Private sector investments in fragile states

An explorative study of Danish companies’ contributions to development and peace in fragile states and the role of publically anchored investment cooperation

Ditte Ravnholt

Master’s Thesis
MSc. International Business and Politics
Copenhagen Business School

February 10th, 2016

Supervisor: Morten Ougaard
Pages: 79
STU: 180.744
Abstract

This thesis analyzes how Danish companies can contribute to peace and development in fragile states and what role publically anchored investment support instruments can play in this regard. The inspiration is the emerging international political focus on leveraging the problem solving potential of private business in developing countries in general and fragile states specifically, and indications of particular commitments to these issues in Danish foreign and development policy. After a short overview of critical issues related to the overall policy context on fragile states and the private sectors role, key research gaps that can be seen as challenging to the agenda’s practical realization are pinpointed. On this basis, a review of the literature and theoretical perspectives perceived as constituent to the research agenda is conducted, concluding that a complementary, multi perspective analytical approach to analyze business engagements in fragile states is needed. On the basis of a multiple-case study, consisting of interviews with three leading Danish businesses with operations in one or several fragile states, and Danish policy and industry actors, it is argued that a central way in which Danish companies can contribute to the provision of peace and development in fragile states is through the derived, mainly socio-economic and locally concentrated effects of their core business operations and practices, including employment creation, infrastructure development, more effective food production and improved working conditions. Publically anchored support instruments for investments, through particularly the Danish Export Credit Agency and the Investment Fund for Developing Countries, appear to help support this positive dynamic by contributing to reducing political and financial risks, but cannot necessarily be seen as critical to whether the investments take place or result in developmental or peace-related gains.

At the same time significant constraints exist for getting more Danish businesses to invest in fragile states in a way conducive to key political goals, including the challenge of finding the right risk-sharing models between the state and investors. In a future perspective, for the positive dynamics indicated by the case studies to be more explicitly supported, the thesis points to the need for a greater focus on how the positive derived effects of business core operations can be optimized and promoted, including a strengthened public-private dialogue on opportunities and modalities for cooperation in fragile states.
# Contents

Abstract .............................................................................................................................................. I

List of abbreviations ............................................................................................................................ IV

1. Introduction and research question ................................................................................................. 1

  1.1. Research question ....................................................................................................................... 2

  1.2. Delimitations .............................................................................................................................. 2

  1.3. Structure .................................................................................................................................... 3


  2.1. Defining fragile states ................................................................................................................ 4

  2.2. A greater role for private investors in fragile states? Underlying assumptions and arguments .... 5

  2.3. Challenges for the practical realization of the agenda .................................................................. 6

3. Literature review, theory and analytical framework ......................................................................... 7

  3.1. Business and peace .................................................................................................................... 7

    3.1.1. Conceptions of corporate contributions to peace .............................................................. 8

    3.1.2. Criticism: lack of strategy and risk-management perspectives? ........................................ 12

  3.2. Business strategy in ‘Bottom of the Pyramid’ markets ............................................................... 13

    3.2.1. Social embeddedness as critical for success in BOP-markets ........................................... 14

    3.2.2. Criticism: where is the risk management perspective? ....................................................... 15

  3.3. International business strategy and political risk ........................................................................ 15

    3.3.1. A firm-specific, resource based view of political risk ........................................................ 15

    3.3.2. A relationship-specific, bargain-based view of political risk ............................................ 16

  3.4. Complementary perspectives for an analytical framework ...................................................... 18

4. Methodology .................................................................................................................................... 20

  4.1. Research philosophy: pragmatism .............................................................................................. 20

  4.2. Research approach and research strategy .................................................................................... 21

    4.2.1. An abductive research approach ......................................................................................... 21

    4.2.2. Research strategy: case study ............................................................................................ 22

  4.3. Data collection ............................................................................................................................ 24

    4.3.1. FLSmith .............................................................................................................................. 24

    4.3.2. Maersk APM Terminals ..................................................................................................... 25

    4.3.3. Aller Aqua (Egypt) .............................................................................................................. 25

    4.3.4. Interviewees and interview strategies .................................................................................. 26

  4.4. Reflections on data analysis ......................................................................................................... 28

    4.4.1. Issues of methodological quality ......................................................................................... 28
5. Data analysis ........................................................................................................................................30
  5.1. Danish policy on fragile states and the private sector’s role .........................................................30
    5.1.1. Policy priorities on fragile states and the private sector .......................................................30
    5.1.2. Doing business in fragile states? The industry perspective .................................................33
  5.2. The company perspective: Danish businesses in fragile states ....................................................35
    5.2.1. Company strategies for investing in FS ..................................................................................35
    5.2.2. Forms of engagement and behavior once entered ..................................................................36
  5.3. Risk analysis and management ....................................................................................................41
    5.3.1. Salient risks ..........................................................................................................................41
    5.3.2. Industry and firm specific exposure to political risks ...............................................................42
    5.3.3. Specific approaches to managing political risks .....................................................................43
  5.4. Implications of publically anchored support instruments ..............................................................44
    5.4.1. Public support instruments: policy and industry assumptions and expectations ............44
    5.4.2. The three case companies use of the instruments ...............................................................48
  5.5. Summary ......................................................................................................................................52

6. Discussion of findings ...........................................................................................................................53
  6.1. The commercial nature of company engagements and contributions .......................................54
    6.1.1. Companies’ commercial perceptions of their role in FS .....................................................55
    6.1.2. “We don’t do politics” ...........................................................................................................55
    6.1.3. Conducting ‘critically important’ investments .......................................................................56
    6.1.4. Linkages between business practices, development and peace? .......................................59
  6.2. Business and political risk in fragile states .......................................................................................61
    6.2.1. A dynamic understanding of political risk exposure .............................................................62
    6.2.2. Proactive company strategies for dealing with firm-specific political risks ......................63
  6.3. Case company findings in a political and implementation perspective ........................................64
    6.3.1. Private sector investments in FS: policy aspirations and company realities .....................64
    6.3.2. Public support instruments: leveraging high risk investments for public benefit? ............66
    6.3.3. Instrument shortcomings .......................................................................................................68
  6.4. Suggested implications of key findings ...........................................................................................69
    6.4.1. Greater practical focus on commercial drivers of positive business contributions? .........69
    6.4.2. Towards a less normative and more eclectic approach to analyzing business in FS? ........71
  6.5 Limitations of findings .....................................................................................................................73

7. Conclusion ........................................................................................................................................73

Bibliography ...........................................................................................................................................80

Appendix ..............................................................................................................................................94
**List of abbreviations**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>AA</td>
<td>Aller Aqua</td>
</tr>
<tr>
<td>APMT</td>
<td>APM Terminals</td>
</tr>
<tr>
<td>AAE</td>
<td>Aller Aqua Egypt</td>
</tr>
<tr>
<td>BOP</td>
<td>Bottom of the Pyramid</td>
</tr>
<tr>
<td>CsecR</td>
<td>Corporate Security Responsibility</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
</tr>
<tr>
<td>DI</td>
<td>Confederation of Danish Industry</td>
</tr>
<tr>
<td>DCED</td>
<td>Donor Committee for Enterprise Development</td>
</tr>
<tr>
<td>EKF</td>
<td>Danish Export-Credit Agency</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>FS</td>
<td>Fragile states</td>
</tr>
<tr>
<td>FLS</td>
<td>FLSmidth</td>
</tr>
<tr>
<td>IB</td>
<td>International Business</td>
</tr>
<tr>
<td>ID</td>
<td>International Dialogue on Peacebuilding and State-building</td>
</tr>
<tr>
<td>IFU</td>
<td>Investment Fund for Developing Countries</td>
</tr>
<tr>
<td>IO</td>
<td>International Organization</td>
</tr>
<tr>
<td>MFA</td>
<td>Ministry of Foreign Affairs of Denmark</td>
</tr>
<tr>
<td>MIGA</td>
<td>Multilateral Investment Guarantee Agency</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
</tr>
<tr>
<td>ODA</td>
<td>Official Development Assistance</td>
</tr>
<tr>
<td>PPP</td>
<td>Public Private Partnership</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UM</td>
<td>Udenrigsministeriet</td>
</tr>
<tr>
<td>WB</td>
<td>World Bank</td>
</tr>
<tr>
<td>WEF</td>
<td>World Economic Forum</td>
</tr>
</tbody>
</table>
1. Introduction

Over the last decade, the international development community has increasingly turned its attention to the so-called fragile states (FS) (Nay, 2013). Although highly diverse, these environments are often characterized by different combinations of weak state structures, substantial poverty and inequality, political instability and/or violent conflict (Nussbaum et al, 2012). According to the Organization for Economic Co-operation and Development (OECD), about 1.4 billion people live in contexts considered fragile, with this figure expected to rise in the coming years (OECD, 2015).

With growing attention to perceived interlinkages between development, fragility and violent conflict, FS has been seen as posing key challenges to global development and security (Zoellick, 2008; World Bank (WB), 2011). In recent years, the international donor community has therefore intensified efforts to enhance the effectiveness of development strategies and peacebuilding interventions in FS (International Dialogue for Peacebuilding and State-building (ID), 2011; Nussbaum et al, 2012; Grimm et al, 2014).

In this context, the international development community has called for greater private sector investments and engagement in FS in order to promote employment creation, livelihoods and economic growth (International Dialogue, 2015; OECD, 2015; Hoffman, 2014a, 2014b; WB, 2011). At the same time, FS has historically received a marginal share of global foreign direct investment (FDI), partially because of their high risk status. An emerging issue has therefore become how public actions, resources and capital can be used to leverage new sources of development finance and greater private investment into FS (Zoellick, 2008; OECD, 2013, 2014, 2015; ID, 2015).

As noted by Miklian and Schouten (2014), the business for peace discourse “contains the seeds of a more substantial paradigm shift in the global peacebuilding and development architecture” (2014: 2). At the same time, very little is actually known of the “conditions under which trade and investment – from OECD to non-OECD countries alike can bring about peace and prosperity in fragile states” (OECD, 2013: 71) or on the specific ways in which different forms of publically anchored investment support may contribute to promoting such investments.

In light of these emerging political priorities but simultaneous uncertainties, there is arguably a need for more research on how private investors can live up to the expectations increasingly articulated in the political discourse. As a leading donor-country, Denmark has in recent years demonstrated a particular commitment to addressing the multidimensional challenges facing fragile states,
including by promoting a strengthened private sector (Slente, 2015; UM, 2010ab, 2010b). At the same time, shifting governments have in recent years expressed a growing orientation with Danish businesses as potential partners in realizing development gains in priority countries (UM, 2015a; 2015b). In this thesis, I therefore explore how Danish companies can contribute to peace and development in FS, in combination with what role Danish support instruments for private sector investments in developing countries play in that regard. In doing so, I hope to make an incremental but useful research contribution to an emerging policy priority.

1.1. Research question
In this endeavor, the thesis asks the following research question:

How can Danish businesses contribute to peace and development in fragile states and what is the role of publically anchored support instruments for investments in this regard?

In order to answer the research question, three sub-questions are posed:

1. According to existing theory, how and under what conditions are businesses likely to contribute positively to peace and development in FS-contexts?

I will work from the assumption that business engagement in FS is a highly complex issue, given the intertwinement of the political, security-related, development and business risk challenges cited above. Consequently, how a company can contribute to peace and development, and under what conditions it may be able to do so, is likely influenced by a multitude of factors. Therefore, I review the literature that can be perceived as constituent to the topic, focusing on the three literature streams of respectively business and peace; business strategy in ‘bottom of the pyramid’ markets and political risk management.

2. How and under what conditions do current investments of three leading Danish companies contribute to instigating peace and development in selected fragile states?

When the main research question asks how Danish business can contribute to peace and development in FS, I am guided by the pragmatic understanding, that this first and foremost requires an orientation towards current practice and evidence how companies from existing engagements can be seen to contribute. Thus, when asking ‘how can’, the thesis is not aiming for pure theoretical possibilities, but for conclusions that are backed by empirical evidence. This may then form the basis of a discussion of whether and how more can be done. I therefore explore
current trends and issues in Danish policy on FS, combined with a study of how and under what conditions three leading case companies can be seen to contribute to peace and development in different FS.

3. What role does the available public-support instruments for investing in developing countries play when Danish businesses invest in FS?

I will present the main publically anchored instruments and initiatives available for Danish companies that invest in higher-risk developing countries, including FS. Based on my primary and secondary empirical data, I will analyze the interface between the intended functions of the instruments and the actual experience of the case companies, with the underlying aim of pointing towards potentially relevant additions or significant changes to such instruments.

1.2. Delimitations
Because the research interest is not only the engagements of Danish businesses in FS, but how that engagement might be supported by publically anchored investment instruments, the type of investments considered only relate to those that are connected to investment instruments through e.g. Danida, the Investment Fund for Developing Countries (IFU) or the Danish Export-Credit Agency. The conclusions of the thesis therefore apply mainly to investments with a sense of public anchoring. At the same time, it has been necessary to structure the analysis in theoretical concepts and perspectives that deal with investments on market terms or where it is at least not assumed that companies invest alongside some publically anchored institution. This is because such perspectives may provide key analytical insights into market dynamics that by themselves drive and form business engagements in FS-like settings, which the public instruments then in turn may play a role in addressing or shaping.

Furthermore, in assessing how current investments of the case companies can be seen to contribute to peace and development, time and space-related limitations as well as issues of multi-causality have entailed, that it has not been possible to conduct evaluations of the host-country impact. I of course reflect critically on the degree to which the case-companies expressions of making positive contributions are reliable.

1.3. Structure
The above has introduced the research issue, the key research question and the main limitations. Chapter 2 provides a clarifying definition of FS and introduces the role of private sector investment
in this context, pointing to key research gaps. On this basis, chapter 3 reviews relevant literature, focusing on business-peace linkages, business strategies and development and political risk management. This forms the theoretical basis for the thesis. Chapter 4 clarifies and justifies the employed methodology. Chapter 5 provides an analysis of the key empirical data obtained, structured by key themes from the literature review and the research question. Chapter 6 discusses these findings against the key theoretical concepts and the core research question and suggests future implications, as well as some limitations. Chapter 7 concludes the thesis and presents perspectives for future research.

2. Context – a new ‘way of business’ in fragile states?
Given the emerging nature of private sector investments in FS as a policy priority, the following section will provide a short introduction to the context and issues. The identification of key research gaps in turn provides a guide for the focus of the literature review and analytical framework.

2.1. Defining fragile states
Despite the growing policy attention to FS, a universally accepted definition of these contexts do not exist (Nay et al, 2014). Rather, the political discourse has been characterized by different and mixed terminologies from failed, fragile, conflict- or post-conflict states or settings (Brinkerhoff, 2007) and competing definitions focusing on everything from incapable and dysfunctional state institutions, national or regional areas of political instability and conflict, and situations of severe economic hardship and broken markets (Nay, 2013; Ipke, 2007; Zoellick, 2008). Putzel (2010) however note that a ‘consensus definition’ has emerged among donors around the OECD’s 2007 ‘fragile state principles for international engagement in situations of conflict and fragility’, defining a fragile state as one with “weak capacity to carry out the basic state functions of governing a population and its territory, and that lacks the ability or political will to develop mutually constructive and reinforcing relations with society” (OECD, ND).

In 2015 however, the OECD proposed a shift away from this static definition towards a multi-dimensional model to monitor fragility on the basis of five dimensions: violence, access to justice, accountable and inclusive institutions, economic inclusion and stability, and capacities to prevent and adapt to social, economic and environmental shocks and disasters (OECD, 2015). Based on this, the OECD 2015 list of fragile countries and economies represents the 50 must vulnerable
countries and economies in all these five dimensions (appendix, A1), and guides this thesis’ understanding of FS.

2.2. A greater role for private investors in fragile states? Underlying assumptions and arguments

The growing political concern with FS as an issue has been interpreted as an indirect consequence of donor policies on aid-effectiveness and selectivity (Grimm et al, 2014; Baranyi and Desrosier, 2012; European University Institute, 2009). Here, “a number of challenged states – fragile, weak, under stress, etc. – consistently underperformed with regards to international goals and indicators, regularly lost out to new selective policies, and as a result, often remained aid orphans” (Baranyi and Desrosier, 2012: 445). Given the simultaneous perception of close linkages between the lack of developmental progress and the risk of protracted cycles of conflict, violence and instability, the concern of development IO’s and bilateral donors has been on how to enhance the effectiveness and quality of development interventions in FS in a way conducive to peace and stability (OECD, ND; ID, 2015). In 2011 selected FS and donor partners agreed on the development doctrine called a “New Deal for Engagement in Fragile States’ (ID, 2011). Among others, it points to the need for creating the economic foundations for peace through employment and livelihoods. “A healthy private sector is crucial for this, if jobs and incomes are to out-last donor-funded, short-term emergency programs” (Donor Committee for Enterprise Development (DCED), ND). Public donors and organizations such as the WB and the OECD have thus advocated for a stronger engagement of the private sector in FS (ID, 2015; WB, 2011; OECD, 2013, 2014, 2015; World Economic Forum (WEF), 2014; Hoffmann 2014a, 2014b). More generally, the welcoming stance towards private investors has also been interpreted as relating to shrinking aid budgets in several donor-countries (Hoffman, 2014b; Lange, 2015).

Policy discussions of what can be done to promote more development and peace friendly investment in FS have tended to focus on how structural barriers facing investors can be addressed (DCED, ND; Macsweeny, 2008). Increasingly however, and the concern of this thesis, the question has been how public donors more directly can support and promote private investment in FS. The idea of using public finances to ‘leverage’ private investments has been raised, for instance by mobilizing development finance to mitigate risks for investors (OECD, 2015; ID, 2015; Kristeligt Dagblad, 2013). According to the OECD “the impact of these new instruments in mobilizing development finance is likely to be far greater in fragile than in non-fragile situations. That is, they attract investment that would not otherwise be made available in riskier contexts with lower
investor-confidence” (OECD, 2015: 94). While the above thus frames the expected dynamics associated with the donor community’s emerging focus on getting more (potentially publically supported) private investment into FS, an apparent weakness appears to be a relatively dominant focus on this end goal as opposed to the exact ways this may be achieved, as is the focus below.

2.3. Challenges for the practical realization of the agenda
The growing attention of the donor community towards engaging the private sector in alignment with development strategies in FS has generally received little research among scholars, perhaps reflecting the topics newness. The limited research that does exist has however pointed to a number of important uncertainties in regards to its practical feasibility (Lange, 2015; Hoffmann, 2014b; Torjesen, 2013). Particular uncertainty surrounds the question of how businesses in practice contribute to peace and development in FS (Torjesen, 2013; Hönke, 2014; Miklian and Schouten, 2014). The same applies to the conditions under which investors are likely to deliberately optimize such a positive influence and “the factors that would encourage or hinder such a favorable business behavior” (Hoffmann, 2014b: 4). Furthermore, there is limited knowledge as regards the specific ways in which publically anchored support schemes to leverage private investment actually promote the kind of investments demanded by donors and host-countries in developing countries in general (Kvakkenboos, 2012) and in FS specifically (Lange, 2015).

Finally, while there is a growing investor attention towards the market-potential of ‘high-growth, high risk’ frontier markets such as emerging economies in Africa (Atlantic Council, 2014; Dalberg, 2015), ‘the business case’ for investing in highly challenged FS cannot be assumed just because the need for investment is there. In the Danish context the Confederation of Danish Industry (DI) has argued that very few companies are in fact capable of engaging in FS, in light of vulnerabilities to extraordinary security, regulatory and legal risks (Kristeligt Dagblad, 2013). Several studies have emphasized particularly the issue of “political risk”, (including war, revolutions, government restrictions on profit movements etc1) as a key barrier for foreign investors in FS-markets (Berman, 2000; Bray, 2009; MIGA, 2010, WB et al, 2013), as investors fear that such issues could have negative consequences for their investments (WEF, 2014). At the same time, such studies have to a lesser degree explored how companies – alone or in cooperation with public actors – may seek to manage such risks (MIGA, 2010), and thereby operate successfully in FS.

1 These are issues included in the Multilateral Investment Guarantee Agency’s (MIGA) definition of political risk, obtained at https://www.miga.org/Documents/Glossary_of_Terms_Used_in_the_Political_Risk_Insurance_Industry.pdf
3. Literature review, theory and analytical framework

To address sub-question 1, which states “according to existing theory, how and under what conditions are businesses likely to contribute positively to peace and development in FS markets?” the following chapter will provide an introduction to the literature on the role of business in relation to conflict and peace, business strategy in ‘bottom of the pyramid’ markets and political risk management. The prioritized focus on these three literature streams is guided by the identified research gaps in the previous section, which indicated a need for more knowledge on how and the conditions under which business can contribute to peace and development in FS and how they might manage the risks inherent to these operating contexts. Given the broad scope of this ‘problem’, the analytical framework employed arguably needs to both (1) provide clearly defined metrics to analyze each of the concrete dimensions related to the overall question of business engagements in FS and (2) be flexible enough to be able to capture potential interactions between these different dimensions, also when including the additional dimension of publically anchored investment cooperation.

3.1. Business and peace

The literature concerned with the contributions of corporate actors to the advancement of peaceful societies has emerged from different theoretical and analytical perspectives. Among the most frequently cited are the expanded global reach, visibility and influence of corporations, growing calls for corporate social responsibility (CSR), and enhanced attention to business as ‘problem solvers’ in the context of globalization and what has been called “the erosion of national governance” (Jamali and Mirshak, 2010: 445; Deitelhoff and Wolf, 2010, Fort and Schipani, 2004). Further, the growing number of conflicts in countries and regions where multinational companies (MNCs) operate and perceived interlinkages between private sector activities (e.g. resource extraction), economic development and conflict has heightened research attention to the agency – positive and negative – of corporate actors in relation to peace, conflict and fragility (Wenger and Möckli, 2003; Banfield et al, 2005).

Consequently, the business and peace literature spans wider issues in international relations and global governance, such as political CSR, PPP’s and the political economy of conflict and fragility and is thus relatively broadly scoped. According to Deitelhoff and Wolf this has also entailed that

---

2 See for instance: on political CSR (Palazzo and Scherer, 2008; 2011), on PPPs (Brinkerhoff and Brinkerhoff, 2011); on private governance contributions in areas of limited statehood (Börzel and Risse, 2010) and on the political economy of conflict and fragility (Collier, 2007; 2009a; 2009b; Collier and Hoeffler, 2004).
the field has suffered “from a lack of reference to generic concepts” (2010: 11), in which it has not always been clear what exactly is the dependent variable studied. For instance, where a part of the literature uses the term ‘conflict prevention’ or ‘peacebuilding’ to describe corporate engagement (Nelson, 2000; Banfield et al, 2005; Wenger and Möckli, 2003), others consider ‘corporate governance contributions’ to peace and security (Wolf et al, 2007; Deitelhoff and Wolf, 2010; Feil, 2011). Differences in exact terminology notwithstanding, these perspectives are essentially concerned with the potential of corporate actors as agents of peace in investment settings influenced by conflict, violence and instabilities (Feil, 2011).

3.1.1. Conceptions of corporate contributions to peace

According to Feil (2011) the different research contributions on how corporations can promote peace (and reduce conflict) have addressed three interrelated factors: (1) the type of corporate behavior related to conflict settings, (2) the mechanisms linking corporate behavior to peace, and (3) the factors influencing that behavior. Of these three, the concern of the third dimension has mainly been with explaining the nature of the first and second dimensions, pointing to both external (country, conflict, context) and internal (company characteristics, values, history) factors (Ibid). As this explanatory level is beyond the thesis scope, going forward, the key focus is on the former two.

Within the literature, it seems that the key dividing issue has related to the mechanisms linking corporations to peace. While some have focused broadly on ‘conflict prevention’ or ‘peacebuilding’ through or beyond socially responsible core business operations (Nelson, 2000; Banfield et al, 2005; Kanagaretnam and Brown, 2005) others have emphasized more explicit and politically oriented corporate contributions to public security and peace (Wolf et al, 2007; Deitelhoff and Wolf, 2010; Jamali and Mirshak, 2010, Feil, 2011). Below, focus is on two frameworks from each of these perspectives, which have been widely referenced in the business-peace literature, presented in accordance with the first two of the three factors influencing corporate contributions as outlined by Feil (2011).

3.1.1.1. Corporate contributions to conflict prevention – outlining the broad framework of Nelson

The seminal report by Nelson (2000) entitled “The Business of Peace: The Private Sector as a Partner in Conflict Prevention and Resolution” has been cited as a major advancement in terms of outlining the potential engagement strategies of business in conflict or conflict-prone contexts (Jamali and Mirshak, 2010; Wenger and Möckli, 2003). Focusing on corporate engagement in countries either affected by or at the risk of conflict, Nelson seeks to outline “some of the key
factors that determine whether business play a negative role by creating or exacerbating violent conflict or a positive role by helping to prevent it when it occurs” (Nelson, 2000: 6).

As regards type of corporate behavior in conflict-settings, Nelson proposes three strategies for business engagement; a compliance-strategy, where companies at the minimum comply with national regulations and internationally agreed laws and standards; a risk minimization-strategy where companies seek to minimize the real and potential negative socio-economic, political and environmental impacts of their operations; and beyond this; a value-creation-strategy, where companies aim to proactively create positive societal value (Ibid: 7). It is argued that “companies need to move beyond strategies of compliance and risk minimization”. “Their goal should be to pursue strategies of pro-active, systematic value-creation, aimed at creating positive value for as many stakeholder groups as possible, including, but not exclusively, shareholders” (Ibid: 11). As such, a value-creation strategy is proposed as necessary for corporate contributions to peace, but is conditioned by compliance and the minimization of negative impact of operations in the first place (Ibid).

As regards the mechanisms linking corporate behavior to peace, Nelson’s prescriptions of the activities and mechanisms inherent to the value-creation strategy are quite broad. Depending on the context, a value-creation strategy can either contribute to preventing conflict in the first place, to managing ongoing crisis or to reconstruction and reconciliation in the post-conflict phase (Ibid).

In either of these stages, corporate contributions can stem from core business operations (commercial activities that either directly or indirectly contribute to conflict prevention or resolution, but not necessarily intentionally, e.g. by investment in key productive sectors, employment creation etc.), social investment and philanthropy programs (through donations of money, products and services or the engagement of employees in social/community based services) as well as engagement in public policy dialogue, advocacy and institution building (individually or collectively address structural issues underpinning conflict or the risk of it) (Ibid). Repeating the adage ‘if you can’t measure it, you can’t manage it’, the author suggests five performance indicators for assessing “both a country and a company’s potential for creating, exacerbating, preventing or resolving conflict” (Ibid: 70) focusing on contributions that:
1. **Strengthen equitable economies**  
   o E.g. at country level: level and nature of foreign investment. Company level: direct jobs created and export revenues generated for host countries.

2. **Builds human capital**  
   o E.g. country level: % of GDP spent on education and training. Company level: % of local employees at management level or investment in skills training.

3. **Supports social cohesion and respect for human rights**  
   o E.g. country level: % of people below poverty line or unemployment levels. Company level: % of social investment spent on capacity and institution building.

4. **Encourages good governance**  
   o E.g. at country level: level of corruption or democratic quality. Company level: standards for good corporate governance.

5. **Protects the environment**  
   o E.g. country level: existence and effectiveness of environmental regulations. Company level: level of emissions or capital investment in relevant technology.

### 3.1.1.2. Corporate governance contributions to peace and security – Corporate Security Responsibility

Where Nelson’s framework provides for a broad, practitioner-based typology of how companies may contribute to peace and conflict prevention, in the academic debate focus has been placed more narrowly at intentional, corporate governance contributions to peace and security (Wolf et al, 2007; Deitelhoff and Wolf, 2010; Feil, 2011). The Corporate Security Responsibility (CsecR) framework by Wolf et al (2007) (and Deitelhoff and Wolf (2010) “deals with corporations operating in a violent environment” (Wolf et al, 2007: 301). It thereby distinguishes itself from the CSR-agenda “concerned with corporations in a peaceful environment” (Ibid). CsecR-contributions are seen as corporate governance contributions “that are directly addressed at regulating or influencing an environment characterized by imminent or only very recently terminated interactions of physical violence” (Wolf et al, 2007: 302).

The theory’s focus is on the determinants of corporate contributions to peace and security as a public good (as opposed to e.g. a private or club good) (Ibid). Here, the framework has two essential aims: outlining and explaining the types of engagements companies can adopt when operating in a violent environment; and outlining and explaining the type of impact that can result from that engagement (Ibid). As mentioned, it is beyond the scope of the thesis to go into the different factors that can explain why a particular form of engagement emerged. Consequently, I will not pursue the CsecR-theory’s explanatory aims further. Below focus is therefore mainly on the
frameworks typology of strategic engagements and how these relate to the attainment of peace in violent investment contexts.

Similar to Nelson, as regards type of corporate behavior, the authors suggest three engagement strategies, these being take advantage (of the weak local institutions and conflict economy), withdrawal/business as usual (exiting or upholding non-interference), and proactive engagement (actively trying to contribute to security/peace/reduced conflict, directly or indirectly). Like Nelson’s framework, the latter strategy is eventually argued to be the only form of engagement that can effectively contribute to reducing violence in a given investment context (Wolf et al, 2007).

However, in regards to the mechanisms linking corporate behavior to peace, the CsecR framework is more narrow than Nelson’s (2000), focusing only on corporate contributions that are voluntary and intentional (as opposed to being required by law, or a by-product of core business operations) and are of a certain political quality (as opposed to e.g. philanthropic payments) (Wolf et al, 2007 Deitelhoff and Wolf, 2010). Furthermore, contributions must be relevant to peace and security, which they may be either directly or indirectly, as displayed in figure 1 below (Deitelhoff and Wolf, 2010).

Figure 1: Corporate governance contributions relevant to peace and security (Source: Deitelhoff and Wolf, 2010: 13)

Where the framework by Nelson outlines specific performance indicators for assessing the impact of corporate engagement, the CsecR-framework more broadly outlines three possibilities: doing no harm, doing harm and doing good (Wolf et al, 2007). Here, the authors’ argue that the greatest
impact (doing good) is likely to follow from a proactive engagement, that also includes public actors/governments (e.g. through PPPs) and targets the national level of the host country (Ibid).

3.1.1.3. Integrated perspectives on how business can contribute to peace
In the above, I have outlined the respective frameworks of Nelson (2000) and Wolf et al (2007) in terms of two of the three key focus-areas that Feil (2011) suggested as central to the question of how companies may contribute to the advancement of peace (type of corporate engagement and mechanisms linking corporate behavior to peace). Table 1 sums up the key takeaways. Here, it becomes evident that although the two frameworks appear to be in agreement as to the behavioral primacy of a value creation/proactive engagement strategy, in which firms actively try to address particular issues related to existing or latent conflict, they have different conceptions of what kind of corporate activities that fall within this strategy. Particularly, where Nelson (2000) acknowledges the potential positive effects emerging from companies core business operations, even if unintentional, the CsecR-framework in contrast argues that relevant contributions must be intentionally aimed at positively influencing the investment context.

Table 1: Overview of theoretical conceptions of corporate contributions to peace (Nelson, 2000; Wolf et al, 2007; Deitelhoff and Wolf, 2010).

<table>
<thead>
<tr>
<th>Type of corporate engagement/behavior</th>
<th>Nelson</th>
<th>CsecR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance</td>
<td>Core business (direct or indirect, even unintentional)</td>
<td></td>
</tr>
<tr>
<td>Risk minimization</td>
<td>Social investment and philanthropy</td>
<td></td>
</tr>
<tr>
<td>Value Creation</td>
<td>Public policy dialogue, advocacy and institution building</td>
<td></td>
</tr>
<tr>
<td>Mechanisms linking corporate behavior to peace (activities inherent to value-creation/proactive strategy)</td>
<td>Direct: intentional engagement in SSR, DDR, peace negotiations and public security provision.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Indirect: intentional contributions to addressing political, socio-economic or socio-cultural issues.</td>
<td></td>
</tr>
</tbody>
</table>

3.1.2. Criticism: lack of strategy and risk-management perspectives?
Although the business and peace literature, including the above perspectives, generally acknowledges that the structural features of conflict and/or fragility “create specific and exceptional management and operating environments” (Feil, 2011: 26), besides calls for corporate commitments to minimizing negative impact of operations (Nelson, 2000) the literature does not seem to explicitly consider what implications this holds at the firm level of applicable business strategy. In other words, the potentially different determinants of operating success in these settings compared
to more stable business environments are not really explored (Hofmann, 2014b). Furthermore, although the high political and security risks of operating in such settings are acknowledged, the issue of how they might be managed is not addressed. As it can be assumed with some plausibility, that a company that is not able to navigate such challenges, is unlikely to contribute in any way to peace or development (Williams, 2008), there is a need to nuance the business and peace literature with perspectives on how companies can operate successfully in high risk environments.

3.2. Business strategy in ‘Bottom of the Pyramid’ markets

Within the field of international business (IB), there have been limited, if any, systematic attempts at exploring conditions for competitive business strategies in FS specifically. However, growing attention has been devoted to business strategies in the so-called ‘bottom of the pyramid’ (BOP) economies, denoting the markets made up by the world’s poorest people and economies, including those characterized by political instability and violence (Prahalad and Hammond, 2002). Although the BOP-perspective has thus not been developed specifically for business engagements in FS, there are key overlaps given the BOP and the FS terminologies shared focus on poverty and instability.

Introduced by Prahalad and Hammond in their article “The Fortune at the Bottom of the Pyramid” (2002), the BOP-perspective considers factors necessary for companies to be successful when operating in such markets, while at the same time contributing to development. It argues that private business, by stimulating commerce and development at the bottom of the economic pyramid “could radically improve the lives of billions of people and help bring into being a more stable, less dangerous world” (Ibid: 48). In doing so companies “need only act in their own self-interest, for there are enormous business benefits to be gained by entering developing markets” (Ibid). This particularly relates to tapping into new growth markets, comparatively cheap labor and developing new sources of competitive advantage (Ibid). In order to realize these potential benefits, Prahalad and Hammond stress that investing companies need to be able to “rethink their business metrics” (Ibid: 55) accordingly. While various examples of strategies are outlined, the central message is that companies above all should seek to eradicate key external barriers characterizing these markets, such as poor infrastructure, inadequate market connectivity and corrupt intermediaries (Ibid). As Prahalad and Hammond do not provide a de facto theory for successful corporate strategy in BOP markets, but rather outlines examples likely to matter, other scholars have sought to further develop the BOP-perspective.
3.2.1. Social embeddedness as critical for success in BOP-markets
Echoing the proposition that BOP-markets offer unique market opportunities, London and Hart (2004) investigate the factors which contribute to successful strategies in these markets (based on companies abilities to “develop economically sustainable business models” (Ibid: 361)). Arguing that traditional IB-theories of strategy do not adequately capture the inefficient, unorganized and often informal market conditions of BOP-markets, nor the fact that economic development in these markets is rarely evenly distributed across the economy, the authors argue that successful strategy in BOP-markets requires company capabilities for ‘social embeddedness’, denoting ‘the ability to create competitive advantage based on a deep understanding of and integration with the local environment” (London and Hart, 2004: 364). Central to the revised perspective proposed by London and Hart is that rather than trying to overcome or adapt to the weaknesses of the local business environment, investing firms should focus on identifying and leveraging its existing strengths in a collaborative approach that engages with and contributes to ‘bottom up’ development in the local community. Based on this proposition, three specific strategies are seen as contributing to success, while also being potential instigators of development.

First, by collaborating with non-traditional partners, which require going beyond the national government or other large companies and engaging with e.g. development actors, community groups or local governments, firms are provided with an opportunity for understanding the local operating context and are given local legitimacy and access to needed resources (Ibid).

Secondly, London and Hart emphasize the primacy of ‘co-inventing custom solutions’, denoting essentially the process of maximizing the local functionality of a product/service by “adding local content to the product design” (Ibid: 362) through strategic cooperation with local partners knowledgeable of local demand, marketing and delivery factors.

Third, the development of local capacities is proposed as a valuable strategy by which companies can manage and minimize the risk of reputational costs associated with negative ‘push back’ from NGO’s and local society, a concern particularly pervasive with heightened global attention to social ills in such contexts as internal or regional conflicts and terrorism (Ibid). Local capacities are meant as “societal performance and the sharing of resources outside (emphasis added) firm boundaries” (Ibid: 363), either integrated into core business models (such as local training programs) or aiming to help build capacities of existing institutions, e.g. by helping to provide basic services (Ibid).
3.2.2. Criticism: where is the risk management perspective?
Given the emphasis of the above perspectives on the determinants of successful business strategy in the BOP-markets, it is somewhat surprising that the frameworks, like the business and peace literature, do not more explicitly consider how this is impacted by the substantial market specific operating risk, that is after all recognized as central to BOP-markets (Prahalad and Hammond, 2002; Anderson et al, 2010). The empirical outset section of this thesis particularly emphasized political risks as a barrier for more significant investment into FS. Thus, there is a need for complementing the above with a more explicit political risk perspective within IB.

3.3. International business strategy and political risk
For businesses operating internationally, managing risk is a prime objective (Frynas, 1998; Miller, 1992; Ghoshal, 1987). Consequently, within the IB-field, numerous perspectives exist as to how risk may be measured, predicted, and managed. Kaplan and Mikes (2013) distinguish preventable risks (stemming from within the organization, and manageable), strategy risks (risks related to the operationalization of the firms strategy, which may be predicted, but not necessarily manageable) and external risks (arising outside the company and beyond its management) (Ibid).

Although there is no all-encompassing definition of political risk, the term is generally associated with external risks beyond the control of the individual company (Keillor et al, 2005). According to Conway (2013) “political risk analysis as a discipline has held a single overarching priority: the identification of those political factors in a given country that impact the firm’s ability to operate” (Ibid: 201). Reviewing the literature outlining factors affecting companies operations in (mainly) conflict areas, Jamali and Mirshak (2010) cite risks related to political unrest and/or legal uncertainties change of government, expropriation or threats to personnel or asset damage, and their intertwinment with higher economic risks. Concerned with understanding why some companies, despite warnings of various risk-indices, are able to operate successfully in politically high-risk environments, the contributions of Frynas and Mellahi (2003) and Conway (2013) may guide an analysis of how individual business operating in FS specifically are affected by and may deal with political risk.

3.3.1. A firm-specific, resource based view of political risk
Drawing on qualitative data from international companies in the Nigerian oil-industry, Frynas and Mellahi (2003) argue that how a business is impacted by and in turn able to manage political risk is inherently firm-specific. They distinguish political risk from political instability, although the two are often mixed together. “Instability is observable, and it affects a firm’s property such as
buildings, equipment, or government licenses…” “Risk is not a tangible thing, but a bundle of expectations concerning potential future instability that have a market value and determine future earnings. In other words, risk is a subjective perception of how instability may affect the firm” (Ibid: 2003; 545). Consequently, “risk should be construed as being primarily a firm-specific or project-specific value assessment rather than country risk, as it depends on the goals and resources of a firm or project” (Ibid: 546).

Having introduced this distinction, Frynas and Mellahi argue that how a company is affected by political risk is “highly dependent on firm resources and capabilities” (Ibid: 548) for managing political instability in regards to civil war, changes in government policy, corruption, disputes with neighboring countries and social unrest. Consequently, by linking political risk to the resource-based view of the firm, the authors argue that “firms can be active actors capable of acquiring and upgrading firm-specific resources and capabilities for coping with or even benefiting from political risk” (Ibid: 544). A limitation of Frynas and Mellahi’s perspective is however that it does not provide a systematic way of assessing, what kind of firm specific resources are likely to matter most where and when, as this will depend on context, thus making the perspective somewhat all-encompassing.

3.2.2. A relationship-specific, bargain-based view of political risk
Where Frynas and Mellahi see firm-specific exposure to instability and firm specific resources for risk management as a key factor helping to explain commercial success in risky environments, Conway (2013) suggests focusing on the wider relationship between the investing company and its stakeholders, the latter defined as “those actors that can impact the firm’s ability to operate in a given location” (Ibid: 203). Applying Eden et al’s (2004) political bargaining model (PBM) of MNE (multinational enterprise)-state relations, Conway (2013) argues that political risk can essentially be understood as “the uncertainties surrounding the relationship between the firm and its stakeholders” (Ibid: 202). Although Conway acknowledges that the PBM has not been considered explicitly as a framework for political risk analysis³, he contends that the model is useful for exactly this purpose, as it disaggregates the host-country of the investing company into a series of stakeholders: “in reality, when a multinational company enters into a given country, the firm establishes relations with a series of stakeholders, not a single host country entity” (Conway, 2013: 201). In the PBM,

³ According to the authors behind the PBM, its main intention is as a contemporary and modernized revision to the so-called obsolescing bargaining model (OBM) developed by Vernon (1971) on MNC-government relations (Eden et al, 2004).
success is defined as the ability of each actor (in the bargaining game) to achieve its own goals to a self-satisfactory degree (Conway 2013; Eden et al, 2004). Based on the PBM, Conway outlines two key focus areas as conditioning company success in high risk operating environments. On one hand, from a resource based view, “under the PBM, the relationship between the multinational company and a given stakeholder – the bargain – represents the interface of the goals, resources and constraints of both actors” (Conway, 2013: 203). For instance, a country may possess a given natural resource, but may not be able to effectively extract it, which in turn may both be the company’s capability and interest (Ibid). Therefore, according to the PBM, company bargaining success in part depends on the level of resource complementarity between itself and its stakeholders, or an “I have what you need, you have what I need” philosophy (Ibid).

On the other hand, the PBM also recognizes the importance of the host country’s institutional environment (Ibid). Drawing on the concept of ‘institutional distance’ (defined by Kostova and Zaheer (1999) as the “difference or similarity between the regulatory, cognitive or normative institutional environment of the home and host countries of an MNE” (1999: 68)), the PBM argues that the greater the institutional distance, the more the host environment will see the company in stereotypical terms, increasing its liability of foreignness and consequently weakening its position for reaching political bargains (Eden et al, 2004). Therefore, in regards to how the firm can minimize exposure to political risk as a relationship-specific uncertainty, Conway (2013) emphasizes the importance of the company and its stakeholders operating under shared ‘operating constraints’ (formal institutions and rules, as well as informal societal norms).

Based on these propositions under the PBM, Conway argues that MNC operating success in high risk environments (by limiting exposure to political risk and uncertainty) will likely be a function of both

A. The ability of a company to maintain resource complementarity with various stakeholders

B. The ability of a company to minimize institutional distance by conforming to stakeholder operating constraints (e.g. both formal and informal societal norms).

Accordingly it is argued that “the risk is in the relationship between the firm and the country’s stakeholders…Success is therefore a function of the firm’s ability to manage relationships among a variety of stakeholders within a given country” (Ibid: 201).
3.4. Complementary perspectives for an analytical framework
The reasoning that has guided the above literature review has been that the overall research issue of private sector investments in FS is analytically a complex phenomenon, spanning equally complex issues such as the potential interlinkages between business operations and the attainment of peaceful societies, how business can operate commercially successful in spite of the structural challenges in difficult operating contexts while also contributing to developmental gains; and how the political risks of such endeavors may be mitigated. I therefore echo previous research that has emphasized the desirability of multi-theoretical approaches to address business engagements in such contexts (Jamali and Mirshak, 2010).

In proposing an analytical framework based on the combination of the above outlined perspectives, I am not arguing, that I have found the optimal (or necessarily sufficient) analytical framework for assessing business contributions in FS. But from an exploratory and pragmatic lens, it is my preliminary expectation that the three emphasized literature streams, when considered in complementary fashion, can help provide a holistic understanding of the potential factors that influence how and under what conditions business are likely to contribute positively to peace and development.

Here, the contribution of the business and peace literature is to outline the overall linkages between different business activities and the advancement of peace, and the key ways in which such positive contributions may be obtained in FS markets. In turn, the contribution of the two business-strategy perspectives of respectively BOP-market strategy and political risk management is to shed light on the factors that help business enter and operate successfully in FS markets.

Rather than attempting for an effective synthesis of these different perspectives, they should be considered as potentially complementary analytical instruments for analyzing of some of the key overall issues that matter when exploring engagements and contributions of (here Danish) companies in FS, as portrayed in the figure below. To use a theatrical metaphor, the larger circle represents the overall ‘revolving stage’ – the overall issue I seek to understand. The three smaller circles in turn represent the different backdrops or ‘scene changes’ that may help this overall aim.
Figure 2: Complementary perspectives of the analytical framework for addressing the research question

While each smaller circle can be analyzed on its own, it is the complementary use of the perspectives that are believed to help structure a holistic answer to the research question. Moving forward, it is now up to the empirical analysis of company engagements to narrow and specify the three perspectives relevance. On this basis, it can then be discussed how the perspectives potentially interact with companies’ use of investment cooperation with public actors.
4. Methodology
The following chapter will present the research design and its justification. The structure is inspired by the so-called ‘research onion’ of Saunders et al (2009: 107) portrayed in the figure below, moving from the outer layer of the ‘onion’ towards the center.

**Figure 3: Key methodological issues** (adapted version of Saunders et al, 2009)

![Research Onion Diagram]

4.1. Research philosophy: pragmatism
According to Saunders et al, research philosophy concerns core assumptions about the “development of knowledge and the nature of that knowledge (2009: 107). In the social sciences, research philosophy has often been framed as an either-or choice between positivism, insisting on an objective truth accessible by scientific knowledge, or interpretivism, preoccupied with the socially constructed nature of reality and thus knowledge (Saunders et al, 2009; Moses and Knutsen, 2007). Pragmatism has gained ground as a third approach, arguing for a need to move on from such ‘unresolvable metaphysical divides’ (Sil and Katzenstein, 2010). The priority is a “pragmatist view of social inquiry” concerned with generating knowledge that is useful to real life policy problems and practice (Sil and Katzenstein, 2010; 415; Friedrichs and Kratochwill, 2009). This involves employing an open-ended ontology (the theory of being) and epistemology (the theory of knowledge) (Saunders et al, 2009). Because the research agenda of this thesis aims at generating new knowledge on issues that influence the practical feasibility of the emerging political focus on private sector investments as a positive force for change in FS, this thesis adheres to such a pragmatist philosophy.
In this regard, the thesis understanding of social scientific knowledge is inspired by Friedrichs and Kratochwill’s (2009) pragmatic notions of a ‘consensus theory of knowledge’ and ‘epistemological instrumentalism’\(^4\). Epistemological instrumentalism emphasizes an intersubjective quality of social reality, which can be assessed by its utility for “enabling orientation in the social world” or “understand complex social phenomena” (Ibid). In other words, truth becomes what is practically useful. I aspire for the latter by mixing secondary data on ‘fragile states’ as a practical problem with primary data (interviewees with different company, policy and industry actors) on how Danish companies in practice engage in these settings.

The consensus theory of knowledge sees knowledge as reflecting shared theories and concepts in a discursive community, but argues that it must resonate with society at large. “The more scholarly consensus is meaningful to multiple constituencies, the more it warrants the exact predicate of knowledge” (Ibid: 706). In line with this, I have based the research and analytical process on a data collection as broadly representative to the research problem as possible, drawing not only on the company perspective, but triangulating it with relevant policy and industry actors, and applying a multi-theory analytical framework to guide a nuanced analytical process and outcome.

4.2. Research approach and research strategy

4.2.1. An abductive research approach

Friedrichs and Kratochwill (2009) outline three varieties of pragmatist research approaches; theory synthesis, analytic eclecticism and abduction. This thesis mainly uses an abductive approach with certain elements of analytic eclecticism. According to Friedrichs and Kratochwill (2009), “the typical situation for abduction is when we, as social scientists, become aware of a certain class of phenomena that interests us, but for which we lack applicable theories”…”We therefore start collecting pertinent observations and, at the same time, applying concepts from existing fields of our knowledge. Instead of trying to impose an abstract theoretical template (deduction) or “simply” inferring propositions from facts (induction), we start reasoning at an intermediate level (abduction)” (Ibid: 709).

Given the lack of an adequate or unified theory for addressing the research question, I review existing literature fields related to the topic, but of different academic ‘homes’, using the key

\(^4\) These positions are alternatives to “standard methodology based on ontological realism and the correspondence theory of truth” (Ibid: 703). Ontological realism assumes “propositions to be true when they match reality” and the correspondence theory assumes that either something is or it isn’t (tertium non datur) (Ibid).
perspectives to establish the analytical framework and its set of theoretical conclusions (an element of deduction). At the same time, I collect new empirical data regarding the empirical ‘problem’ – the engagements and contributions of Danish business in FS – and make inferences from this (an element of induction). In the analytical process, I have strived for an iterative dialectic between these levels, moving back and forth between theory and the empirical, and between deductive and inductive reasoning – in its essence, abduction. As such, the theoretical perspectives are employed in a new combination to structure and pose qualified questions to new empirical data. The empirical findings are in turn discussed against the theory, and in light of the findings, new perspectives, questions and suggestions to both theory and the empirical emerge. An element of ‘analytic eclecticism’ is also involved, as per Sil and Katzensteins argument that analytic eclecticism “problematize complex phenomena encountered by practitioners and ordinary actors…that are typically sliced into more narrowly circumscribed puzzles by adherents of research traditions” and “use “theories from multiple traditions in search of linkages between different types of mechanisms that are normally treated in isolation in separate traditions” (Sil and Katzenstein, 2010: 426).

4.2.2. Research strategy: case study
Given the exploratory nature of the research question(s) asked the priority has been a close anchoring as possible to its key ‘actors’ (companies and influential policy-industry actors) while also being flexible enough to account for their mutual interactions. The chosen strategy has thus been that of a qualitative, multiple case study. From Yin’s (2013) definition, “a case-study investigates a contemporary phenomenon (the case) in its real-world context, especially when the boundaries between phenomenon and context may not be clearly evident” (2014:16). According to Yin (2013) a case-study research is desirable when “(1) the main research questions are “how” and “why” (2) a researcher has little or no control over behavioral events; and (3) the focus of the study is a contemporary phenomenon” (2013:12). Referring back to the research question’s ‘how’ dimension, my own lack of control of the events studied and the contemporary nature of private sector investments in fragile states as an issue, the reliance on a case study seems justified.

4.2.2.1. A multiple, embedded case study design
The figure below depicts the choices outlined by Yin (2009) as regards case study design, based on two dimensions; single case versus multiple cases; and holistic case versus embedded case.

---

5 How’ and ‘what’ questions, such as in this thesis, are according to Yin (2013) tied to exploratory aims.
With the research question(s) being both exploratory and concerned with generating answers relevant to a practical ‘policy problem’, a *multiple case design* was chosen to increase strength of findings (Yin, 2013). Furthermore, because of the research questions anchoring in the bigger context of indicated Danish foreign- and developmental priorities on FS and private sector investment, the chosen case companies constitute ‘units of analysis’ embedded in this context as well as their own operational one, as are the interviewed policy and industry actors. Against this background, the thesis employs a multiple, *embedded design*, as depicted in the encircled, down-right category in figure 4.

**4.2.2.2. Case choices**

As indicated in the thesis introduction, the choice of Denmark as the most overall case for the research related to the observation that fragility has been a priority in Danish foreign and development policy in recent years, as has the orientation toward the private sector as a positive agent of change in this regard. This argument is substantiated in the empirical analysis. The interest also came from my own working experience in respectively the Danish Ministry of Foreign Affairs and the Permanent Mission of Denmark to the United Nations in New York, through which I became practically interested in new donor approaches to FS, particularly the inclusion of the private sector and the more pressing issue of how this could be operationalized. Given the interest in the role of publically anchored support for investments in fragile markets, a significant factor was also the perception of a relatively strong institutional picture in Denmark regarding such
instruments. Finally, with my own physical location in Denmark, the choice of Denmark also entailed that obtaining useful primary data became more likely, than had I e.g. surveyed approaches of like-minded donors such as the UK, the US, the Netherlands or Germany.

The most evident downside of Denmark as a case became the limited number of Danish companies with a significant presence in one or several FS (see Slente, 2015; Gad, 2015). Had I chosen to base the analysis on a donor country with a larger number of truly multinational companies, such as the US, this challenge might have less significant, although it would also have meant sacrificing the above points of interest.

4.2.2.3. Case study caveats
Case studies are also associated with significant limitations and caveats. Yin (2009) stresses the frequent criticism of the risk of a lack of rigor or systematic procedures and that case studies provide little room for scientific generalization. Building on this, Flyvbjerg (2006) recalls that case studies contain a relatively high bias towards verification of the researcher’s preconceived notions. In operationalizing the case-study strategy in this thesis, the use of multiple cases has been one way of trying to address the challenge of scientific generalization, although I do not profess that my findings can be broadly generalized across contexts. As regards the lack of rigor and bias towards verification, this has been circumvented to as high a degree as possible, including by structuring the questions asked to the case-companies according to the analytical framework, and by focusing equally on the falsification of preconceived notions, as the discussion in chapter 6 will illustrate.

4.3. Data collection
Yin (2013) asserts that a major strength of the case study method is the opportunity to use many different empirical sources. This enables a process of triangulation, which is critical to ensuring the validity of findings (Ibid). In line with Yin, the thesis draws on several data sources. Although the analysis and discussion is mainly based on primary data from interviews with company representatives and policy/industry actors, other sources are utilized, including academic papers, think tank publications, publications and policy strategies from IOs and governmental bodies and company web-pages. The use of such secondary sources has had the purpose of complementing the primary data, but just as much of obtaining an initial understanding of the research issue, including its empirical context, research gaps and applicable theoretical perspectives and literature.

Once the preliminary understanding of the research issue was formed, the first contact was made to interviewees considered useful ‘entry points’ for the interview-process, as well as being key actors
to the overall research issue of Danish business in FS. This mainly concerned ‘macro’ level actors at the policy and industry level. These are portrayed in the first three brackets of table 2.

Based on their inputs and recommendations for further contacts, as well as a purposeful case-company search based on news-articles, company-web pages and documented affiliations with different publically anchored investment instruments, the choice of case firms effectively became FLSmidth (FLS), APM Terminals (APMT) and Aller Aqua (AA). To strengthen the quality of findings, a priority was to include companies from different sectors and sizes. To provide an exemplification of these differences, an introduction to the companies is provided below.

4.3.1. FLSmidth
FLSmidth (FLS) is a Danish based, multinational engineering company specializing in supplying equipment and services to the global cement and minerals industries. FLS “supplies everything from single machinery to complete cement plans and minerals processing facilities, including services before, during and after the construction” (FLSmidth, ND). With a local presence in over 50 countries, FLS employs close to 13,000 people worldwide (Ibid). According to the company itself, two thirds of its revenues are generated in developing countries (FLS, 2015). Within this group, the company has substantial operating experience in high risk, fragile states in Africa, the Middle East and South-Asia. For this thesis, a particular focus is on the company’s investments in Libya and Egypt during and after the Arab Spring.

4.3.2. Maersk APM Terminals
APM Terminals (APMT) is an independent business unit within the Danish global conglomerate Maersk Group. APMT designs, builds and operates port and terminal facilities around the globe, as well as providing services for inland cargo transportation between port facilities and inland locations and other cargo-handling functions (APMT, NDa). The AMPT global terminal network employs around 20,000 people and includes 62 operating port and terminal facilities in 38 countries, and 135 inland services operations in 39 countries (APMT, ND b). Of these locations, APMT has a very significant presence in markets falling under the current OECD fragile-states typology, mainly in Africa and the Middle East, including Nigeria, Mali, Liberia, Angola, the DR Congo and Egypt (Ibid).

4.3.3. Aller Aqua (Egypt)
Having specialized in production of fish feed for fresh- and saltwater aquaculture for more than fifty years, Aller Aqua (AA) is among the world’s most experienced fish feed producers, with
exports to 50+ countries worldwide (Halken, 2015; AA, ND). The company has factories in Denmark, Poland, Germany and Egypt, the latter being the case focus. AA Egypt (AAE) is a joint venture between AA itself and the Egyptian company Zoocontrol, and is today the largest producer of environmentally friendly extruded fish feed in Egypt as well as Africa (UM, 2015c; Halken, 2015). AA’s investment in Egypt was initiated shortly before the 2011 revolution in the country, which meant significant changes in the security and political conditions for firms operating there. Most recently, AA has expanded its operations in Africa with a small subsidiary in Nigeria (Halken, 2015).

The relatively small number of company cases is believed to be justified by the small number of Danish companies with a significant presence in one or more FS, who at the same time invest along with a publically anchored Danish institution/instrument. As argued by Jamali and Mirshak “empirical evidence derived even from a small sample is likely added value… given the scarcity of empirical research related to the topic” (2010: 255).

4.3.4. Interviewees and interview strategies
In total, eight interviews were conducted during the research process. Two of these were however conducted with an informal aim of discussing key background issues, and are therefore not included in the overall profile⁶. In selecting interviewees, the aspiration was ‘elite’ informants, possessing a certain strategic overview of the complex interactions and dynamics inherent to private business engagements in FS – be it from the company, industry or policy side. As is portrayed in table 2 below, this aspiration is believed to have been fulfilled.

Table 2: List of interviewees

<table>
<thead>
<tr>
<th>Person</th>
<th>Organization/company</th>
<th>Position</th>
<th>Relevance for thesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marie Gad</td>
<td>Confederation of Danish Industry (DI)</td>
<td>Chief advisor, department for international market policy</td>
<td>DI’s focal point for development policy, financing for companies international activities and export promotion.</td>
</tr>
<tr>
<td>Charlotte Slente</td>
<td>Ministry of Foreign Affairs of Denmark (MFA)</td>
<td>Ambassador – Special Envoy for Fragile States</td>
<td>Focal point of the MFA for coordination of cross-departmental policy work on fragile states.</td>
</tr>
<tr>
<td>Anders Paludan-</td>
<td>Investment Fund for Developing</td>
<td>Regional director, Middle</td>
<td>Head of IFU’s regional</td>
</tr>
</tbody>
</table>

⁶ This concerned respectively, an informal conversation with freelance consultant and expert on Danish development assistance and private sector development, Poul Buch Hansen (see http://u-landsnyt.dk/users/poul-buch-hansen) as well as a former colleague in the Danish Ministry of Foreign Affairs, in the department for security and stabilization policy.
Müller Countries (IFU) East and North Africa office in Cairo, managing activities in the MENA region, including several fragile markets falling under the IFU-managed Arab Investment Fund.

Jesper B. Larsen FLSmidth (FLS) Global Communications Manager Strategic overview of FLS global activities, including presence and engagement in fragile markets.

Henrik Halken Aller Aqua (AA) Group Vice President (CPO), Middle East, Africa and Purchase Chairman of Aller Aqua Egypt (AA’s factory in Egypt). Strategic overview of key issues of operating in a fragile market.

Søren Sjøstrand Jakobsen APM Terminals (APMT) Head of Port Investments and Portfolio Management, APM Terminals, Africa and Middle East Experience with and strategic overview of APMT’s operations and engagements in several fragile markets in Africa and the Middle East

The interviews were conducted in respectively Danish and English, the average length being 1 hour. With the permission of the interviewees, all were recorded and transcribed (appendix A3). The approach was semi-structured and open ended, based on an interview guide, in line with general recommendations for interview design (Kvale, 1996) (appendix, A2). For the policy/industry actors the interview guide was developed for their different point of departures for discussing fragile states and the private sector. Key dimensions explored concerned (a) perceptions of the private sector and Danish businesses role in FS; (b) the role of public support instruments for investments in this regard, and (c) perceived necessary actions/current challenges for getting more Danish business to engage in FS.

For the company interviews, a standard interview guide was developed, but with some variations in the actual questions asked, in line with the natural progression of the interviews. The basis for the interview guide was the initial research question and the key themes from the literature review/theoretical framework. Consequently, the key areas of enquiry related to the broad areas of (a) the company’s strategic approach to investing and operating in FS; (b) the company’s perceptions of its role and contributions to peace and development in these settings; (c) perceptions of salient risks, particularly political, and how these were mitigated, and (d) the added value of using publically anchored support instruments for the investments and potential actions for getting more Danish business to engage in FS. On some issues, interviewees differed in their willingness to elaborate. Risk management and security arrangements were for instance sensitive issues to FLS.
Furthermore, some answers involved more room for interpretation than others. A significant effort was therefore made to pose follow-up questions, so as to avoid misinterpretations.

4.4. Reflections on data analysis
Following Kvale’s “Seven stages of the interview” (1996) following the thematizing, designing, actual interviewing and transcribing, I commenced the process of analyzing, verifying and reporting the findings. According to Friedrichs and Kratochwill (2009), formal coding can help reduce the high complexity that usually characterizes pragmatic research, by enabling “the creation of a matrix containing the most important information in a synoptic format” (719). In a similar way, but perhaps in a less formalized fashion, the transcribed interviewees were categorized according to the key issue areas that had inspired the research guides, herein the theoretical focus areas. In line with the abductive operationalization of the pragmatist research philosophy (inspired by Friedrichs and Kratochwill, 2009), the analysis of this data in turn followed an iterative process, in which the theoretical concepts helped structure the obtained data, while this synthesized data and its application to the specific research questions in turn spawned new questions and propositions to theory and future empirical considerations.

Building on this, in regards to the actual presentation of this analytical process, I aspired to move from the iterative to the more stringent and coherent. Consequently, the thesis employs a structure where the extracted empirical findings are first presented in a less interpretative manner, but structured by the themes of the analytical framework and research question. The discussion then considers these findings in light of the analytical framework and the political vision of getting more private sector investment into FS before suggesting future implications and concluding.

4.4.1. Issues of methodological quality
Although validity in qualitative research is difficult to assess with complete certainty, given some subjectivity in interpretation, Yin (2013) asserts four key criteria for research quality; construct validity, internal validity, external validity and reliability. Construct validity concerns “identifying the correct operational measures for the concepts being studied” (Yin, 2013: 46). The failure to do so might risk the objectivity of the research. In the thesis, a key challenge was for instance how to operationalize contested concepts such as “FS”. Eventual interpretative biases were here sought avoided by basing the concept understanding on existing and recognized research on this issue, and internalize this consistence in the dialogue with the interviews. This approach also included
providing interviewees with an opportunity to correct possible misinterpretations or misquotations through a follow up email.

*Internal validity* is mainly related to explanatory/causal studies, and not exploratory ones as this thesis, and will thus not be addressed. *External validity* concerns “defining the domain to which a study’s findings can be generalized” (Ibid). In this regard, Yin distinguishes *analytic generalization* from *statistical generalization*. While the latter is not possible with case studies, Yin asserts that “case studies, like experiments are generalizable to theoretical propositions and not to populations or universes” (Ibid: 21). Here, the thesis has strived for *certain* level of generalizability beyond its specific design, by basing the research on existing theoretical concepts and perspectives, and structuring the data analysis by use of such.

Finally, *reliability* concerns “demonstrating that the operations of a study – such as the data collection procedures – can be repeated, with the same results” (Ibid: 46). Here, Yin generally stress the importance of the researcher documenting the steps and procedures followed to reach his/hers set of conclusions. In line with this, I have, to the best of my ability, sought to document the operationalization of the research agenda, including by providing definitions and pertinent information regarding key concepts/actors/institutions/instruments studied, ensured transparency by making frequent use of direct interview citations and making the transcriptions available. As per the above, but with a need to critically reflect on potential issues of subjectivist interpretation, the thesis’ findings are therefore believed to entail a high degree of reliability.
5. Data analysis
In the following chapter, the collected primary and secondary empirical data is presented in accordance with sub-questions 2 and 3 which state respectively:

- How and under what conditions do current investments of three leading Danish companies contribute to instigating peace and development in selected fragile states?
- What role does the available public-support instruments for investing in developing countries play when Danish businesses invest in FS?

In doing so, the analysis is structured by three sub-sections, which consider respectively the policy/practitioner, industry, and the company-specific perspectives of the above research questions. By combining the different perspectives of these actors, the aim is to provide a case-specific, but holistic collection of evidence for answering the thesis overall research question.

5.1. Danish policy on fragile states and the private sector’s role

5.1.1. Policy priorities on fragile states and the private sector
The Danish political commitment to securing stability, peace and development in FS has not appeared out of the blue, but has emerged in line with the growing international attention to the particularly difficult developmental and security-related challenges facing FS (UM, 2011) cited in section 2. In 2010 Denmark chose to make fragility and stability one of five priority areas for Danish development cooperation. Since then, the defining feature of Danish FS policy has been a commitment to a so-called ‘integrated’ or ‘whole of government approach’ (WOGA) in which military, humanitarian, stabilization and development-related challenges are addressed in the most coordinated way possible (UM, 2010; UM 2013).

In this context, the promotion of inclusive private sector development and private investments has been a central priority in the ‘developmental pillar’ of the FS approaches of changing governments (UM 2010, 2012; 2015a; Slente, 2015). Although official development assistance (ODA) has been and remains an important source of development finance for many FS, the emphasis on strengthening the domestic private sector and increasing the level of private investment flows has centered on the need to create and support more sustainable patterns of economic activity, that can create decent jobs, livelihoods, economic growth and reduce many FS dependency on aid (UM 2010; Slente, 2015). As argued by Slente “one thing is building a state, making your political agreements with all the political actors in the country, getting a political process up and running.
But if you leave the economic sector out of that whole picture, you’ll be in a situation where you don’t have the possibility of funds and of resolving the large amount of problems that fragile societies face” (2015: 2), thus echoing the attention placed internationally to creating the right economic conditions for peace and stability in FS.

5.1.1.1. A deeper commitment to engage Danish business?

Although the Danish focus in particular has been on improving framework conditions in the domestic private sector and capabilities for local entrepreneurship (UM, 2010; UM, 2010b) through value-chain development in sectors critical to the specific host-country (Slente, 2015), there has in recent years been a growing focus on the need to engage Danish business as well. In particular, this was a key priority during the term of former minister for development cooperation Christian Friis Bach. He argued that such investments were critical for creating employment and supporting economic growth, which in turn were necessary preconditions for long term development and stability in FS (UM, 2013b; UM, 2012b). At the same time, Friis Bach reasoned that because of the substantial risks facing Danish companies in these settings, a strong cooperation between the Danish state and private business was necessary, and even asserted that this might require new instruments or risk-sharing models (Kristeligt Dagblad, 2013).

The focus on economic growth and job creation was also a core issue in the 2014 strategy for Danish development cooperation, which among others stated that “private investments and a focus on growth in small and medium sized business – also in fragile states – are central to Denmark” (UM, 2013c: 3). The 2015 strategy for Danida’s business cooperation further argued for the need to leverage Danish businesses core competencies in relation to e.g. water-supply, food production, green energy, urbanization and working conditions in order to tackle some of the challenges that developing countries in general are faced with (UM, 2015a). In this strategy, the core developmental focus was also combined with a more pronounced focus on the complementary imperative of companies actually profiting from these kinds of investments: “Companies and financial investors have to be sufficiently economically robust and motivated to engage” and ”the business idea needs – besides contributing with relevant development results – to have the potential to become a commercial success, and the bigger risks that are connected to establishing in developing countries should actively be addressed and reduced” (UM, 2015a: 7). In order to support this, the strategy emphasized the importance of strong public-private cooperation on investment endeavors (Ibid).
Most recently, the new Liberal Party government presented its priorities for Danish development cooperation 2016-2019. In the strategy outline, it was stated that the “development cooperation will need to be adjusted and prioritized so that it both combats poverty and promotes security” (UM, 2015b: 3). Therefore, it proposed a more narrow focus on FS as a central concern of Danish development assistance. It further stated that “the development cooperation will have to motivate and mobilize private sector investments” (UM, 2015b: 6) and work to the benefit of both Danish business and the private sector in the host-countries (Ibid). Consequently, the preference for an active role for Danish companies as instigators of development, also in FS, seems to have been carried forward (Jensen, 2015).

At the same time, these priorities have been presented in the context of historically high reductions in the overall budget for Danish development assistance. In 2016 alone, official aid will be reduced with 2, 3 billion DKK (Frandsen, 2015). It is thus difficult to say whether the relative focus on FS and private investments mostly reflects an agenda continuity in the sense of a sustained focus on these issues, or rather a political change in light of a nominally lower development budget, and thus a very concrete need to leverage new and private sources of development finance, also in FS. Either way, on the basis of the above, I find it plausible that FS and private sector investments become gradually more permanent foci of Danish development cooperation, although a more specific strategy for private investments in FS has yet to be seen.

In that regard, Slente (2015) indicated that despite the clear relevance of publically anchored instruments and mechanisms that can leverage private investments into FS, there was a need to be realistic about what could be achieved in the current future. Denmark had come quite some way in terms of public-private cooperation on climate friendly investments and “to take that process and replicate it in fragile states is very important, but also very difficult, because of the risk scenarios we are seeing in fragile states” (Slente, 2015: 5). In general, Danish companies were, according to Slente, highly reluctant to go into FS and a core challenge was that of finding sensible public-private risk sharing models. She argued that “it is very important that the private sector doesn’t see the blended funding as ‘well now we have the public sector taking all the risk, and then we come in and take no risk’. And I think that’s some of the difficulties in the negotiations between public and private actors, in risk sharing and risk management in general, and therefore we have to see what kind of risk taking models can we jointly build on these issues” (Slente, 2015: 5). Considering Slente’s statement from a pragmatic perspective, this call for realism may reflect Slente’s position.
as a likely part in potential future discussions or negotiations if new risk sharing models have to be found between the public sector and Danish businesses in relation to FS.

5.1.2. Doing business in fragile states? The industry perspective

The DI-interviewee, Marie Gad, generally shared the donor and Danish policy view that there was a need for a more explicit focus on job creation and private sector development in FS, particularly based in the reasoning that high unemployment levels could contribute to fueling unsettling societies (Gad, 2015). In this regard, Gad however argued that it was necessary to distinguish between company engagements that are driven by e.g. a Danida projects where companies are thought in to create particular development results against commercially driven engagements, where business pursues a particular commercial opportunity, which in turn could have derived developmental or stabilizing effects. It should be mentioned that the thesis’ interest is only on the latter commercial part, and not the contract-driven engagements, and was thus also the focus of the interview with Gad.

From this perspective, Gad echoed Slente’s cautioning of the need to be realistic in terms of the number of Danish companies who could actually invest successfully in FS: “In general I would say that of course the business opportunities are much more limited than in other countries, and the risks are higher. Often the main opportunities are within commodities or mining, or something like that. And we don’t have a lot of Danish companies that are strong in those sectors” (2015: 4). She therefore argued that it was important to distinguish between the (unquestionably) high needs for private investments in FS on one side, and the existence of viable business opportunities on the other: “there is a lot of needs out there, but some of them are very difficult to turn into business opportunities” (Ibid: 6). Building on this, the imperative that businesses have to make a profit was a general theme in the interview, which Gad generally found poor operating conditions, high political and security risks and lack of business opportunities in many FS to have a discouraging effect on.

On the other hand, Gad argued that the potential for Danish companies’ involvement was greater than what was practiced today (Ibid). For more Danish business to be able to invest in such settings, a critical requirement was a strengthened dialogue between the private sector and the key public sector actors such as the Foreign Ministry. In particular, this would need to address two core issues.

First, Gad asserted that it was critical to get the right framework conditions in place (in terms of the business environment the given investment context), as this was generally what DI had found to
really matter for Danish business, although this was of course “difficult to change from one day to the other” (Gad, 2015: 3). Therefore, Gad underscored that there was a need to have a dialogue on how public donors could more effectively support private business in such investments and help mitigate their risks. Secondly, in terms of effective mechanisms for public support to and cooperation with private investors in fragile states she noted that “there is not a lot available today” (2015: 7). In this regard, a problematic was emphasized: while more direct political risk insurance – from public donors – “would probably give more companies the incentive and the courage to go there, it would also be a very risky and expensive form of aid, because even if it is a guarantee, the reason why they don’t guarantee the highest risk countries, is because this is where it is most costly” (2015: 7). With Gad’s statements, we thus see another implicit call for realism in regards to the level of private investments in FS that may be achieved in the near future, now from the industry side. Both interviewees seemed to implicitly argue that there were limits to the degree of risk “their sides” could take on, which considered together could point towards significant challenges in finding positive-sum future solutions.

While a later section will come back to existing instruments and initiatives for publically anchored investment support to Danish investors, in regards to the above discussion, it should be noted that Gad generally found the lack of flexibility in existing measures to be a key challenge. Export credits did for instance not have a development orientation and would therefore not back investments in the highest risks countries. At the same time, Danida-instruments through the Foreign Ministry were found to be somewhat categorical, concerned with “small boxes of support instruments, where with this one you can do that and that, but you can’t do that and that... and it means that it happens relatively often that there is a project that comes in, and everybody agrees that this is really a great idea, but it doesn’t really fall within our scope so we can’t. So it requires a lot more flexibility” (2015: 9).

In sum, the policy and the industry levels considered here seem to share the view that there is undeniably a high need for private investments into FS to create the necessary economic conditions for development, stability and peace, and that a greater realization of this requires sufficient risk sharing/cooperation between the state and the investors. However, needs are not the same as business opportunities. And where opportunities exist, a central barrier appears to be the challenge of finding the right kinds of risk sharing models and the applicability of existing instruments in this regard.
5.2. The company perspective: Danish businesses in fragile states
So far, this thesis has taken a policy-anchored, macro-level perspective to understanding fragility and conflict as a policy issue, the dynamics and elements proposed as critical to its addressing and the perceived role of the private sector and Danish businesses. Private investors have here been treated as ‘one’ actor that under specific conditions can instigate positive change in FS. In the following, the policy and industry macro-perspective is replaced with a specific company perspective. By presenting the collected data from the company cases (categorized in line with the research question and themes from the analytical framework), the aim is to shed light on how, and the conditions under which, these three companies can be seen to contribute to peace and development in FS.

5.2.1. Company strategies for investing in FS
When asked about their strategies for investing in fragile states – at the specific country level and/or in general – interviewees indicated a very limited concern with fragility as a specific form of operating condition, and consequently something that significantly shaped strategies. The FLS-interviewee for instance said: *we do not have a business strategy where we specifically state whether we want to be in a fragile state or not. As a starting point, we do not have a specific attitude towards that*” (Larsen, 2015: 1). Similarly, AA argued that the company did not have a specific strategy for Egypt as such (Halken, 2015): “*it is not like we agreed five years ago that we needed to enter Egypt, because this could be exiting*” (Halken, 2015:2), stressing that it was mainly there because of the opportunity to do a JV with the Egyptian partner (Ibid).

Across the three companies, there thus seemed to be a surprisingly similar background understanding for discussing FS: the existence of viable business opportunities. While operating in different industries, the AA and APMT interviewees both emphasized the importance of positive market developments such as population booms, a rising middle class and economic growth in the developing world in general, and Africa in particular, combined with continued high needs for their respective food- and infrastructure related products and services (Halken, 2015; Jakobsen, 2015). As argued from the APMT-perspective “*there is a need for investments, and it is typically investment that the countries cannot afford themselves. At the same time, these are markets with a strong growth*” (Jakobsen, 2015: 1). For FLS, the key factor determining whether the country had a presence in fragile states was similarly whether there was a customer need or not (Larsen, 2015).
5.2.2. Forms of engagement and behavior once entered

5.2.2.1. Behavior and contributions in the context of active conflict and violence

All the case companies had experienced operating in one or several fragile states in the context of active conflict/imminent violence. As the most common feature, the companies had a significant local presence in the countries affected by the Arab Spring in late 2010 and were affected by the substantial wave of violence that followed in the aftermath of the initially peaceful calls for democracy in Egypt, Libya and Tunisia (Larsen, 2015; Halken, 2015; Børsen, 2011a).

For FLS and AA, the main focus was according to the interviewees on ensuring the safety and security of employees and continuing production to the extent that it was possible (Larsen, 2015; Halken, 2015). For FLS however, the severity of the conflict in Libya entailed a complete withdrawal of all non-Libyan employees in 2011 (Larsen, 2015). Having taking that decision specific measures had to be taken to ensure the safety of the local employees, who were contracted in from the local communities around the plants. While Larsen did not, for security reasons, wish to elaborate on the specific measures taken, it was stated that “it is all about how you can uphold a certain level of security and in the end a certain level of survival for the people in the local community” (Larsen, 2015: 5).

From AA’s perspective, it was emphasized that when the decision to invest was made, there had been no indications that a revolution in Egypt was likely (Halken, 2015). Consequently, there was no specific plan in place for how the company would react, should this happen. Once it did, the main focus and concern was how to continue operations in a way that also guaranteed the safety of AAE’s employees (Halken, 2015). For instance, in the context of government imposed curfews7 the management took the decision to set up overnight facilities for its employees, so that they could stay there during the week and continue operations as usual (Ibid).

In relation to the Arab revolts and in relation to managing conflict and instability in general, none of the companies professed to having played any form of political role or having interfered in conflict dynamics. As argued by Halken of AA in relation to Egypt: “We have not as such felt that we have had to take any political decisions, and we really don’t want to. We would like to do our job, and make sure our factory is running. So someone else will have to figure that other part out” (Halken,

---

7In Egypt, curfews were imposed both by the Mubarak regime in response to the riots in 20117 and following the ousting of his successor, president Morsi, in 2013. See [http://www.bbc.com/news/world-middle-east-24109906](http://www.bbc.com/news/world-middle-east-24109906)
2015: 10). On a more general level, Jakobsen of APMT argued that “we don’t do politics, so it is not something you get involved in” (Jakobsen, 2015: 13).

In relation to the Libyan conflict, FLS did however engage in dialogue with the so called National Transition Council (NTC), which formed an interim administration in the period leading up to and following the ousting of Muammar Gaddafi’s regime, and who the rebel movements recognized as the sole legitimate representation of Libya until elections was held in 2012 (Børsen, 2011b).

According to Larsen (2015) however, the dialogue with the NTC was mainly about ascertaining the specific ownership structures of the plants that FLS operated in the country (2015: 4).

For APMT, the escalation of violence in Egypt during early 2011 meant that the company had to shut down its operations in the country entirely (Børsen, 2011a). In the interview however, the APMT-interviewee did not seem interested in elaborating on its experience in any of the violently affected countries during the Arab Spring. Aside from emphasizing – on several occasions – the general non-political nature of the company, it was also specified that the company’s relative isolation from conflict dynamics and insecurity entailed that APMT had virtually nothing to do with these issues. This assertion was exemplified with the company’s operations in Nigeria. According to Jakobsen (2015), the associated bombings, kidnappings and security threats in the country was concentrated in the north-east and was as such not something APMT took any role in addressing.

Based on the above, the case companies thus clearly did not take explicit, proactive measures in pursuit of peace, security and conflict resolution. Rather their priorities appeared to be to continue operations for as long as possible, and ensure the safety of employees.

5.2.2.2. Behavior and contributions in regards to structural problems in fragile states

5.2.2.2.1. Direct and indirect relevance of core business
At the same time, all interviewees expressed an understanding that their sheer presence and specific business operation(s) either directly or indirectly contributed to addressing key problems faced by the fragile host state and/or to its general positive development.

For APMT, this related to building critical infrastructure that enabled trade and connected a given country to the outside world. As argued by Jakobsen, “if you look at a country like that what do they need? They need communication, to be able to move in and out and they need to be able to get their goods in. So they need a strong internet access, an airport and they need a port. When you have that, you can make a country work (2015: 3). In that regard, contributions to peace and development
was seen a derived effect of APMT’s core business of building and operating ports and terminals:
“when people suddenly are able to get their goods in and export their goods out in an easier and cheaper way, then the economy will tend to develop”...”and with economic activity, the political unrest will decrease. People will simply have more money. And that is a derived effect” (Jakobsen, 2015: 4).

For FLS, a similar understanding prevailed in terms of the company contributing to building the foundations for well-functioning societies, by enabling the building of critical infrastructure such as schools, hospitals, roads, etc. As argued by Larsen “for all the plants that we establish, we indirectly contribute to given a huge boost to anything that has to do with the building of societies” (2015: 9). A central dimension was here the large size of FLS’ investments. The large plants would usually produce 8,000-12,000 tons of cement per day, all year round, and this production would usually be used in a 500 km radius of production. In a long term perspective, this understanding also extended to the company’s activities contributing to urbanization and the democratization of societies: “the reason we are saying that we contribute to the democratization of societies is because we believe that we can point to a correlation between a growing urbanization, a strengthened infrastructure and a growing middle class. When you strengthen the middle class you will tend to see the initial demands for democracy and civil rights” (Larsen, 2015: 9).

From AAE’s perspective, such large scale contributions were not as explicitly expressed. According to Halken however, there was “no doubt” (2015:8) that the company had contributed to increasing the production of the particular fish-stock (of Tilapia) that was central to food consumption in Egypt, and that it by its technology and knowhow had done so in a way that lessened the use of scarce resources in the country/region, such as water. In a broader perspective, this was indirectly expressed as a positive contribution to addressing Egypt’s general challenges of securing a food production that could keep up with the country’s massive population growth, as well as Egypt’s reliance on commodity and food imports.

5.2.2.2. A source of employment
All three interviewees emphasized, explicitly or implicitly, a company commitment to using local labor and underscored contributions to increasing local employment when asked about their companies’ contributions to instigating peace and development.

For FLS, this was expressed specifically as “not adopting the Chinese approach to fragile states” (Larsen, 2015: 2) where it had a permanent local presence. Essentially, this meant that the company
compared to e.g. its Chinese counterparts in the construction and mining sector – did not bring in a large group of its own workers and establish a secluded community for these. Rather, the priority was according to Larsen to hire local blue-collar workers and bring in as small as possible number of specialized foreign/Danish experts, as this enabled a closer connection to the local community, which in turn was perceived as critical to the company’s license to operate (Ibid). From a more functional perspective, Halken mentioned that AA’s explicit choice of not bringing in Danish employees to the AAE factory also related to the necessary requirement that its employees spoke Egyptian (Halken, 2015). As an effect, he emphasized that the investment had contributed with roughly 50 new local jobs.

For APMT, the use of local labor was throughout the interview largely treated as an implicit factor of engagement in different FS. At the specific country level, APMT’s managing director in Liberia, Georg Adjei, has directly articulated the commitment: “We have to localize as much as possible. We already have 50 per cent of our senior management that is local. Our entire workforce is local. Within two years we will be up to 70 per cent of senior management being Liberian” (Maersk Group, 2015: 4: 27). In terms of effects, Jakobsen (2015) stated that reports by NGO’s and consultancies had found APMT’s investments to have a substantial influence on increasing local employment. According to Mærsk Group estimates, the investment in the port terminal in Liberia had for instance created 200 direct jobs, and another 2,000 indirectly, from local sub-contractors doing business off the port (Mærsk Group, 2015).

5.2.2.2.3. Instigating responsible working practices and building human capital

Given the primary reliance on local labor and employees, a recurring theme in the interviews was also stated company commitments to ensuring reputable working conditions for employees, as well as contributions to training and education, which was generally believed to contribute positively to local development.

While the former could arguably be seen as a mere compliance issue, Jakobsen of APMT mentioned that this was generally not normal operating practice in fragile settings, and argued that by taking a lead on instigating responsible working hours, wages and safety measures, a catch-up, upgrading effect could sometimes be identified, in which competitors would start implementing similar measures because they realized that the most skilled workers would simply rather work for companies such as APMT, who actually committed to these issues. In a similar fashion, Larsen argued that FLS contributed to bringing its “western, modern view of security and work place
safety” into the local investment context (Larsen, 2015). For AA, it was stated quite directly that the commitment to improving working conditions for the locals was just as much connected to wanting to ensure an efficient production (Halken, 2015).

Among the interviewees, particularly emphasis was placed by Larsen of FLS on the company’s contributions to education and training of local employees, and providing options in this field for the wider local communities. As he mentioned, in some countries FLS “move in with an educational view on the local community. First and foremost, this is about us needing a specific type of engineers and blue collar works of a certain professional level. And we conduct that education in the local community – around the construction site and factory” (Larsen, 2015: 3). In Egypt, FLS had for example formed a partnership with Helwan University in Cairo, educating engineers locally and hiring some of them in local operations (Ibid). Although this was not emphasized as explicitly in the APMT interview, the secondary data employed indicated that training and education is also central to APMT’s engagement in fragile states. As stated by the managing director of APM terminals in Liberia “we spend an enormous amount of money and time on training our workforce. We plan to be here for 25 years, redevelop it and train the people. And then after 25 years we will give it back to the country” (Maersk Group, 2015, 4: 27).

5.2.2.2.4. Specific community engagements and local embeddedness

As mentioned, all of the interviewees – directly and indirectly – expressed that they were not political actors and that they as such did not ‘do’ development or public security. None the less, for the large companies FLS and APMT, the interviewees indicated engagements in the wider local communities that indirectly related to political, security and developmental concerns of the host countries.

Larsen underscored the importance of FLS having a strong relationship with the local communities in fragile host countries given the long term nature and massive scale of the company’s operations in mining and cement production. “…you seek to involve the local communities and villages, because the plants are going to be there for a long time” (Larsen, 2015: 3). Core business elements such as creating jobs and incomes was emphasized, but also to more explicit social-investment contributions such as making available key resources from the company’s operations – such as firetrucks - to the local communities should they need them (Ibid). Although the company did not explicitly concern itself with potential conflict dynamics in the local communities, it of course sought to find a way in which its operations was tolerated by the specific group of people
constitutive to its local community: “if you don’t have a tolerable relationship with your local community, you simply do not have a license to operate”...“so this goes back to why we are not doing it ‘China style’” (Larsen, 2015: 10).

Where FLS focused generally on nurturing good relations with the local communities, and specified that it very rarely engaged at a governmental level, from APMT’s perspective, Jakobsen stressed that it did sometimes engage in a dialogue with the relevant authorities in a challenged country in terms of ascertaining how APMT could assist in addressing key challenges (Jakobsen, 2015). Jakobsen highlighted the fact that during the Ebola crisis in Liberia, APMT had built an Ebola-treatment center for use of NGO’s, and that it – from its operations in Jordan – had provided favorable rates for containers that go to the authorities efforts against the Islamic State in the MENA-region, as well as providing materials for refugee camps (Jakobsen, 2015): “so you do something that makes it a bit easier for them (the authorities), but otherwise, we are not there to do politics” (2015: 7).

Compared to FLS and APMT, Halken of AA did not express similar orientations toward these kinds of social investments in the local communities. The focus was mainly on having a strong connection with and understanding of its local context in the sense of how its customers utilized and benefited from AAE’s products.

5.3. Risk analysis and management
Higher risks related to political and security issues and their intertwinement with the risk of higher financial/economic costs were previously cited as a major challenge facing business in FS. The statements from the two policy - industry interviewees underlined this perception further. In order to obtain a clearer understanding of how Danish companies who have actually entered FS-markets in practice experience such risks, and how they might seek to manage their exposure, the following section explores the issue of mainly political risk (c.f. definition in section 3.3) from the ex-post perspectives of the three case companies. The implications for the research question, including the transferability of such ex-post reflections to ex-ante considerations of entry, are in turn addressed in the discussion chapter 6.

5.3.1. Salient risks
Regarding key risks associated with operating in the respective FS, interviewees focused mainly on the intertwinement between political and economic risks and costs. The FLS-interviewee did
However, not wish to elaborate on specific analysis or management strategies, as this was perceived as coming too close into core strategic concerns (Larsen, 2015).

For APMT’s operations in Africa, violence and the recent civil wars in the region in general, and operating countries such as Liberia specifically, was emphasized as simply being part of “the environment that you have to operate in” (Jakobsen, 2015: 2). For the AA-interviewee, emphasis was mainly placed on the high operational uncertainty associated with the unstable political situation in Egypt, and the general challenges of operating in the context of substantial shortages and capacity constraints (Halken, 2015). According to Halken, a particular challenge for AAE was the restrictions imposed by the Central Bank of Egypt (CBE) on the amount of foreign currency going out of the country as a response to Egypt’s declining reserves of foreign currency since the revolution. As AAE generally relied on imports of key resources for its production, given scarcities in Egypt, in which it had to pay in dollars or euro’s, the restrictive policy was a key challenge (Ibid). In this regard, Halken also pointed to the significant risk of not being able to get the company’s profits out of Egypt.

5.3.2. Industry and firm specific exposure to political risks
Both APMT and AA interviewees indicated an understanding of their exposure to key political risks as being both a matter of their industry and their respective roles in the given investment-country, as opposed to a static view of risk at a general country level. As regards industry, Jakobsen argued that the high political uncertainty and risks “can be a problem, because it is very difficult to move the kind of investments that we do”, e.g. compared to its sister-company Mærsk Line, who could “simply pull out their ships if something goes wrong” (Jakobsen, 2015: 2). This was complemented with a more principled consideration of the nature of APMT’s political risk exposure in FS. It was argued that “when we are talking about risk, it is important to state that the investments that we do are often critical to the country. We invest in strategically important infrastructure. And to a certain extent, that actually contributes to reducing the political risk. It is a protection that you have, that many other businesses may not have. For instance, if you are a furniture factory in Nigeria, or something like that, you are not critical to anyone, and therefore you are much more exposed to political and economic risks” (Jakobsen, 2015: 3).

http://www.ft.com/cms/s/0/be7ab092-6136-11e5-97e9-7f0bf5e7177b.html
A similar dynamic between company and industry-specific risk protection and exposure was indicated by Halken. On one hand, in relation to the general implications and economic downturns usually associated with a conflict/crisis, it was argued that AAE was not that affected, given the relative immunity of its line of business to the specific crisis in Egypt: “the consumption is still there, regardless if there is a crisis or no crisis, because you have to eat” (Halken, 2015: 10). On the other hand, it was stated that in relation to a more specific issue of the CBE-imposed restrictions of foreign currency, the company, as a non-exporter was relatively more exposed: “there is not a lot of cash there. So they safeguard what is there. And when it becomes a matter of prioritizing, we tend to be a lower priority because we don’t export”... “we don’t bring in any money. So it is possible that Maersk for instance might have some more leverage, because a big percentage of what goes through the Suez-channel is from Maersk. In that sense they probably have an easier time getting money out of the country” (Halken, 2015: 6).

From APMT’s perspective however, it was also indicated that being critically important could also give way for some difficult political and reputational dynamics in challenged countries, because of APMT’s business of operating and managing someone else’s infrastructure, while at the same time, as any other company, having to make a profit: “there can be situations where public officials are saying, ‘well, these people (APMT) are operating our infrastructure, and they even seem to be making a lot of money on this’. In the poor countries this can be a problem. They do not look at it from an investors’ perspective. If we have invested 300 million into a project, and we earn 20 million a year on that investment, it will still take 10 or 15 years before we’ve earned back our investment, but this is not their concern; just that APMT seems to be making a lot of money. So the overall economic picture is not understood. And therefore, there is often a pressure on us not to raise prices or to provide discounts for various commodities” (Jakobsen, 2015: 3). It was in other words indicated that when talking about political risks, there was also a dimension which related to the political sensitivity to the company’s financial success.

5.3.3. Specific approaches to managing political risks
As regards company approaches to managing the above risks, interviewees stressed efforts at both macro and micro levels. APMT generally found portfolio diversification to be an effective ‘insurance’ against overall company exposure to political risks. Having 11 terminals and various business units in Africa alone entailed that “if something happens in e.g. the Ivory Coast, it is most likely not going to happen in Nigeria and Angola as well” (Jakobsen, 2015: 8). From a financial perspective, APMT also stressed that the high risks levels required shorter frames for a return on
invested capital than in more stable markets. When asked about more specific measures taken to mitigate the salient political risks, both APMT and AA interviewees placed emphasis on a proactive approach, involving strong local relationships.

For AA, Halken pointed to the importance of having a local partner, who knew the political system and how to navigate it (Halken, 2015). This also applied in terms of the company’s use of Danish IFU as an investment partner, but a later section will elaborate on this. At the same time, the company stated having engaged in a dialogue with the different ministries on the specific challenge of the currency restrictions, in which emphasis had been placed on leveraging mutual interests in getting the problem solved. As stated by Halken “we are about to invest in expanding our business. And for that we need the money. So there, we say that if we can’t access these funds, then we can’t move forward, and then we won’t be able to hire any people” (Halken, 2012: 6).

For APMT, the issue of shared interests was also stressed from the general consideration that the best form of protection against such risks was simply to deliver a good service and live up to the expectations of the local customers, or going beyond that: “everyone will be able to see that you actually deliver that service. And therefore, no one will have an interest in ruining it” (Jakobsen, 2015: 9). In relation to more specific challenges such as the cited issue of local pressures for the company to provide discounts the importance of contractual agreements was stated, such as a ‘tariff-regime’ where you before the concession agree on how much you can raise prices, for instance in accordance with the local inflation (Jakobsen, 2015:3).

5.4. Implications of publically anchored support instruments
In the following section, the policy and industry level of subsection 5.1. Is combined with the company level of subsections 5.2 and 5.3, as the section seeks to synthesize the empirical evidence collected for answering sub-question 3: What role does the available public-support instruments for investing in developing countries play when Danish businesses invest in FS?

5.4.1. Public support instruments: policy and industry assumptions and expectations
As mentioned, the question of how public actions, resources and finance can be used to leverage private investments in cash-strained developing and/or fragile countries is fast becoming a core topic of development finance today (WEF & OECD, 2015). In the Danish perspective, the interviews focused on three major ‘support sources’ and their respective instruments: the business platform of the Danish MFA/Danida, the Investment Fund for Developing Countries (IFU) and the Danish Export Credit Agency (EKF).
5.4.1.1. Danidas business platform
Both Gad (DI) and Paludan-Müller (IFU) acknowledged the support opportunities for Danish companies through the different mechanisms of Danida’s business platform⁹, but questioned the de facto usefulness of these instruments. In particular, Gad argued that DI’s members had often complained about the bureaucratic nature of the partnership program. According to Gad, a key challenge had been that the Danida business programs had been managed in a way too similar to non-commercial aid programs, with excessive reporting requirements for the participating companies about developmental impacts, but a general lack of focus on the commercial viability of the investment. “And then you see a lot of the projects that fail commercially, and then there are no development results at all. So there is a lack of commercial focus. Of course the developmental focus has to be there as well, but it can’t be the only thing. Then it doesn’t work” (Gad, 2015: 10).

At the same time, the recent decision by the MFA to put a major component of the business platform – Danida Business Partnerships, which provided financial support for Danish companies seeking to establish partnerships with local business in developing countries - on hold during the thesis research process (Altinget, 2015b) entailed that this was less relevant to talk about as an operational instrument. Consequently, the focus was predominantly on the support instruments available through EKF and IFU.

5.4.1.2. The Danish Export Credit Agency
For both Paludan-Müller and Gad, EKF represented an important support instrument for Danish companies wishing to invest in high-risk countries. EKF is owned and guaranteed by the Danish state, but functions and operates on commercial terms, where companies purchase EKF’s main service of export credit guarantees (EKF, NDa). In layman’s terms, an export credit guarantee provided by EKF is an “insurance against the risk of doing business and investing in other countries” (ibid). Backed by a guarantee if for instance “political conditions in a country prevent the completion of a business transaction, EKF will pay compensation” (Ibid). In this regard, EKF offers various forms of guarantees, which will be of different relevance to different forms of commercial transactions (EKF, NDb). In general though, the intention is that a guarantee will help EKF’s customers secure the needed financing for investments and transactions, as well as providing the given company with the security that potential losses are covered, should external, non-commercial

⁹ Danida Business provides various thematically anchored sub-programs, such as Business Explorer, which provides financial support to Danish Companies investigating a particular business opportunity in a developing country; Business Finance, which provides subsidized loans to infrastructure projects in developing countries; and the recently terminated Business Partnerships, which offered support for Danish companies’ entry into developing country markets (UM, ND – Business platform, Altinget, 2015).
conditions dictate this (Ibid). For the type of ‘permanent presence’ investments in fragile states discussed with the interviewees, Paludan-Müller argued that the so-called “investment guarantee” was particularly relevant, as it provided protection against politically induced losses for Danish companies setting up subsidiaries in countries with political instability (EKF, NDc). As emphasized by EKF itself, the governmental nature of the institution gives it substantial political leverage: “in the event of a loss, the demand for payment is backed by the Danish government. That makes a difference when claims are to be recovered” (Ibid).

According to Paludan-Müller, although EKF does not have a developmental mandate and as an export-credit agency is meant as purely a commercial endeavor, its potential developmental impact was still thought to be significant, mainly by virtue of it contributing to “moving economies in a positive direction and opening for trade” (Paludan-Müller, 2015:1). Gad however asserted that precisely because EKF was “not an aid organization, but completely business oriented” there would generally be “a lot of projects that they won’t cover” (Gad, 2015: 7). As an exception, Gad mentioned that a special facility had been established in connection with reconstruction efforts of the most recent wars in Afghanistan and Iraq: “I think it was 200 million that the government supplied for this program, and it meant that Danish companies who wanted to invest there could get the necessary guarantee. Under normal circumstances, EKF wouldn’t do anything in these countries. And it would have been very relevant if the countries had developed in a more positive way than they did. But of if there are no business opportunities at all, companies are not interested even though they could get a guarantee, so the program wasn’t used at all”10 (Gad, 2015: 8).

5.4.1.3. The Investment Fund for Developing Countries
Between the dominant development focus of Danida and the dominant commercial focus of EKF, the interviewees saw IFU as a significant player at the nexus of development and commercial thinking and objectives. IFU is “an independent government-owned fund offering advisory services and risk capital to Danish companies wishing to do business in developing countries and emerging markets” (IFU, ND) its purpose being “to contribute to economic growth in developing countries in cooperation with Danish business” (Paludan-Müller, 2015: 3). While government owned, IFU “is not a provider of aid or business grants, because we believe that business investment is a good way to create lasting economic improvement” (IFU, ND).

10 For an elaboration of the Iraq-Afghanistan facility of EKF see also http://www.ft.dk/samling/20051/almdel/eru/bilag/198/239667.pdf
When asked about IFU’s added value as a support instrument, Paludan-Müller emphasized five elements; financing, risk sharing, a blue-stamp function, network facilitation and advisory services. The financing and risk-sharing elements were here seen to coincide, as IFU’s co-financing of an investment (through equity capital investments or loans on commercial terms) also implied that the financial risk would be shared between IFU and the given Danish company. The ‘blue-stamp’ function in turn related to the element of political risk protection that IFU’s government institution status entail. As argued by Paludan-Müller “it can be highly challenging for companies to operate in the investment contexts in difficult markets, for instance in relation to the public authorities there. So as a ‘co-player’, IFU can provide an investment with a form of ‘blue stamp’, which can be an advantage when our company partners are met with unreasonable demands, where they can then say that the Danish state is in on the investment” (Paludan-Müller, 2015: 4). Furthermore, by having a strong local network in the countries where IFU operated, companies had easy access to local lawyers, accountants, industry federations, business contacts etc., which could also be a risk-reducing element.

In terms of developmental effects of having IFU onboard, Paludan-Müller argued that Danish business – by virtue of them creating jobs, transferring know-how, implementing high CSR-standards etc., - could easily contribute to positive development effects in the host country without an official involvement of the Danish state. None the less, the state’s involvement trough IFU reflected a political commitment to support Danish businesses when they did invest in developing countries, so as to back these dynamics, but where “…Danish business had to be the driving force” (Paludan-Müller, 2015: 3).

In practice however, this was not always as easy to operationalize, especially not in the more difficult markets such as FS. In 2012, the Danish government had decided to create an independent, government owned investment fund under IFU’s management (and functioning in the same way as IFU), the so called Arab Investment Fund (AIF), which would focus specifically on supporting investments into seven countries of the MENA region, where the positive changes of the Arab Spring were seen to have momentum, including Egypt, Iraq and Libya (Paludan-Müller, 2015). “…Therefore, the Danish state and IFU injected money into the fund. Because everything looked positive at the time, the expectation and intention was that a tsunami of investments would then follow”... ”In practice however, this was not the way it went. Because the region became so unstable and unpredictable” (Ibid, 2015: 4). As such, the AIF example mirrors that of the EKF
Iraq-Afghanistan facility, indicating the general challenge of getting Danish investments into the most difficult markets, despite the availability of public support schemes.

In sum, the table below summarizes the key functions and benefits of the support instruments mentioned above. Given that it was not mentioned further in the interviews, I will not elaborate further on Danida business platforms such as the DBE. It should also be stated that besides these instruments, Danish embassies in the relevant fragile host country can also play a significant role in regards to facilitation of partnerships, local connections and political leverage.

Table 3: Publically anchored support to Danish investments in developing/high risk countries (revised to Danish context, based on OECD, 2015. Sources: IFU; ND; EKF; ND, UM; ND)

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Source</th>
<th>Function</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export-credit guarantee (e.g. investment guarantee or project financing guarantee)</td>
<td>Denmark’s Export Credit Agency (EKF)</td>
<td>Insures against the risk of doing business and investing in a foreign country. EKF pays compensation if something goes wrong, e.g. if political conditions prevent completion of business transaction.</td>
<td>Lowers risk to investor. Enables access to financing that otherwise could not have been accessed, because of risk (by being backed by the Danish state).</td>
</tr>
<tr>
<td>Risk capital and advisory services</td>
<td>Investment Fund for Developing Countries (IFU)</td>
<td>IFU commits equity capital or provides loans or guarantees to project companies with Danish investors or a Danish interest wishing to invest in developing countries (for AIF, countries in the MENA-region specifically).</td>
<td>Help the company finance the investment and entails that risk is shared. IFU experience in high risk countries helps company navigate different challenges.</td>
</tr>
<tr>
<td>Support to investigation of business opportunities</td>
<td>Danida Business Explorer (DBE)</td>
<td>DBE provides financial support to Danish companies interested in exploring a specific business opportunity in a developing country.</td>
<td>Incentivizes taking the first steps in pursuit of business opportunities in developing countries, that can also help solve key challenges faced by developing countries.</td>
</tr>
</tbody>
</table>

5.4.2. The three case companies use of the instruments
All case companies had in their investment history in developing countries in general and FS specifically made use of public support instruments, albeit in different ways and to different degrees.

The FLS-interviewee emphasized mainly IFU and EKF. Here, a key message was that support instruments such as those offered by IFU and EKF were crucial instruments for Danish business, given the nature of international competition today. “Without them, you would be lost” “That’s the way the world is today. You can like it or not and you can work politically to change it. But it is a fact that given how the world works today, every country in the world uses it” ((Larsen, 2015: 7). In
focusing so explicitly on export-credit guarantees, FLS’s role as a supplier/exporter to its given customers in the world has to be kept in mind, vis a vis the company at the same time investing in permanent establishments. So the company’s perspectives were both as an exporter and as an investor.

For APMT it was generally stated that its size and the nature of its investments, APMT made “very little” use of public support instruments such as those from Danida, but that it did use IFU and the Dutch counterpart, FMO\(^{11}\). In reflecting on its use of IFU, it was however stressed that the large scale nature of the type of investments that APMT does, complemented with the loft on the investment share that IFU can participate with, meant that it was limited what the partnership could do: “If we have a project for $500 million, and their limit is 15, then it doesn’t really do a whole lot. Therefore, it is mainly on smaller projects that we use them” (Jakobsen, 2015: 6).

For AAE, focus was specifically on the investment in Egypt, where IFU, Danida Business and EKF were involved, but the interviewee mainly elaborated on its partnership with IFU.

### 5.4.2.1. Financing, political risk mitigation and a “blue-stamp” function

For all of the interviewees, despite their companies’ different bases for using IFU and/or EKF, there was a shared understanding of the benefits in terms of mainly financing, risk sharing and/or mitigation and the governmental nature of the institutions providing a ‘blue stamp’ of the investment.

In terms of financing, both the APMT and AA interviewees stressed the benefit of working with IFU in the given investment context, because you would then have a reliable financing partner, with whom you already had established a strong relationship with, as opposed to having to go out and find an alternative source, in the host country or ‘at home’. In relation to the former, Halken for instance asserted that AA had been very clear on it not wanting to take a loan with an Egyptian bank, and that IFU was a reliable partner. As stated “we have a strong cooperation with IFU. And it means that we don’t have to start from ‘Adam and Eve’ in every new project” (2015:10). Similarly, Jakobsen argued that “if you only need a loan of $10 or $15 million dollar, it is simply much easier to go through IFU than to try and find an alternative source” (2015: 8). In this regard, both companies also stressed that compared to alternative, market-based sources of financing, there was the added benefit of IFU that “because their focus area specifically is on investments in developing

\(^{11}\) APMT is headquartered in the Netherlands, and can therefor also use Dutch publically anchored investment instruments such as the FMO (Entrepreneurial Development Bank).
countries, they look differently at the commercial and political risk, than for instance other banks would do” (Jakobsen, 2015: 7).

As a matter of funding, there was a shared perception among the interviewees that having (indirectly) the Danish state with you in the investment or transaction provided a form of quality stamp or ‘blue stamp’ that the financing behind the endeavor was solid and backed by the Danish state. For FLS specifically, it was asserted that this often helped the company’s customers (e.g. the company FLS is supplying equipment to or operating a cement/mining plant for) to attract additional financing: “because EKF and IFU do not provide full funding, but only around 5, 10 or 20 %. So the customers have to find 80 % funding ‘externally’, and that becomes much easier when you are backed by a solid authority. Therefore, it is very important to the customer and to FLS” (Larsen, 2015: 7).

In particular however, in relation to the ‘blue-stamp’ discussion, all three interviewees emphasized the important political leverage that could also often be gained from cooperating with e.g. IFU or EKF. “You have the political aspect of it all. On some level, they represent the Danish state… And Denmark has a good name in many parts of the world” (Jakobsen, 2015: 8). “…and it is, after all, one of the strongest welfare states in the world and one of the most democratic countries who comes in and provides an official stamp..” (Larsen, 2015: 7). “…because they do have a certain respect for it down there, if the Danish government are in and find’s this particular project to be interesting. Then it takes something of a government official to say no” (Halken, 2015: 6). Related to this, FLS also found that having a government-anchored partner such as IFU with them in the operating country helped them navigate through core market challenges, such as corruption, and in ensuring local partners were compliant with the relevant CSR, environmental and working standards (Larsen, 2015).

Besides the institutionalized mechanisms such as the products of IFU and EKF, all interviewees also cited strong cooperation with the local embassies. This was in particularly in terms of opening doors for the companies in terms of political access to local stakeholders and/or potential partners (Jakobsen, 2015), providing political leverage when key uncertainties such as land rights/ownership had to be clarified (Halken, 2015) and facilitating the solving of key structural problems in the operationally most difficult countries (Larsen, 2015).
5.4.2.2. A lifting mechanism for CSR

In terms of the host-country implications of cooperating with the different institutions and using the support instruments, interviewees did generally not express fundamentally different approaches to investing, or different developmental effects, when cooperating with e.g. IFU than compared to ‘going it alone’.

For FLS however, Larsen argued that cooperation with IFU and EKF had the added benefit of posing requirements within CSR, human rights, social and environmental concerns. Both IFU and EKF CSR requirements to partner companies are anchored in international frameworks such as the UN Global Compact\(^{12}\). According to Larsen (2015) official CSR requirements from the publically anchored partner (be it IFU or EKF) to FLS and its customer (e.g. the owner of the cement factory) entailed that issues such as environmental impact, worker conditions, social policies, anti-corruption etc. were “lifted to an international level”, which generally made the compliance aspect easier to ensure in the given investment context. As such, it was indicated that IFU and EKF’s requirements contributed to lifting the social, environmental and working conditions qualities in the investment country.

5.4.2.3. Additionality of support instruments and missing links?

Arguably a reflection of their differently scaled use of and thus point of departures for discussing the instruments, the case companies reflected somewhat differently in terms of the extent to which they saw the use of these forms of publically anchored support as critical for the respective investments. Only the FLS-interviewee explicitly stated that the company would “be lost without it” (Larsen, 2015). For APMT, it was stated that the use of IFU was mainly a safety net, but one that was nice to have, mainly in regards to the smaller projects cited (Jakobsen, 2015). For AA, Halken argued that “we could definitely have done it without IFU, but they helped us a lot in Egypt in the beginning” (2015: 7). Because the companies’ statements reflected ex-post evaluations of the key dynamics of investing along with IFU and EKF, it should be remembered that such considerations of additionality may be different when considered from an ex-ante perspective of initiating the investment. None the less, the general picture seemed to be that the instruments played a significant role in supporting the case-companies investments in the discussed FS.

From a future perspective of whether more could be done at the public policy and instrument level for getting more Danish business to invest in FS, interviewees at the same time pointed to some ‘missing links’. Talking from own experienced challenges with navigating Egypt’s foreign currency crisis, Halken argued for a need for a greater focus on how specific political risks could be addressed: “you would have to say from the political side: ‘you know what? We have a number of Danish companies who would like to invest, but we need a safety that they can get their money back’. They need to be able to get their profits’. Because that is basically what we are worried about. And I think that this insecurity is also what is keeping others from investing” (2015: 11).

Taking a more theoretical example of what it e.g. would take to get a company such as FLS to invest in a country like Afghanistan, Larsen (2015) first of all emphasized that there needed to be the right business opportunity. Thereafter, the issue would be to ensure that the right framework conditions and critical support schemes were in place for the business to be able to pursue the commercial opportunities that needed to be there: “You need to ensure a certain security level, you need to build the capacities, you need to find a sustainable ownership-structure and you need to assist in terms of financing” (Larsen, 2015: 13). “If you do not assist with the financing, you won’t get anywhere. There are simply different risk factors at play and with the financial markets being what they are today; they will not be willing to take that extraordinary project risk” (Larsen, 2015: 14). In this regard, a potential measure could according to Larsen be a joint public-private investment project, or an extraordinary Afghanistan scheme in either a Danida, IFU or EKF correlation, indicating a potential extension of existing measures.

5.5. Summary
With a point of departure in the interviewees own perceptions, supplemented with my own initial reflections on key generalizabilities and potential contradictions in their statements, the chapter has addressed how and under what conditions the case companies’ investments contribute to peace and development in selected FS, and the role of publically anchored support instruments when the companies invest in FS. As regards the former, in order to clarify the political context, the Danish policy and industry level perspectives on private investments in FS were explored. It was argued that while greater investments were needed to support the economic conditions for development, peace and stability, there needed to be sufficient business opportunities as well as publically anchored risk mitigation and/or sharing, a key finding being significant shortcomings in existing measures. The case-company analysis illustrated that although the three companies did not appear
to take explicit, proactive measures in pursuit of peace or development, they all found that their core business operations and practices contributed to addressing different structural problems faced by the FS-host countries. Political risks constituted a key concern for the case companies when investing in FS. Specific exposure was cited as dynamic, based on both industry and firm specific characteristics. In managing the salient political risks, concrete measures included proactive efforts at positively influencing the local ‘source’ of the risk.

The analysis of publically anchored support instruments was initiated by assessing the policy and industry-level interviewees’ general expectation to the added value of the instruments. This essentially related to their role in supporting and helping realize (through co-financing, political and financial risk-sharing/mitigating, market advice and the governmental blue-stamp) high-risk investments, which by themselves could help drive development in the fragile host countries. In turn, the case companies’ statements indeed concentrated on the instrument’s role in helping secure investment finance and mitigate key market risks, including political ones. A particular benefit was the political and financial leverage obtained from the governmental blue-stamp of having, indirectly, the Danish government in on the investment.

6. Discussion of findings
While the previous chapter presented the empirical data in a less interpretive manner, in the following, I return more explicitly to a multi-perspective analytical level, discussing the empirical findings against the theories and the political aspirations of getting more private investment into FS. The aim is thus to discuss the key issues for answering the overall research question, “how can Danish businesses contribute to the provision of peace and development in fragile states and what role can public support instruments for investments play in this regard”? In other words, I will explore the possibilities for making more general points from the specific findings, with a point of departure in the research question and three theoretical perspectives of the analytical framework.

The centrality of the word “contribute” in the research question reflects the fact that the research agenda has been developed from an interest in the political perspective of relying increasingly on the private sector as positive agents of change in FS. The operationalization of this research agenda has in turn required a strong attention to the company perspective of how this may be realized. With attention to the dialectic between the policy and the company levels, and the theoretical perspectives as analytical instruments, four central issues are discussed: (1) case companies
expressed perceptions of their engagements and contributions in FS against theory, (2) case companies’ engagements and use of investment support instruments against the priorities outlined in Danish policy, (3) the implications of findings from both a theoretical and political perspective and (4) limitations of findings and potential biases.

6.1. The commercial nature of company engagements and contributions

The findings of the analysis in regards to the case companies’ engagements and contributions were essentially based on interviewees expressed perceptions of initial investment goals, their results and estimated local effects. In interpreting these perceptions against the theoretical and policy dimensions, analytical attention was placed to the importance of three partly overlapping dichotomies, which will be emphasized in the discussion. These are outlined below.

Table 4: dichotomies related to company engagement used explicitly and implicitly in the discussion

<table>
<thead>
<tr>
<th>Theme</th>
<th>Meaning</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ex-ante vs. ex-post</td>
<td>Expected consequences/estimated results vs. ‘what actually happened’, to which a certain explanatory dimension is added.</td>
<td>A consideration of expected (and intended) consequences of a particular range of actions, such as an investment, will most often be different from a posterity judgment of what actually happened.</td>
</tr>
<tr>
<td>Intentional vs. derived effects</td>
<td>What is explicitly formulated as a company goal/focus vs. what side effects came from it?</td>
<td>Synergies and positive societal effects of business operations for host country that may benefit the company but was not a goal in itself. But by e.g. donors considered a goal in itself.</td>
</tr>
<tr>
<td>Public speaking vs. internal drivers</td>
<td>Dynamics included in the companies’ public relations vs. the factors and goals that are critical to the company.</td>
<td>E.g. a company’s official statement on welcoming their ability to assist sustainable development vis a vis internal company drivers such as profitability, staff safety, investment returns, risk coverage etc.</td>
</tr>
</tbody>
</table>

The notion that fragile states (heterogeneities notwithstanding) generally face specific problems at the nexus of development, governance, security and market issues, and that such characteristics hold implications for how business should optimally engage in such settings, was central to the thesis’ narrative. Particularly, this was reflected in the business-peace theories’ proposition that business should proactively address issues related to active, latent or recently terminated conflict in order to promote peace, as well as the BOP-perspectives proposition that companies’ success and developmental contributions required business to rethink their business models and become embedded with the local context. How did these propositions fare against the empirical findings?
6.1.1. Companies’ commercial perceptions of their role in FS
A significant finding of the analysis was interviewees’ dominantly commercial approach to discussing FS. Compared to the thesis’ politically oriented point of departure, understanding the need for more private investments into FS as *means* to building the economic foundations for development, peace and stability, interviewees’ point of departure was mainly commercial. Consequently, interviewees did not express a particular concern with FS as a ‘policy issue’ and demonstrated limited *ex-ante* concern with how their specific engagement strategies and behavioral practices related to the particular political or development challenges facing the discussed countries. The only *potential* exception could be Larsen’s argument that FLS did not adopt a ‘Chinese approach to fragile states’. While companies’ dominant commercial ‘view’ of FS can hardly be seen as surprising, it does indicate the practical challenges of applying in particular the normative ‘business and peace’ perspectives, in which companies are assumed to be relatively aware of their investments relationship with policy imperatives. Seemingly, we meet a much less normative, politically oriented company reality.

6.1.2. “We don’t do politics”
This was also the case in regards to concrete engagement forms once entered, particularly when it came to the companies’ roles vis a vis active conflict dynamics in the Arab-Spring countries of Egypt and Libya. Compared to the analytical framework’s emphasis on the primacy of proactive/value-creating company engagements, where companies actively (and for the CsecR-framework, *intentionally*, try to mitigate conflict (c.f. table 1, section 3.1.1) interviewees did not give any examples of their respective companies having engaged in such direct measures. Rather, most interviewees explicitly stated the non-political nature of their role (Jacobsen, 2015; Halken, 2015), directly put by Jacobsen as “we don’t do politics” (2015:13).

Although the indication of FLS’s concern with ensuring a ‘*certain level of security… and a certain level of survival for people in the local community*’ (Larsen, 2015: 5) could approximate a security providing measure in the direct and intentional way proposed by the CsecR-theory, the interviewee’s disinclination to elaborate on this activity made it impossible to ascertain both its nature and scope. In general however, it seemed that any security providing role did not extend beyond initiating certain safety precautions for employees (Halken, 2015; Larsen, 2015).

Referring back to the strategic typologies of Nelson and the CsecR-frameworks in table 1, all three companies thus seemed to have opted mainly for a combined risk-minimization and business as
usual/withdrawal strategy, as reflected in the interviewees main focus on keeping operations going during crises, ensuring the safety of employees, maintaining good community relations and exiting when insecurity deemed it necessary. Here, the difficulties of ‘proving a negative’ should be kept in mind. Still, one may question the interest of the interviewees in not openly stating examples of proactive contributions, had they actually been made. Oetzel et al (2007) for instance emphasize the likelihood of reputational and relational benefits of engaging in and thus openly expressing, such endeavors. Rather, interviewees’ indicated a dominant corporate orientation with keeping a prioritized focus on core business matters and staying ‘neutral’.

Consequently, the empirical evidence regarding companies’ proactive and direct role in conflict mitigation/prevention again fell quite far from the normative aspirations and ideals of the business and peace theories. Although this empirical-theoretical gap may have been circumstantial, it does echo existing research based on different geographical contexts and company-samples that point to limited examples of direct proactive corporate engagements in the provision of peacebuilding or conflict prevention (Jamali and Mirshak, 2010; Deitelhoff et al, 2010; Hönke, 2014), when measured against the business-peace literature’s ideals. In a future perspective of how Danish business can contribute to peace in FS, this may indicate that direct, proactive attempts at mitigating various forms of conflicts is not the likeliest contribution. Still, this should not automatically be interpreted as a rejection of the potential of Danish businesses to contribute to issues related to the provision of peace at all, at least not if a wider and more structural frame is applied.

6.1.3. Conducting ‘critically important’ investments
A significant finding in the analysis was namely the interviewees’ understandings that their companies investments by themselves contributed to different forms of positive developments in the FS discussed. Here, interviewees’ different indications that their investments were closely linked to host-countries fundamental societal needs arguably underline the interviewees’ relatively clear ex-post perception on the investments added value. This was perhaps most directly put by Jakobsen when he argued that the investments APMT did were often ‘critical’ to the host context. For APMT and FLS, the core contribution was the development of critical infrastructure, while it for AA was the increased and more sustainable production of a critical food source (the Tillapia-fish) in Egypt. Thus, the central contributions seemed to relate to derived effects of the core investments. These mechanisms and their (by companies) suggested relevance for development and/peace are summarized below.
Table 5: companies suggested linkages between core business, peace and development:

<table>
<thead>
<tr>
<th>Business</th>
<th>Suggested contribution</th>
<th>Suggested relation to development and/or peace (derived effects)</th>
</tr>
</thead>
<tbody>
<tr>
<td>APMT</td>
<td>Linkages between establishment of port terminals, increased ease of doing business and increase in trade and economic activity.</td>
<td>Economic development and the generation of incomes, with reductions in political unrest as potential result.</td>
</tr>
<tr>
<td>FLS</td>
<td>Linkages between its plants production and critical infrastructure development.</td>
<td>Linkages between infrastructure development on one hand and urbanization, rising middle class, democratization and calls for civil rights on the other.</td>
</tr>
<tr>
<td>AA</td>
<td>Contribution to increasing both level and environmental efficiency of production of critical fish sort.</td>
<td>Link to addressing Egypt’s food security challenge in the context of high population growth and need to be more self-containing.</td>
</tr>
</tbody>
</table>

It is of course difficult (and beyond the thesis’ scope) to verify interviewee’s ex-post conclusions of such positive contributions. But considering the mentioned host-countries such as Liberia and Egypt’s very significant challenges within one or several of the issue areas emphasized in table 5\(^{13}\), one might plausibly argue that any investment that contributes with added productive activity in these sectors also has likely positive societal effects. However, the suggestion that FLS’s cement production should effectively contribute to the democratization of fragile societies appears more theoretical, and could be seen as a ‘public speaking’ form of conjecture.

6.1.3.1. *Assessing the developmental and peace-related contributions: effect or intentionality?*  
Measured against the analytical framework, one can first and foremost argue that given the interviewees implicit emphasis on the positive effects being *derived* from their core business investments, but at the same time believed to play a significant role in addressing key structural shortages in the FS discussed, the findings mirror closely two central arguments in the BOP-theory. First, that a necessary contribution of companies in BOP-markets will be to address or try to work with key market barriers such as weak infrastructure, and secondly that companies “need only act in their own self-interest” (Prahalad and Hammond, 2002: 48) in order to stimulate development in their host countries. In this regard, interviewees’ focus on not being political or developmental actors - and thus not having an ex-ante intention of promoting developmental goals in e.g. Liberia or Egypt – must be ascribed equal importance as the companies’ ex-post recognition that there were important derived developmental *derived effects* of doing so: “We don’t do development or politics.

\(^{13}\) For instance, the Government of Liberia’s 2013 national development strategy emphasized weak infrastructure as a critical challenge for receiving more significant levels of FDI, which in turn was emphasized as critical for the country to realize growth ambitions and more permanently move beyond the threat of conflict-relapse (UNDP Liberia, 2013). For Egypt, the country’s low reserves of foreign currency and high dependency on imports of key resources has been described as key challenges for Egypt’s positive development (Economist, 2015).
But you often look back and consider the derived effects of the investments. It is not something we can use as a business but it is something we can be very proud of” (Jacobsen, 2015:4).

But how does the expressed derived effects of the investments themselves relate to the provision of peaceful societies? As mentioned earlier, Nelson’s broadly focused framework openly recognizes the potential contribution of core business activities if they (even unintentionally and indirectly) help address potential conflict drivers/consequences or help provide broader conditions for peaceful societies. As regards the former, the issue of multi-causality arguably makes it difficult to determine ex-post how the derived developmental effects cited by the case companies have impacted active or potential conflict dynamics in e.g. Libya, Liberia or Egypt. It is worth mentioning however, that grievances over lacking economic and social opportunity and food security have been central issues in analyses of causes of for instance the Arab Spring uprisings and violent outbreaks (Buterbaugh et al, 2015; Wall Street Journal, 2013). Provided that the case companies’ cited contributions to e.g. stimulating economic activity, building schools and hospitals and to food security has had a certain degree of public value, they may arguably be seen as relevant contributions to promoting peace in the sense of helping address potential structural challenges to peace. By extension, measured against Nelsons five performance indicators, the contributions in table 5 are arguably relevant both for dimension 1 (strengthening equitable economies), 2 (supports social cohesion and respect for human rights) and 5 (protects the environment).

In the CsecR-theory however, corporate contributions have to be intentionally aimed at regulating or influencing a violent environment and be of a certain political quality (Wolf et al, 2007; Deitelhoff and Wolf, 2010). While the cited contributions may thus indirectly be relevant to peace, interviewee’s explicit statements and implicit indications that this was not an ex-ante (or at least prime) intention arguably entail that the above examples would fall outside the scope of what the CsecR-theory sees as relevant business contributions.

As such, the above discussion indicates that companies’ investments in infrastructure and sustainable food production, and the derived effects hereof, by themselves can contribute to positive socio-economic development in the FS, albeit their link to the promotion of peaceful societies is more ambiguous.
6.1.4. Linkages between business practices, development and peace?
A further insight from the data analysis was the interviewees’ perceptions of their companies’ indirect contributions to different development gains through their de facto business practices in relation to

- Commitments to hiring local labor and upgrading local capabilities
- Commitments to strengthened working conditions
- Relationships with local communities and stakeholders.

In these spheres, interviewees’ statements suggested an interesting dialectic between experienced competition parameters in the FS discussed and (indirect) corporate contributions to peace and development. As regards commitments to relying on local labor, this was reflected in interviewees (mainly FLS and AA) focus on such local integration being necessary for respectively the company’s socially conditioned ‘license to operate’ in the local communities (FLS) and for overcoming key language barriers (AA). At the same time this contributed to the creation of local jobs and livelihoods, albeit in different scales. Similarly, while the driving force behind company contributions to local capability upgrading and training was argued (mainly by FLS) to be simply the commercial need for capable local workers, the effect was still expressed as substantial corporate investments in local training and education, contributing to skills development in the local context (Mærsk Group, 2015; Larsen, 2015). A related sentiment seemed to apply for the issue of reputable working conditions and safety. While adopting high working standards was critical to the companies’ reputations and effective production, it also had the derived effect of lifting standard operating practices in the given countries, entailing e.g. less workplace accidents and casualties, and in some cases, that competitors would also begin to lift the quality of their standards. Finally, for most of the case companies, the ability to remain competitive in the fragile states discussed also seemed to rest on companies abilities to involve and connect with local communities, customers and stakeholders.

6.1.4.1. Adapted business practices?
Measured against the propositions of the theoretical framework, these above dynamics first and foremost seem to support the BOP-theory’s overall focus on linkages between the means companies employ to obtain commercial success in less developed investment contexts on the one hand, and positive developmental effects in the host country on the other (Prahalad and Hammond, 2002; London and Hart, 2004). In this regard, companies expressed contributions to addressing key host-
country barriers such as insufficient local capabilities, weak labor standards and safety as well as production effectiveness (the latter mainly AA) echoes Prahalad and Hammonds strong focus on the need for companies to remove key market barriers in BOP-markets, are they to operate successfully. Still, where Prahalad and Hammond’s focus in particular is on physical-structural barriers such as weak infrastructure, the case-companies relative attention to improving local capabilities and working conditions arguably adds an important social/capacity-related dimension to this picture.

This brings me to London and Hart’s (2004) focus on the importance of companies’ capabilities for understanding and integrating with the local (social) context, and ability to build on and leverage existing market structures. In relation to their three strategic requirements mentioned previously, that company success in BOP-markets hinges on the collaboration with non-traditional partners (e.g. NGO’s), the local functionality/content of a product/service and the ability to develop local capacities, the practices cited by the case companies arguably mirror the latter two.

First, in relation to local functionality/content considerations, this was mainly reflected in the cited commitment of the companies to rely on local staff, including at management levels or to ensure a close understanding of local customer utility. This seemed to provide the companies with a closer connection to locally anchored knowledge and/or concrete problems, in turn increasing the local functionality of product offerings. Secondly, as regards London and Hart’s definition of local capacities as “societal performance and the sharing of resources outside firm boundaries”, FLS education partnership with the Helwan University in Cairo was arguably one such example, as was the company’s making available of company firetrucks for local communities and APMT’s engagement in building the Ebola-treatment center in Liberia – all contributions that at the same time related back to key commercial interests, whether functional or reputational.

6.1.4.2. Assessing the business practices relevance for peace: effect and intentionality revisited

In shifting the discussion to how the above cited practices relate to dynamics of peace, the picture again becomes more complex. This mainly relates to differences in the degree to which the business and peace perspectives of Nelson and the CsecR-theory include corporate contributions to social and economic development, job creation and the respect for working standards, such as those cited above, in the overall ‘box’ of relevant business contributions to peace.

For Nelson’s broadly focused framework, this again seems to be the case, given the author’s broad trajectory of ways companies – either by way of their core business operations, social investments or policy engagements - may contribute to advancing peace. Referring back to the behavioral
typology in table 1 in section 3.1, the case companies expressed practices and contributions thus mirror core business engagements that contribute particularly to dimension 1,2,3 and 4 of the outlined performance indicators in section 3.1.1.1, that strengthen equitable economies, builds human capital, supports social cohesion and respect for human rights, encourages good governance.

In turn, the CsecR-theory’s requirement that contributions must be relevant for peace and security, and the proposition that such a judgment is largely a context-driven exercise (Deitelhoff and Wolf, 2010) entails that the relevance of the above cited contributions to local employment, capability and capacity development and the instigation of responsible working conditions has to be assessed against the degree to which such issues are/have been significant issues in active or potential conflicts in the FS discussed. Here, the only evident example is arguably the importance of unemployment as an issue in the Arab Spring uprisings in Egypt and Libya as well as the interpretation of unemployment and food import dependence as significant security challenges facing these Arab states in the years to come (EU ISS, 2015). Furthermore, against the CsecR-theory’s requirement of contributions being intentionally aimed at addressing societal problems relevant to peace while also being of a political quality, the case companies’ relative focus on such effects being related mainly to commercial concerns and on not being political, again limits the findings ‘fit’ with the CsecR-perspective. As such, the cited commitments to local employment and education, reputable working conditions and community relations would in the perspective of Wolf et al (2007) and Deitelhoff and Wolf (2010) perhaps rather be examples of CSR than CsecR.

In sum, the findings indicate potential linkages between the de facto business practices that companies employ to be commercially successful in FS-markets and corporate contributions to job-creation, capacity development and good working conditions, albeit the linkages with the attainment of peaceful societies are again more ambiguous. Furthermore – based on the interviewees statements – it seems that the Danish companies contributions to instigating peace and development come mainly from derived effects of core business operations and practices, their nature relating most directly to socio-economic development.

6.2. Business and political risk in fragile states
The data analysis also provided new information on how Danish businesses in FS interpret the nature of political risks in these settings and the concrete ways they try to manage their exposure. This focus was believed to be necessary in light of the common claim that such risks form a key barrier for more significant investment into FS. Here, I am aware that the interviewees’ statements
reflected *ex-post* considerations on current engagements, in which the decision to invest had been made, and specific political risks thus became an operating condition to deal with. When considering political risks in FS from an *ex-ante* perspective of entering or not, other considerations may of course prevail.

### 6.2.1. A dynamic understanding of political risk exposure

The analytical framework’s dynamic understanding of political risk as either a firm specific perception of how different aspects of instability may affect operations (Frynas and Mellahi, 2003) and/or a relationship specific measure of how uncertainties in the firm’s relationship with its stakeholders affect operations (Conway, 2013) were mirrored in interviewees risk perceptions. While the fragile markets discussed were generally found to be riskier than ‘normal’ operating markets, it was specific manifestations of political risks that seemed to matter for the companies. Here, AA and FLS interviewees’ statements indicated an interesting risk-exposure dialectic, in the sense that the kind of investments they did both ‘protected’ them against some forms of risks, and made them more sensitive to others. For both companies, the high societal importance of their services/product offerings was for instance seen as a general form of protection. On the other hand, for APMT, this ‘critical importance’ also exposed it to politically sensitive issues, such as public perceptions that APMT’s profits from operating their (host countries) infrastructure were unfair, and consequent public driven demands for price reductions and/or ceilings by APMT.

In line with Conway (2013), the main focus seemed to be uncertainties in relationships with stakeholders (here public officials related to port management/the CBE). Halken’s argument that AA as a non-exporting company had a relatively harder time circumventing the CBE-policy’s implementation than companies bringing large amounts of foreign currency into Egypt also indicated the empirical significance of Conway’s suggestion of political risk exposure depending on the level of resource complementarity between the company and a given stakeholder - here reflected in a mismatch between Egypt’s need for foreign currency and AA not bringing money into Egypt. In turn, APMT’s example of the political risks associated with its profits from operating critical infrastructure could be seen as an example of the ‘institutional distance’ that Conway also finds to influence risk exposure, here reflected in an apparent mismatch between host-country public official’s normative conceptions of how APMT should optimally conduct its operations and APMT’s actual practices and own perceptions of what is ‘fair’, resulting in what could be seen as an increased ‘liability of foreignness’ (Ibid) for APMT.
6.2.2. Proactive company strategies for dealing with firm-specific political risks
Theoretically, both political-risk perspectives ascribed companies with a relatively strong agency in coping with or mitigating risk exposure, either by leveraging firm-specific resources or capabilities (Frynas and Mellahi, 2003) or by retaining advantageous stakeholder relations (Conway, 2013). Although the ongoing nature of companies efforts entailed that the ‘final’ effect (in terms of reduced political risk exposure) could not be ascertained, a significant finding was the relatively proactive ways in which case companies sought to deal with the key challenges.

For AA, in relation to the specific issue of currency outflow limitations imposed by the CBE, the key strategy appeared to be one of convincing central stakeholders, such as different ministries, on their mutual interests in allowing AA to send foreign currency out of Egypt, mirroring Conway’s (2013) bargaining approach to mitigating uncertainty in stakeholder relationships by maintaining resource complementarity. APMT’s concurrent focus on the importance of contractual agreements when dealing with more specific risk manifestations arguably also indicated empirical support for Conway’s expectation that resource complementarity must be complemented with an ability to bridge institutional distance. By agreeing to a ‘tariff-regime’ with local authorities on their terminal operations, Jacobsen (2015) indicated that APMT and the relevant public authorities came to operate under the same understanding/agreed terms.

Reflecting on these findings from Frynas and Mallahi’s (2003) broadly focused resource/capability perspective, it could thus be argued that case companies’ firm specific capabilities for mitigating specific manifestations of political risk were in fact their abilities (or attempts) to reduce uncertainty in stakeholder relationships by actively trying to maintain resource complementarity and minimize institutional distance with key stakeholders.

In a ‘real life’ perspective, the strong emphasis on political risk as indeed a firm, and relationship-specific measure in my view also points to the need for prevailing risk assessment practices (such as MIGA/WB surveys) to complement more static analyzes of country-level factors with more dynamic instruments for firms to assess industry, firm or relationship-specific risks.

Summing up section 6.1 and 6.2, case companies’ understanding of their role in FS was first and foremost commercial. Ex-post (and ‘public speaking’) perceptions of how they contributed to different dimensions of peace and development related mainly to derived effects of investments themselves and specific business practices, the nature of contributions being mostly socio-economic development. Compared to the normative aspirations of particularly the business and peace
literature, companies did not seem to take any direct political or developmental role in preventing or mitigating conflict. However – in accordance with the BOP-theories general propositions – there seemed to be significant linkages between companies de facto ways of doing business and positive developments in in the fragile markets discussed. In turn, specific manifestations of political risks constituted a key operational concern for the companies. In this regard, the abilities for mitigating firm- and relationship-specific political risk, in part by (attempting to) retain favorable stakeholder relationships may be seen as an important precondition for continued successful operations, and thereby positive contributions from core operations and engagement practices.

6.3. Case company findings in a political and implementation perspective
I will now return to the political perspective that formed the initial basis for the research interest in private business in FS by discussing how the companies’ engagements and use of publically anchored investment support instruments fared against the outlined political priorities and aspirations.

6.3.1. Private sector investments in FS: policy aspirations and company realities
From a Danish political perspective, I argued that the key expectations to the contributions of business in FS centered on their investments potential for creating jobs, catalyzing market activity and economic growth. I also cited expectations that companies can leverage core competencies to improve structural issues such as infrastructure, water supply, food production, green energy and working conditions.

Against these expectations, the case companies’ positive contributions in the FS discussed indeed appeared to relate to employment creation, capacity development, infrastructure development, a more efficient food production, the generation of economic and productive activity and the upgrading of local working conditions and safety measures. As such, the findings suggest an initial ‘fit’ between Danish political priorities and expectations and real life company deliverables. Reflecting further on this argument however, three critical points should be emphasized, relating to the company contributions cited in this thesis and what they may entail for the feasibility of relying increasingly on Danish business as agents of positive change in FS.

First and foremost, the differences in contribution scales should be considered. This can be exemplified by considering the issue of employment creation which, as mentioned, has been a key political argument for why more private investment is needed in FS. While large scale employment creation in the sense suggested by APMT (e.g. up to 2,000 jobs created from the port in Liberia)
may be likely deliverables from global companies with large scale investments, it is arguably not something that can be expected from the majority of Danish companies internationalizing, many falling under the SME label, such as AA. Here while AA’s contribution to e.g. employment in Egypt (as mentioned, at around 50 jobs) is surely significant, it is still a limited one in relation to the overall unemployment challenge facing Egypt (EU ISS, 2015). In this regard, there is arguably a need to be realistic in terms of the scale of developmental and peace related deliverables that can be expected from small to medium (at least compared to FLS and APMT) Danish companies. Related to this discussion is also that of contribution scopes. Where the policy discourse cited in the analysis section 5.1 appeared to consider corporate contributions from particularly a country perspective, the focus of all the case-companies, size notwithstanding, seemed to be the specific local contexts and communities around their investment sites. Consequently, when talking about corporate contributions to peace and development in FS, the *local* concentration of contributions should be remembered. In a political perspective, the task arguably becomes how to incentivize an equitable distribution of such local contributions, that they in the aggregate may help address developmental challenges in the wider/national problem context, or as argued by Slente “in the most institutionalized way “(2015: 5).

Secondly, although the fragile host countries emphasized by the case companies (mainly Egypt, Libya, Nigeria and Liberia) beyond doubt face significant challenges at the intertwinement of development and security, they do not fall on the more extreme end of the fragility spectrum (except Libya, which FLS eventually exited) such as Danish priority FS such as Afghanistan, Somalia, South Sudan or Mali (UM, 2015b), who traditionally have faced the biggest challenges of attracting investment (Rasmussen and Blomquist, 2014). When it comes to such contexts, it was virtually impossible to find examples of any commercial engaged companies (excluding development contracts). The positive finding that Danish business in some relatively stable FS can be seen to contribute to development and baseline conditions for peace thus needs to be complemented with a more realist and critically anchored point, that it is very few, if any, Danish companies who can and will do business in the more extreme FS, even if this is where investment needs are highest.

Finally, the central finding that case companies mainly perceived (ex-post) their positive contributions to development and the structural conditions for peace as *derived* effects of their core business operations and practices should also be considered in a policy perspective, as it underlines
the different value creating logics, that at the end of the day drive business actors compared to policy actors. In other words, where the Danish foreign ministry and other public donors arguably conceive business contributions to development, peace and stability as the main goal in itself, the case-companies rather saw this as secondary to the first order issue of pursuing a viable business opportunity profitably and managing the risks hereto. In turn, this commercial/operational success was believed to yield positive developmental and more indirectly, peace related effects. Although private companies may thus - from a ‘public speaking’ perspective - emphasize theirs and donor’s mutual interest in the attainment of peace and development, the above underline the important point that their fundamental drivers for doing so are different. Hence, the key dynamic which effectively unite the commercial and the political interest ‘streams’ appears to be the derived effects of case companies’ successful business operations and practices.

6.3.2. Public support instruments: leveraging high risk investments for public benefit?
A central contribution of this thesis has been the collection of new empirical evidence on how Danish business in fragile markets use publically anchored support instruments for their investments. The key findings here seem to relate to two confronting issues:

1. There seems to be a general fit between policy and industry level expectations to the role and added value of the instruments and companies perceptions hereof;
2. At the same time, there are indications of some shortcomings in the range of instruments and a potential need for programmatic changes.

With the main focus of policy and industry interviewees being on EKF and IFU, c.f. table 3 in section 5.4.1, the expected added value of these instruments was in helping realize investments with a higher risk nature by assisting with risk-capital, loans or guarantees, advisory services and providing a ‘governmental’ blue stamp, also when it came to FS. Case-companies’ reflections on how they in turn utilized and benefitted from these instruments in the fragile markets discussed largely mirrored these expected dynamics. Generally, companies’ perceptions of the instruments role related mainly to their positive effect on easing the practical operationalization of investments, particularly when it came to reducing political risks and obtaining sensible financing. Although there were varying interpretations as to whether the investments and export activities in the fragile markets would have been carried out without the instruments – whether they were additional - the fact that all companies had chosen to prioritize the expenditures related to bringing IFU (and EKF, for both FLS and AA) on board arguably testifies to their relative importance as ‘safety nets’.

66
In this regard, it is worth noting that even a case company of the size, financial might and assumable host-country political leverage such as APMT also emphasized the relative importance it ascribed to having the ‘Danish state’ in on an investment and the political angle of this. According to Paludan of IFU however, even for large companies, having IFU in its ownership structure was generally believed to “ease their activities and relationship with the authorities in the country of investment” (Paludan, 2015: 5). In a future perspective, this seemingly implies that other larger Danish companies could also benefit from cooperating with IFU on (smaller scale) investment projects in FS.

Furthermore, the fact that the importance of this type of political risk navigation was also emphasized by FLS and AA, and that all the case companies pointed to a similar valued dynamic in regards to the role of Danish embassies, indicates that the political risk mitigating dimension of the instruments’ governmental anchoring is where companies get particular ‘value for their money’ - or simply where the instruments make a central difference (besides the financing dimension). Interpreting the interviewees’ statements, the central dynamic appears to be that the instruments’ anchoring in the Danish state implies that government-specific sources of political power, legitimacy and leverage are brought to the fore, which in turn can contribute to solving specific issues that can overall be categorized as ‘political risks’, such as issues of land ownership, capital restrictions or access to key decision makers.

While interviewees generally echoed the cited policy expectation that the investments themselves were the driving force behind public development gains in the host country, another effect of investing along with institutions such as IFU and EKF seemed to be (mainly according to FLS) that there were government based, and internationally anchored compliance requirements with key CSR-standards within e.g. human rights, social and environmental concerns, which were believed to help lift working conditions, environmental practices etc. in the given host country.

In a wider perspective of the analytical framework, the instruments can thus be seen as helping support and promote the positive ‘contributions’ to peace and development that the business-peace and BOP-perspective emphasized, while helping mitigate the key risks highlighted by the political-risk perspectives.
**6.3.3. Instrument shortcomings**

At the same time, when considering the larger policy imperative of getting *more* private sector investments into fragile states, the above reflections have to be supplemented with the equally significant research finding that there were also significant shortcomings in available instruments.

First, this was reflected in Gad’s (2015) critique of the lack of flexibility in existing measures between the pure commercial focus of e.g. EKF’s guarantee schemes on one hand, and the dominantly developmental (and somewhat categorical) focus of Danida instruments on the other, seemingly suggesting the lack of a ‘middle way’. While this critique should of course be seen as coming from a politically oriented, DI-lobbying level, it is arguably a likely reflection of DI-members’ actual experience, and thus possibly a significant future obstacle for using *these* kind of instruments to leverage more investments into difficult markets such as FS.

Secondly, Halken of AA’s argument that more could be done from the policy side to address the very concrete challenges faced by AA (and other Danish companies) in Egypt of actually getting foreign currency and their own profits out of the country, suggest a corporate demand for a more *intensive* politically driven facilitation of the legal-financial security of investments than is the case today, meaning potentially going *beyond* the blue stamp dynamic emphasized above.

Finally, it is also worth dwelling a bit on the relatively limited success (i.e. corporate use) of respectively the EKF Iraq-Afghanistan facility and IFU’s Arab Investment Fund, mentioned by Gad (2015) and Paludan-Müller (2015). Their practical use and thus relevance became limited when unfavorable political and security-related developments in the countries covered seemingly entailed that companies simply did not want to go there, even if they could get the necessary risk-capital or guarantees. This finding could in turn imply a need for a realistic political expectation to the type of fragile markets where it is possible to get Danish companies to invest, meaning that countries such as Afghanistan, Iraq or Somalia may be examples of (more extreme) cases where there is a limit to what can be achieved with publically anchored investment support.

In sum, existing publically anchored support instruments for foreign investments do appear to play a valued role in easing companies’ general operations in fragile settings, particularly in regards to securing financing, reducing financial and political risks and posing key CSR-requirements (that

---

At the same time, key shortcomings in existing instruments may need to be addressed if the potential of public-private investment cooperation in FS is to be pursued further, although in some extreme cases, there may also be limits to what publically anchored support can do to promote more investment.

6.4. Suggested implications of key findings
All in all, this thesis suggests that a central way in which Danish business operating in FS can contribute to the attainment of peace and development is through the derived effects of their core business operations and practices, and that such de-facto ‘contributions’ in turn rest on companies being commercially successful and able to navigate key market challenges, including structural market barriers as well as firm/relationship specific political risk exposure. In this regard, existing publically anchored support instruments for investments appear to play a semi-supporting role, by helping to secure financing and reducing/sharing financial and political risks. Before concluding, different practical and theoretical implications can be highlighted from these findings.

6.4.1. Greater practical focus on commercial drivers of positive business contributions?
While official policy on how the Danish business community can support developmental and foreign policy imperatives has generally acknowledged the need for companies to be profitable in such endeavors (UM, 2015a) the driving focus has mainly appeared to be how Danish companies best can ‘contribute’ to addressing key developmental needs: how they can do good. The thesis’ finding that key positive contributions seemed to stem from derived effects of successful business operations could however imply a need for a more pronounced complementary focus on how Danish companies also can do well in the more ‘difficult’ developing countries such as (middle-income or more stable) fragile states. In other words, under what conditions can Danish companies actually be commercially successful in the countries, we want them to ‘contribute’ in?

This argument should not be read as an unreflexive call for the market as the solution to everything. Indeed, when dealing with FS, and the political and security dimensions hereof, there are clear limits to what can be achieved through corporate engagements. The above should therefore neither be interpreted as simply a call for the use of public finances or ODA to support Danish business ventures in high-risk countries, as has been the concern of some NGOs (Rasmussen and Blomquist, 2014). It should however be read as a call for a greater focus on how the positive derived effects of businesses core operations can be supported and optimized according to developmental and peacebuilding goals to a greater extent than is seen today. Here, a central precondition is of course
that the core business of the investment firm in itself holds some relation to developmental or peacebuilding dynamics, and as the case companies have appeared to do, employ business practices that generally lift the status quo in the host country – not the other way around.

Interpreting the thesis’ triangulation of respectively the company, policy and general industry perspectives, some future possibilities can be emphasized. At a general level of political focus and consciousness, strengthened mutual understandings between the policy and company/industry levels, including of their different core priorities, may be necessary for greater public-private value creation in specific fragile markets. Judging from the statements of Gad (DI) and Slente (the MFA), enhanced private-public dialogue on the private sectors role in FS could be a step forward. In this way, Gad’s (2015) assertion that there needs to be a stronger focus on eying and communicating relevant business opportunities, and that existing (mainly Danida instruments) are too bureaucratically driven, could be discussed against Slente’s (2015) focus on how investments and market activities can best support specific peacebuilding and developmental priorities, with the aim of finding more common ground. According to Gad, a possibility could for instance be “…to make a general strategy where you sit down with some specialists from companies and Danida and say, OK for fragile states, in order to attract Danish companies – be it in terms of trade or investment, in different ways – we need to do that and that and we have those and those competencies, and this would be relevant. I think that would be an interesting piece of work to do” (2015: 12).

Greater public-private dialogue could also be a sensible starting point with regard to the issue of public support instruments, particularly when it comes to finding the right risk-sharing models, which the thesis pinpointed as a key challenge. As argued by Slente: “I think it would be interesting to hear from the private sector how they see the major impediments, besides the general risks. I mean if they want to get involved in a country, what role could they see the public sector money taking on in order to facilitate frameworks. And some of it would be similar to what we do in more stable states, and some of it might be different things” (2015: 7). Judging from the thesis’ findings, in this regard, a relatively cost-effective measure could be to rely more on mechanisms through IFU or EKF such as the governmental ‘blue stamp’ of investments that the case-companies appeared to value in terms of navigating key financial and political risks. Here, a qualitative addition could be to internalize Halken’s call for a more intensive politically driven facilitation of legal-financial investment risks, such as those associated with the restrictions on foreign currency outflows in Egypt.
While it is beyond the thesis’ scope to consider this in detail\(^{15}\), it may also be viable to consider whether entirely new instruments could contribute to stimulating a greater Danish business interest in (some) fragile markets. Gad for instance argued for the possibility of having a European guarantee scheme for fragile states, or that Danida should work more (than it already does, and in FS) with challenge funds. Through challenge funds, companies “compete for public support by providing bids for innovative solutions, technology or knowledge that may address concrete developmental challenges” (UM, 2015a: 10). Thus, the public-policy imperative of addressing specific development and/peacebuilding challenges may be integrated with the business imperative of pursuing a specific business opportunity profitably.

One of course needs to critically consider whether such a direct focus on commercial dynamics as development/peacebuilding-drivers by themselves is realistic to expect in light of traditional understandings in Danish development policy and among its key actors that it is preferable to keep commercial and export-motivated issues more distinct from the task of solving specific problems in the developing world. This is however a broader and much more normative discussion, that may be addressed in future research.

6.4.2. Towards a less normative and more eclectic approach to analyzing business in FS?

Measured against the analytical framework outlined in the theoretical section, the overall theoretical expectation that several factors and dynamics at the nexus of business-peace linkages, competitive business strategy and risk management influence how and under what conditions business may contribute to peace and development seemed to hold up empirically. However, in reflecting on the theoretical frameworks added value and implications for future research, two key points may be emphasized.

First, the thesis’ finding that the case companies generally stayed away from any intentional, proactive involvement in issues directly related to peace in the FS discussed seems relatively distant from the normative primacy ascribed by the included business and peace-perspectives to a proactive engagement that directly or indirectly seeks to promote peace and prevent conflict. In particular, this was the case for the CsecR-perspective and its requirement that business intentionally (and with a certain political quality) seek to address issues related to peace. This meant that it could not include key derived, unintentional effects of companies’ investments and business practices as

relevant contributions, although it seemed plausible that these, mainly socio-economic, issues had a positive effect on key conditions for peace in countries such as Egypt and Liberia. While the intentionality and political quality requirement may of course lead to greater conceptual clarity when trying to distinguish corporate engagements for peace against more general CSR-engagements (as is Wolf et al’s intention (Wolf et al, 2007)), one might question whether this clear theoretical distinction is as easily done in the ‘real world?’

If any indication, the growing political attention to the interlinkages between development, peace and security indeed points to the importance of more low-politics and ‘derived effects’ contributions such as employment creation and reputable social conditions, that might not make the ‘relevance cut’ in the CsecR-perspective. There may thus be a need for the CsecR-perspective and the business-peace literature in general to increasingly internalize and recognize the value of ‘derived effects’ and focus less on intentionality, as Nelson’s framework does.

Secondly, a short reflection on the implications of the multi-perspective analytical framework is desirable. Its added value seems to be that besides outlining how business may ‘ideally’ instigate peace and development in FS, the integration of the BOP-business strategy and the political risk management perspectives, that more explicitly deal with businesses commercial priorities and calculations, seems to give a more realist and less normative picture of the critical dimensions that also influence and can drive business contributions to peace.

At the same time, the multi-perspective framework have also entailed that the analysis had to internalize a multitude of different terminologies and theoretical assumptions, which, for the sake of obtaining a holistic, nuanced and realist picture, to some extent may have challenged the level of analytical detail. Looking forward, one may thus emphasize the desirability of an analytically eclectic approach to analyzing business engagements in fragile states, supplemented with the caution that it critically considers:

1. The added value of adopting the intentionality requirement when assessing the relevance of corporate ‘contributions’ (as there may be situations when this requirement is necessary)
2. The balance between what may be termed ‘analytical detail’ on one hand, and ‘analytical realism’ on the other.
6.5 Limitations of findings

The research presented in this thesis is of course subject to a number of limitations, which influence the general applicability of the findings and the key implications.

As also mentioned in the method section, a central limitation was the relatively small number of Danish companies who had a significant local presence in one or several fragile markets. By relying ‘only’ on three company-cases, the point of departure for making claims of a more general nature is obviously limited. Whether the findings would have been significantly different had I included more case-companies is difficult to say, but the relative differences between the companies that were included arguably protect at least against one-industry or one-country biases. While my findings could also have been strengthened by also including more policy or industry actors, e.g. from EKF or more representatives at the Danish MFA/Danida, the actors that were included were believed to be a strong representation of actors central to the research issue, and thus adequate for the thesis’ exploratory aims.

Also relating to the thesis’ exploratory nature, as well as its broad scope, initial challenges of forging a very clearly delimited research focus entailed that the questions asked in particularly, the early interviews were of a fairly broad focus, at the potential sacrifice of specific details and dynamics.

Finally, given the broadly focused analytical framework and the broad nature of the research issue in itself, there are dimensions and nuances of the different theories and perspectives that it has not been possible address. For instance, this applies to the business and peace theories complementary focus with explaining the internal and external factors that may influence the forms of engagements and contributions of private business in fragile and conflict settings. Addressing these explanatory dimensions could thus be for future research on my topic to pursue.

7. Conclusion

This thesis has taken its point of departure in the growing political attention to fragile states as a critical challenge to global development and security, along with a still increasing academic and political interest in the potential of private business as positive agents of change in such contexts. Based on the observation that these issues have increasingly become indicated priorities in Danish foreign- and development policy, the thesis sat out to explore how Danish companies in practice can contribute to peace and development in fragile states. In light of limited existing research on these
dynamics in a Danish perspective, as well as the academic desirability of considering own interest areas in a more critical perspective, the ambition was to contribute with new knowledge on key factors and dynamics for this emerging agenda’s practical feasibility. As such, the basic question that I sought to address was: *How can Danish businesses contribute to peace and development in fragile states and what is the role of publically anchored support instruments for investments in this regard?*

In addressing this research question, a central challenge was ensuring a balance between the broad, exploratory research approach that the topics emerging nature and difficult analytical boundaries warranted, and a clearly demarcated core focus that a discussable and consistent academic contribution requires. In the absence of an adequate unified theory to capture the research question, a multi-perspective analytical framework was employed, drawing on existing literature streams perceived as constituent to the research problem, namely business and peace theory, companies strategies and development contributions in BOP-markets and political risk management.

The central findings from the multiple case study based on interviews with three Danish companies with a significant presence in one or several fragile states, as well as policy/industry actors from respectively the MFA, DI and IFU, should in light of the sample’s limited size be treated with humility and critical reflection. Still, a key finding emerging from it relates to the relevance, and perhaps even necessity, of a multi-dimensional analytical approach. This in order to paint a realistic and nuanced picture of companies core priorities when they engage in fragile states. To elaborate, by revisiting the three sub-questions from the introductory section, I will present the key conclusions that can be extrapolated from the more detailed preceding chapters of the thesis. Here, because the thesis works with many different analytical levels and perspectives, the conclusion will need to simplify the dynamics from the preceding chapters a bit.

*As regards the first sub-question’s focus on how and under what conditions businesses are likely to contribute positively to peace and development in FS markets, the theoretical expectation was that this on one side depended on proactive company engagements that directly or indirectly sought to promote peace and security in the fragile host country. On the other side, it also rested on the abilities of companies to adjust and embed their business model to the local investment context and actively reduce exposure to political risk by leveraging firm specific resources or capabilities or favorable relations with local stakeholders.*
The evidence on company engagements offered significant empirical support for the two latter dimensions as key pillars for the companies’ operational success in the discussed fragile countries, and thereby abilities to contribute to these contexts positive development. At the same time however, companies’ expressed engagements and contributions were a far cry from the theoretically proposed primacy of proactive contributions to peace (and development), at least if measured by the CsecR-theory’s requirement that companies intentionally seek to promote peace and security. In contrast, the case companies indicated a dominant commercial understanding of their ‘role’ in fragile states and explicitly emphasized not having ex-ante intentions of playing any political or developmental role.

Related to the second sub-questions’ focus on how and under what conditions the investments of the case companies contribute to peace and development, the central finding was accordingly that the companies – judging from the interviewees ex-post considerations – seemed to contribute directly to development and indirectly to the structural conditions for greater local peace and security through the derived effects of their ‘critically important’ investments and de facto business practices in the local communities. Here, I can particularly draw conclusions from the case companies’ local contributions in Liberia, Libya, Egypt and Nigeria in relation to respectively infrastructure development (port terminals and cement/minerals production) and food production. The effects of the ‘critically important’ investments related mainly to development of critical infrastructure, increased local economic activity and trade, indirect contributions to growing urbanization and an enhanced and more sustainable production of a key food source. In relation to the derived effects of the companies’ business practices this was – albeit in different scales – particularly contributions to local jobs, education, development of local capabilities, improved working conditions and safety, as well as the sharing of specific firm resources in the local communities.

I will be careful not to draw too general conclusions from the emphasized positive dynamics of these investments. The exact causality between the investments, developmental gains and greater prospects for peaceful societies cannot objectively be verified, because so many other factors may influence this equation. From a pure interest representation perspective, the company interviewees may also have overstated derived effects. At the same time however, because the interviewees at no point appeared to paint a ‘beautified’ picture of the social-political quality of their engagements, I find it credible and plausible when they emphasize that their companies de facto ‘contributions’
have significant positive effects on central structural problems in the mentioned contexts and that positive developments vis a vis exactly these problems, including unemployment and food insecurity, can have a potential correlation with development, peace and stability. The findings thus suggested a relative ‘fit’ with the priorities outlined at the policy level, albeit with a few caveats. Here a significant one is arguably that Danish companies generally seem unlikely to engage in the most difficult fragile states. Further, compared to the policy levels national/macro level focus, companies appear to contribute in more confined, local areas.

The third sub-question in turn addressed what role the publically anchored support instruments for investments play in this regard. Here, the central finding was that these generally appeared to be planned and practically operationalized so as to ease companies operations in the (here fragile) investment contexts and markets, by reducing and/or sharing companies political and financial risks. Particularly, this was by providing the investments with a political/governmental bluestamp, which helped companies navigate different political and stakeholder related market challenges and enabled access to other sources of investment finance. Although the instruments by themselves did not deliver or guarantee developmental contributions, a noteworthy dynamic was that their governmentally anchored requirements for local compliance with different CSR-standards which combined with the case companies own high standards seemed to contribute to raising the standards for corporate conduct in the local contexts of the mentioned fragile host states.

While it cannot counterfactually be concluded that the instruments were decisive or additional for the mentioned investments existence or for their commercial or developmental success, it is a significant point in itself that the investments do take place and that the companies prioritize the financial expenses that the use of the instruments imply. Related to this is the point that what is seemingly commercially self-serving motives appear to yield local developmental contributions that theoretically may be just as beneficial as had they been intentionally aimed at development. In light of the relative ‘fit’ between these dynamics and political/practitioner expectations to the added value of the support instruments, I can of course critically consider whether this identified positive dynamic is already a planned mechanism in the way the combination of Danish business support and development cooperation interact, and where a central assumption and condition first and foremost is that Danish companies operate in a way that implies, that their presence in itself contributes to positive dynamics in the fragile host country?. While much seems to point in this direction, it is difficult to confirm. At the same time, when it comes to the specific question of
fragile states, the thesis has also emphasized that there may politically be a need for becoming still more aware and focused on the conditions under which these positive dynamics are promoted and/or to expand existing measures for this.

Considered in relation to the overall research question, these findings thus imply that where Danish companies appear highly capable of contributing to different (mainly socio-economic) dimensions of the political level’s wish for accelerated progress on peace and development in fragile states, this is primarily a reflection of the derived, and locally concentrated effects of the companies key purpose: to pursue relevant business opportunities successfully and profitably, the investment contexts ‘status’ as fragile or not fragile notwithstanding. Publicly anchored support instruments for investments help support this positive dynamic by contributing to the reduction of political and financial risks, but cannot necessarily be seen as playing a decisive role for whether or not the investment takes place or results in sufficient developmental gains.

Various forward looking implications have been inferred from this research. From a theoretical angle, the thesis suggested the need for more critical consideration of the added value of the intentionality requirement when analyzing the peace-related quality of corporate engagements in fragile states. Mainly, this was in light of the limited empirical evidence for the type of preconceived and intentional proactive corporate contributions to peace and conflict resolution that was proposed by particularly the CsecR-framework. Furthermore, the desirability of a multi-perspective approach to analyzing business engagements in fragile states was emphasized, similar to the triangulated analytical framework employed here, as it seems to provide a nuanced and realistic picture of the factors and dynamics that influence companies engagements in these settings and thus their point of departure for ‘contributing’ to the political imperatives of peace and development.

Turning the perspective back to the political, implementation and problem oriented angle that guided the research interest in the first place, the question becomes what practical suggestions for a greater realization of the emerging political vision of greater private sector investment in fragile states may be derived from the research?

The findings seem to point to a significant potential in current dynamics, considering the companies’ perceptions of actually being able to contribute to significant developmental gains and to different structural dimensions of peace, and the relative value ascribed to the mentioned
investment instruments for indirectly supporting such dynamics. In order to support this more explicitly, the thesis has pointed to the potential need for a greater practical/political focus on the commercial drivers of positive business contributions. In this regard, future initiatives could include

- A more explicit clarification in Danish development policy as to whether public-private cooperation on investments in fragile states shall indeed be a more pronounced priority, perhaps in only some targeted priority countries;
- If this is so, a greater focus on how the positive derived effects of businesses operations and practices in fragile states can be promoted and optimized according to key policy/developmental goals, e.g. by investigating a potential need for improving flexibility of/revise current instruments, expanding existing ones that work well or adding entirely new measures;
- A strengthened dialogue and platform for cooperation between the relevant public sector institutions (e.g. the MFA/Danida), the industry/business organizations (e.g. DI), the investment institutions (IFU and EKF) and the most relevant Danish companies on expected results for engaging in fragile states and mutual conditions for reaching these;
- Particularly, this could include enhanced dialogue on identifying relevant business opportunities and finding optimal risk-sharing models and cooperation, in order to overcome some of the current risk-willingness challenges that was emphasized by policy and industry interviewees;
- A more systematic analysis and incorporation of the content of and conditions for positive contributions that existing Danish investments in different fragile states have entailed.

Finally, the empirical, methodological and scope-related limitations of this thesis naturally imply that the findings should be complemented with further research that addresses the interfaces between (Danish) companies’ commercial engagement in fragile states, the implications for different dimensions of peace and development and key conditions for getting more companies to invest in these settings in a way that meets both public and private value creation logics. A good point of departure could be to include more company-cases, including from other sectors and industries and with operations in other fragile contexts, so as to explore the more general applicability of the conclusions drawn in this thesis.
In consideration of space and scope considerations, I have explicitly chosen not to draw on theoretical perspectives that address public-private cooperation in development governance\textsuperscript{16}. Still, the inclusion of such perspectives \textit{could} provide a complementary analytical perspective to the investment-support dimension, e.g. from an angle of how it may be ensured that future ‘partnerships’ can ensure a sufficient alignment of public and private goals and incentives. Considering the recently adopted global Sustainable Development Goals very explicit articulations of the need to leverage the problem solving potential of the private sector more effectively (UN, 2015), the immediate relevance of such research has arguably gained enormous momentum.

Bibliography


APMT. (NDb). Who we are


Børsen. (2011a). Mærsk ramt af egyptisk kaos


Http://investor.Borsen.dk/artikel/1/217790/flsmidth_klar_til_at_genopbygge_libyen.Html


Collier, P. (2007). The bottom billion; the bottom billion why the poorest countries are failing and what can be done about it. New York: Oxford University Press.


http://dalberg.com/blog/?p=3565


Eden, L. (2004). *From the Obsolescing Bargain to the Political Bargaining Model*

http://ebooks.cambridge.org/chapter.jsf?bid=CBO9780511488597&cid=CBO9780511488597_A022

Denmarks Export Credit Agency (EKF). (NDa). Export credits in 2 minutes

http://www.ekf.dk/en/WhatWeDo/Pages/EKF-and-export-credits-in-2-minutes.aspx

EKF. (NDb). EKF's guarantees

http://www.ekf.dk/en/WhatWeDo/EKFs_guarantees/Pages/default.aspx
EKF. (NDc). Investment guarantees

http://www.ekf.dk/en/WhatWeDo/EKFs_guarantees/Pages/Investment-guarantee.aspx


http://www.flsmidth.com/~/media/PDF%20Files/CorpCom/AGM2015/AGMMinutesofmeeting2015UK.ashx

FLS. (ND). Who we are

http://www.flsmidth.com/en-US/About+FLSmidth/Our+Company/Who+We+Are


ID (2011). A New Deal for Engagements in Fragile States

https://www.pbsdialogue.org/media/filer_public/07/69/07692de0-3557-494e-918e-18df00e9ef73/the_new_deal.pdf


http://borsen.dk/nyheder/avisen/artikel/11/124315/artikel.html


Putzel, J. (2010). Why development actors need a better definition of ‘state fragility’

http://eprints.lse.ac.uk/41300/1/StateFragilityPD.pdf


UM. (2012b). Udviklingsminister Christian Friis Bach besøger dansk-egyptisk joint venture http://um.dk/da/udenrigspolitik/udenrigspolitiske-nyheder/newsdisplaypage/?newsid=8b97d36a-997a-4be7-81af-d703564df1bf

UM. (2013). Danmarks samtænkte stabiliseringsindsatser i verdens brændpunkter http://um.dk/~/media/UM/Danish-


United Nations (UN) (2015). UN forum highlights 'fundamental' role of private sector in advancing new global goals. *UN News Centre, 26 september*


http://www.lr.undp.org/content/liberia/en/home/ourwork/library/liberia-agenda-for-transformation.html


http://blogs.wsj.com/middleeast/2013/05/26/poverty-food-insecurity-could-trigger-further-egypt-unrest/


World Bank, International Finance Corporation (IFC), & Danida (2013). Doing business in the g7+
2013: Smarter regulations for small- and medium sized enterprises
http://www.doingbusiness.org/~/media/GIAWB/Doing%20Business/Documents/Special-
Reports/DB13-G7.pdf

World Economic Forum. (2014). The role of the private sector in fragile states: Catalyzing
investment for Security and Development. Global Agenda Council on Fragile States and
Conflict Prevention 2013-2014 Discussion Paper
http://www3.weforum.org/docs/GAC14/WEF_GAC14_FragileStatesConflictPrevention_Report
%20.pdf


Appendix