

# Power, Peace, & Place:

*Why firms account for their actions*

MULTI-STAKEHOLDER VOICES AND  
THE THERMA SOUTH STORY

Written by Phil Champain

**DMGENCO**  
Davao Multi-stakeholder Group for Energy Concerns



## About DMGENCO

The Davao Multi-Stakeholder Group on Energy Concerns (DMGENCO) is a multi-stakeholder body that monitors and assesses the political, social, economic, and environmental effects of the AboitizPower (Therma South, Inc.) coal-fired power plant on the people and communities of Brgy. Binugao and Brgy. Inawayan, in particular, and Davao City and Sta. Cruz, Davao del Sur in general. The group helps address different issues that emerge from the plant's construction and operations, including risks to community security and local cultures and practices. As it is a forum for engagement, the group is composed of people who come from different sectors and walks of life who are directly affected by the AboitizPower-TSI project. The group serves as a platform for collaborative problem solving, meaningful dialogue among different voices and aspirations, and determining ways to enhance the project's direct benefits to local communities. The DMGENCO is a result of the partnership between Aboitiz Power Corp. and International Alert Philippines. The group was established in 2013.

[www.dmgenco.info](http://www.dmgenco.info)

## About Therma South, Inc.

A fully owned subsidiary of Aboitiz Power Corp., Therma South, Inc. operates the 300-megawatt (2x150 MW) Davao coal-fired power plant located along the boundary of Davao City and Sta. Cruz, Davao del Sur. It utilizes the Circulating Fluidized Bed (CFB) technology and it is the first plant in the Philippines to build a coal dome to safely store coal and prevent fugitive dust emissions. The Davao plant delivers baseload power to more than 20 electric cooperatives and distribution utilities serving the major cities of Davao, Cagayan de Oro, General Santos, Butuan, Zamboanga, Kidapawan, Cotabato, and Tagum, among others. It also serves the provinces of Davao, Agusan, Surigao, Sarangani, Sultan Kudarat, Zamboanga peninsula, parts of Bukidnon, and parts of Misamis. The power plant started construction in 2012 and, at its peak, employed more than 4,500 workers, many coming from our host communities. It was formally inaugurated on 8 January 2016.

## About International Alert

International Alert helps find peaceful solutions to conflict. It is one of the world's leading peacebuilding organisations with nearly 30 years of experience laying the foundations of peace. It works with local people around the world to help them build peace, and advises governments, organisations, and companies on how to support peace. International Alert focuses on issues that influence peace, including governance, economics, gender relations, social development, climate change, and the role of businesses and international organisations in high-risk places.

[www.international-alert.org](http://www.international-alert.org)



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# Acknowledgments

Writing this publication has been a privilege. I have also felt responsibility—responsibility for expressing the views and feelings of the different actors involved and for conveying the subtleties of the DMGENCO process itself. I could not have done this without the open support of the DMGENCO group members themselves— **Dr. Iris Melliza, Fr. Danny Montaña, RCJ, Manuel ‘Bobby’ Orig, Jason Magnaye, Steven Bernard Getes, Lou Deligencia, Magno ‘Jun’ Adalin, Francisco ‘Pancho’ Lara, Jr., Nikki Philline de la Rosa, Peter Laviña** and community members **Flora Salandron, Sobrecarey Hasan, Camar Sumping, Datu Amado Mansabid, and Juvilyn Inguito**. This is your story. Thank you for sharing it with me, for your insights, and for giving me the chance to write about it. I only hope I have done justice to what you have achieved.

Thanks must also go to the organisations behind the individual faces. Organisational support is important for these kinds of initiatives, and special mention must be given to the **Aboitiz Group** and **International Alert Philippines** for backing and supporting the vision of the DMGENCO group. I would also like to mention the long-term support and encouragement given to me by **Pancho, Nikki**, and the wider **Alert Philippines team** over what has been more than five years. This has sustained my connection with the DMGENCO process, enabling me to write the case study from an informed perspective.

Finally, I would like to thank those who worked behind the scenes to edit and produce this publication, especially to **Judy Gulane, Kloe Carvajal-Yap, May Che Capili, Maureen Lacuesta, Phoebe Adorable, Diana Jean Moraleda, and Susan Grace Gayatin**.



**Nikki Philline C.  
de la Rosa**  
*Country Director*  
International Alert  
Philippines

## Foreword

“Power, peace, and place” is a paradigmatic appeal to those who believe that power relations can be altered, peace can be achieved, and place can secure the bounties of a lasting peace.

These words were strung together by our collective experience as members of the Davao Multi-Stakeholder Group for Energy Concerns (DMGENCO) and how we worked together to give birth to an inclusive and conflict-sensitive strategy to guide new investments and plans for promoting renewable and non-renewable energy production, management, and distribution across the region.

We began in 2012 when Mindanao was facing a severe power crisis that was delaying multi-sectoral economic growth and deepening poverty—particularly in a region where the country’s poorest of the poor were also located. New and dependable sources of energy were needed—a reality neglected by previous governments that began to bite back in the form of 12-hour running brownouts across the region.

Hence, when Alert Philippines was asked by the Mindanao Business Council (MinBC) to help its alliance of energy producers draft an inclusive and conflict-sensitive strategy that could guide future investments in the energy sector, Alert jumped at the chance.

Working with business has long been at the core of Alert’s programming in the Philippines because business has a powerful voice that can be harnessed for peace. Alert established the Mindanao Multi-stakeholder Group in 2011 to bring different

stakeholders together to collaborate on the shared objective of enlivening inclusive peace in Mindanao. Among the business sector, the MinBC played a key role in getting more businesses and business support organizations to be more involved in promoting sustainable peace and development in Mindanao.

Unknown to many development specialists was the fact that Alert Philippines had been a leader in the ‘economics of peace’ framework across many international peacebuilding organizations. Alert was also the hub for a strong economics of peace strategy and approach across Southeast Asia from 2011 to 2014. Alert Philippines was involved from 2012-2014 in skills training and conflict-sensitising the work of the Special Administrative Team headed by a Cabinet Minister in charge of establishing a Special Economic Zone in Kyaukphyu, Rakhine State, Myanmar.

Meanwhile, among the early studies that International Alert UK undertook in the Philippines was a tract on the links between economics and violence, aptly titled ***Breaking the links between economics and conflict in Mindanao***, and the most-cited book on the links between the informal economy and violent conflict in Mindanao titled ***Out of the Shadows: Violent Conflict and the Real Economy of Mindanao*** that won the National Book Award on the Social Sciences in 2016.

These studies tackled the relationship between economics and peace and how multi-stakeholder processes must include the private sector if there is going to be any hope of a durable peace.

Indeed, the links between economics and conflict cannot be overemphasized. Often we hear that businessmen ought to help in building a lasting peace—their operations depend on it, their human resources are shielded by it, and their profits grow when stability and peace are steady and ensured. Yet while peace is good for business, the reverse is not true enough. In the Philippines and elsewhere, there are harrowing tales of how economic investments have provoked bloodshed, funded paramilitaries, or, in collusion with local states, have built barriers to a lasting peace.

We have learned that the real challenge lies in making businesses more accountable for their actions in areas where natural resources are located and where grievances over exclusion from the benefits of development remain high. The risks posed by economic investments in triggering or exacerbating conflict are equally significant if business ignores the local context and fails to consider their impact on communities and people's access to land and other resources.

Experience in places undergoing transition such as Mindanao, Aceh, and Myanmar point to the correlation between rapid expansion of energy, mining, and agribusiness investments and increases in community-level conflicts in areas where businesses operate. Under such conditions, relying on the compliance of companies to voluntary principles on conflict-sensitive practices is left wanting. Conflict-sensitive business practices turned on the principle that companies needed to voluntarily comply with certain standards—an inadequate approach nested upon existing laws that in late developing countries such as the Philippines were insufficient, weak, or flawed in the first place.

We knew that businesses needed to go beyond the do-no-harm framework and recognize that contributing to social impact is ultimately to their benefit. Different stakeholders, meanwhile, must also find a way to engage and collaborate meaningfully towards mutually shared goals.

“

**The story of DMGENCO shows how strategic engagement shaped the paradigm and practices of one of the biggest energy companies in the country and how different voices came together to pursue shared objectives.**

”

This is essentially the story of the DMGENCO: how strategic engagement shaped the paradigm and practices of one of the biggest energy companies in the country and how different voices came together to pursue shared objectives. This process, however long and laborious, led to new ways of engagement, dialogue, and collaboration owing to the mutual trust and respect that developed among members.

It has been more than a decade since Alert Philippines worked with business on peacebuilding issues. The journey has not always been smooth, but it has been a constant source of original thinking on the economics of peace. Alert owes this to the engaged interaction of champions from the private sector: Manuel 'Bobby' Orig of AboitizPower, Vicente Lao of the MinBC, and Rolando 'Chug' Torres, also of the MinBC. They asked the tough questions that enabled our partnership to withstand the test of time.

Despite its success, DMGENCO recognizes that a lot remains to be done. The DMGENCO story hopefully opens new vistas for state, civil society, and business cooperation for other energy firms in the Philippines, and the wider business community eventually.

Alert also hopes that the publication of *Power, Peace, and Place: Why firms account for their actions, Multi-stakeholder voices and the Therma South story* elicits new ways of thinking and engaging by companies, local governments, civil society, communities, and others seeking to create meaningful partnerships, one that will create results that redound to better outcomes in the everyday lives of ordinary men, women, and children where we are. •



**Manuel 'Bobby' Orig**  
DMGENCO Member  
Director, Apo Agua Infraestructura, Inc.  
Former First Vice President for Mindanao  
Affairs, Aboitiz Power Corp.

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# Foreword

**W**hen I was commissioned in 2010 by my boss, Montxu Aboitiz, to spearhead the campaign to establish a coal power plant between Davao City and Sta. Cruz municipality, I knew I was faced with a daunting mission. The people were averse to a coal plant as they had been deluged with messages from many sources that coal is harmful to the health of people and to the environment.

Moreover, a strong coalition of anti-coal advocates known as 'No to Coal' was organised and their leaders were able to attract a good following across the community. Greenpeace, the global campaigner for clean environment, also entered the fray. Their leaders were not receptive to our feelers for a dialogue.

I was afraid that if we fail to get a fair hearing from our opponents and explain the compelling benefits for building the plant and the measures that would be put in place to address their fears, the coalition's strong and vocal advocacy would sway public opinion to the extent that government decision-makers would be driven to take a position against the proposed plant.

It was against this backdrop that I had the good fortune of meeting the leaders of International Alert Philippines: Pancho Lara and Nikki de la Rosa. Alert is a London-based NGO that has been doing extensive peacebuilding and development work with government, business, and civil society groups in Mindanao. I requested Alert's assistance in linking us with the leaders of various groups that manifested their opposition to our proposed plant. Owing to the trusting relationships that Alert has built with these groups over the years, their leaders finally agreed to sit down with us in a series of meetings, with Alert acting as convenor and facilitator.

These meetings paved the way and eventually led to the organisation of the dialogue group, Davao

“

**DMGENCO and Alert decided to write this study to make the case that a firm's ability to account for its actions before its multiple stakeholders is the way to forge authentic and trusting relationships with them.**

”

Multi-Stakeholder Group for Energy Concerns or DMGENCO, whose overriding goals are to help Therma South, Inc. (TSI) live up to its commitment to build and operate the coal plant with the least adverse impacts to the environment and, just as important, adopt conflict-sensitive business practices, a crucial element for achieving peace. These goals are also integral to Alert's advocacy.

DMGENCO is composed of nine reputable members from Davao City and Sta. Cruz municipality, the site of the coal plant. They share a common interest for Mindanao to acquire dependable and reasonably-priced sources of electricity and for advancing and protecting the well-being of the host communities of the plant. They enthusiastically joined DMGENCO'S cause as volunteers.

These members joined DMGENCO in their individual capacity—a policy adopted by the group to keep members' attention focused on the agenda. As such, they cannot represent the organisation/s they may be affiliated with or speak to the public or media about the activities of DMGENCO. Three representatives from TSI complete the cast of regular members. Two leaders from Alert act as coaches, facilitators, and advisers.

This study, ***Power, Peace, and Place: Why firms account for their actions, Multi-stakeholder voices and the Therma South story***, was perceptively written by Phil Champain, a former leader of Alert who is based in London with years of experience working in the Philippines. His sources included

published materials and a wealth of information provided and/or obtained from his interviews with DMGENCO members and Alert leaders. He chronicles, sheds light, and synthesises the theoretical underpinnings of the work done by DMGENCO with the assistance of Alert, working pro bono, in helping TSI pursue its above-stated overriding goals.

The Aboitiz Power Corp. sought to build and operate the TSI plant to alleviate the worsening power supply situation that had bedeviled Mindanao since 2012. Just as I feared, navigating the issues and concerns of the community and even government, pertaining to the operations of a business that they perceived poses harm to the health of people and the environment, was a formidable challenge.

DMGENCO and Alert decided to write this study to make the case that a firm's ability to account for its actions before its multiple stakeholders is the way to forge authentic and trusting relationships with them. We also strongly believe that we have found a novel approach that has proved viable for productively working with them. We sincerely hope that other companies will be able to benefit from our learning and experiences. •

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## Abbreviations and acronyms

<b>AIM</b>	Asian Institute of Management
<b>ARMM</b>	Autonomous Region in Muslim Mindanao
<b>AEV</b>	Aboitiz Equity Ventures Inc.
<b>BARMM</b>	Bangsamoro Autonomous Region in Muslim Mindanao
<b>BRGY.</b>	Barangay
<b>CEO</b>	Chief executive officer
<b>CSEG</b>	Conflict-Sensitive Economic Governance
<b>CSR</b>	Corporate social responsibility
<b>DMGENCO</b>	Davao Multi-Stakeholder Group for Energy Concerns
<b>EVLN</b>	Exit, voice, loyalty, neglect
<b>LGU</b>	Local government unit
<b>KII</b>	Key informant interview
<b>MILF</b>	Moro Islamic Liberation Front
<b>MinBC</b>	Mindanao Business Council
<b>MMG</b>	Mindanao Multi-stakeholder Group
<b>MNLF</b>	Moro National Liberation Front
<b>NPC</b>	National Power Corporation
<b>TSI</b>	Therma South, Inc.

# Executive summary

**T**his study examines the collaboration between a private sector energy firm, civil society actors, and local government executives that aimed to maximize the benefits of non-renewable yet reliable energy provisioning to local economies and the social welfare of local communities, while reducing the negative externalities that are often depicted in studies of non-renewable energy.

This study trains the spotlight on the actors, rules, and processes that were central to the success, as well as the challenges, faced by both sides in this novel relationship. This is the story of cooperation and engagement between the Davao Multi-Stakeholder Group for Energy Concerns (DMGENCO) and Therma South, Inc. (TSI), a coal-powered power station located between Davao City and Sta. Cruz municipality in Davao del Sur in the island of Mindanao.

The engagement began with a face-to-face meeting on 28 June 2013 between TSI and various civil society stakeholders facilitated by International Alert Philippines, a third-party international non-government organisation (NGO) working on peace and development issues. The consultation was an opportunity to express to TSI the concerns and needs of multiple stakeholders from civil society, particularly from the communities that would be directly affected by the energy company, and the local governments where the business would be located, and vice versa.

Among the outcomes of the initial meeting was the establishment of the dialogue group called

DMGENCO. Since then, there have been no less than 50 encounters between the different stakeholders, where many discussions, planning and problem-solving sessions, and learning activities were undertaken. DMGENCO members were keen to record the learning from the collaboration with TSI in the hope that it may help other companies and community groups work together in an effective and efficient manner.

This study is **useful** in enabling an inclusive and conflict-sensitive approach to the problems faced by other energy projects that are already operating, or are in the pipeline in the Philippines and elsewhere in Southeast Asia—a region where the biggest investments in energy generation will be rolled out in the next 10 years. The study is also **relevant** to corporate investments, enterprises, and firms in other business sectors where stronger cooperation between market, state, and civil society can help ensure firm success, welfare gains, and overall economic development.

Finally, this study is **opportune** in the context of the recent pandemic and the evolving discussions about

a 'new normal' that may include a shift in the type of energy and energy-provisioning that will shape the future.

### Why do firms account for their actions?

This study poses an important question at the outset: why do firms account for their actions? The answer lies between two contending frameworks in mainstream economics.

The first argues that human beings are rational, self-serving individuals who make choices and decisions based on tangible economic rewards and outcomes that must be achieved at the lowest possible price. This is not out of the ordinary, and in political economy terms, rational choice theory has shaped explanations about the behaviour, tendencies, and the outcomes of many policy and price decisions made by firms, states, and civil society.

However, there is a second framework that draws upon the thesis of 'economic embeddedness' or the notion that choices are not solely determined by the price mechanism, but by other metrics as well, such as social capital, reciprocity, or redistribution.<sup>1</sup> People are seen to satisfy other 'ends' or needs that are distinct from purely economic interests when they decide to engage in market exchanges.

This study saw the merger of these two frameworks in a third theoretical pathway that combined both the pressures of the market as well as the social foundations of economic actions. We refer here to the notion of socially inclusive markets and economic practices that is best exemplified by Hirschman's theorising about how people could influence or shape markets and prices through the process of exit, voice, and

loyalty (EVL).<sup>2</sup> It is this third pathway that guided this study, together with the adjunct approaches of corporate social responsibility (CSR) and conflict-sensitive business practice.

Why are these theories important in our analysis of the DMGENCO-TSI partnership?

Obviously, a firm that decides to increase its transaction costs beyond what is necessary to start production and sustain operations may not be offering the optimum yield or return on investments made by its owners, shareholders, and other stakeholders. It can turn out to be ineffective and inefficient because participation entails higher transaction costs, and those costs can only be accepted if collective action yields an economic return higher than the sum of all the outputs of each member.<sup>3</sup>

To offset these concerns, many companies with strong CSR commitments claim that more transactions also translate into other returns in terms of reputation, risk management, and customer loyalty. This explains why over the past decade, CSR has evolved from being 'nice to have' to being 'necessary to have', that is, a strategic priority for businesses, both big and small. Globally, many companies are sticking to their sustainability commitments regardless of politics.

However, how much of these CSR commitments are just a way of avoiding a bad public image? Coal is the main driver of TSI and a major enemy of environmental activists addressing the impacts of climate change. This nexus is important when one considers the impact of fossil fuels on the increasing vulnerability of the Philippines to intense cyclones and destructive weather systems.

<sup>1</sup> K. Polanyi, "The Economy as Instituted Process," in *The Sociology of Economic Life*. eds. M. Granovetter and R. Swedberg (Boulder, Colorado: Westview Press, 2011).

<sup>2</sup> A. O. Hirschman, *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States*. (Cambridge, Massachusetts: Harvard University Press, 1970).

<sup>3</sup> The classic work of Alchian and Demsetz (1972) on the basis for teamwork or groupwork argued that teamwork should yield an output higher than the sum of the individual outputs of each team member, the same requirement that justifies collective action. ( $Y > X_i + X_{ii}$  or  $X_i \dots X_y \neq Y = X_i + X_{ii}$ , where Y is yield and X is individual output).

Finally, business is an important local actor in peacebuilding, with links to many different political and economic stakeholders. By providing jobs, generating taxes, and purchasing land, private sector businesses (particularly those in the agribusiness and extractive sectors) are key players in the political economy of conflict-affected Mindanao.

## Context

The context within which DMGENCO emerged was essentially one of an energy-starved region ignored by investors due to ongoing conflict and instability. Regular brownouts and the unreliable hydropower plants of the government's Agus-Pulangi complex presented Aboitiz with an opportunity to meet a genuine and urgent public demand as well as to expand its energy business.

To be sure, the only reliable expectation that people in Mindanao had about energy then was to expect it for half a day and with no certainty as to when it was available. The severe desire to secure electricity made it an urgent issue for majority of the region's population—blocking out or dampening other social or environmental concerns. Indeed, Aboitiz could have gone ahead and continued with the use of fuel-fired energy plants, barges, or coal plants, and local opposition would be close to nil because of the public clamour for reliable electricity.

However, a local environmental lobby with strong connections to national and international environmental groups threatened to thwart the company's plans by getting the local government to prohibit the building of the plant.

Aboitiz has been operating in Mindanao since the 1930s and was determined to find a way forward despite the opposition and a history of legal battles between consumers and producers over electricity prices. Aboitiz knew that the public's desperate demand for electricity meant that the odds were in its favour in any future political battle, but it

recognized that finding a solution would need to mitigate any reputational risks to the social capital the company has built over decades.

Aboitiz also has a stated aim "to drive economic and social development" together.<sup>4</sup> The company's values should be assessed with the knowledge that it listed its holding company Aboitiz Equity Ventures Inc. (AEV) and its subsidiary and holding company for its power businesses, Aboitiz Power Corp. (AboitizPower), on the stock exchange, highlighting the vulnerability of its shares to poor reputation management.

In the meantime, International Alert Philippines set out to engage the private sector at a time when companies struggled to see a role for themselves in the peace process. Traditional approaches to peacebuilding and human rights have arguably worked on building alliances among the marginalised and the excluded, and using these alliances helped to put political pressure on the powerholders, including large corporate players. Alert's approach was different in that it recognised the importance of working with the included to address the needs of the excluded.

These conditions brought the two organisations together.

## Before and after DMGENCO

The breakthrough and vision for DMGENCO came from a partnership between company representatives and Alert. This was the critical juncture. Indeed, an NGO like Alert that is trusted and with an established track record of working effectively with civil society and local government units (LGUs) was critical to DMGENCO's success. It was important that those invited to the DMGENCO group came as individuals with insight, rather than as representatives of specific groups and agendas. Having said this, it was also important that the participants came from the community, local government, activist, and business sectors.

<sup>4</sup> "Good Corporate Governance", Aboitiz Group, <https://abotiz.com/corporate-governance/>.



DMGENCO members share a light moment during their assessment meeting on 5 February 2016.

📍 May Che Capili/International Alert Philippines

"While the DMGENCO has a specific task to monitor and assess, it is also a dialogue group between different voices and aspirations."<sup>5</sup>

What followed was the development of a group process with an enabling dynamic. Handpicked members of the group were able to voice and then solve problems to build trust, relationship satisfaction, and loyalty. Referring to Hirschman's EVL framework, this prevented those involved from exiting the group and held the company accountable through an effective dialogue process. Problems included fly ash, respiratory problems, maritime security, odour, and job opportunity. The group also brought in specialist resource persons with critical perspectives to inject knowledge and perspectives that aided problem-solving.

### Why did AboitizPower account for its actions?

To understand why Aboitiz chose to account for its actions in this way, we need to look at the social capital wrapped up in the relationships between company staff and others in the wider community. If Aboitiz had not chosen to account for its actions in the way it did, it risked losing the social capital earned over decades—social capital that was so critical to its existence and sense of meaning.

Motivation went beyond the bottom line (though the opportunity for doing good business was central and DMGENCO reduced the financial risk for the company) to embrace the company's attachment to place. The social networks of the individuals involved combined to create a shared sense of belonging to the area where the TSI project was implemented.

<sup>5</sup> DMGENCO Terms of Reference.



DMGENCO members pose for a photo during their meeting on 2 December 2015.

📷 May Che Capili/International Alert Philippines

The key to explaining why the individuals involved in DMGENCO were able to embark upon a collective and collaborative journey lay in the social networks of those involved. These networks indicated a sense of belonging to Davao and Mindanao. They enabled the leap to be taken and the critical junctures to materialise.

DMGENCO has had its detractors, for example, over the complex and unresolved issue of resettling the 245 families living near TSI and, in the longer term, the growing climate change crisis, which will make it increasingly difficult to justify the use of coal, however clean.<sup>6</sup> Nevertheless, it stands out as a refreshing example of people with different perspectives coming together to think collectively about what is in the best interests of those living in a place they all care about and depend upon.

## Conclusions

Five key factors explain why Aboitiz embarked upon the DMGENCO process and why it managed to be effective.

**First and most significantly, the willingness of civil society leaders to engage with the firm plus the social networks of the individuals involved, combined to create a shared sense of belonging to the area where the TSI project was implemented.**

DMGENCO included village leaders, both Muslim and Christian, who provided a regular source of feedback and local incident reports from families, clans, and their other social networks about critical issues and criticisms on the minds of those directly affected by the project. It also included an educator, a Catholic priest, and a former city councilman from Davao City who brought with them a deep social and grassroots orientation and an abiding knowledge and understanding of the contending issues at the local and national level.

These powerful contacts enabled TSI, and later DMGENCO, to hit the ground running in strengthening their relationships with the community.

**Second, 'voice' was central to determining loyalty to the DMGENCO partnership and preventing**

<sup>6</sup> Although the development of TSI did not displace any communities, DMGENCO did become involved in addressing the plight of the neighbouring barangays (or villages) of Inawayan in Sta. Cruz, Davao del Sur and Binugao in Davao City.

**individuals from exiting the initiative. Members felt able to bring problems to the group.** A constant process of criticism and reform, recasting and replanning enabled the members to react and respond swiftly to the brewing concerns of its multiple stakeholders.

**Third, the ability of the group to address and solve problems that were voiced was critical to the building of trust.** The combination of voice and effective problem-solving established relationship satisfaction, which sustained the group process. The process of constant learning through the calibrated and targeted mobilization of resource persons that could help in problem-solving was so effective in predicting future crises and heading them off before they could erupt.

**Fourth, the facilitation of Alert Philippines was crucial, especially in building the needed trust that could bridge business and civil society actors.** Alert also ensured that the boundaries of the company's understanding of CSR would include peacebuilding.

**Finally, the presence of champions at various levels within the Aboitiz company was central.** Environmental, developmental, and peacebuilding groups on the outside would not have been successful in fostering bargains and agreements without the presence of champions within the organisation.

These champions spoke on behalf of the other stakeholders outside the firm, in many crucial encounters and meetings, especially those pertaining to security and human rights. They were the first to take the view that "security is not about plant security, but the security of the community." They have been with Aboitiz for many years and were mostly involved in community relations or working with the public—the sort of people within the organisation who established ties and built real social capital with clients, consumers, and communities. They were trusted by the top management and, without them, there would have been no momentum behind institutional change.

The factors explaining why companies account for their actions are evolving and multi-layered. This study can serve as a valuable contribution to understanding this evolution. In a world where divisions between corporations and civil society groups remain wide and fractious, this study points to how these divides can be bridged for collective gain.

Inclusion of the type we saw in this novel partnership requires dialogue that can generate meaning that goes beyond the bottom line of a company, drawing business executives and civic leaders into informed, joint problem-solving based on the commitment of all to a shared sense of place.

This is a story, therefore, not only of energy and power, but also of economics and geography. The uniting commitment of all those involved to the place and community where TSI took root should not be underestimated. Neither should the importance of access to energy as a factor in maintaining peace and development. And at the heart of everything remains the handling of power dynamics between corporate giants such as Aboitiz, their shareholders, and the wider community. The story of DMGENCO is ultimately a story of how those involved worked creatively at the nexus of these three interdependent needs—power, peace, and place—to achieve positive outcomes. •

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**The story of DMGENCO is ultimately a story of how those involved worked creatively at the nexus of these three interdependent needs—power, peace, and place—to achieve positive outcomes.**

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The coal dome of Therma South, Inc. plant under construction.

📍 Therma South, Inc.

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# Introduction

**Aboitiz** is a private sector company that has been actively engaged in Mindanao for over eight decades. It began operating the Jolo Power Company in the 1930s. Over this period, the concept of CSR for big businesses has risen steadily in the agenda of chief executive officers (CEOs) and community activists globally. The nature of CSR in fragile states has also become a focus of policy



discussion, initially triggered by International Alert's seminal *The Business of Peace* report, followed by the more comprehensive Conflict-Sensitive Business Practice 'toolkit'.<sup>7</sup>

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<sup>7</sup> J. Nelson, *The Business of Peace: The private sector as a partner in conflict prevention and resolution*, (London: International Alert, Council on Economic Priorities, Prince of Wales Business Leaders Forum, 2000), <https://bit.ly/3wp7e4e>; International Alert, *Conflict-Sensitive Business Practice: Guidance for Extractive Industries*. (London: International Alert, March 2005) <https://bit.ly/3yHj1wS>.



Construction workers walk in front of the coal dome site.

📍 **Therma South, Inc.**

In the Philippines, International Alert has further elaborated on this initial research and company engagement through deeper studies on shadow economies and the development of ‘Red Flags’ for businesses considering investing in conflict-affected regions of Muslim Mindanao.<sup>8</sup> In addition, Alert has pioneered the concept of ‘Conflict-Sensitive Economic Governance’ (CSEG), a path that has led it to the door of AboitizPower and its efforts to establish a new coal-fired power plant in conflict-affected and previously energy-starved Mindanao.

This study traces the evolution of DMGENCO, a dialogue initiative initially driven by AboitizPower and Alert to address conflict and development issues relating to the development of Aboitiz’s new TSI power plant in Davao del Sur, the local community affected by this project, and wider civil society concerned with environmental and social justice in Mindanao.

It is argued that DMGENCO offers a model of business-civil society collaboration that strengthens capacities to challenge structures that block

<sup>8</sup> F. J. Lara, Jr. and S. Schoofs, eds, *Out of the Shadows: Violent Conflict and the Real Economy of Mindanao*, (Quezon City: International Alert, 2013); International Alert Philippines and Mindanao Business Council, *Red Flags on Equality and Diversity in the Workplace*, (Quezon City: International Alert, 2017).



peace and development. This flies in the face of arguments of some commentators that a company's licence to operate in Mindanao (and by extension in other conflict-affected contexts) derives from its ability to meet the needs of those a step removed from the local community, namely, shareholders, state actors, and rebel groups. The study delves into why AboitizPower is motivated to seek a community-based licence to operate and why community stakeholders were willing to enter into such a venture.

While some problems remain unresolved, notably the relocation of families neighbouring the plant and whose future in the face of rising sea levels is

uncertain, this case is ultimately a positive story, mapping the convergence of solid social values and needs, economic and business interests, local politics, and skilled process management (more details on the relocation issue are provided by a vignette titled "Conflict-sensitising a resettlement process through an effective tripartite partnership" on page 35). It shines light on the reasons why some companies and communities can break away from destructive relationships dominated by polarisation and conflict to create more constructive alliances characterised by collaboration and joint problem-solving. Such relationships are driven by a variety of both external and internal factors, with social networks at the heart.

This study draws on some aspects of rational choice and economic embeddedness theories including the ‘exit, voice, loyalty, neglect (EVLN)’ framework and is situated within broader studies relating to CSR, climate change, and conflict.<sup>9</sup> It is informed by nine semi-structured key informant interviews (KII) with those directly involved in the DMGENCO group, including from AboitizPower, TSI, International Alert Philippines, the affected barangays (or villages) of Inawayan in Sta. Cruz, Davao del Sur and Binugao in Davao City, Davao del Sur, local city and municipal executives, and the wider community of activists working to address injustices associated with mining and coal use in Mindanao. These interviews serve as the bases for identifying the key drivers and dynamics elaborated upon in the following sections.

A ‘before and after’ analysis is used to identify the critical junctures that indicate when the situation ‘before’ DMGENCO shifted to an ‘after’ period of change and innovation. This ‘after’ period of the DMGENCO story is then documented, before conclusions are drawn, to help clarify the difference DMGENCO represented and to respond to the question ‘why do firms account for their actions?’. We begin by identifying some of the literature informing this study before outlining the context in Mindanao that shaped DMGENCO. The before and after comparison follows, after which key analysis sets up some conclusions.

In answering the question posed by this study, it is hypothesised that TSI chose to be accountable in the way it did, through the DMGENCO process, because of the social capital it had accumulated since the 1930s. Risking this social capital by attending only to its bottom line would make its other operations vulnerable to severe reputational risk, not from global monitors but from the local communities it is embedded within, such as those in Sta. Cruz and Davao City.

<sup>9</sup> Hirschman, 1970, Op. cit.; C. E. Rusbult, et al., “Exit, voice, loyalty, and neglect: Responses to dissatisfaction in romantic involvements,” *Journal of Personality and Social Psychology*, 43 No. 6 (1982).



Therma South, Inc. turns over fishing boats to fisherfolk in Brgy. Binugao and Brgy. Sirawain in Toril, Davao City.  
 © Therma South, Inc.



# Review of the literature

## Economic embeddedness

This study posed an important question at the outset: why do companies account for their actions?

Why do they aspire to other goals apart from creating jobs and livelihoods, sharing technology and infrastructure costs, and paying their taxes? Why do they want to engage with local communities, families, and traditional leaders, instead of just following the law and doing no harm?

The answer is bounded by two frameworks in the standard economic literature.

The first frame of reference rests upon the two fundamental postulates of classical and neoclassical economic theory: the first one is 'rationality,' that is, each person will uphold his self-interest in economic decision-making; and the second one is 'scarcity of resources,' which requires society to allocate resources to their most effective use as valued and determined by the price mechanism.

Paraphrasing Adam Smith's argument about the 'butcher, brewer, and baker,' the first frame of reference argued that rational people acting on their own self-interest will bring about outcomes that are beneficial and equitable for the rest of society.<sup>10</sup>

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<sup>10</sup> A. Smith, *The Wealth of Nations*, (1776). This is often referred to as the 'unseen hand' thesis in economics, where each one's hand, or self-interest, acting and moving in the same direction, will lead to optimal economic outcomes. Smith (Ch 2, 23-24) argued that, "It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own self-interest. We address ourselves not to their humanity but to their self-love, and never talk to them of our own necessities, but of their advantages."





A mother and child smile for the camera after receiving free school supplies during one of AboitizPower's corporate social responsibility events. © Therma South, Inc.

For example, in terms of energy provisioning, one can say that the rational choice is to use non-renewable energy because of its reliability, availability, and affordability. Rationality also means that creating a mechanism for dialogue and participation can alter hostile impressions and lower the cost of disputes and conflicts.

The second frame of reference draws from Polanyi's thesis of 'instituted economies' and 'economic embeddedness' or the notion that choices are not solely determined by price mechanisms, but also by other metrics such as social capital, reciprocity, or redistribution.<sup>11</sup> People are seen to satisfy other ends or needs that are distinct from purely economic interests when they decide to engage in market exchanges.

Other social scientists have used this lens to argue that rational interests and decisions are not only about tangible economic returns, but also bound by reciprocity, shared values, and morality.<sup>12</sup> Polanyi's thesis about market embeddedness also meant that economies were not above nor autonomous from societies and communities. Markets sprung from or were 'instituted' by society. Because they were instituted, they could be 'governed'.<sup>13</sup>

In terms of energy provisioning, the notion of embeddedness means that place matters, that is, the company values the trust and confidence it has built between itself and local communities in the areas where it originated or operated in the past. Social capital built between company and society is an important value-added.

The third theoretical pathway merges rational choice with social embeddedness in analysing the social foundations of economic actions. Hirschman's

theorising trained the spotlight on the means whereby people could influence or shape markets and prices through the process of exit, voice, and loyalty.<sup>14</sup> Hirschman hypothesised that the ability to use EVL to improve products and services also required inclusiveness as a hallmark of a productive economy. Hirschman's EVL framework offers some points of reference when it comes to social inclusion given a general lack of consensus about what makes for a cohesive community.

### Inclusion and cohesion

The theory of social inclusion, including related theories of social capital and social cohesion, illustrates the core idea in this study that inclusive, cohesive alliances can enhance development opportunities.<sup>15</sup> Indeed, several theories have been developed hypothesising that an inclusionary economy is a more productive economy. Rodrik argues for the importance of high-quality institutions and context-based growth strategies that are tailored to local needs and constraints, hinting at the importance of designing growth policies with inclusion in mind.<sup>16</sup> This was no doubt part of the motivation of Aboitiz: to adopt strategies and policies that would propel the growth of its business while tailoring this to local needs.

Building trust was a key component of the DMGENCO initiative. The term 'trust' is significant in different ways. It chimes with definitions of social cohesion that emphasise process rather than output and to definitions of inclusion that focus on the more personal aspects of an individual's decision-making.

"Oxoby,<sup>17</sup> for example, conceptualised inclusion in two ways. **"First, inclusion affects one's beliefs (and perceived incentives) regarding the success**

<sup>11</sup> Polanyi, 2011, Op cit.

<sup>12</sup> M. Granovetter, "Economic action and social structure: The problem of embeddedness," in *The Sociology of Economic Life*, eds. M. Granovetter and R. Swedberg (Boulder, Colorado: Westview Press, 2011); J. Scott, *The Moral Economy of the Peasant*, (New Haven, Connecticut: Yale University Press, 1976); E. P. Thompson, "The Moral Economy of the English Crowd in the Eighteenth Century," *Past and Present* 50 (February 1971); 76-136.

<sup>13</sup> A. Portes, *Economic Sociology: A systematic inquiry*, (Princeton, New Jersey: Princeton University Press, 2010).

<sup>14</sup> Hirschman, 1970, Op. cit.

<sup>15</sup> M. Woolcock, "Social Inclusion: Its Significance for Development Theory, Research and Policy", (PowerPoint presentation, UNESCO, Paris, 2013).

<sup>16</sup> D. Rodrik, "Growth Strategies," NBER Working Paper No. 10050, Cambridge Massachusetts, October 2003.

<sup>17</sup> I. Baylis, et al., *Cohesive Societies Literature Review*, (The British Academy, 2019).



#### Juvilyn Inguito

(leftmost), former barangay secretary of Brgy. Inawayan, Sta. Cruz and member of DMGENCO, listens as women residents air their concerns about the planned community resettlement.

📍 May Che Capili/  
International Alert  
Philippines

**of investments and social capital. Secondly, inclusion affects the constraints and resources an individual faces in decision-making by affecting her beliefs regarding access to institutions.”<sup>18</sup>**

This study builds on these definitions of inclusion and cohesion to explore the processes at work within the DMGENCO initiative. Designing effective decision-making processes and drawing on the social capital of those involved were key aspects of building trust, inclusion, and cohesion.

Of course, the coal-fired power plant that is the focus of this study was, and is, operating in a context of prolonged violent conflict in Mindanao. The extent to which theories of inclusion and social cohesion can be applied in these contexts is an important consideration. In particular, the literature on inclusion points to trade-offs between promoting inclusion with respect to one group and creating exclusion with respect to another. This has long been a key dilemma facing those working in conflicted-affected contexts where identity politics can be at the root of the intractability of violence. How the DMGENCO

group dealt with this dilemma is an interesting question to consider and something that carries lessons for the wider peacebuilding community.

Having said this, it is also clear that measuring social inclusion and its impacts is a contested field. Not everything that can be counted counts and not everything that counts can be counted.<sup>19</sup> People should not be overly restricted in their thinking by definition, perhaps. Their collective capacities to care may ultimately trump issues such as inequality as an indicator of inclusion and cohesion. There is something of this at the core of DMGENCO. What is important is to examine the experiences of those involved in local efforts to build trust, inclusion, and cohesion.

### Corporate social responsibility

CSR is the principle by which companies integrate environmental and social factors into their operations and overall interactions with customers and shareholders.<sup>20</sup> Companies with strong CSR commitments can see returns in terms of reputation,

<sup>18</sup> R. J. Oxoby, “Understanding social inclusion, social cohesion, and social capital,” *International Journal of Social Economics*, 36, No. 12 (2009): 1133-1152.

<sup>19</sup> W. B. Cameron, *Informal Sociology: A Casual Introduction to Sociological Thinking*, (New York: Random House, 1963).

<sup>20</sup> A. Walker, “How CSR is changing in 2018,” MBASTUDIES, March 2018, <https://www.mbastudies.com/article/how-corporate-social-responsibility-is-changing-in-2018/>.



An AboitizPower employee helps a child paint the walls of their school in one of AboitizPower's corporate social responsibility events.

📷 **Therma South, Inc.**

risk management, and customer loyalty. Over the past decade, CSR has evolved from 'nice to have' to a strategic priority for big and small businesses. Globally, many companies are sticking to their sustainability commitments regardless of politics. In terms of social impacts, a 2017 Forbes article quoted Liba Rubenstein, senior vice president of social impact at 21st Century Fox, as saying that the shift toward social impact "reflects a growing consensus that the key driver for a company's pro-social program should not be some generic standard of responsibility or as penance for perceived negative effects, but rather as unique, measured, positive impact—human, environmental, societal, and financial".<sup>21</sup> This reflects the evolution of CSR as a concept initially limited to simply doing no harm or complying with the law to something businesses emphasise as important for their social impact.

Part of corporate social responsibility is being sensitised to violent conflict. In the context of

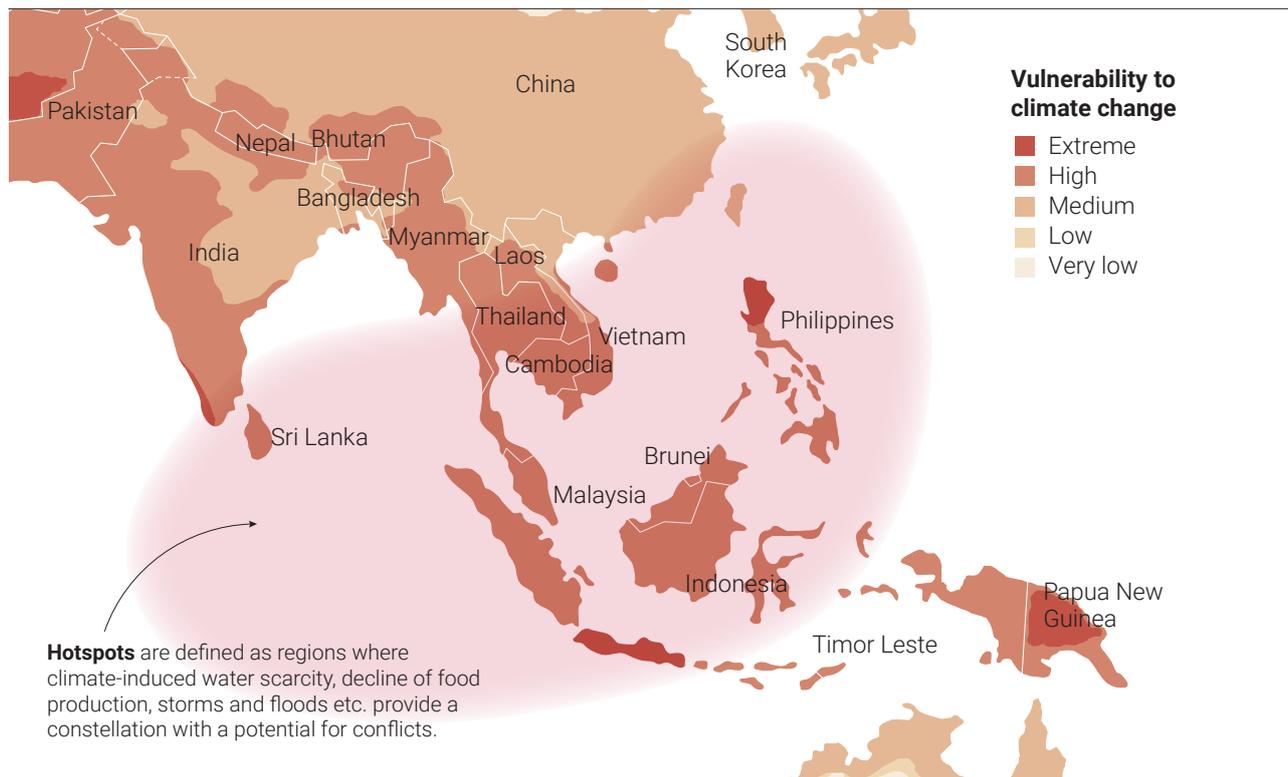
continued global insecurity and violence and the evolution of conflict-sensitive business practices, the UN Global Compact, the UN Guiding Principles on Business and Human Rights, and the Voluntary Principles on Security and Human Rights have been at the forefront of engaging business in thinking through the impacts of their operations in fragile states and their wider responsibility for peace and development. Many NGOs, lawyers, and businesses point to gradual progress in holding companies to account in terms of complicity in human rights abuses while recognizing that there is still much work to do.<sup>22</sup>

At the same time, the author of the Guiding Principles, John Ruggie, pointed to two illusions that add to the challenge of providing more effective protection to individuals and communities against corporate-related human rights harm, namely (1) "that this objective is best achieved by seeking to subject the entire bundle of business and human rights issues to some overarching

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<sup>21</sup> S. McPherson, "6 CSR trends to watch in 2017," Forbes, January 2017, <https://www.forbes.com/sites/susanmcperson/2017/01/19/6-csr-trends-to-watch-in-2017/#3c5eb0f8b1cc>

<sup>22</sup> J. Ruggie, "Progress in Corporate Accountability," IHRB, February 2013, <https://www.ihrb.org/focus-areas/benchmarking/commentary-progress-corporate-accountability>

**Map 1: Hotspots of potential climate-related conflicts in Southeast Asia**

Adapted from map produced by Zoë Environment Network, April 2018 and published in A. Kohli et al, 'Fragility and Conflict,' *Climate Change & Environment*, Number 5, July 2018, Bern, Switzerland: Swiss Agency for Development and Cooperation, 2018.

binding international legal instrument” and (2) “that the combination of voluntary initiatives, new management tools and the dissemination of best practices on its own will generate enough momentum for companies themselves to truly move markets”.<sup>23</sup>

In other words, neither legislation nor toolkits will ultimately be enough to shape the meaningful and effective collaborations between business, government, and civil society necessary to ensure that business investments in fragile states reach beyond the ‘do no harm’ benchmark and contribute positively to peace and development.<sup>24</sup> This background is important in that it situates the Aboitiz and DMGENCO experience in the context of wider concerns about how business is conducted in conflict-affected regions, and begs the question, what more should business be doing?

## Climate change and energy provision

The CSR practices of energy companies should also be considered in the context of climate change and the environmental lobby, which is active in Mindanao. CSR policies of the oil, gas, and mining industry, and their response to the UN Guiding Principles and Voluntary Principles initiatives explained above, are in large part a result of research and activism highlighting the environmental and political risks associated with the extractive industry.

On the political side, Terry Lynn Karl’s study *The Paradox of Plenty* drew attention to the connection between oil, gas, and coal extraction and corruption and political instability.<sup>25</sup> However, more central to the concerns of environmental activists in Mindanao is the connection between coal and climate change.

<sup>23</sup> “Five Years On – Prof. John Ruggie on the State of Business and Human Rights,” (Podcast, IHRB, June 2016), <https://www.ihrb.org/focus-areas/benchmarking/podcast-john-ruggie>.

<sup>24</sup> M. B. Anderson, *Do No Harm: How Aid Can Support Peace—or War*, (London: Lynne Rienner Publishers, Inc., 1999).

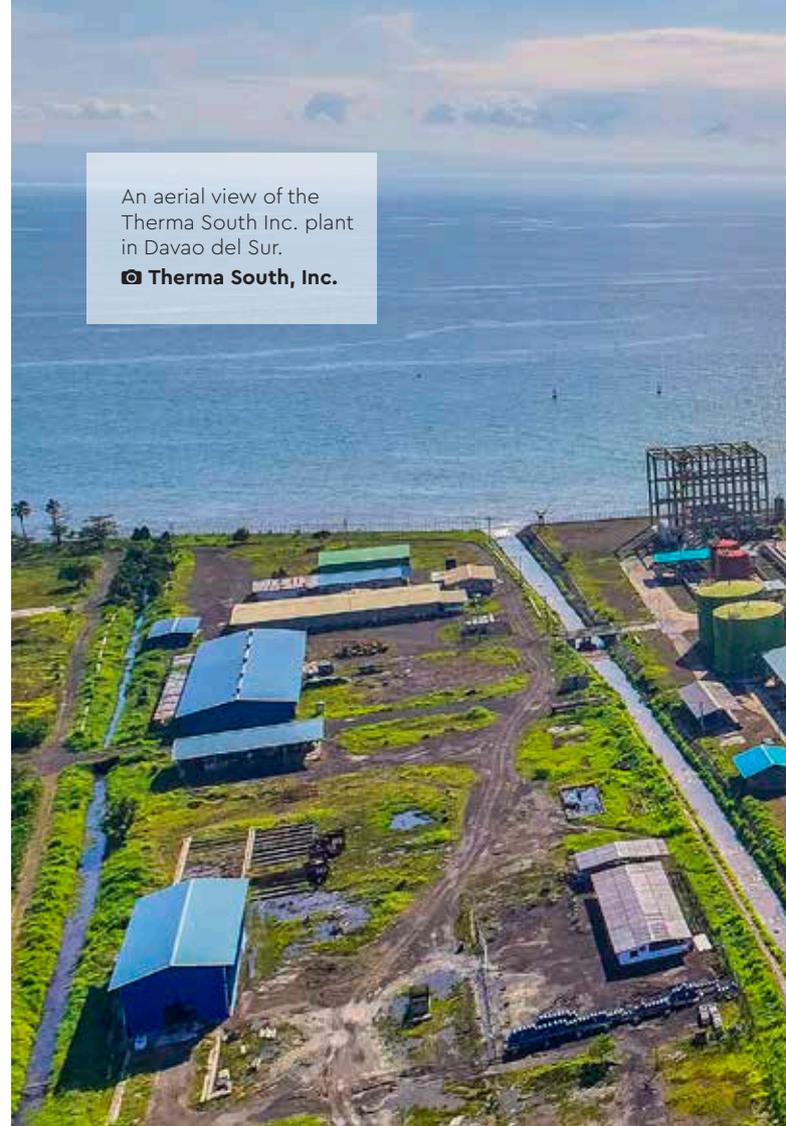
<sup>25</sup> T. L. Karl, *The Paradox of Plenty: Oil Booms and Petro-States*, (Berkeley and Los Angeles, California: University of California Press, 1997).

This nexus takes on greater significance when one considers the increasing vulnerability of the Philippines to intense cyclones and destructive weather systems. Indeed, the Philippines is in an area defined as a “hotspot where climate-induced water scarcity, decline of food production, storms and floods, etc. provide a constellation with a potential for conflict”.<sup>26</sup>

When it comes to coal, the overall picture is one of declining production. However, “coal continues to fuel climate change, supercharge extreme weather, poison our air, and consume precious fresh water”.<sup>27</sup>

Furthermore, the End Coal coalition estimates that “if plans to build up to 1,200 new coal-fired power stations around the world are realised, the greenhouse gas emissions (GHG) from these plants would put us on a path towards catastrophic climate change, causing global temperatures to rise by over five degrees Celsius by 2100. This will have dire impacts for all life on earth”.<sup>28</sup>

Climate change and demands to shift energy provision to low carbon renewables add further pressure for energy companies to change, from an environmental perspective. Furthermore, the literature here reminds us that we should not assume the provision of energy from renewable sources will necessarily be less likely than fossil fuels to generate social and political shocks. We have only to consider the impacts of hydroelectric projects in countries with weak governance to know the social and political risks involved. The Grand Inga Hydropower Project in the Democratic Republic of Congo and Agus-Pulangi hydropower complex in Mindanao are cases in point.<sup>29</sup>



An aerial view of the Therma South Inc. plant in Davao del Sur.

© Therma South, Inc.

For a global company such as the Aboitiz Group, the opportunity to respond to the need for energy in Mindanao is situated within its broader relationship with coal. It will become apparent as we unpack the DMGENCO story that the immediate, context-specific need for energy trumped the longer-term, broader need to move away from coal. However, the company should remain engaged with this broader, longer-term need.

Notably, AboitizPower remains the biggest renewable energy provider in the Philippines, with approximately 32% of its energy sourced from renewable sources. Balancing the need

<sup>26</sup> A. Kohli, et al., *Fragility and Conflict, Climate Change & Environment Nexus Brief*, (Bern, Switzerland: Swiss Agency for Development and Cooperation, 2018).

<sup>27</sup> “Coal,” Greenpeace, <https://www.greenpeace.org/international/tag/coal/>.

<sup>28</sup> “Climate change,” Endcoal, <https://endcoal.org/climate-change/>.

<sup>29</sup> P. Champain, “Changing energy provision – a peacebuilding opportunity?,” Open Democracy, January 2011, <https://www.opendemocracy.net/en/changing-energy-provision-peacebuilding-opportunity/>.



for renewable energy with the need for reliable, affordable energy should remain a priority for the company, while also sufficiently meeting the local economy's requirements for growth and development. AboitizPower recently announced that 65% of its new capacity will be sourced from renewables, resulting in an almost 50:50 clean energy/thermal capacity mix by 2029.<sup>30</sup>

### Peacebuilding in Mindanao

One of the defining features of recent approaches to peacebuilding in the Philippines is the framing of violent conflict as a dynamic played out on both horizontal and vertical axes. The vertical axis

represents rebellion-related violence stemming from conflict between rebel groups and the State. The horizontal axis represents community-based violence stemming from clan feuds and power struggles, often referred to as 'rido'.<sup>31</sup> These two typologies of violence are both distinct and intertwined.

Indeed, research has shown how success in tackling violence on one axis often leads to an increase in violence on the other (for example, the increase in horizontal violence after the signing of the peace agreement between the Philippine government and the Moro National Liberation Front or MNLF in 1996), as stakeholders shift tactics and find new arenas to

<sup>30</sup> Aboitiz Equity Ventures, Inc., Guided by Values for a Sustainable Future: 2019 Consolidated Annual and Sustainability Report, <https://bit.ly/3e35ruK>.

<sup>31</sup> F. J. Lara, Jr. and P. Champain, *Inclusive Peace in Muslim Mindanao: Revisiting the Dynamics of Conflict and Exclusion*, (London: International Alert, June 2009).

**Manuel 'Bobby' Orig** (leftmost) hosts a dialogue with the community and security sector on the plan to establish a coal plant in Davao City.  **Therma South, Inc.**



pursue their goals. These goals are not only political, but also economic, the former often dependent on the latter.<sup>32</sup>

Building on this, International Alert Philippines conceptualised the phenomenon of 'violent conflict strings' that morph from community-level conflict or clan feuds to rebellion and criminal violence, proving that violent conflicts cannot be examined through singular incidents but require an investigation of strings of two or more incidents and an exploration of how these can be effectively disrupted.<sup>33</sup>

These nuanced approaches to understanding violent conflict led Alert to the design of several

peacebuilding interventions prior to its engagement with TSI. The Mindanao Multi-Stakeholder Group (MMG) was one such initiative, representing an attempt to bring different community leaders together, including those from the business sector, to think about the nature of community-based violence and what they could do about it. The MMG initiative set out to establish hybrid institutions more able to grapple with the complexities of conflict dynamics, recognising the multiplicity of different institutions (rules and norms) at play in Mindanao. This was different from the dominant approach of tackling rebellion-related violence through a more simplistic framing of rebel group versus state, and it was through

<sup>32</sup> Lara & Schoofs, 2013, Op. cit.

<sup>33</sup> N. de la Rosa, "Disrupting Conflict Strings in Sub-National Contexts: Experience from Muslim Mindanao, Philippines," (Paper presented at the Violence Research Centre, Cambridge, September 2014).



the MMG that Alert initially connected with AboitizPower.<sup>34</sup>

An important factor here was the inclusion of the business sector in the framing of peacebuilding and dialogue.<sup>35</sup> Business is an important local actor in peacebuilding, with its links to many different political and economic stakeholders. By providing jobs, generating taxes, and purchasing land, private sector businesses (and in particular, those in the agribusiness and extractive sectors) are key players in the political economy of conflict-affected Mindanao.

“

**Business is an important local actor in peacebuilding, with its links to many different political and economic stakeholders.**

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<sup>34</sup> Rolando ‘Chug’ Torres and Vicente ‘Vic’ Lao of the Mindanao Business Council came to know of International Alert Philippines through the work of the MMG, and it was Chug Torres who later helped facilitate meetings between Aboitiz and Alert.

<sup>35</sup> N. de la Rosa, 2014. Op. cit.



A man stands on coal dust inside the Therma South, Inc. dome.  
© Therma South, Inc.

# Context

## Mindanao, conflict, and the energy question

Prior to the DMGENCO process and as early as 2011, the gap between demand for energy and its supply in the resource-rich region of Mindanao had been starkly manifest:

*"By 2014, it is estimated that this gap (between demand and supply of energy) will be -14%, resulting in rolling power cuts of up to six hours a day. Most energy is provided by hydro power and in particular from the Agus and Pulangi hydro power stations which are located in the Autonomous Region (in) Muslim Mindanao (ARMM).<sup>36</sup> The ARMM is the focus of continued fighting and dispute between the Government of the Republic of the Philippines (GRP) and the Moro Islamic Liberation Front (MILF)... In addition, strong local clans compete for the control of economic resources."<sup>37</sup>*

AboitizPower proposed to build a 300-megawatt (MW) coal-fired power station in Davao del Sur to help close the energy gap. The plant would use 'clean coal' technology that would keep emissions within legal limits and deliver energy at competitive prices. TSI construction began in 2012 and the plant was formally inaugurated on 8 January 2016.

<sup>36</sup> Of Mindanao's 1,274 MW power supply in 2011, more than 50% came from the Agus-Pulangi power stations. Peak demand for power in Mindanao, including a reserve requirement of 250 MW, was 1,597 MW. There are seven hydropower plants in the Agus-Pulangi complex, of which two are in Lanao del Sur, part of the ARMM, now called Bangsamoro Autonomous Region in Muslim Mindanao; four in Lanao del Norte; and one in Bukidnon.

<sup>37</sup> Champain, 2011, Op. cit.



**Jimmy Aboitiz** (left), then CEO and President of Davao Light & Power Co., welcomes then Davao City vice mayor **Rodrigo Duterte** (right) during the discussion on the plan to establish a coal plant in the city on 5 October 2010.  **AboitizPower**

Davao was a place Aboitiz was familiar with. Davao Light and Power Co., Inc., the electric distribution firm whose franchise covers Davao City and parts of Davao del Norte, is a subsidiary of AboitizPower.

What was uncertain back in 2011 was the impact such a power station would have on the dynamics of conflict. The past seven years had seen the emergence and ratification of the Bangsamoro Organic Law in January 2019, paving the way for the establishment of the Bangsamoro Autonomous Region in Muslim Mindanao (or BARMM, which replaced the ARMM). Despite this positive breakthrough in the peace process, many challenges remain, particularly those associated with the transition of an armed group—the MILF—to a peaceful, governing body.

As witnessed in the period following the peace agreement with the MNLF in 1996, agreements are no guarantee of sustainable, positive peace. Indeed, and as will be explained further below, horizontal conflict between local clans can escalate following

an agreement between a rebel group and the state that are engaged in vertical conflict, as local actors fight for control of economic and political capital within the parameters of the new agreement.

By the time of the first DMGENCO meeting, held on 28 June 2013, the importance and value of the proposed coal-fired power plant was, to a large extent, accepted by a wide range of stakeholders. Why was this the case when we also know that there was a strong anti-coal lobby and, at one point, a reluctant Davao City Mayor, Sara Duterte, daughter of the current president? The answer is rooted in the energy crisis during the years running up to 2013 and in the ongoing conflict between the MILF and the Philippine government.

While ongoing violence was and continues to be a barrier to investment and development, the situation was compounded by an energy shortage and looming energy crisis, with the population of Mindanao experiencing long brownouts on a daily basis and with businesses



Former Aboitiz Equity Ventures President and CEO **Erramon Aboitiz** disclose the plan to establish the Therma South, Inc. plant.  **Therma South, Inc.**

resorting to expensive generators to keep going. In 2008 the gap between dependable capacity of power plants in Mindanao of 1,510 MW versus demand, plus a safe reserve requirement, reached 13.1%. This gap was equivalent to the power need of five major cities in Mindanao.

The Agus-Pulangi hydropower plants suffered from heavy silting, with the National Power Corporation (NPC), the company running the operation, heavily in debt. The debt was due to subsidies applied to its electricity rates, to mounting unpaid bills to NPC by electric cooperatives, and to disputes over land ownership resulting in the refusal of a good number of consumers from Lanao del Sur to pay for electricity. There were few signs of new providers willing to invest, and the prospect of renewable energy technologies providing a solution (something espoused by an active environmental lobby) seemed decades away.

The evident gap in the market was an opportunity for AboitizPower, whose subsidiary, Therma

Marine, Inc., purchased two power barges with total capacity of 200 MW. It began planning for the construction of a new coal-fired power plant in the outskirts of Davao City. The amended Electric Power Industry Reform Act of 2008, which aimed to accelerate the privatisation of the energy industry, gave legitimacy to AboitizPower's purchase of the barges and its development plans. Furthermore, when President Benigno Aquino III came to power in 2010, he quickly made his support for coal-fired power plants clear. The Mindanao Business Council (MinBC) initiated the establishment of the Mindanao Electric Power Alliance, of which AboitizPower was one of the founding members. Coal power was firmly on the agenda of the Mindanao Power Summit in 2012.

However, AboitizPower was not exactly facing an open goal. Although a reliable and established service provider, particularly in Davao City, its leadership was very aware of the importance of reputation. Past labour strikes and a previous battle between consumers and producers over electricity



prices in the 1980s were reminders that pressure groups in Mindanao were organised and that there was no shortcut to a good reputation. Anti-coal and pro-environmental groups included Greenpeace and the effective 'No to Coal' coalition led by Dr. Jean Lindo (who was later invited to speak at a DMGENCO meeting). From 2010 to 2012, these groups were very vocal at public meetings about the coal-fired power plant, strengthened by Davao City Mayor Sara Duterte's opposition.

Indeed, a vice president at AboitizPower and the public face of the new power plant project admits it "was an uphill battle" to sell the project to the people:

"AboitizPower wasn't able to hold any meaningful dialogue with the opposition."<sup>38</sup>

A 40-year veteran of the energy industry, especially through his leadership role at the Aboitiz-owned Davao Light and Power, this vice president was on the lookout for a new approach. His track record and credibility were not enough to persuade enough people at the public hearings to trust this AboitizPower project. A meeting with International Alert Philippines was about to give him a new way forward. But before that important episode, an introduction about the Aboitiz Group will give additional insights into why the DMGENCO process evolved in the way it did.

<sup>38</sup> KII 1, 2018



Former president Benigno Aquino III (center) attends the inauguration of Therma South, Inc. on 8 January 2016.  
 © Therma South, Inc.

### Principles of the Aboitiz Group

The Aboitiz Group of investments covers power, banking and financial services, food, infrastructure, and land. Its mission is “to create long-term value for all our stakeholders”.<sup>39</sup> Its website further states that “The Aboitiz Group is now at the cusp of creating shared value, redefining the role of our businesses in our communities and society-at-large, as we aim to drive economic and social development together”.<sup>40</sup>

Interviews with Aboitiz staff involved in DMGENCO, both working for Aboitiz in Davao and in one sector

of this large family business, referred to the group’s values of integrity, innovation, teamwork, and responsibility.<sup>41</sup> Service excellence has recently been added.

The obvious question to ask is whether the Group lives up to these statements and values. One of the interviewees clearly felt it does. In his experience, the values and the reputation that go with it are the driving force behind the operation. As a leading company in the energy industry in Mindanao, he felt it was in fact Aboitiz’s responsibility to solve the energy problem.

<sup>39</sup> Aboitiz Group, “Corporate Governance,”

<sup>40</sup> “Our Businesses”, Aboitiz Group, <https://aboitiz.com/about-us/our-businesses/>.

<sup>41</sup> KII 1 & 2, 2018

**Figure 1: Aboitiz core values****We value Integrity**

We deliver on our promise with excellence whether or not someone is looking.

**We value Teamwork**

We respect each other and work as one toward a common goal.

**We value Innovation**

We constantly seek better solutions in everything that we do, embrace continuous improvement, and fearlessly challenge the status quo.

**We value Responsibility**

We support and participate in CSR and environmental initiatives that provide a better future. We show genuine concern for team members and we willingly contribute to the success of the organisation.

**We value Service Excellence**

We proactively anticipate customer needs, making it easy for them to do business with us. We respond to concerns with a high degree of urgency, quality and sensitivity.

Source: <https://aboitiz.com/about-us/the-aboitiz-way>

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**Values mean nothing unless you live them.**<sup>42</sup>

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A further indicator of the strength of these values may be in the amount the family gives away to good causes through its foundation. The Aboitiz family was by far the biggest philanthropic giver in the Philippines as of 2014 (see **Figure 2**).<sup>43</sup> Significantly, those heading CSR and reputation management have a seat on the management committee of the company.

In addition to its core values, the company's attitude to reputation should also be viewed with the knowledge that it listed its holding company, AEV, and its subsidiary and holding company for its power businesses, AboitizPower, on the stock exchange, highlighting the vulnerability of its shares to poor reputation management.

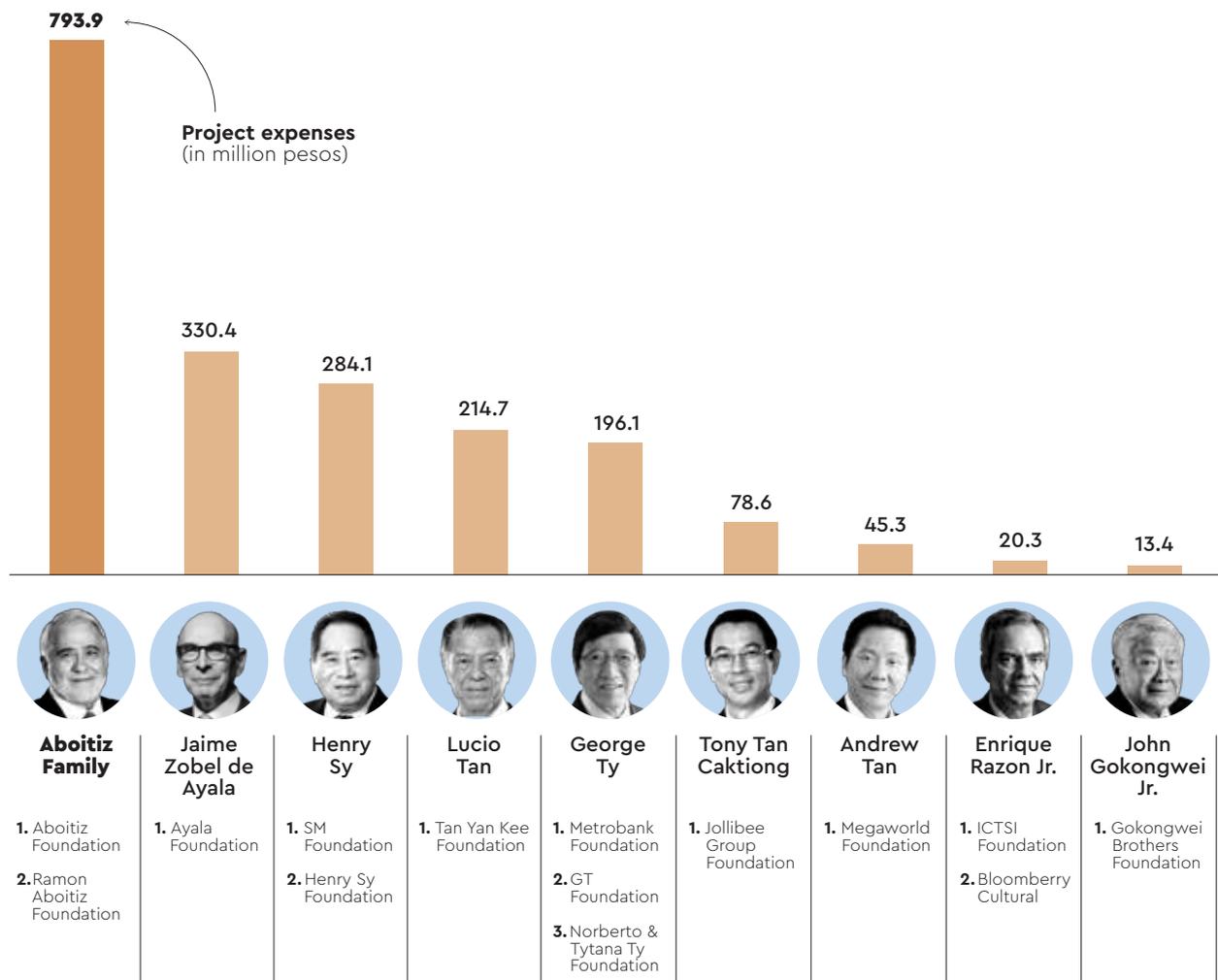
There is also no doubt about the firm's motivation to adhere to its stated values when it comes to delivering its services, as is the importance of customer retention for utility companies. The extent to which this was achieved through DMGENCO is the focus of the next section, along with a deeper exploration of the reasons why the company bothered to establish such an accountability mechanism in the first place and whether this motivation extended beyond shareholder satisfaction.

In developing the TSI coal-fired power plant in Davao, did Aboitiz live up to its commitments of creating long-term value for all stakeholders, advancing communities as well as business, and driving change for a better world?

<sup>42</sup> KII 1 & 2, 2018

<sup>43</sup> Forbes Philippines. "9 Richest Filipino Givers", Facebook, March 21, 2016. <https://bit.ly/3jQVMed>.

**Figure 2: Richest Filipino philanthropists and their foundations in 2014**



Source: Forbes Philippines

### International Alert Philippines's approach

Alert set out to engage the private sector at a time when companies struggled to see a role for themselves in the peace process. When the Memorandum of Agreement on Ancestral Domain of 2008 in effect expanded the territory for Muslims in Mindanao (since much of the area of the indigenous peoples were outside the ARMM), the private sector, and in particular those involved in the extractive sector, remained ill-informed. Alert identified this gap and began to draw them into its thinking, developing modules for business leadership programmes on CSEG with the Asian Institute of Management (AIM) and convening meetings between business leaders and rebel leaders.

One closed door meeting between the MILF leadership and business leaders, facilitated by Alert and the MinBC, was considered something of a breakthrough in engaging the private sector in the peace process. Buoyed by this success, a more public meeting was arranged. However, it became clear the MILF leadership was less comfortable with demonstrating their links with the private sector in public. The learning from this experience explains, in part, the decision to keep the DMGENCO process out of the public eye.

Some may consider the emphasis Alert put on engaging with business actors as elitist. Traditional approaches to peacebuilding and human rights have arguably worked on building alliances among

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**Finding solutions to violent conflict in Mindanao is not going to be achieved through zero-sum strategies. Dialogue is key, and within this process is the realisation that bargains will be struck.**

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the marginalised and the excluded, and then using these alliances to put political pressure on the power holders to change things. Alert's approach is different in that it recognised the importance of working with the included to address the needs of the excluded. Nested within this framing of dialogue between the included and excluded is the idea of bargains. For Alert, finding solutions to violent conflict in Mindanao is not going to be achieved through zero-sum strategies. Dialogue is key, and within this process is the realisation that bargains will be struck.





**Rex Maximales** (foreground), Sta. Cruz Municipal Engineer, presents to community members the proposed resettlement plan and revised housing design.  
© **May Che Capili/International Alert Philippines**

**Map 2: TSI and surrounding communities** (opposite page)



**VIGNETTE 1:**

by Manuel 'Bobby' Orig | DMGENCO Member

# The uniqueness of TSI's location

Some people ask us about the unique problems we encountered by locating the TSI plant in two barangays governed by two local government units. Our answer is none, except for two issues.

One was the barangays' insistence that they received a similar level of assistance or benefits. They used this as gauge of fair treatment by the company. To us, however, this was not an effective measure to address their needs. The other issue was the length of time it took for the two barangays to decide how to split the proceeds from the local business tax paid by the company.

On the first issue, we managed to get the two barangays to hold, in 2014, a Barangay Planning Session facilitated by an expert. This planning session allowed officials from both barangays to identify their community's needs, develop programs to address those needs, identify resources to be tapped, draw their order of priorities, and outline the expected output and impact. Since then, with TSI's help, the

two barangays have been holding annual Barangay Planning Sessions using the planning tools to map out and address their needs. This has made a lot of difference in giving the barangay officials a sense of control over the welfare of their people and their progress. It also made their demand for equal benefits as a measure of fair treatment irrelevant.

On the second issue, we realised that TSI could not accelerate the process of deciding a tax sharing scheme. The two LGUs understandably took the position that the issue could only be resolved through legal and legislative processes as these would enable them to ensure their decisions were politically defensible, or reflected the best interests of their LGU and constituents.

It took the two barangays more than six years to agree on how the 70% of the total local business tax would be shared. (The Davao City local government gets the 30%). Ultimately, both agreed that 60% of the 70% would go to Davao City, while 40% would go to Sta. Cruz municipality. •



Barangay boundary: Philippine Statistical Authority (PSA), 2015; Map produced by International Alert Philippines.

## VIGNETTE 2:

by **Francisco Lara, Jr** | International Alert Philippines

# Security of the community above all

**D**uring the construction of the plant facilities, TSI closed the beachfront behind the coal-fired plant and in front of the planned docking facility for domestic and international ocean-going vessels that would bring various materials to the plant, including coal from as far as North Kalimantan in Indonesia and elsewhere.

TSI explained that the area was declared as a permanent safety zone in accordance with the

International Ships and Port Facility Security (ISPS) Code as enforced by Philippine Ports Authority. The passage of heavy equipment brought great physical risks to persons or groups passing in close proximity to the construction site. The materials and equipment stocked in the area was also vulnerable to theft.

The closure of the beachfront became a critical issue for DMGENCO when representatives from local communities complained that they were now obligated to walk a longer distance from their houses to their boats, and from one village to the other.

Tensions began to rise between the community and the construction company, and matters came to a head when the international security firm contracted to provide protection to the company's operations was accused of intimidation and harassment by local residents. Community leaders spoke of how the



security guards were lugging high-powered firearms and threatening their constituents with physical harm and detention.

The matter was brought to the attention of Antonio Moraza, the president and CEO of Aboitiz Power Corp. at that time. A crucial and rather tense meeting was held where representatives of the contracted builders and security force, TSI officers, TSI community relations staff, and International Alert Philippines were present.

Moraza was furious at the insensitivity displayed by the contracted builders and the security firm. "Aboitiz believes that the security of the company is not about security of plant facilities and equipment, but the security of the community where we are located. Our job is to make sure that local people see us as their partners in development, and not their enemies."

Everyone in the room fell silent after hearing these words from the top official. It was clear that the flame for building social capital had been lit, and participants had been exhorted to adhere to the same values.

Aboitiz and TSI later directed the local builders and the security guards to station utility vessels and boats that could be used to transport people from their villages to their livelihoods, children to their schools, and enable neighbours to visit each other—without having to walk long distances. He also directed TSI to facilitate the acquisition of the Department of Environment and Natural Resources permit for the closure of the beachfront area.

The order was swiftly implemented and no further complaints were received. •



An aerial view of the Therma South, Inc. coal plant and its neighbouring community Brgy. Inawayan, Sta. Cruz.  
📍 **Therma South, Inc.**



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# Before & after **DMGENCO**

This section aims to set out the conditions prevalent before the DMGENCO process. The critical junctures that signalled the start of DMGENCO, ushering in the change, are then identified before the DMGENCO process itself is unfolded. This approach helps provide a handle on the question posed at the outset of this study, as it gets to the heart of the motivations of those involved in the process.



Fisherfolk in Brgy. Binugao, Toril test a new fishing boat handed over by Therma South, Inc. as part of the company's livelihood assistance project.  
**Therma South, Inc.**



**Francisco 'Pancho' Lara, Jr.** of International Alert Philippines and **Manuel 'Bobby' Orig** of Aboitiz talk during a DMGENCO meeting on 29 November 2016.  **May Che Capili/International Alert Philippines**

### Before: The lead-up to DMGENCO

Despite the looming energy crisis and the need for a quick solution, AboitizPower Vice President Manuel 'Bobby' Orig was very aware of the potential damage to the company's reputation that the proposed coal-fired power plant carried. He also remembered the dispute between Davao Light & Power Company and consumers back in the 1980s. Many of the figures involved on the consumer side of that issue were still local activists, including Iris Melliza (a champion of women's rights and education) and Peter Laviña (convenor of the Davao Green Eagles environmental lobby). Both would later be invited to join DMGENCO.

Having said this, there was also a tradition of dialogue within the city council, with business often sitting down with civil society to discuss issues. And it was at this time that International Alert Philippines

became active in Davao through its work with the MinBC. Bobby Orig's connections with MinBC through Executive Director Rolando 'Chug' Torres and Chairman Vicente 'Vic' Lao brought him into contact with Alert and it was here that the story of DMGENCO began.

Bobby Orig was invited by the Alert Philippines leadership (Francisco 'Pancho' Lara, Jr. and Nikki de la Rosa) to attend a session on CSEG run by the NGO at the AIM in April 2012. On the back of that experience, Bobby Orig invited Alert to talk to the TSI management in Makati City. A relationship was forming between Alert and AboitizPower that would be central to the DMGENCO process.

Alert's positioning alongside both business (through MinBC) and civil society was something new for Bobby Orig and it was this realisation—that the NGO

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**Alert Philippines' positioning alongside both business (through MinBC) and civil society was something new for Bobby Orig and it was this realisation—that the NGO could act as a 'third party'—that acted as a catalyst for the formation of DMGENCO.**

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could act as a 'third party'—that acted as a catalyst for the formation of DMGENCO.

This period before DMGENCO was one of positioning. Early community concerns centred on water supply and health. The proposed power plant would need to use up to 1,500 m<sup>3</sup>/day and there were concerns about where this water would be sourced and the effect this sourcing would have on the community water supply. In compliance with a Davao City Council requirement, the company commissioned an expert from the University of the Philippines to conduct a hydrological study, which concluded that there would be no need to drill for groundwater as the necessary supply could be sourced from the free-flowing springs available on the site. This was a promising starting point, but there was also a realisation that a third-party baseline study would need to be conducted to validate the company's findings.

Resettlement of 245 families in Sta. Cruz municipality presented another set of issues. These

families were and remain under threat from the effects of climate change, in the form of regular flooding. Resettlement was to be a key issue brought to the DMGENCO group and arguably the most difficult to handle, largely due to politics associated with the LGU (more on this below). At the time of writing, the resettlement issue remained unresolved. Although the development of TSI did not require neighbouring communities to move, the actions of the company to help facilitate resettlement due to the impacts of climate change did lead to contrary assumptions.

In addition to the concerns of barangays Inawayan and Binugao directly affected by the construction of the plant, it was clear that there were broader issues at stake. In 2013 it was forecast that by 2020 more than 50% of the power mix in Mindanao would be from coal/non-renewable sources.<sup>44</sup> This raised questions about the future of non-renewables and the role of AboitizPower in this field.

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<sup>44</sup> DMGENCO minutes, August 2013

### VIGNETTE 3:

by **Nikki Philline C. de la Rosa, Kloe Carvajal-Yap, and May Che Capili** | International Alert Philippines

# *Conflict-sensitising a resettlement process*

through an effective tripartite partnership

**A** coastal barangay, Inawayan in Sta. Cruz municipality in the province of Davao del Sur suffers from floods, particularly during the months of June to September, when the habagat or southwest monsoon brings frequent, heavy rainfall. The higher frequency of strong typhoons in recent years has also battered the area with rough seas and big waves.

The impact of the habagat and typhoon seasons, which coincide, has been dire on the life of the residents. Houses, schools, mosques and alleyways are submerged in flood water, and, when the rains

let up, stagnant pools of water put residents at risk of dengue and other water-borne diseases. Fisherfolk cannot launch their boats to sea.

A hazard risk assessment in 2014 by the local government of Sta. Cruz identified 11 coastal barangays as prone to flooding, of which one was Inawayan. In the barangay itself, the purok or zones of Linggisan, Kalapati, Agila, and Kanaway were particularly vulnerable, and 245 households, mostly Muslim and earning from fishing, needed to be relocated.



Photo-illustration of the community of Brgy. Inawayan, Sta. Cruz, one of the communities surrounding the Therma South, Inc. coal plant.

Brgy. Inawayan became one of two host communities of the TSI coal-fired plant, which began construction in 2012. Two residents sit as members of DMGENCO: Camar Sumping, who came from a family of fishermen and the brother of one of the Muslim community leaders from the Kalagan tribe, and Sobrecarey Hasan, who was older, also a Muslim, from the Tausug tribe. Both exercised community influence and commanded respect from other residents.

The two became the voice of the community in DMGENCO, sharing the difficulties and disruption caused by the flooding. Their practice of voice within the group encouraged them and the community to become more vocal to the local government and whoever they thought had the capacity to provide a more permanent solution to the perennial flooding problem.

The local government of Sta. Cruz heeded the call; TSI was resolved to help the host community; and DMGENCO listened to the urgency of the situation.

However, the independent efforts of each entity proved to be insufficient. The local government was hampered by a lack of resources. TSI's stop-gap response of using sandbags to fortify the sandbar to reduce flow of seawater into the area did not produce sustained results. DMGENCO knew the resettlement issue was one where acting towards a solution was imperative to enliven its objective of being a problem-solving platform. The three parties set out to work together to tackle the issue at hand.

DMGENCO facilitated a dialogue among representatives of the Sta. Cruz LGU, TSI, and the community to discuss salient aspects of the resettlement issue, explore viable solutions, and ensure the process was nuanced to conflict dynamics and cultural norms and practices. The series of meetings emphasised the need to minimise the adverse impacts of the resettlement on the community, especially on livelihood, security, and religious and cultural practices. This engendered the creation of Task Force Relocation by then Mayor Joel Lopez to oversee all aspects of the resettlement project.





Residents of Sta. Cruz municipality discuss their concerns on the proposed resettlement plan with Municipal Engineer **Rex Maximales** (wearing black pants).  
📷 **May Che Capili/International Alert.**

DMGENCO undertook parallel efforts to monitor potential conflict risks throughout the different stages of the resettlement process. It also had a central role in deepening the Task Force's understanding of the dynamics surrounding local policies, site development and physical infrastructure, and community relationships. A committee within DMGENCO, with Camar and

Sobrecarey as members among others, worked closely with the Task Force in monitoring the timelines and progress of the resettlement project, and conflict triggers that could arise from the process.

Resource persons invited by DMGENCO spoke to local government officials to ensure the design and physical



layout of the relocation site were suited to the local context and met cultural and religious requirements. A Tausug leader and member of the Sultanate of Sulu spoke to local government officials on the Tausug's way of life and the centrality of the clan in Muslim society. Another, with experience in organising disaster rehabilitation efforts among informal settlers, shared ways to deal with conflicts that emerge

from resettlement. These inputs and the constant engagement between DMGENCO and the Task Force informed the final design of the relocation plan.

In 2015, TSI donated a five-hectare property to the Sta. Cruz LGU to serve as the potential resettlement site. On 31 July 2015, Alert arranged the presentation of the resettlement project to then Department of

Fishing boats docked in the coastal area of Brgy. Inawayan, Sta Cruz with the Therma South, Inc. coal dome in the background. © Jorge Golle/International Alert Philippines

Social Welfare and Development (DSWD) Secretary Corazon 'Dinky' Soliman and her team. In attendance were representatives from the LGU, local community, fisherfolk association, DMGENCO, and International Alert Philippines. Sebastian Lacson, then vice-president at AboitizPower, was also present. The personages at that meeting, the commitment made, and the swift action taken after the meeting testified to the efficacy of the tripartite partnership between the community and civil society, the company, and the local government.



Immediately after the meeting, the DSWD-Disaster Response Management Bureau did a field visit to Brgy. Inawayan and the municipality of Sta. Cruz to fast-track the signing of the Memorandum of Agreement between DSWD and Sta. Cruz LGU as well as the approval of a Php17.7-million grant from the DSWD's Core Shelter Assistance Program. (The amount was based on 245 houses x Php70,000 per household). DSWD subsequently downloaded Php12 million for shelter construction and earmarked an estimated Php3 million for a cash-for-work program to be implemented upon the commencement of construction.

The resettlement, however, did not push through. The Sta. Cruz LGU of Mayor Lopez was overtaken by bureaucratic delays and was overtaken by the local

elections in 2016. A new administration occupied the municipal hall with new priorities that impacted previous headways made by the community, the company, and DMGENCO in delivering a satisfactory resolution to the issue of resettlement.

The outcome desired by all parties may not have materialised but something important and lasting nonetheless was achieved: the strong exercise of community voice in developing the relocation plan according to residents' needs; the effective bridge-building by the multi-stakeholder group and its animation of critical engagement; and the elevation of the company's notion of community engagement to one of parity. These elements will infuse any initiative in the future. This story, after all, is not yet over.





## VIGNETTE 4:

by Fr. Danny Montaña, RCJ and Iris Melliza | DMGENCO Members

# *Coal's flicker of light*

Reflections of a DMGENCO member on the Inawayan resettlement project

**T**he promise of a safe and secure home for the people of Inawayan—that is what the resettlement project signified for DMGENCO which strengthened our resolve as members in pushing for its realisation. A home, after all, symbolises the gifts of life, family, and harmony which are threatened by the perils of living in identified danger zones.

The trust placed by community members on the group's commitment and capacity to act imbued

DMGENCO members with a strong sense of responsibility. The group responded by initiating dialogues with the Sta. Cruz LGU, ensuring the participation of community members in the planning process, and creating a committee within the group to monitor the project's progress, of which I had the privilege of being part.

The journey, however difficult, was marked by victories worth celebrating—a result of the group's determination. Beyond prompting the participation



Community life in Brgy. Inawayan, Sta. Cruz, one of the communities surrounding the Therma South, Inc. coal plant.

📷 Jorge Golle/International Alert Philippines

of national government agencies in facilitating the resettlement project, the group's collaborative efforts also served to further hone DMGENCO's dialogue and problem-solving processes. The enthusiasm and vigour demonstrated by the DMGENCO members on this topic in every meeting sparked warmth and strengthened our collegial relationship, which was important in achieving the group's objectives.

Despite the time and effort devoted by members in seeing the project through, delivering the promise of new homes to community members was hampered by the bureaucracy and other factors beyond the group's control. Through it all, the group's commitment to the betterment of the community

remained firm even as the change in local leadership impeded the fulfillment of DMGENCO's promise.

Just as coal energy continues to brighten people's homes in Inawayan, DMGENCO continues to hope and seek resolution for the resettlement project. It will remain a battlecry for community members as they wait for the light to find its place in more than 245 households. When the time is ripe and when God allows, the group hopes that we can be witnesses to the resettlement project's fruition. In the meantime, DMGENCO will continue to bring together different voices to work towards the fulfillment of its promise of building better relationships and communities. •



DMGENCO members in a meeting on 28 March 2019. © May Che Capili/International Alert Philippines

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**Everyone involved in the DMGENCO process had a stake in the future of peace and development in the region.**

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As more companies started operating on the back of renewed political support for coal due to the looming energy crisis, there was also concern about ethical behaviour among energy firms generally and the impact of this behaviour on AboitizPower. As a member of DMGENCO later asked, “what would be the incentive for AboitizPower to continue its ‘doing good’ practice (rather than ‘doing no harm’) when peers within their industry aren’t?”.<sup>45</sup> OSR practice within the broader energy sector in Mindanao was clearly something of interest to those linked to the DMGENCO process. This led to the realisation that Aboitiz was, in fact, potentially setting a benchmark for the energy industry.

A final set of concerns at play in the context of the DMGENCO process relate to ongoing conflict

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<sup>45</sup> Ibid.

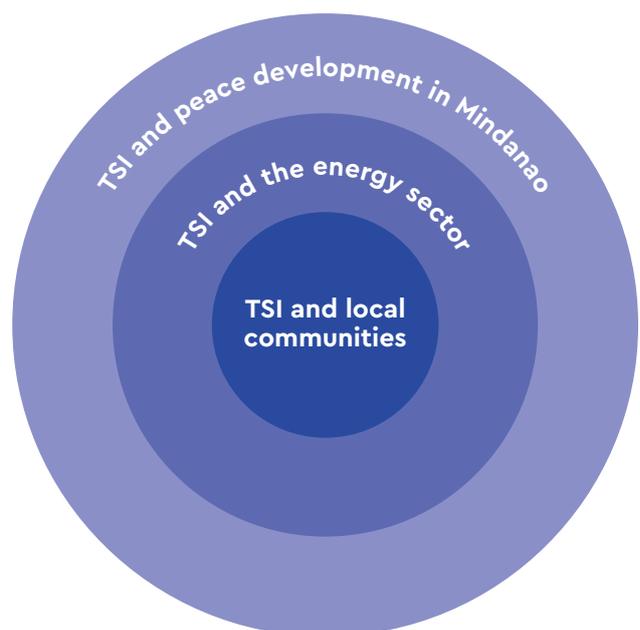


**Figure 3** shows different key categories of issues and their proximity to the direct operation of the TSI power plant. As the next section will show, the DMGENCO group, while setting objectives addressing the direct impacts of the power plant on the communities most directly affected, also made time and space to consider the more indirect relationship between the power plant and broader peace and development issues in Mindanao. In this sense, the group managed to ‘think globally’ while ‘acting locally’.

Before DMGENCO, these issues added up to a formidable barrier to the TSI proposal. Despite the decades-long engagement of Aboitiz in Mindanao, or in fact because of it, there was no clear path to proceeding with TSI. With Aboitiz needing to protect its reputation, the environmental lobby determined to oppose the coal-fired plant, communities setting out their grievances, plus ongoing political instability and conflict, there was a lot of thinking still to do.

in Mindanao, both vertical (MILF-, MNLF-, and NPA-related) and horizontal (clan-related). Given the complex nature of conflict dynamics in the region (see International Alert Philippines’s approach, as mentioned previously), it was clearly in the interests of those engaged with the energy question to have an awareness of these dynamics. The role of Alert in providing up-to-date briefings on the peace processes involving different actors, and the nature of clan-based violence, was to become highly valued by the DMGENCO participants. This interest stemmed, in part, from the potential direct impact of conflict on the operation of the plant (power plants have been the target of rebel groups in the past, for example); in part from the link between livelihood opportunities and recruitment into rebel and extremist groups; and in part from the fact that everyone involved in the DMGENCO process had a stake in the future of peace and development in the region.

**Figure 3: TSI, DMGENCO, local and sub-regional issues**



## Critical junctures

The idea to set up a DMGENCO was hatched following a meeting in 2012 between Aboitiz and the 'No to Coal' coalition on the issue of energy and Mindanao's power shortage. This meeting was facilitated by International Alert Philippines and led to the realisation by TSI that the peacebuilding organisation could help open more dialogue of this kind. However, recognition among TSI management that it might be possible to do more than solve a problem, and instead initiate something more aligned to 'building a better world,' only came through at the training at AIM and the consequent discussion between Alert and TSI's senior management.

These were arguably the critical junctures that signified a change in approach by the company. The clues as to why TSI took the path it did lay in the exchanges between company management and Alert senior staff. During these exchanges, both outside and during the training sessions at AIM, 'a penny dropped' and Aboitiz managed to take the leap from initially seeing the NGO as a service provider to embracing it as a partner in a journey that neither were sure would work. Antonio Moraza, then AboitizPower president and CEO, approved the formal collaboration with Alert in this endeavor.

That AboitizPower was prepared to take this leap can be explained by its need to protect the deep social networks established over past decades working and providing employment in the region. The motivations for Alert were arguably somewhat different. As an NGO aligned with civil society in the struggle for peace in the Philippines, large corporate players, particularly in the extractive and energy sectors, were usually more foe than friend. Here, it is important to note that Alert refused any payment for staff time from Aboitiz, determined to remain independent from the company and to prevent its credibility, in the eyes of civil society, from being tarnished. What Alert did and continues to do is recognise the importance of engaging business in peacebuilding. But could Aboitiz be trusted?

Another critical juncture was Alert's decision to trust AboitizPower in forging a partnership. And this decision was also enabled by the exchanges

with AboitizPower staff through the AIM training and consequent meetings with senior company executives. This period of learning more deeply about each other was critical to establishing the trust between the two organisations, which was necessary to move forward with DMGENCO.

The EVLN framework used to help understand the motivations of company and community is also relevant here. Loyalty was established between AboitizPower and Alert senior staff to enable them to commit together to something which, while presenting itself as something that could enhance the reputation of both parties, also posed serious risks. Both parties risked being labelled as opportunists. What transpired was something quite different.

## After: The DMGENCO story

### Early days

Having agreed to convene a group, International Alert Philippines took on the secretariat role and drafted terms of reference and some objectives. These set out the purpose of the initiative and marked the beginning of AboitizPower putting in place a process whereby it could be accountable for its actions regarding TSI, namely for DMGENCO to:

- 1 Assess the economic, social, and environmental effects of the AboitizPower-TSI coal-fired power plant.
- 2 Bring to the attention of proper authorities any complaints, issues, and concerns that local citizens have regarding the project.
- 3 Propose actions to the project owners, sub-contractors, and other proper authorities that address local complaints, issues, and concerns.
- 4 Engage in disseminating information that promotes better understanding of the project.



DMGENCO members in a meeting on 26 April 2018. © May Che Capili/International Alert Philippines

- 5 Promote and engage in dialogues with groups that are not part of DMGENCO to avoid misunderstanding and reduce risks of conflict.
- 6 Promote multi-stakeholder understanding and cooperation for the success of a transparent, accountable, and people-centred energy project.
- 7 Gather feedback from among all stakeholders to improve the policies, priorities, processes, and practices that shall govern the operations of AboitizPower-TSI.

It was important that those invited to the DMGENCO group came as individuals with insight, rather than as representatives of specific groups and agendas. Having said this, it was also important the participants came from the community, local government, and activist and business sectors. “While the DMGENCO has a specific task to monitor

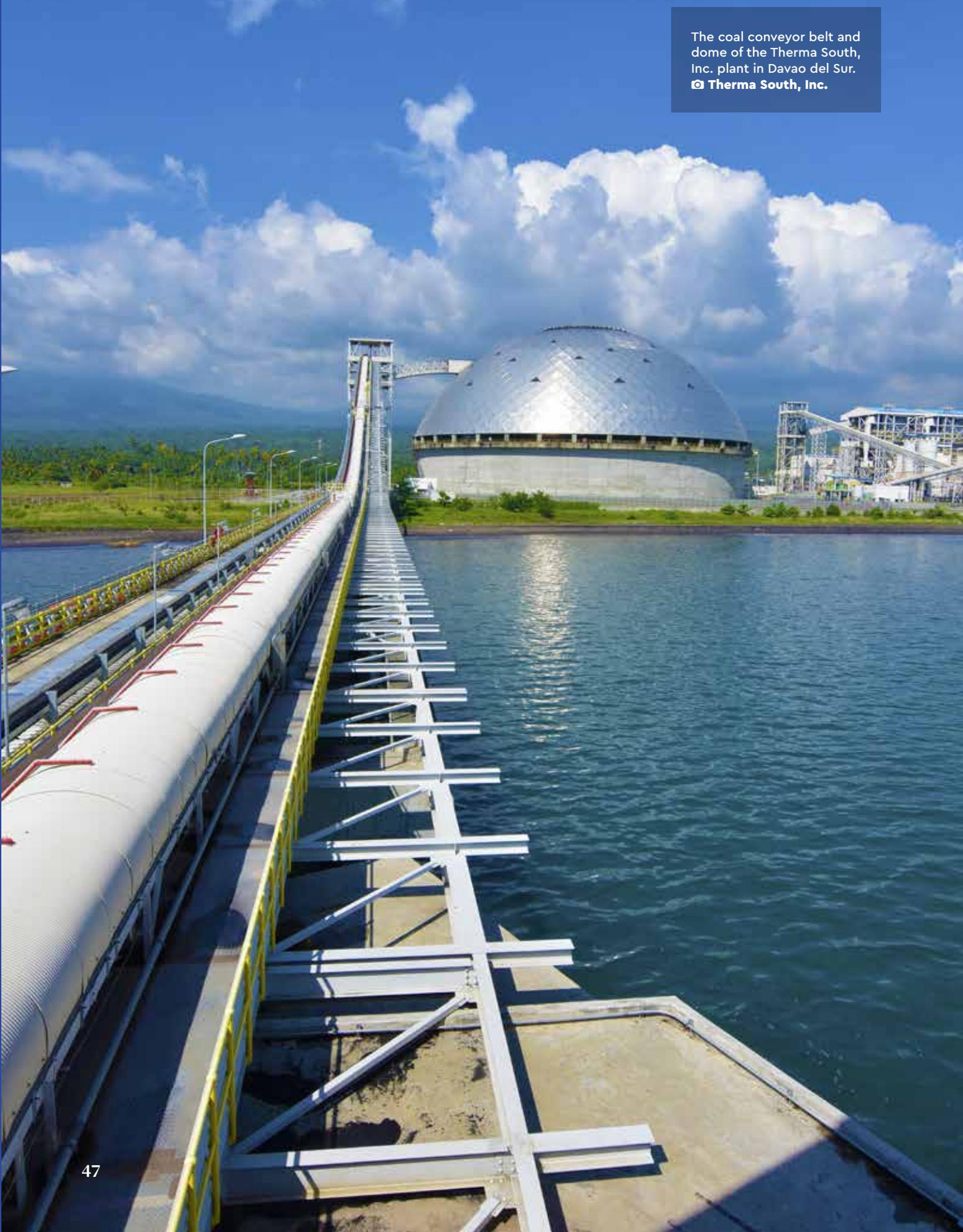
and assess, it is also a dialogue group between different voices and aspirations.”<sup>46</sup>

The DMGENCO mechanism went beyond the task of monitoring and set about practically solving problems associated with the new coal-fired power plant.

In setting up the group with TSI, Alert was interested in establishing a checklist to monitor how the development of the plant would positively contribute to the affected communities. It had some experience in developing such a checklist in Myanmar where investments in special economic zones threatened local culture and livelihoods. The ‘Checklist of measures for conflict-sensitive economic, social, and environmental performance of a power-generation project’ (See **Annex** on p.85) covers economic, social, and environmental priorities, posing questions such as, “will the development provide jobs for local people?”.

<sup>46</sup> DMGENCO Terms of Reference

The coal conveyor belt and dome of the Therma South, Inc. plant in Davao del Sur.  
📍 **Therma South, Inc.**



This checklist of questions acted as a monitoring mechanism, setting up key indicators of best practice relating to Aboitiz's overarching goals of "creating long-term value for all stakeholders, advancing communities as well as business, and driving change for a better world".<sup>47</sup> It was agreed that "TSI will hold main responsibility for the checklist, and DMGENCO will be the discerning body".<sup>48</sup> It was hoped that, in time, the checklist would become a benchmark for the wider energy industry, "as a model for private sector development".<sup>49</sup>

By February 2014, or eight months after the first DMGENCO meeting on 28 June 2013, the group was well established, with members drawn from the barangays of Inawayan and Binugao, including village leaders, both Muslim and Christian; activists working on social justice and environmental issues; LGUs; TSI; and International Alert Philippines. The group had also agreed to:

"Invite resource persons to meetings to deepen analysis, gain new perspectives, discuss issues and concerns, and... to widen buy-in to the model without the need to go high-profile or public."<sup>50</sup>

Indeed, the group agreed to a strict confidentiality clause that aimed to prevent the use of the group's proceedings by anyone seeking to progress his or her own agenda. Members realised early on that this confidentiality clause may have a negative, silencing effect when it comes to the need to speak on behalf of communities.<sup>51</sup> However, they maintain this way of operating until now. The confidence the group has in the achievements of DMGENCO has triggered the documentation of the process, which is the purpose of this paper.

DMGENCO's achievements and impact were considerable. These were the outcomes and actions that resulted from group discussions. The next section details what these were.



**Prof. Nieves Confesor** of Asian Institute of Management TeaM Energy Center (rightmost) facilitates the DMGENCO assessment on 5 February 2016. **May Che Capili/International Alert Philippines**

<sup>47</sup> Aboitiz Group, "Corporate Governance."

<sup>48</sup> DMGENCO meeting minutes, September 2013

<sup>49</sup> Ibid.

<sup>50</sup> DMGENCO meeting minutes, 11 February 2014

<sup>51</sup> DMGENCO meeting minutes, July 2013

## VIGNETTE 5:

by Peter Laviña | DMGENCO Member

# Moderating DMGENCO's different voices

Presiding over a meeting with different people from different groups, with different backgrounds and interests, and speaking different tongues is not an easy task. But with DMGENCO, it was a walk in the park.

Three factors made it so. One, DMGENCO members were dedicated and responsible individuals. Two, they joined the dialogue group of their own volition because they wanted to help solve problems. And three, they were there to 'raise' their voices, but not in a manner that was loud or disruptive.

With such a group, who needed to labour hard to traffic discussions of community concerns, experiences, insights, and seemingly complex issues such as fly ash and no-fishing zones?

However, we did not start that way, right away. DMGENCO underwent its own organic process to become a mechanism for dialogue and conflict resolution for a coal-fired power plant project undertaken in the midst of strong environmental advocacy by civil society and local governments.

DMGENCO went through these fundamental steps to become relevant:

- Getting to know
- Winning trust
- Gaining confidence
- Building consensus
- Finding solutions

Each meeting was preceded by meticulous preparations by the Secretariat, in this case, by



International Alert Philippines. Completing pre-meeting tasks made presiding easy. The agenda was set. Attendance was confirmed. Meeting venue was booked. Conference materials were prepared. Without all these prep work, our meetings, starting with the opening prayers and ending with another imploring divine guidance, would be like rudderless ships lost at sea.

DMGENCO also profited from the inputs of experts who were invited to meetings as resource persons. They helped the members distinguish facts from propaganda, separate the trivial from the vital, check or erase misconceptions, and, through question-and-answer sessions, peel back the layers of the issues to let the truth come out.



DMGENCO members in a meeting on 1 October 2019. [@ May Che Capili/International Alert Philippines](#)

DMGENCO discussions were lively, for indeed, the sessions were enriching, empowering, electrifying, energizing! We clarified issues, we bridged gaps, we resolved differences, we corrected biases, we avoided conflicts.

There were times when we could have done better, though. We sometimes failed to speak in the local dialect for the benefit of other members, particularly community representatives, who could hardly catch up with the discussions full of technical jargon that were in English.

We lost valuable time when we did not immediately resolve some issues, which recurred and returned to the agenda. One was the issue of relocating 245

families beset by recurring floods. It was at the core of the community's concerns, but it was simply beyond DMGENCO's ability to resolve. Other actors like the LGU and community leaders had more crucial roles to play in its final implementation.

We also had to grapple at times with the urge to be involved in many issues that were beyond our capability. There was danger, after having had strings of successes, to think that nothing was impossible to solve. But for an issue such as the clogged canal in the community, we could not roll up our sleeves to help clean it up because it was someone else's job to do. Such was our limitation. •



**Nikki de la Rosa** of International Alert Philippines confers with DMGENCO members during the DMGENCO assessment on 5 February 2016. © **May Che Capili/International Alert Philippines**

## Key dynamics

### **Transparency and communication**

DMGENCO has not to date been used for public relations by AboitizPower. From semi-structured KIIs conducted with members, it was evident that the closed posture of the group was intentional and a deliberate strategy to enhance the willingness of those involved to be open and transparent with each other. While ‘transparency’ was a word often used by group members, it was used with reference to interactions between those in the group, not to the relationship between the group and the wider public. When asked whether the wider public ever criticised the group for being too secretive, responses underlined the proactive role of group members within their communities. So, although there was no public face to the DMGENCO group process, each of its members was active in engaging stakeholders so that the interaction between group members was gradually mirrored by the wider community. This subtle interpretation of transparency is a key feature of DMGENCO. As one of the group members pointed out, “We like to whisper.”<sup>52</sup>

By this, they meant that the way to get things done was not to shout about it from the rooftops or through the media, but to communicate quietly, personally, and openly through their own networks.

### **Information and learning**

Of course, information is key. Communication without the right information, or with the wrong information, is hopeless. And both the TSI coal-fired power plant and the context into which this project was to be situated were poorly understood from the start. The approach taken by DMGENCO to this challenge was to recognise the limited knowledge of the group and use resource persons with specialist knowledge of different issues to join their meetings. The table below gives a list of the resource persons invited and the subjects they spoke about. The choice of speakers was not random but was carefully thought through in relation to the problems and challenges faced. (See the ‘**Focus**’ rows on **Diagram 1** on the opposite page).

<sup>52</sup> KII 3, 2018

**Diagram 1: Resource persons and their input to the DMGENCO**



**Pilar Braga**  
Social Activist  
and Davao City  
Councilor



**Hydie R. Maspiñas**  
Treasurer of Hydrology for the  
Environment, Life and Policy  
(HELP) Davao Network



**Prof. Nieves Confesor**  
former Labor Secretary and member of  
the government panel for the peace  
process with the Communist Party of  
the Philippines-New People's  
Army-National Democratic Front

**Focus**

*Feb. 11*

Explanation of the  
opposition to TSI  
plant expansion

*June 11*

Water  
safety

*Oct. 10*

DMGENCO  
assessment  
workshops

**2014**

*April 3*

Effects of coal power  
plants on health;  
precautionary principle  
versus proactive principle

*Aug. 29*

Environmental  
management and  
multi-stakeholder  
processes



**Dr. Jean Lindo,**  
No to Coal Coalition



**Atty. Analiza Rebueta-Teh,**  
Undersecretary, Department  
of Environment and Natural  
Resources

(Diagram 1 continued)



**Ramon Casiple**  
Executive Director of the Institute for Political and Electoral Reform, Political Analyst



**Mayor Joel Ray Lopez**



**Aurora Herbito**



**Adelaida Badilla**



**Engr. Rex Maximales**

Sta. Cruz LGU

**Focus**

Feb. 3

June 30

On the 2016 national election and the peace process and the implications on the failure of the Bangsamoro Basic Law on gas explorations and investments in Mindanao

Resettlement process for Brgy. Inawayan

**2015**

March 12

Crossing Over: The Energy Transition to Renewable Electricity



**Roberto Verzola**  
Electrical engineer and advocate of science and technology and promoter of renewable energy

Aug. 20

Climate change and its effects



**Dr. Doris B. Montecastro**  
Asst. Professor, Ateneo de Manila University

Nov. 11

Resettlement approaches and learning



**Kahugpong sa Mindanao, Inc.**  
Network of NGOs engaged in community organising related to resettlement



**Kristine Galarrita**  
Project Manager of  
the Macajalar Bay  
Development Alliance

**Focus** *April 5*

Coastal resource  
management



**Phil Champain**  
Executive Director,  
Faith and Belief Forum

*Sept. 13*

Diversity in the workplace  
– experience from the UK



**Chinkie Pelino-Golle**  
Executive Director of the  
Interfacing Development  
Interventions for Sustainability,  
Environmental Activist

*Nov. 29*

Watersheds

2016

“ **Learning from each other was recognised as a key strength of the group.** ”

Learning was a key theme picked up through the semi-structured interviews. The group put significant emphasis on bringing in expert knowledge to help them work through problems. Of course, they all had their own specialist knowledge also and each meeting gave space for members to update each other not only on how the construction of the power plant was developing, but also about everyday issues of concern to different communities and to the region of Mindanao as a whole. International Alert Philippines gave regular updates on the conflict situation in Mindanao, sharing data and analysis.

Learning from each other was recognised as a key strength of the group. From the outset, TSI and Alert agreed that it was important to engage critical voices, particularly those who had been vocal within

the environmental lobby, and those on the political left who continued to campaign against mining and for support of indigenous people’s rights. Members of the DMGENCO group were, therefore, handpicked to include these perspectives.

The sensitivity of the group toward external communication was indicative of its awareness of the different perspectives in the room and the need to work through differences in private and not in the public eye. Gradually, through solving problems and sharing information and knowledge, the members of the group developed a symbiotic relationship whereby they were able to work together despite their differences. Problem-solving and its relationship with trust-building were critical to this development.

“

**In most cases, solutions were found, and the company's willingness to listen and act on information presented by DMGENCO began to pay dividends in terms of trust.**

”

### ***Problem-solving and trust-building***

The pooling of knowledge and the bringing in of expert resource persons helped the group become more adept at solving problems associated with the construction of the power plant. As different members brought issues to the table, TSI worked to resolve the issues as best as it could. In most cases, solutions were found, and the company's willingness to listen and act on information presented by DMGENCO began to pay dividends in terms of trust. Relationship-building at the field level played a critical part in this, led by International Alert Philippines representatives who worked to connect community stakeholders with the wider DMGENCO group and to establish lines of communication with, for example, the Sta. Cruz LGU on the resettlement issue.

In this sense, it was the openness and willingness to act that were highly valued by the communities. As a result, a dynamic evolved whereby community leaders would come directly to the company with an issue rather than through a third party. A relationship of trust and openness began to develop between the community and the company. That problems were being solved was critical to this relationship. The table next page tracks issues brought to TSI by communities through the DMGENCO mechanism and the time and measures taken to solve them.

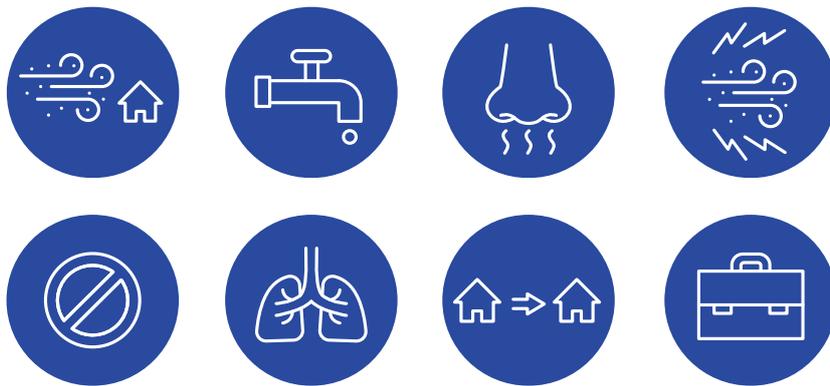
It should be noted that, on occasion, TSI itself took issues to DMGENCO to address. There was two-way traffic in this sense. For example, when it was difficult to agree on protocols and policy with local workers, the issue was taken up by DMGENCO and, from there, by the Sta. Cruz LGU and the MinBC.

The problems highlighted here were those directly associated with the construction and operation of the coal-fired power plant. Broader socio-economic issues of concern to the affected communities and to which the construction did not directly have a bearing included education and access to health care, especially access to doctors' services. TSI and Aboitiz Foundation, Inc. contributed to these broader issues through funding a school and using their influence to secure regular visits by doctors to the two barangays. What seems apparent is that the efficiency shown by the company in dealing with issues they were directly responsible for was the main catalyst for trust-building. People wanted evidence that TSI was not just going to 'buy off' the community with health and education CSR projects, but that it was serious about minimising the negative impacts of its direct operations.

In this sense, the relationship between different community groups and the company resembled what one interviewee referred to as a 'forced marriage'. They were thrown together through necessity, not choice. And like all marriages, they were vulnerable unless each party was prepared to work at the relationship. The establishment of the DMGENCO group itself was indicative of the desire on all sides to try and make the relationship work. The openness of the communities to learn more about the power plant and to explain their concerns, and the willingness of the company to learn about community concerns and decisively act, all contributed to growing trust between the different parties and an ability of the group to make effective and honest headway.

Table 1:

# Issues addressed through DMGENCO



ISSUES

MITIGATION



**Fly ash** or the dry 'fugitive' dust coming from the ash disposal pond and carried into the air, causing pollution problems to nearby communities

The fly ash discussion was one of the first issues discussed by DMGENCO when it started in 2013. TSI commissioned a study on converting fly ash into bricks and a pilot was initiated in 2017, after the completion of the research. The pilot was on the creation of a cooperative involving local communities, which would run the production and marketing of bricks. This project has been sustained and is still operational.



Community members complained of **weakened water pressure**

TSI initiated dialogues that began in 2013 with other companies operating in the area to explore potential avenues for collaboration and on how to address the issue of water use/pressure, which the Sta. Cruz business council agreed to adopt. DMGENCO formulated policy recommendations and action for upstream monitoring so that other companies operating in the area could partake in the solution.



TSI first highlighted **respiratory problems** in the community in a 2015 baseline health study. By 2016, there were concerns that illnesses (cough, fever, pneumonia) were on the rise, and people attributed this to the plant's testing operations and smoke emissions.

TSI gave assurances that smoke emissions were temporary. It let people know what was happening and advised them not to be unnecessarily alarmed. Moreover, barangay health workers were given training to improve their monitoring of health indicators. TSI also collaborated with the barangay health centres in Brgy. Inawayan and in Brgy. Binugao to provide regular health updates. Occasional complaints from the community on respiratory problems remain.

## ISSUES

## MITIGATION



Intermittent complaints on **dust and noise pollution**

TSI hired community members in 2013 to regularly sprinkle water on construction paths to manage dust pollution. Five months after the issue was first raised, DMGENCO members from the community reported that dust pollution in Brgy. Binugao, Toril, Davao City had already been addressed. TSI also switched scheduled drillings and other high impact construction activities from nighttime, when people were resting/sleeping, to daytime.



TSI's permit to operate a port gave it exclusive access to this area. **Fisherfolk are no longer allowed access** to the beach and the portion of the municipal waters in front of the power plant.

Community-based dialogues have been ongoing since 2014 to surface issues and clarify why the security personnel were needed. One action taken directly from DMGENCO is to rename these zones to 'maritime safety zones' from 'exclusion zones'. The situation is evolving and the process continues towards finding the optimum solution for affected stakeholders.



**Foul odour** reportedly from ships delivering coal, which made people nauseous

TSI inspected the coal shipments and its own coal dome used for storing coal. Community members and local officials were invited to witness an actual unloading of a coal shipment. TSI assured community members this issue was only temporary. Regular dialogues were held with community members to maintain open lines of communication between 2015–2017, though some complaints persist.

ISSUE

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**Resettlement and compensation for 245 families** that live next to TSI and were affected by flooding from stronger typhoons and rising sea levels

houses, and some families began to demand more than houses for compensation. TSI later revoked its donation due to delays on the LGU's part.

Alert Philippines also conducted a series of discussions with communities affected by flooding. It concluded that there was some vulnerability to rising sea levels and used its networks to secure funds for house construction from the Department of Social Welfare and Development.

MITIGATION

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This is the most challenging issue for DMGENCO to date and has dragged on and evolved since 2014. A special committee within DMGENCO was set up to oversee this complex issue, members of which worked closely with the local government of Sta. Cruz to monitor the project's progress.

TSI initially donated five hectares for the relocation of these families, while recognising that responsibility for relocation and compensation rested with the Sta. Cruz LGU. TSI's non-intervention strategy was a deliberate attempt to get the LGU to act. It did not want to play the role of government by building the

The process came to an unsatisfactory halt, resulting in one DMGENCO community member leaving the group. The change in local government leadership after the 2019 local elections led to further delays in the project with the shifting priorities and agenda of the new LGU.

As of 2018, there were still numerous unresolved issues. DMGENCO did a reflection process and identified that their engagement may have inadvertently led to some confusion about who is primarily responsible for the resettlement issue. The construction of the TSI power plant did not trigger any need for relocation. But by purchasing land, the company arguably raised expectations among the communities. With more foresight, the impact of purchasing land and then withdrawing it could have been mitigated.

ISSUE

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**Job opportunity**

MITIGATION

Though not raised as a specific issue by the communities, TSI was obliged to prioritise local hires as part of its license agreement. A condition was set at the onset to prioritize local hiring by the company and contractors. TSI balanced local hires from Davao City with those from Sta. Cruz. TSI regularly reports to the LGU on these commitments.

## VIGNETTE 6:

by **Flora Salandron** | DMGENCO Member

# *From anti-coal campaigner to DMGENCO member*

I am a former councilor of Brgy. Binugao. I was an active member of civil society groups that opposed the use of coal. I joined rallies and demonstrations and I listened and participated in various fora organised by international NGOs. I even spoke during committee hearings by the Davao City council on issues such as the lack of participation by residents in the decision to endorse the coal-fired power plant and the plant's potentially negative impact on the environment and on people's health and livelihoods. These were important, legitimate issues I felt I had to voice out. It was my responsibility as an official of the local government and as a stakeholder myself, with my barangay being within the immediate vicinity of the planned coal-fired power plant.

However, being part of the opposition did not mean that I was closed to any form of engagement and dialogue with the other, in this case AboitizPower. I am a firm believer that critical engagement can bring innovative solutions if all parties, even with varied interests, can agree on a common objective. That was why when I was approached by International Alert Philippines about a plan to establish a multi-stakeholder group to tackle issues related to the plant, I was right away interested, although I had misgivings it was going to work. Alert, however, seemed an objective party capable of facilitating this novel group.

I was a bit nervous and shy at the first meeting. I met the other potential members—we were from different walks of life, with different convictions. There were two other community leaders from the other barangay that would host the plant who looked as nervous and shy as I was but, nevertheless, were clear about the agenda they wanted to put on the table. Senior officials of the plant were also there but we were all equal in stature.



**Flora Salandron** (leftmost) in one of the meetings of the DMGENCO. 📷 **May Che Capili/International Alert Philippines**

At that meeting, Alert proposed the group's objective and terms of reference. We had a thorough discussion, not a straightforward and easy one, but we eventually came to an agreement that we would be a dialogue and a problem-solving group, a bridge between the company and the communities that would be affected by the establishment of the plant.

It has been seven years since we started this group, and throughout this period, we met almost every month to discuss and resolve different issues brought on by the different phases of the plant from pre-construction, construction, and operation. We discussed problems and solutions alongside the executives of the plant. We learned to be evidence-based, tempered, and objective in our analysis of issues. We built a collegial and transparent relationship with each other, anchored on mutual trust and respect. We learned to agree to disagree and yet still find the optimal solution. We were guided by our objective and a healthy respect and understanding of each other's biases and interests. We were and remain different people, but we found solidarity in our aim to do good for our community, which in our definition is not just the barangays near the plant, but, in its broadest sense, is Mindanao.

The commitment remained high among the members over the years even if we were all volunteers. All of us were stakeholders, and helping find effective solutions that benefited the community was enough incentive for us.

I am truly proud to say that I am a member of the Davao Multi-Stakeholder Group on Energy Concerns and I am even prouder that I did not have to sacrifice my convictions to be part of this process. •

5

# Why did AboitizPower account for its actions?

**A**t the time of writing, the TSI coal-fired power plant provided 300 MW of energy to the grid. Furthermore, the Aboitiz group actively promoted what it regarded as Mindanao's positive energy picture. As early as July 2017, then AboitizPower President and CEO Antonio Moraza told business leaders at an investment conference in Davao City that with a surplus of power in Mindanao, the government could now consider a major rehabilitation of the decades-old Agus-Pulangi hydroelectric power plants.



The bustling Davao City at night.  
© Therma South, Inc.



“With all the supply coming into Mindanao today, it may be time for the government to finally decide the fate of the Agus complex. Perhaps it is time for these old power plants to be rehabilitated...Now that power supply is no longer an issue, it can be said that Mindanao is truly open for business.”<sup>55</sup>

This was a far cry from the picture of regular brownouts and power shortages sketched out earlier

in this study and prior to TSI. In addition, relations between members of the DMGENCO group and, by association, between the company and the communities directly affected by the power plant construction have remained constructive despite the ongoing difficulties relating to resettlement. In this regard, the DMGENCO process, aimed at monitoring and assessing progress and allowing for different voices to be heard, could be regarded as a success.

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<sup>55</sup> “AboitizPower suggests Agus rehabilitation,” *Edge Davao*, July 23, 2017, <https://edgedavao.net/competitive-edge/2017/07/23/abotizpower-suggests-agus-rehabilitation/>.



A newly-hatched turtle crawls to the sea near the Therma South, Inc. coal plant. © Therma South, Inc.

This final section of the paper seeks to get beneath the surface of the DMGENCO process and interrogate the motivations of those involved, since, as posed in the introductory pages, the parties in this ‘forced marriage’ were not natural soulmates. This will also provide the opportunity to step back and reflect on the broader picture, returning to the wider contextual issues of climate change, energy provision, and conflict in the region. Success must also be measured through this longer-range lens.

## WHY DID DMGENCO ACCOUNT FOR ITS ACTIONS?

But first, a discussion of why the DMGENCO group process happened, ushering in as it did a new, collaborative way of working.

Rational choice theory adopts two key assumptions: the first is that an individual is ultimately self-interested and will seek to maximise his or her own utility whenever possible, and the second is that individuals are rational. For a given decision, they will weigh the costs and benefits they stand to incur and opt for actions that maximise the benefits they accrue while minimising costs. If we apply these premises to the case of the TSI coal-fired power plant, the outcome to go ahead was based on both company and community weighing the costs and benefits and coming to a similar conclusion: it was in the interest of all parties.

The question is why did they reach this conclusion? Early on in our exploration of why companies account for their actions, John Ruggie was quoted as challenging the assumption that laws and toolkits would be sufficient to align corporate behaviour with peace and development outcomes. Indeed, if AboitizPower were to be guided by the UN’s principles, perhaps it would have decided not to go ahead. Continued support for coal in the face of climate change and resource curse and the company’s history of battles with consumers should have indicated to the company that this would be a costly idea. Ongoing conflict in Mindanao added to the risk.

Similarly, the evidence of climate change (including on sea levels along TSI’s coastal area) and the strength of the ‘No to Coal’ coalition and the broader environmental lobby in Mindanao, would suggest that the rational choice for communities would be to resist the power plant construction, as was the initial stance of some key figures such as Davao City Mayor Sara Duterte.

But this would be to ignore the depth and strength of the social networks shared by Aboitiz and activists in Davao and in Mindanao more broadly. There was arguably a shared concern for the region that went deeper than the different positions of activists and



Residents check the communal water system in the coastal area of Purok Linggisan, Brgy. Inawayan, Sta. Cruz. The water system was provided by Therma South, Inc. as part of its corporate social responsibility.  **Therma South, Inc.**

“  
**Through voicing  
 problems within the  
 DMGENCO framework  
 and by witnessing the  
 company resolve them,  
 the community built a  
 sense of loyalty to the  
 company.**  
 ”

company executives. There was a whole here that was greater than the sum of disparate parts.

An important external factor that brought the different voices together was the energy crisis and the critical need for power in the face of lengthy brownouts and shortages. There was a clear need on the part of the community and a clear business opportunity for the company. However, this did not necessarily account for the trust that was built between company

and community. Despite the need for energy, there were serious concerns that made this far from a fait accompli, including the relocation of 245 families that has yet to be achieved. Furthermore, the lack of competition would suggest AboitizPower needn't have worried too much about losing the support of a population desperate for energy.

The key to explaining why the individuals involved in DMGENCO were able to embark upon a collective and collaborative journey—to become actively engaged and invested in building and sustaining a relationship that could deliver a project that in many aspects appeared flawed—lay in the social networks that underpinned the DMGENCO project. These networks meant that those involved had a sense of belonging to Davao and Mindanao. They enabled the leap to be taken. They enabled the critical junctures to materialise.

They also enabled the process to evolve creatively and effectively. Through voicing problems within the DMGENCO framework and by witnessing the company resolve them, the community built a sense of loyalty to the company. According to Hirschman's EVL framework, the stronger the sense of loyalty, the less likelihood of either party exiting the relationship. And it was the ability to voice concerns

and get these concerns addressed that was the key to loyalty (Figure 4).

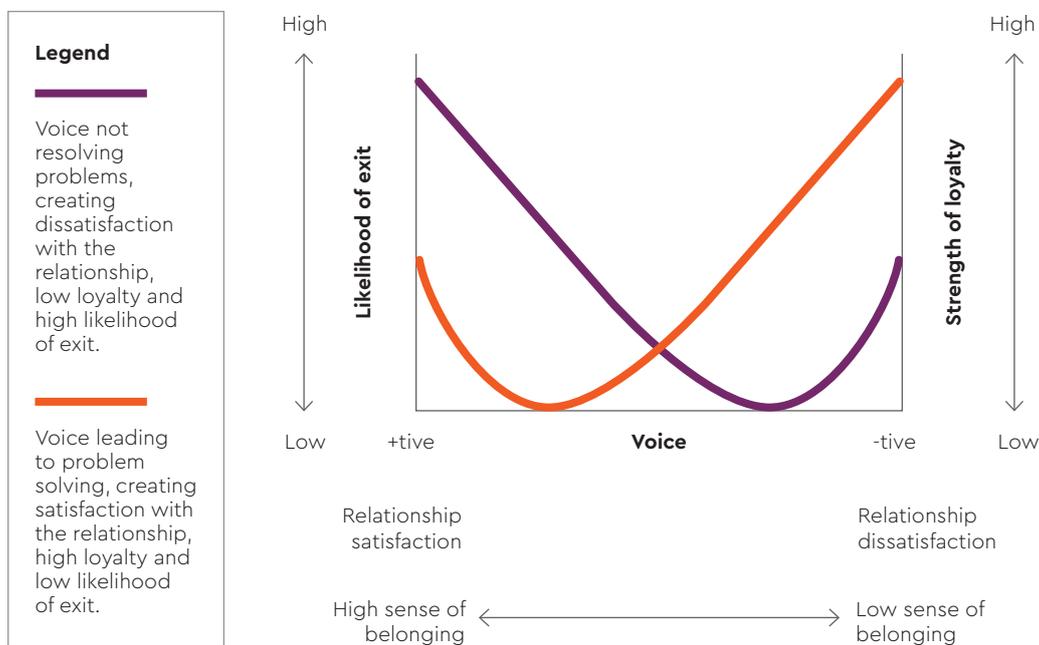
Building on Hirschman’s EVL framework (‘neglect’ was later added to make this EVLN), Rusbult et al. introduced the notion of active and passive responses and destructive and constructive responses.<sup>54</sup> They were interested not only in whether individuals expressed voice, exit or loyalty, but also whether their behaviour was active or passive, constructive or destructive. They argued that when one is highly invested in and/or has had a high level of prior satisfaction with the relationship, one will more likely respond to dissatisfaction with constructive voice or loyalty behaviors and suppress negative behaviors characteristic of exit and neglect responses.

Voice and relationship satisfaction were at the heart of the DMGENCO process and key to its success. One could argue it wasn’t only the market that was

driving the choice to participate, but also the social networks of the individuals involved—individuals who carried with them a high degree of bridging capital. That is, relationships between friends forged over years of engaging with each other in Davao and in Mindanao. This meant also that those involved had a strong sense of belonging to the community where the TSI project took place—to Davao and Mindanao.

The importance of this bridging capital is reflected in the fact that DMGENCO members were handpicked, being people known to International Alert Philippines and TSI, the two key instigators. The roots of their social networks and sense of belonging go back to Aboitiz’s almost century-old foothold in the power sector in Mindanao. Furthermore, Bobby Orig, perhaps the key initiator, remained well known and respected in Davao, despite the reputational issues between Aboitiz and consumers back in the 1980s.

**Figure 4: Voice as key to loyalty**



Source: Adapted by Phil Champain from C. E. Rusbult, et al., ‘Impact of Exchange Variables on Exit, Voice, Loyalty, and Neglect: An Integrative Model of Responses to Declining Job Satisfaction.’

<sup>54</sup> C. E. Rusbult, et al., “Impact of Exchange Variables on Exit, Voice, Loyalty, and Neglect: An Integrative Model of Responses to Declining Job Satisfaction,” *The Academy of Management Journal*, 31, No. 3 (Sept. 1988): 599-627.



DMGENCO members in a meeting on 28 March 2019. © May Che Capili/International Alert Philippines

The allegiance of the individuals involved, whether activist or company representative, to what they considered their own community was an important driving force for DMGENCO's success. This went some way toward explaining the investment of time in the active problem-solving of voiced concerns. Indeed, dialogue was insufficient to develop and sustain trust. Action was also needed. Otherwise, the DMGENCO process was vulnerable to the label of 'talking shop'. Voiced concerns needed to be acted on to build trust and strengthen loyalty.

'Voice', and its positive impact on relationship-building, arguably represents the added value that John Ruggie was intimating when he said that legislation and toolkits are not sufficient to move businesses to be accountable in fragile contexts.<sup>55</sup> It is a word closely aligned with dialogue, a concept at the centre of Alert's approach to peacebuilding. It is also a word aligned with trust, something that was built steadily through the DMGENCO process.

The market was significant in that there was a clear one for energy provision. However, it was the social networks, relationship satisfaction, and constructive voice that underpinned the DMGENCO process and enabled the TSI project to succeed to the extent it did. Of course, exit, voice, and loyalty could not be considered in isolation from each other. So, voice behaviours like complaints about fly ash, odour, and job opportunities, for example, could not be understood without accounting for opportunities to exit. It was true, there were few alternatives on offer at the time. But the choice between exit and voice had to do, not only with market choices, but also with personal investment in relationships and the attachment of those involved to the place they belonged to.

Over time, the DMGENCO participants developed a high level of satisfaction with the relationship that prevented them from breaking confidentiality and going public with their voice, exiting the group, or neglecting problems that arose. Relationship satisfaction was built through problem-solving. So even when it came to the difficulty of solving the relocation of 245 families, the group did not break.

<sup>55</sup> Ruggie, 2016, Op. cit.

Constructive voice was maintained through open exchanges at group meetings and through the input of different ‘guest’ voices, often critical ones, relating to key issues. This built and sustained constructive loyalty behaviours.<sup>56</sup>

What appeared significant in this case was the satisfaction and investment that participants not only built up during the DMGENCO process, but also brought with them through relationships built prior to the initiative. This satisfaction and investment enabled constructive voice, regulated further by the agreement to treat conversations as confidential to the group. The active and constructive problem-solving by the company strengthened satisfaction and led to further investment and loyalty in the group process.

It was no accident then that Bobby Orig, the public face of the TSI project, was a regular at the church of one of the people handpicked for the DMGENCO group; or that Alert senior staff had a history of engagement with the political left and therefore knew many of the activists involved in the environmental lobby, some of whom were also invited into the group; or that one of the Alert senior staff was from Davao. Add to this the long-term presence of AboitizPower in the region (through Davao Light and Power) and one gets a picture of the social networks that underpinned the process.

However, this does not completely explain ‘success.’ Despite strong links to those on the left of the political spectrum, Alert skilfully managed to position itself as a third-party facilitator. It was Alert that conducted due diligence on potential members of the DMGENCO group, checking for any links members may have had to shadow economies, powerful clans, political actors, and rebel groups. Alert took on this third-party role consciously and deliberately, identifying the behaviour of certain members of the group as ‘barometers’ and challenging the company if they felt community voices and concerns were not being heard effectively.

This was a role that TSI staff had to learn. Indeed, in the early days, before the DMGENCO group had

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## Relationship satisfaction was built through problem-solving.

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been established, Alert was seen more as a service provider. It had to clarify that it could not accept funds from the company to manage a DMGENCO-like service since that would align it too closely with the company. Although the company hosted the DMGENCO meetings and channelled funds into CSR activities, Alert and others in the group remained independent, and all the better for it.

Of course, it was not all plain sailing. The importance of problem-solving has already been highlighted, and much was achieved in this regard. (See Table 1). However, one key problem remains unresolved and that is the resettlement of the 245 families. The difficulty in resolving this issue highlights the importance of the relationship between the DMGENCO group and the Sta. Cruz LGU and suggests that there remains work to be done. Because of the danger these families face, TSI remains open in helping the LGU relocate them should the present administration decide to revive the project.

The DMGENCO process is now at a crossroads. Those involved can point to many achievements. One of the most obvious is the power generation that has resulted from the TSI project, helping to resolve the power shortage issue in Mindanao and attract more business, development, and jobs to the region. Less in the public eye, but as significant, is the embedding of new conflict-sensitive business practices into TSI. Those involved have learnt much through the process—about each other and about the context in which they live and work. Perceptions of ‘the other’ have shifted in the group and new

<sup>56</sup> Rusbult et al., 1982, Op. cit.



DMGENCO members in a meeting on 26 April 2018.  May Che Capili/International Alert Philippines

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**The urgent need for energy today should not be considered in isolation from the need for peace-orientated and sustainable energy systems tomorrow.**  
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friendships have been forged. Despite ongoing problems with resettlement, the group has found new ways of problem-solving.

But the resettlement issue does need sorting out and the DMGENCO group will fall short without effectively holding the LGU to account and working with TSI to manage the expectations generated by its purchase of land for relocation.

Furthermore, there remain questions relating to the longer-range issues of coal and climate change. Here, it is worth remembering that, as one member of the DMGENCO group pointed out, “the energy crisis was important, but the reason for DMGENCO was the environmental movement”.<sup>57</sup>

<sup>57</sup> KII 4, 2018



The cost of exiting the relationship with TSI may have been too high for the community given the urgent need for energy. But the investment made in the DMGENCO process must also be weighed with the cost of stepping back from the environmental movement for renewable and sustainable energy provision. Those involved in this movement (including those now investing in DMGENCO) will begin to see costs differently once renewable energy becomes a viable option and coal the unwanted guest.

AboitizPower itself has indicated it is open to renewable alternatives to coal as they become affordable, viable, and reliable, with the latter being the most challenging. As DMGENCO reflects on where it goes next, this is a scenario worth

pondering. It points to an important chapter for the company and the energy sector more broadly—a chapter about how a process like DMGENCO can assist the transition to a low-carbon economy, a transition that has been slow and costly to the environment, and by association to the longer-term prospects for sustainable livelihoods in the region.

With other coal-fired power plants now operational in Mindanao, including by San Miguel Corp. and Alsons Power Group, the need to keep the environment and climate change on the agenda is paramount. The role of Aboitiz and TSI in ensuring this happens is something for the DMGENCO group to consider as it weighs up what to do next.

Returning to the earlier sections of this paper, the urgent need for energy today should not be considered in isolation from the need for peace-orientated and sustainable energy systems tomorrow. Indonesia’s coal remains of concern to those monitoring resource curse symptoms and the broader impact of coal use on climate change. And it is from Indonesia that TSI sources its ‘clean coal.’ If AboitizPower is to truly live up to its stated purpose of ‘driving change for a better world’ then it cannot merely focus on the here and now. It must expand the space to develop energy systems and technologies for the future. These are unlikely to involve carbon. The premise stated by a CSR lead in Aboitiz that “it is not easy to defend coal, but it is easy to defend Aboitiz” may well have a limited shelf life.<sup>58</sup>

What Aboitiz and International Alert Philippines have done through the DMGENCO initiative is to demonstrate that there is a way energy companies can work with local communities in solving problems collaboratively. The significance of this should not be underestimated since there are likely to be bigger challenges ahead, requiring DMGENCO-like alliances. As one of the Aboitiz employees involved said, DMGENCO demonstrates the “human element of the work of technicians”.<sup>59</sup> As technology advances apace, we must remember DMGENCO and the human element.

<sup>58</sup> KII 5, 2018

<sup>59</sup> KII 4, 2018



**Antonio 'Tony' Saniel**, former Brgy. Binugao Chairman, shares his sentiments during a public consultation on Therma South, Inc.'s plan to construct two additional power generating units. © Therma South, Inc.

## VIGNETTE 7:

by **Jason Magnaye** | DMGENCO Member

# *A public consultation that turned into a barangay testimonial*

**I**t was raining in the morning of Tuesday, 13 May 2014. As early as 8 a.m., residents of Brgy. Binugao were heading to the barangay gym for a public consultation on TSI's plan to construct two additional power generating units, referred to as Units 3 and 4. The consultation was meant to secure the community's support for the expansion project.

The scene was reminiscent of the one back in 2011 when TSI first sought community acceptance of the construction of the combined 300-megawatt Units 1 and 2. Back then, the proposed project, while supported by the local government and industry associations, was opposed by a coalition of residents, church groups, and environmentalists

who questioned the project's ability to live up to its promise of providing safe and reliable power, while protecting the welfare of the community and the environment. Another commitment that was challenged was the project's sincerity in contributing to the economic development of Brgy. Binugao through payment of the correct taxes and providing employment. TSI was serious in proving the skeptics wrong in subsequent years.

As the participants to the 2014 public consultation began registering, some familiar names came to join the public forum. A good number of them were the same fierce oppositors from 2011. The residents also came in full force led by their passionate and



Residents of Brgy. Binugao in Toril, Davao City attend a public consultation on Thermo South, Inc.'s plan to construct two additional power generating units. © Thermo South, Inc.

hardworking barangay chairman Antonio Saniel (familiarily addressed as Kapitan Tony) and his kagawads (barangay councilors).

During the question-and-answer part of the program, the environmentalist groups once again raised their opposition to the proposed expansion, citing the same arguments back in 2011. Sensing that the oppositors were starting to monopolise the discussion, with the residents hardly able to air their sentiments, Kapitan Tony, who rarely talks in public, stood up and made an emotional remark to the visitors.

“Since 2011, you have always talked about human behaviour, but we in Binugao are talking about human needs! Binugao and its people need the investments, need the jobs, and need the economic benefits of TSI,” he said.

Saniel also stressed that TSI had complied with its commitment to safeguard the welfare of the environment and the community. A resident also shared that while TSI’s contractors made lapses during construction, the company was always quick to respond to the public’s request for corrective action. Another also expressed gratitude to TSI for the projects it implemented in the community and the jobs it gave to the people of Binugao.

The series of statements of support from Kapitan Tony and the community disarmed the opposition groups during the public consultation. It was apparent that the residents had seen over the last three years the sincerity of TSI in living up to its commitment of upholding the welfare of the residents and bringing meaningful development to the barangay. •

An aerial photograph of a large industrial facility, identified as a coal plant, during sunset. The sun is a bright, glowing orb in the center of the sky, casting a long, shimmering reflection on the water in the background. The sky is filled with soft, orange and yellow clouds. In the foreground, several large, rectangular industrial buildings with flat roofs are visible, along with a network of pipes and walkways. A tall, dark smokestack stands prominently on the right side of the image. The overall scene is bathed in the warm, golden light of the setting sun.

The sun sets over the  
Therma South, Inc. coal  
plant. © Therma South, Inc.

# Conclusion

**T**his paper set out to shed light on the question ‘why do firms account for their actions?’ The exploration of this question is set in the context of Mindanao’s fluctuating ability to generate the energy it needs to drive development, ongoing concerns about climate change and the use of coal, the dynamics of ongoing violent conflict in Mindanao, and the responsibility of business in relation to managing all the above.



Children play in the water with the Therma South, Inc. coal plant as the backdrop.  **Therma South, Inc.**

The DMGENCO initiative initiated by Aboitiz and International Alert Philippines serves as a case study to help us understand the motivations of companies and communities as they endeavour to meet different economic, social, and political needs. It has proved a rich source of learning for those involved—learning that is important to impart more widely.

The company embarked on the DMGENCO process because it realised that not doing so would likely lead to confrontation with community groups set on opposing coal, despite the urgent need for energy. TSI was struggling to build the collaboration needed from both community and LGUs.

The communities adjacent to TSI construction knew their flood defences were struggling to keep the sea at bay in the face of more regular typhoons and rising sea levels, well before the TSI project began. Resettling these communities was and remains the primary responsibility of the Sta. Cruz LGU. However, the offer from TSI to help the LGU and communities find a way forward has led to confusion about the role and responsibility of the company and generated some community frustration. However, the more ardent opposition came from the environmental lobby that had to be persuaded to see the benefits of TSI.



The benefit of a reliable source of energy in the end trumped longer-term issues associated with climate change and environmental sustainability. Although the latter remained priorities for the DMGENCO group and for Aboitiz, time will tell as to whether Mindanao can transition to an energy system based more on renewables and less on coal. Lessons drawn from DMGENCO will be valuable here.

The social networks linking environmental activists, church leaders, company executives, and community leaders were instrumental in bringing the handpicked DMGENCO group together. These connections underpinned the idea that community

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**The DMGENCO case offers important learning for others in how companies can effectively engage with communities in the important task of demonstrating accountability for their actions.**  
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and place were more important than profit. This echoed Aboitiz’s stated purpose “to drive change for a better world”. It enabled the framing of a different conversation based on the interests of the community and the place rather than the positions of the environmental lobby and corporate giant.

The partnership between Aboitiz and International Alert Philippines was central to the effective framing of this conversation, with Alert bringing a focus on ‘place’ through its context analysis and input on conflict dynamics, and Aboitiz underlining its commitment to problem-solving as well as talking.

The generic checklist that was used to help frame the conversation of the DMGENCO group at the start (see **Annex**) was an important first step, although interestingly it was soon deprioritised in the face of more specific and immediate issues. The input of different specialist and often critical voices as guest speakers also helped frame the conversation in a way that broke down the positions of different parties and generated a more open exchange based on the interests of the wider community. DMGENCO developed a capacity for asking tough questions and for problem-solving that was critical to its effectiveness.

Keeping discussions private was an important factor in sustaining trust and preventing other actors from hijacking or derailing the process. The cohesion of the group was, in this sense, sustained through developing a language and way of working that everyone understood. The challenge now is to sustain this while opening the experience to others. As pointed out earlier in this paper, “our collective capacities to care may ultimately trump issues such as inequality as an indicator of inclusion and cohesion”. How to extend this sense of ‘collective caring’ beyond those involved in the DMGENCO process to date is the next challenge for the group. What seems increasingly clear is that CSR has a moral case that is entwined with a business case.

There were weaknesses. The resettlement issue has yet to be resolved and this has caused some community members of the group to reconsider their participation. The DMGENCO group also faces a crossroad. The resettlement issue has required

it to engage with actors beyond the TSI operation, drawing more public attention that cuts across its previously closed-door modus operandi. The issue of coal is also unlikely to disappear in the face of continued concern about climate change.

Overall, the DMGENCO case offers important learning for others on how companies can effectively engage with communities in the important task of demonstrating accountability for their actions. Like all case studies, it is context-specific. However, there are important learning outcomes worthy of note.

**First and most significantly, the willingness of civil society leaders to engage with the firm plus the social networks of the individuals involved, combined to create a shared sense of belonging to the area where the TSI project was implemented.**

DMGENCO included village leaders, both Muslim and Christian, who provided a regular source of feedback and local incident reports from families, clans, and



Community members clean the coast by the Therma South, Inc. coal plant.

📍 Therma South, Inc.



their other social networks about critical issues and criticisms on the minds of those directly affected by the project.

DMGENCO also included an educator, a Catholic priest, and a former city councilman from Davao City who brought with them a deep social and grassroots orientation and an abiding knowledge and understanding of the contending issues at the local and national level. These powerful contacts enabled TSI, and later DMGENCO, to hit the ground running in strengthening their relationships with the community.

**Second, 'voice' was central to determining loyalty to the DMGENCO partnership and preventing individuals from exiting the initiative.** Members felt able to bring problems to the group. A constant process of criticism and reform, recasting and replanning enabled the members to react and respond swiftly to the brewing concerns of its multiple stakeholders.

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**In a world where the divisions between corporate giants and civil society groups remain wide and fractious, this study points to how these divides can be bridged for collective gain.**

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**Manuel 'Bobby' Orig** (center) facilitates the observation tour of the independent directors of Aboitiz Equity Ventures, Inc. and Aboitiz Power Corp. at the facilities of Therma South Inc., Hedcor, and Davao Light and Power Company in Davao on 10 April, 2015.  **Therma South, Inc.**

**Third, the ability of the group to address and solve problems that were voiced was critical to the building of trust.** The combination of voice and effective problem-solving established relationship satisfaction, which sustained the group process. The process of constant learning through the calibrated and targeted mobilisation of resource persons who could help in problem-solving was so effective in predicting future crises and heading them off before they could erupt.



**Fourth, the facilitation of International Alert Philippines was crucial, especially in building the needed trust that could bridge business and civil society actors.** Alert also ensured that the boundaries of the company's understanding of CSR would include peacebuilding.

**Finally, the presence of champions at various levels within the Aboitiz company was central.** Environmental, developmental, and peacebuilding groups on the outside would not have been successful in fostering bargains and agreements

without the presence of champions within the organisation.

These champions spoke on behalf of the other stakeholders outside the firm, in many crucial encounters and meetings, especially those pertaining to security and human rights. They were the first to take the view that “security is not about plant security, but the security of the community.” They were those who have been with Aboitiz for many years and who were mostly involved in community relations or working with the public—the sort of people within the organisation who established ties and built real social capital with clients, consumers, and communities. They were also trusted by the top management, and without them, there would have been no momentum behind institutional change.

The factors explaining why companies account for their actions are evolving and multi-layered. This study, hopefully, provides a valuable contribution to understanding this evolution. In a world where the divisions between corporate giants and civil society groups remain wide and fractious, this study points to how these divides can be bridged for collective gain. Inclusion of this kind requires dialogue that can generate meaning that goes beyond the bottom line of a company, drawing business executives and civic leaders into informed, joint problem-solving based on the commitment of all to a shared sense of place.

Why do companies account for their actions? Because if they do not, they will lose the social capital earned through decades that is so critical to their existence and sense of meaning. In this sense, motivation goes beyond the bottom line to embrace the company's attachment to place, to the people in it, and the social capital wrapped up in the relationships company staff have with others in the wider community.

The issues that affect us as human beings, such as development, conflict, and climate change, can drive us apart. If social capital can be protected and harnessed effectively, these seemingly unsurmountable issues can also serve as catalysts for innovative collaboration and problem-solving. DMGENCO is one example of such innovation.

An employee checks the electricity readings at the Therma South, Inc. plant.  
© Therma South, Inc.

# Perspectives for a post-pandemic future

One of the immediate effects of the catastrophic COVID-19 pandemic was to get people, states, and businesses to think about how the post-pandemic world would look like. The consensus was that civil society, states, and businesses could not return to 'business as usual' or the sense of business-as-usual that everyone was accustomed to prior to the crisis—hence, the notion of a 'new normal' emerged.



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**When push comes to shove, political institutions can move rapidly and in large steps to lock down and enforce a halt to economic activity, provide financial and social support packages, speed up medical innovation, and introduce new social behaviours.**

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An immediate and visible effect of the pandemic is on the health and survival of people and their communities. This has caused a rethink about new and healthy lifestyles and the need for easier access to medical assistance and care when needed. People rued the loss of traditional coping mechanisms and realised how easy it was to resurrect some of these mechanisms during the pandemic—such as the community stockpiling and sharing of food supplies that saved a lot of community members from hunger and vulnerability to the virus.

Meanwhile, state actors reciprocated the societal concerns brought about by the pandemic by beginning to deliberate the doubling of financial support to universal health care, especially to the front liners who risked life and limb to help those affected by the coronavirus.

Big business is not immune to rethinking the sort of practices and standards that were being implemented in their respective sectors and how their business products and models could turn a profit and still remain sensitised to the risks posed by health emergencies and the threats to local and national economies.

As the recognised leader in the energy sector, AboitizPower and TSI were certainly ahead of the curve in adapting to the pandemic and shouldering the costs of energy provision before, during, and after the critical phase when the human costs were rising and hospitals and other health facilities required reliable and dependable electricity. Aboitiz certainly proved its newfound capacity, even in a

hot summer, to ensure the untrammelled supply of round-the-clock electricity despite the risks to its staff and its bottom line.

But this was not enough.

Like the rest of the business community, AboitizPower has begun to contemplate the short-, medium-, and long-term effects of the ‘new normal’ on its energy sourcing, its skills and capacities, and its business model.

The importance of a rethinking is also high on the agenda of non-TSI DMGENCO members, especially those living in local communities within the area of the TSI plant. How can it be sure that the immediate communities that surround it and the broader and diverse communities outside the city, the province, the region, and the nation can benefit from a recasting of energy sourcing and provisioning?

It helped that at about the same time as the pandemic, a barrage of articles, studies, and stories from both local and international publications revealed the ongoing debates within and outside the energy sector about the future of non-renewable and renewable sources of energy. This was followed by a slew of predictions and projections about how the future of coal, and the likely survival of coal-fired plants, had ended.

DMGENCO recognises that non-renewable energy has been written off countless times in the past, only to resurface and push back with more ferocity than in previous times. There are many reasons for



AboitizPower employees conduct a donation drive for a community in Davao del Sur amidst the COVID-19 pandemic.  
**📷 Therma South, Inc.**

why this pushback is possible, but the reality too is that each pushback has been accompanied by an inevitably wider use of renewable energy.

The response to the COVID-19 pandemic has, for many, highlighted the reality that when push comes to shove, political institutions can move rapidly and in large steps to lock down and enforce a halt to economic activity, provide financial and social support packages, speed up medical innovation, and introduce new social behaviours.<sup>60</sup> The environmental activist Greta Thunberg says the world needs to learn the lessons of coronavirus and

treat climate change with similar urgency, including a faster transition to a carbon-free economy.<sup>61</sup>

DMGENCO realises that this shift will not happen overnight. Reliable and dependable electricity will continue to be an important facet of the transition, but there is no doubt that energy from renewable sources will reemerge as a bigger source of energy in the country. The challenge is to reexamine and recast the energy mix so we can move forward with a stronger commitment to renewables in the immediate future.

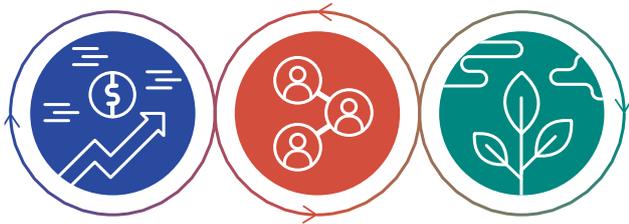
<sup>60</sup> Gérard Roland, "Understanding institutional change: Fast-moving and slow-moving institutions," *Studies in Comparative International Development*, 38 (2004): 109–131.

<sup>61</sup> Justin Rowlett, "Greta Thunberg: Climate change 'as urgent' as coronavirus," BBC, 20 June 2020, <https://www.bbc.com/news/science-environment-53100800>.

Annex:

# Checklist of measures

for conflict-sensitive economic, social, and environmental performance of a power-generation project



## ECONOMIC

- Will the action (business or development initiative) create jobs for local people?
- Are hiring requirements and guidelines clearly communicated by the company and, if transmitted through third parties such as LGUs or community, are accurately conveyed?
- Does the hiring process discriminate against and exclude specific ethnic groups, thereby fuelling or hardening ethnic/community cleavages or divides?
- Will the action create new skills among local people, especially young men and women?
- Will the action lead to local business development (e.g., through joint ventures, sub-contracting, etc.)?
- Will the action contribute to local revenues?
- Will the action continuously secure people's access to land, water, and other resources (coastal/marine resources)?
- Will the action lead to new jobs or other economic opportunities for women?
- Will the action expel people from community? Will the proposed relocation site create economic dislocation? Will the new settlement offer similar livelihood opportunities for people?
- Is the action accompanied by government mandated evaluation of its economic impact? Are these reports and assessments made accessible to the public by the appropriate regulatory agency/ies of the government?

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## S O C I A L

- Will the action provide benefits to excluded groups?
  - Does the action include plans to prevent conflict in communities?
  - Does the action ensure that local cultures and traditions are recognised and upheld?
  - Is the company promotive of respect for women?
  - Is the action informed by international standards or security and human rights?
  - Does the company have standards and protocols for its security forces whether internal or sub-contracted? Does it provide mechanisms for community or individuals to seek remedy and redress in cases of human rights violations of security personnel?
  - Will the action strengthen capacities of local authorities to address social needs?
  - Does the company have or will it create a mechanism for community engagement and dialogue with clear feedback and communication loop in place?
  - Will the action expel people from community? Won't the proposed relocation site socially displace people? Does it consider local social/cultural dynamics in planning settlements/ location of houses?
  - Is the action accompanied by government-mandated evaluation of its social impact? Are these reports and assessments made accessible to the public by the appropriate regulatory agency/ies of the government?
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## E N V I R O N M E N T A L / Q U A L I T Y O F L I F E

- Will the action guard against the pollution and destruction of the local environment?
- Does the action include a calculation of its carbon footprint? Is the project accompanied by other projects that mitigate its carbon footprint?
- Does the action include plans and financial allocations for the restoration of the affected environment in the future?
- Does the action include community drive sustainable forestry and agriculture projects?
- Is there a crisis management plan in place in the event of emergencies in the physical plant or in the event of disasters? Is this communicated clearly to employees and affected communities?
- Is the action accompanied by government mandated evaluation of its environmental and health impact? Are these reports and assessments made accessible to the public by the appropriate regulatory agency/ies of the government?

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## ABOUT THE AUTHOR



**Phil Champain** is currently CEO of the Faith & Belief Forum, a UK charity that builds relationships between people of different faiths and beliefs. Prior to this role, Phil worked as Director of Emerging Programmes at International Alert where he helped set up the Philippines programme, together with operations in Myanmar, Nepal, Sri Lanka, Tunisia, Lebanon, and the South Caucasus. He was among the pioneers of early thinking about the role of business in conflict, work which initially took him to the oil fields of Azerbaijan, co-editing *From War Economies to Peace Economies in the South Caucasus*, and the establishment of the Caucasus Business Development Network. Phil's current peacebuilding focuses on the UK and the Philippines where he has kept in touch with the DMGENCO process since its inception in 2013.

## A NOTE ON THE CASE STUDY

BY AN ACADEMIC EXPERT

**T**he complex and volatile world of the 21st century, now made more difficult by the speed and tenacity of a pandemic, will not allow companies to thrive with a do-no-harm attitude towards the society for which it has become responsible for. Social responsibility must now make way for social value creation—the identification and execution of which will require a ‘deep dive’. And a deep dive not only for the company, but the company and its stakeholders in an ever-expanding ecosystem.

The DMGENCO model has evolved into lessons for engagement and mobilization of this learning across stakeholders in the ecosystem where it wants to thrive, not just survive. Innovative practices of collective awareness- and commitment-building, authentic dialogues, complex problem-solving, stakeholder collaboration, and necessary transformation of language are shared by the DMGENCO narrative. Companies, members of civil society, local communities and the academe can therefore gain valuable insights from the DMGENCO’s ‘deep dives’ for consideration in formulating their own strategies and approaches to this complex and ambiguous world.



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