international assistance has supported various peace efforts through partnerships with local NGOs and CSOs, there are also numerous local organizations promoting peace and reconciliation work directly.

The effectiveness of international assistance in Mindanao has been the subject of critical discussion over recent years. It has been noted that the intensity of the conflict in some areas, as well as the restrictions imposed by the government, has meant that international aid groups are unable to access the communities most adversely impacted by the conflict. As such, local actors have been at the forefront of delivering aid, particularly in the Marawi region. Despite their knowledge, capacity, and expertise, local organizations receive minimal funding from the international community and are “... continually struggling for survival.”<sup>5</sup> Furthermore, local NGOs have found themselves competing for aid with international NGOs. According to one CSO director based in Mindanao: “Western NGOs come in and directly or indirectly take away resources that can be used for locally-based initiatives ... INGOs are taking away the pie from us.” Interviewees also spoke about the lavish expat lifestyles lived by many international aid workers in Mindanao, as well as the limited investment and interest in building long-term relationships with local partners and communities.



### 3. THE PARTNERSHIP BETWEEN THE MENNONITE CHURCH AND PBCI

The Mennonite Church Canada and the NGO arm of the Mennonite Church, the Mennonite Central Committee (MCC), have worked in Mindanao in various capacities for over a decade. The local partner organization, PBCI, has had a partnership with both the Mennonite Church and MCC. Broadly speaking, as the founders of PBCI were missionaries sent by the Mennonite Church, their salaries and other core costs were covered by the Church. MCC provided funding for short-term relief and development projects, and continue to do so even as PBCI becomes progressively more independent of the Mennonite Church's financial support.

It has been widely noted that the Mennonite Church and MCC have not faced the same kinds of criticism as other international aid organizations in Mindanao, having from the very beginning invested a great deal of time and effort into relationship building and promoting local ownership of projects. According to one Filipino CSO actor: "With MCC there was a real commitment

to their own values and principles. So, for example, they adopted simple living and were thoughtful about how to use resources wisely. Local people notice the lifestyles of internationals and they can see the difference with people connected to organizations like the MCC."

This report will examine the relationship between the Mennonite Church and PBCI, and how this paved the way for local ownership, making local development priorities and peacebuilding easier to accomplish. The "transition" in this case study refers to the steps taken by PBCI in order to acquire financial independence from MCC.

#### The beginnings of PBCI

In 2004, the Mennonite Church in Canada sent one of its Filipino-Canadian missionaries, Dann Pantoja, to Mindanao in order to conduct a short-term exploratory mission in preparation for a peacebuilding program. The purpose of this initial phase was to build relationships with communities impacted by conflict. Dann Pantoja spent six months in Mindanao's Sultan Kudarat province with members of MILF, who were initially skeptical of all foreign aid actors. As expressed by a senior member



of PBCI's leadership: "... they had been experiencing foreign aid for so long, they are now burned out. But they can't avoid it because they need it. They welcomed the funds but hated the funders."

The initial phase was important for gaining the trust of the Moro population and laying the foundations for future programs prior to any resources actually being invested. In January 2006, the Mennonite Church officially appointed Dann Pantoja and his wife Joji Pantoja to set up a peacebuilding initiative that became known as PBCI, its purpose being to carry out peace and reconciliation work with conflict-impacted communities across Mindanao.

Local ownership was envisioned from the outset, with one of the first steps being the formation of a board made up of members from Mindanao. The board played an important role in ensuring that the objectives, policies, and programs of PBCI were relevant to the Mindanao context. Moreover, action was taken to diversify PBCI's governance structures, with, for example, three additional consultants, (two Muslims and one member of an indigenous peoples community) taken on as strategic advisors. As PBCI continued with its peacebuilding work, ongoing efforts

were made to ensure that marginalized groups were represented at different levels of the organization.

#### **4. THE TRANSITION TO COFFEE FOR PEACE**

During their peacebuilding work, Dann and Joji Pantoja set up small Peace Houses in seven locations in Mindanao, which provided space for opposing factions to come together and participate in peace talks over coffee. The Peace Houses soon became known as Coffee for Peace throughout Mindanao. It also became apparent that beyond conflict and security, social and economic issues were key concerns for attendees at the Peace Houses. Moreover, although international funding was still available, Dann and Joji Pantoja's ambition had always been to become financially independent of the Mennonite Church, in order to affirm PBCI's local character and credibility with conflict-affected communities. As such, there was early interest in generating additional income both for PBCI's sustainability, and to meet the needs of the community. As CFP's senior leadership reported: "We didn't know

about buzzwords like ‘social enterprise’ when we started Coffee for Peace. We were thinking how can we make our work here sustainable. At the time we called it income generating projects.”

After observing the success of the Peace Houses in encouraging dialogue between conflicting parties, Joji Pantoja took steps in 2008 to transform Coffee for Peace into a business. In her search for sources of coffee in the Philippines, Joji Pantoja came across indigenous populations in mountainous areas who were facing serious social and economic challenges. Though many local farmers were already in the coffee business, they were producing low-quality coffee and selling their beans at very low prices to international companies. According to CFP’s Senior Vice President Tala Bautista: “When we first went to Mount Apo, we saw that farmers were selling their coffee at 8–11 pesos per kilo. However, if it was ready for roasting it would be around 30 pesos per kilo. The whole coffee industry back then was a mystery and international companies were not sharing the technology or knowledge with local farmers.”

A key element of CFP’s approach is therefore to demystify the coffee industry for local farmers. CFP started off teaching farmers how to produce high-quality coffee, as well as encouraging them in demanding fairer rates when selling it to international companies. As Tala Bautista put it: “... we teach them the price so they are not just suppliers, but they are also entrepreneurs”.

### **Training for local farmers**

Through CFP, farmers are offered a three-year training scheme that teaches them how to produce high-quality coffee and better market it to local and international companies, as well as improving their negotiation skills in order to demand fairer prices from buyers.

When CFP took its business idea to farmers, they were initially reluctant to get involved due to previous bad experiences with multinationals. As such, CFP started working with a small group of 20 farmers, investing in a few basic pieces of equipment and inviting them to experiment with different processing methods in CFP’s offices in Davao City. The coffee produced was then given to the farmers to taste and sold to buyers for a significantly higher price than the farmers typically sold for. Joji Pantoja also took the first batch of coffee to Canadian buyers in 2010: “They said the coffee was good

and asked if we could supply 50 tons a month. I went back to the Philippines and told the farmers that there was a market but we cannot supply yet. In 2015, we were able to send two tons to the US and Canada ... but that still wasn’t enough. The buyers wanted more.”

After the first year and a half, farmers who had initially been uninterested in Coffee For Peace asked to be part of the initiative, as, according to CFP senior leadership: “... they saw that 20 families were now earning more than them and were getting more recognition internationally and domestically.” To meet the overwhelming interest they now faced, CFP adopted a “train the trainer” model, training highly qualified farmers from the original group to teach other farmers about processing methods. The profit made by CFP was invested in providing coffee processing training to other farming communities.

A key component of the training is teaching farmers about the various stages of the coffee value chain, including marketing and pricing. Once the coffee beans were processed, CFP typically purchased the products off the farmers at a higher rate. However, they did not discourage farmers from selling to other buyers. For example, until 2017 CFP supplied coffee to local cafés in Davao. Now the cafés buy directly from farmers trained by CFP. In fact, an important focus of CFP’s training is providing farmers with strong negotiation skills with which to interact with buyers. As noted by Tala Bautista: “... since our training, buyers have flocked to communities. But farmers have the leverage to dictate prices. A few years back when the quality wasn’t great the traders would dictate the price. And now even CFP can’t afford some of the coffee!”

### **Partnership with the Mennonite Church**

From the outset, PBCI and the Mennonite Church developed a relationship that went beyond a traditional donor/recipient partnership. Both encouraged local ownership of projects and acknowledged the importance of investing in relationship building with actors at the community level. At the same time, MCC invited PBCI and CFP representatives to international conferences and events.

When the Mennonite Church was presented with the idea of Coffee for Peace by PBCI, it was supportive, allowing Joji and Dann Pantoja a great deal of financial freedom. For example, a budget

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was allocated for “social contributions” that were important for building relationships with community members, but for which it was not always possible to produce receipts. As described by CFP’s senior leadership: “Our budget focused on traveling into the communities and bringing food to farmers. We cannot just eat by ourselves. If we bring food it is awkward to not offer the community food. The Mennonite Church allowed us room for flexibility.”

Ultimately, the trust and flexibility given to PBCI by the Church was replicated in the relationships formed between PBCI and local communities, and in turn between CFP and the communities. This translated into an imperative to meet with farmers in the communities where they lived and worked, as opposed to bringing them to urban centers for meetings and training. According to CFP staff, this was important for building trust and long-lasting partnerships.

PBCI staff spoke about their contrasting experience with other INGOs, where CSOs are “... forced to use words that the funders can relate with even though it is really not part of their identity”. The few times PBCI accepted money from other INGOs, a disproportionate amount of staff time was spent on writing reports and doing administrative work. Staff spoke about INGOs’ lack of awareness regarding cultural sensitivities within the Philippines. In addition, the financial processes of many INGOs and donors require a level of record keeping that can be challenging for CFP staff.

Such bureaucratic processes can pose an obstacle to the development of non-transactional, organic relationships with communities. PBCI has since refused to accept funding from other INGOs due to such

overly bureaucratic processes and donor requirements, which it was felt posed a risk to PBCI’s open and trusting relationships with local communities and therefore its peacebuilding work. One staff member noted that INGOs “... evaluate based on their systems. They go to the field with their own set of questions and methodology that are not appropriate.” This can lead to distrust in conflict-affected communities. Furthermore, when PBCI accepted funding from other INGOs they often felt first-hand the power imbalances of the broader aid system. According to PBCI senior leadership: “It was like we had to be always conscious of the money that was assigned to us. Even when they gave us the money they had to reaffirm the power they had over us. Every day they would remind us.”

By contrast, as the budget for “social contributions” demonstrates, the Mennonite Church and MCC are willing to listen and interact with communities through focus group discussions, and are open to changing their processes in response to the local context. As the senior leadership of CFP puts it, the Mennonites go into communities “... not as teachers but as learners.” This is particularly important when supporting sensitive peacebuilding and conflict resolution projects, where flexibility and adaptation is key to successful outcomes.

### **Funding and staffing structures**

At present, half of CFP’s total budget comes from revenue generated within the coffee value chain, with the other half coming from investments made by individual members of the Mennonite Church in Canada. Investments work differently to the donations previously given by church members. Now, according to PBCI’s senior leadership, operations are “business-like,” in that “... Mennonite Church Canada has endorsed [CFP] to Mennonite members ... investments are more sustainable. It has its own life and is appealing for the business community.” For example, in 2015 CFP received an Award from the United Nations Development Program’s Impact Investment Exchange Asia (UNDP-IIXAsia), a stamp of approval for its business acumen and a means to attract further investment.

This social enterprise model has paved the way for a different kind of partnership where terms such as “donor” and “beneficiary” become irrelevant, replaced with the language of “investors.” Moreover, as a range of investors



are involved, if one individual were to pull out their money, it would not disrupt the entire social enterprise.

The income generated from CFP also funds 75 percent of PBCI's peacebuilding work. While in the past donations from the church were used to pay the salaries of PBCI staff members, PBCI now requests that church members invest in CFP instead. Investments are multiplied through the enterprise, which in turn pays the majority of PBCI staff salaries. Currently, of the 16 employees at PBCI, only two are paid by PBCI and the rest by CFP. Importantly, the same staff work for both PBCI and CFP, with, for example, the Senior Vice President of CFP also having a role at PBCI. As another member of PBCI's senior leadership describes it: "... she does one job that can be looked at from two perspectives. From the perspective of the business world she is our senior VP [of CFP] and from the perspective of peacebuilders she is the community development director. But she has the same job description."

Currently CFP and PBCI are preparing for leadership transitions, whereby, Joji and Dann Pantoja are mentoring two senior staff members from indigenous communities with the eventual aim being that they will take on the CEO roles at CFP and PBCI. These staff members have completed various training courses domestically and internationally, financed by CFP, in order to develop their leadership and management skills.

Staff are generally in agreement that PBCI would have closed down without the funding from CFP. PBCI continues to accept grant funding from MCC for smaller peacebuilding projects, which makes up 25 percent of PBCI's overall funding. Due to the aforementioned bureaucratic processes, donor requirements, and potential risk to their relationships with local communities, PBCI refuses to accept funding from other INGOs.

## 5. KEY LESSONS

**The partnership between PBCI and the Mennonite Church (including its NGO arm, MCC) goes beyond a traditional donor/recipient relationship, and this has been central to its success.** Both see the relationship as structured more around solidarity than merely funding and project delivery.

**An investor, as opposed to a donor model, is helpful in overcoming unequal power dynamics in the aid sector.** Rather than relying on a single donor, half of CFP's income comes from a multitude of individual Mennonite Church Canada members, helping to diversify income. The establishment of CFP as a social enterprise also enabled a to shift away from terms such as "beneficiary," with farmers receiving financial investment in exchange for their coffee.

**Transitions can take place even when international funds are available, and do not necessarily have to be externally driven.** In PBCI's case, the decision to transition was made after it established CFP.

**Securing the trust of communities in conflict-affected contexts is particularly important.** The Mennonite church invested in relationship building within local communities for three years prior to funding an official program in Mindanao.

**The conscious effort of members of the Mennonite Church and staff from MCC to adopt simple lifestyles when living in Mindanao engenders trust.** Other CSOs in Davao City reported that the Mennonites' working culture, whereby they do not keep themselves separate from local communities, works in favor of local ownership.

**The Mennonites' policies and practices favor local ownership.** For example, proposals for short-term projects are written entirely by PBCI without any prescribed agenda by the Mennonite Church. As a result, the Mennonite Church and PBCI continue to have a strong relationship.

## END NOTES

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