Business strategies in Libya after the Arab Spring

Ramboll’s business strategy when navigating in a politically unstable country offering great business opportunities

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Written by Stine Skouby Asnæs
Degree: MSc. International Business and Politics
Supervisor: Morten Ougaard, Department of Business and Politics
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Abbreviations

FDI: Foreign direct investments
GNC: General National Congress
NTC: National Transitional Council
Ramboll: Ramboll Group
ROG: Ramboll Oil & Gas
Abstract

The thesis’ objective is to investigate which business opportunities are relevant when considering investing in Libya after the Arab Spring. When doing business in a politically unstable environment, business strategic literature argues that the institution-based view is particularly relevant because institutional set-ups can change due to political unrest and change in power. Consequently, in order to answer the first research question, the thesis undertakes a comprehensive political analysis with the objective of determining whether the current government’s plan is realistic with regard to whether businesses can expect the institutional context to prevail or change.

Determining that Libya cannot be categorized as a modern state, a strong state, or a nation-state, state failure is present, which potentially can lead to the change of the institutional context of Libya. Since the current government demonstrates a friendly attitude towards Western companies, especially towards those companies originating in countries that supported the Libyan revolt against Qadhafi, the thesis turns to analyze the potential for Libya to develop into the desired democracy and capitalist economy by applying Seymour M. Lipset as the modernization theorist and Samir Amin as the dependency theorist. Introducing the rentier economy, the economy based on revenues from oil exports, the political analysis concludes that the desired transformation into democracy and a capitalist economy is unlikely in the short term.

By applying Tanja A. Börzel and Thomas Risse, the business strategy analysis argues that the functional equivalents of Libya forces businesses to undertake a proactive engagement if investing in Libya. The proactive engagement covers filling the gap caused by institutional state limitations to comply with its obligations vis-à-vis its population as well as securing a fair distribution of the wealth. Börzel and Risse argue that businesses are a source of non-hierarchical governance; political instability can be addressed by joint efforts of the Libyan state and the foreign private business.

CSR commitment is only relevant in relation to the process of deciding whether or not to invest in Libya, in which the balancing of contradictory CSR elements can result in the neglect of the role of the business as an actor promoting political and economic development.
A. INTRODUCTION TO RESEARCH

1 Introduction

After the Arab Spring and the 17 February Revolution, a new situation has emerged in Libya. The interim regime, the National Transitional Council (NTC), announced the transition towards democracy with an economy based on both public and private sector. The objectives include less dependency on oil as well as promoting a sustainable development (NTC 2011).

Approaching victory against Colonel Qadhafi, Mustafa Abdel Jalil, the head of the NTC, announced that, in the reconstruction of Libya, the new government would favour foreign companies originating from countries that had supported the rebellion against Qadhafi (The Guardian 2011). On this basis, Danish companies face a favourable position with regard to doing business in Libya.

Ramboll is a Danish multinational group providing engineering and management consultancy to customers in both public and private sector, and the company is strongly committed to corporate social responsibility. Ramboll is inclined to investing and establishing a business in Libya, which is rich in oil resources and has the financial foundation for initiating reconstruction projects attractive to Ramboll.

In general, businesses operating in post-conflict zones, such as current Libya, are subject to great business opportunities as well as high risks due to political instability. A post-conflict zone is politically unstable with an inherent risk of continuous conflicts, which may lead to stagnation or change in power and institutional framework. Thus there is a risk that investments turn out unsuccessful (Azizi 2012).

Accordingly, the objective of the thesis is to provide Ramboll with an analysis determining whether or not to enter the new market, and in the affirmative, how to do business in Libya and overcome the liability of foreignness.
The thesis will analyse Libya and its ability to succeed in its intended transition towards democracy with a capitalist economy with the purpose of gaining insight into Libya’s possibility of creating a stable business environment. The analysis will explain the link between the objectives set by the Libyan regime and Ramboll’s successful investment outcome. Apparently there is a match between the business opportunities offered by the Libyan regime to a company like Ramboll from Denmark being a preferred country. The thesis will investigate if the political instability in a post-conflict zone is an obstacle for a successful outcome of the match, and explain what business strategy is appropriate for obtaining the mutual objectives of 1) Libyan economic development and democratization, 2) for Ramboll, a successful investment.

Given Ramboll’s commitment to corporate social responsibility and accordingly its obligation to promote sustainable development, the thesis seeks to explore how Ramboll can strategize to meet such obligations without compromising the general objective of profit maximization.

1.1 Research question
In line with the introduction above, the research questions are:

1. Given the recent change in Libya after the Arab Spring, which business strategies are relevant to foreign private companies considering investing in such a post-conflict country?
2. How will CSR commitment affect Ramboll’s business opportunities and its role as an actor in promoting political and economic development?

1.2 Thesis objective
The objective of this study is to contribute to the academic literature knowledge of strategic business considerations aligned to the new institutional context in Libya.

The thesis is innovative in the way that it combines longstanding theoretical concepts with novel business strategy literature and applies the theories to the new Libyan reality in order to determine if and how to do business in Libya after the Arab Spring.
The thesis contains an inherent interest in exploring the potential benefit for national political and economic development through private sector engagement.

1.3 Delimitation
When doing business, a company must devise a strategy reflecting the business objectives. The thesis recognizes the importance of all three strategy dimensions when internationalizing and undertaking investments abroad, namely the industry-based, the resource-based, and the institution-based view. The focus of the thesis is to explore the scope of the institution-based dimension when investing in Libya due to the fact that it is the institutional framework that has changed after the revolution. This change can, however, impact the other dimensions of strategizing.

In relation to the resource-based view, the thesis presupposes that Ramboll has analysed its firm-specific resources and capabilities in relation to investing in Libya. The thesis argues that Ramboll’s products and services are particularly relevant to Libya when reconstructing.

To a limited extent, the thesis comments the industry-based dimension when relevant. Due to the favourable position attributed to Danish firms, it is argued that there are high business opportunities in Libya – also given the fact that Libya is a resource rich country and consequently has a financially better foundation for developing and reconstructing the country. In this regard, analysing industry-based competition is crucial to understanding firm-specific business opportunities. Presupposed in the thesis, Libya does not have a high degree of national technical expertise meaning that companies entering Libya does not face a high degree of national competition. Nevertheless, Ramboll needs to assess the international competition before investing, but it is outside the scope of the thesis.

The thesis focuses on the institution-based dimension due to the fact that the revolution in Libya implied a collapse of the former institutional framework, and the new leadership has announced a radical change from Arab socialism into democracy and capitalist economy.
Furthermore, the focus is on strategy and firm behaviour in a host market context and the purpose is not to elaborate or calculate business opportunities under various scenarios depending on levels of competition, oil prices, government initiatives etc. The thesis will not contain a feasibility study of establishing a business in Libya as the thesis believes institution based strategic considerations to be prior to such analyses.

2 Methodology

The objective of this chapter is to provide the reader with a description of the methodology and methods applied. Firstly, the ontological and epistemological considerations will be outlined in order to provide the reader with an insight into the beliefs and assumptions integrated in the research and research process. Thirdly, the research design contains several elements explaining the structure of the assignment while illuminating the relevance of the chosen methods, theory, and data in accordance with the thesis objectives and philosophy of science. In here, concepts will be elaborated as well. Finally, empirical findings and data are introduced and assessed (Creswell & Plano Clark 2011, 38-39).

2.1 The philosophy of science

In order to be able to answer the research questions, the thesis embraces the crucial need to understand the institutional context by analyzing the political situation in post-conflict Libya. In a theoretical framework, the purpose is to understand Libya and its transition to democracy and a capitalist economy. From this political analysis, the thesis develops its empirics, which later serve as the basis for the business strategy when considering investing in Libya.

The thesis is inspired by scientific realism with its integration of a realist ontology – meaning that there is a reality independent of the ones who seek to know of it and understand it – and an epistemological relativism – meaning that the understanding of reality cannot be approached to the fullest because all beliefs are socially constructed (Joseph & Wight 2010, 8-10). Various stakeholders have different perceptions of reality, and therefore the thesis makes use of various sources and types of data.
Moreover, the data are compared and assessed to insights into Libya achieved through conversations with various experts (p. 12).

However, the various stakeholders focus on different areas of the understanding of Libya and consequently, the thesis acknowledges that Libya exists and evolves independently of the following research. The purpose is to obtain an understanding of this reality with the reservation that the choice of theories reflects that the research is external to the reality of Libya, and thus a bias in such choice may affect the outcome. Joseph and Wight explain it by arguing that knowledge is a social product, which takes its starting point in already existing knowledge and transforms it to ever-deeper knowledge of the world. Further, knowledge is also subject to history, and “…knowledge is transient, and neither truth values nor criteria of rationality exist outside of historical time” (Joseph & Wight 2010, 13).

Moreover, “…no matter how much epistemological support there may be for the existence of a given theoretical entity, the ontological question of whether or not it exists is independent of the epistemological claims” (Joseph & Wight 2010, 8), which means, according to Joseph and Wight, that no matter how clear the results of the analysis will be, the reality still exists independently of how the thesis understands and presents the reality. While true, this thesis argues that striving to understand Libya is the only way in which businesses can undertake an appropriate business strategy. Social structures are time-space dependent by nature, but anyhow it would be correct to formulate a law governing such structures (Wight 2006, 55). Accordingly the theories elaborated by Seymour M. Lipset and Samir Amin will be applied in order to explain the tendencies embedded in those Libyan social structures, which are examined. In this regard, the thesis recognizes Wight’s linking of politics and ontology, which rejects the division of epistemology based on the notion that politics “…represents attempts by competing groups to control the circulations of power within the discipline through excluding and marginalizing alternative theoretical approaches” (Wight 2006, 1-2). Therefore modernization and dependency theory, the theoretical framework in which Lipset and Amin are positioned, do not represent a divided epistemology but merely ontological differences based on political vision and identity (Wight 2006, 2).
Therefore, scientific realism further incorporates judgmental rationalism, which means that; “…despite epistemological relativism, it is still possible, in principle, to choose between competing theories” (Joseph & Wight 2010, 9) but the chosen theories will reflect the ontological stance. Consequently, Wight argues “…we need to engage in some sustained ‘ontological investigations’ (Wight 2006, 2).

Here the realist ontology, in scientific realism, holds a commitment to ‘depth realism’, which “…presupposes that there are things, entities, structures and/or mechanisms that operate and exist independently of our ability to know or manipulate them. The laws of nature, the entities, structures or mechanisms, which are often not empirically ‘observable’, [and they] are…[termed] the ‘intransitive objects of knowledge’ which exist independently of us and are separable from our ability to know them” (Joseph & Wight 2010, 10).

The scientific realist would theoretically seek to identify these structures and mechanisms and their causal powers, which is why the thesis applies two theories that explain Libya’s potential for transition towards democracy and a capitalist economy based on a dynamic analysis focusing on social and political structures through time. Consequently, the objective becomes to map the causal power of entities, structures and mechanisms (Joseph & Wight 2010, 11). The philosophy of science thus does not tend towards reductionism but acknowledge that the mechanisms exist and are impacted by various levels and it is important to identify and distinguish between vertical and horizontal explanations (Joseph & Wight 2010, 12). In this line of thinking, the thesis strives to investigate Libya applying the two theories by Lipset and Amin, within the modernization and dependency development framework, respectively.

Eventually, with the epistemological relativism and a ‘depth realism’, this leads us to the idea of the scientific realists’ emergent ontology where the subject of analysis should not be analyzed simply as a sum of its effects and actions but as part of an interactional complex system, which can be analyzed in various ways depending on the ontological foundation (Joseph & Wight 2010, 11-12).
2.2 Research design
This part illustrates the methods applied in the assignment and argues how the research has been performed.

2.2.1 Analytical reasoning
There are two main approaches to analytical reasoning; the inductive and the deductive reasoning. The inductive approach involves the development of a theory as a result of the observation of empirical data, and the deductive research approach involves the testing of a theoretical proposition by the employment of a research strategy specifically designed for the purpose of its testing (Benton & Craib 2001, 180, 182).

The thesis starts out with applying theories on Libya as a case in order to understand and observe Libya as a potential target for investment. This type of analysis is slightly inspired by deductive reasoning because it applies theory and observes a case from a theoretical point of view, but due to the fact that the thesis does not seek to create generalizable knowledge but merely a baseline for Ramboll’s strategic planning, a full deductive reasoning is rejected.

The thesis consists of two analytical sections: the first B, the political analysis, which is partly deductive, and the second, C, the business strategy analysis. When moving to the second analysis, the thesis applies a prescriptive consequentialist reasoning (UTK 2013) with the purpose of determining the appropriate business strategy according to the findings from the political analysis.

2.2.2 Research approach to method and data
In the thesis, the general approach is primarily qualitative because the object of research is a particular phenomenon, in which the thesis is striving to understand the particular mechanisms and structures in Libya (Bjerg & Villadsen 2006). Quantitative methods generally explore knowledge and coherence of universal or general validity and it is therefore not the primary method in this research. The research in this thesis makes, however, use of quantitative data – not with the purpose of creating
generalizable information based on a larger number of observations or cases (Bjerg & Villadsen 2006, 18), but to support the qualitative method, which is based on inspiration from several conversations with experts on Libya as well as an interview with Ramboll.

Subjectivity is automatically integrated and acknowledged in qualitative methods as they incorporate interpretation and make use of a diverse set of data sources (Bjerg & Villadsen 2006, 24). As the research takes its point of departure in Libya and the recent changes, the thesis recognizes that Libya is still heavily influenced by its past when applying both static and dynamic analyses. In this regard, scientific realism acknowledges an underlying social ontology (Wight 2006, 5).

It is believed that qualitative data is not something that already exists; qualitative data is produced in the empirical subject area (Bjerg & Villadsen 2006, 24), being the political analysis of the institutional context of Libya. The thesis is based on secondary data regarding the current situation in Libya, supported by information from conversations with experts on Libya and the Arab Spring such as;

- Anders Friborg, Chargé d’Affaires, Danish Foreign Ministry in Tripoli, Libya,
- Niels Tanderup Kristensen, Manager in DI Business Development, and Jakob Øster, consultant, Confederation of Danish Industry
- Ulla Holm, Senior Researcher, Danish Institute For International Studies
- Ulla Prien, Teaching Associate Professor, University of Copenhagen

The thesis’ constructed reality is also qualified by Ramboll’s empirical reality through an interview with

- Per Jørgensen, Director, Strategy and Business development, Ramboll Oil & Gas

After the political analysis of Libya, the thesis turns to the prescriptive analysis in which the appropriate business strategy of Ramboll in post-conflict Libya is determined. Such normative and prescriptive character is often found in qualitative method due to its integrated subjectivity (Bjerg & Villadsen 2006, 25).
2.2.3 Single-case study

The single-case study design is appropriate if it is a revelatory case – “…the situation when an investigator has an opportunity to observe and analyze a phenomenon previously inaccessible to social science inquiry” (Yin 2009, 48). The recent change in Libya and its new government have led to analyzing the potential for democratization of an oil country that previously was under dictatorial rule.

The single-case study is also applicable when the case represents an extreme or unique case (Yin 2009, 47). Substantial resemblance among Arab Spring countries have not been identified because, at the Arab Spring, Tunisia and Egypt did not lack the same government institutions as Libya did (Anderson 2011, 6). Furthermore, in relation to Tunisia and Egypt, Libya proves a unique case due to its oil wealth, which is why it was chosen as potential target for investment by Ramboll Group and Ramboll Oil & Gas.

2.2.4 Single-interview study

The thesis had the opportunity to interview Ramboll Oil & Gas in relation to business opportunities, strategy, and investments in Libya.

The purpose of the single-case interview is to utilize Ramboll as an example of a private business, which has an extensive CSR commitment. Businesses that have committed to similar corporate and social responsibility will face the same challenges as Ramboll (see appendix 2 and 2a) in relation to investing in Libya, despite their line of business and sector. The focus is not of a particular company but rather on how CSR strategies in general affect business opportunities.

Prior to the interview, an interview guide was prepared (appendix 3). The thesis wanted to create a relaxed atmosphere during the interview in order to make the interviewee feel comfortable and free to explain Ramboll’s ideas and perceptions about the situation in Libya, the strategic considerations, as well as the more delicate subjects
of corruption, safety of employees, and commitment to promoting development in Libya.

The purpose of the interview is to learn. The thesis made use of the semi-structured interview model that allows following up on new insights from informants during the interview, and allowing the interviewer to be guided through relevant information from the informant instead of strictly following an interview guide (Bjerg & Villadsen 2006, 23-24) (Kvale 1994, 129-131).

Additionally, the interview was conducted after extensive preliminary research. The preliminary research also included talks with Ramboll introducing the researcher to the company’s ideas of doing business in Libya. The preliminary research covered investigating how to strategize and subsequently behave in the new Libyan context when opening an office in Libya. From the interview during the final period of the writing process, Ramboll revealed ideas of doing business in Libya based outside on office outside of Libya, thus avoiding a potentially risky business environment if Libya does not stabilize (Ramboll Interview 2013, 2). Throughout the thesis, the research is conducted from a direct investment perspective. The perspective is maintained despite Ramboll’s alternative of doing business from the outside of Libya – also because the thesis is relevant for other companies considering direct investments in Libya.

Interview guide and transcription of interview are enclosed in appendix (appendix 3 and 4).

2.2.5 Clarifying concepts

In relation to the analyses, the thesis wants to clarify two key concepts;

2.2.5.1 Corporate Social Responsibility

Corporate social responsibility (CSR) is an umbrella term covering a variety of theories and practices all of which recognize the following:

“...(a) that companies have a responsibility for their impact on society and the natural environment, sometimes beyond legal compliance and the liability of individuals;
(b) that companies have a responsibility for the behaviour of others with whom they do business (e.g. within supply chains); and
(c) that business needs to manage its relationship with wider society, whether for reasons of commercial viability or to add value to society” (Azizi 2012) based on (Blowfield & Frynas 2005, 503).

The analysis later elaborates Ramboll’s specific commitment to CSR (appendix 2a, 2b, 2c and p. 70).

2.2.5.2 Political risk and risk in politically unstable areas
Given the risk inclined nature of entering and investing in conflict and post-conflict areas (Azizi 2012), the second analysis seeks to prescribe a business strategy, which will allow the foreign private business to navigate and manage within the politically unstable context.

The thesis’ approach to risk is shaped by the following statement;
“…the political realm is pervasive. Nowhere are we unaffected by the laws of the state, and indeed business occurs in a framework ultimately set by political authority and social consensus. In developed countries businesses can afford to take this framework for granted, since it changes very little over time. In many developing countries, however, the political domain is still evolving towards an equilibrium, and the framework in which business operates regularly shifts. Businesses need to adapt to a changing and often volatile political landscape, or they will find themselves at odds with the very ground on which they stand” (McKellar 2010, 6).

In line with the logic of the assignment, McKellar elaborates the following sources of political risk: a) political instability, b) weak governance, and c) conflict. McKellar argues that it is important to know where risk originates and draws to our attention that risk analysis including a risk assessment of impact and severity will help companies plan their business activities (McKellar 2010, 64-71, 86-101), but such impact assessment is outside the scope of the thesis. The focus is to analyze the institutional
context in order to identify potential political risks and subsequently how businesses should strategize in relation to managing and coping with such risk.

Kobrin expounds the political risk concept along two dimensions. Along the first dimension, he distinguishes between macro risks, or environmental events, which affect all foreign firms in a country, and micro risks, “...which are specific to an industry, a firm, or even a project” (Kobrin 1982, 35). The second dimension distinguishes between “…contingencies that affect ownership of assets, such as full or partial divestment, and those that affect operations, ultimately constraining cash flows or returns” (Kobrin 1982, 35). The thesis’ main focus is on macro risks, and micro risks will be included when and if relevant.

2.3 Empirical findings and data sources
The thesis is based on Ramboll as sole primary source. Statistical data as well as country and news reports are secondary data.

After the Revolution in February 2011, a new situation emerged in Libya and it is still changing. Therefore, the approach to data and data collection has been challenging.

During the Qadhafi regime, much statistical data has not been reported and registered – and the statistical data, which is available, is commonly (based on conversations with the experts on Libya and the Arab Spring) argued to be unreliable and manipulated. The thesis acknowledges that reservations need to be made in relation to reliability of data because of political uncertainty of what is actually going on in Libya at the current moment, as well as direct comparability is impossible due to lack of previous times’ data. However, the thesis assumes that it is possible to derive certain trends in statistical data.

Furthermore, the researcher has assessed the collected data and empirical findings (secondary data) and compared it to insights based on conversations with experts on Libya and the Arab Spring. The experts mentioned above (p. 12) all belong to different institutions proving as a base to avoid certain biases and strengthen validity (Eriksson & Kovalainen 2008).
Analysing the data collection based on statistics, the thesis compared Libya to a highly democratic country, Norway, and a semi-democratic country, Senegal (Freedom House 2012), in order to replicate Lipset’s comparative study of ‘more’ democratic and ‘less’ democratic countries of European and Latin American countries, respectively. Norway resembles Libya in relation to size of population, size of country, harsh climate and geographical variations, and oil possessions. Senegal does not resemble Norway and Libya, but Lipset did not pose emphasis on such resemblance and similarities. His focus was on comparing ‘more’ democratic to ‘less’ democratic where Norway and Senegal function as these two categories to which Libya is compared. Senegal is situated within the same continent and relatively close to Libya, meaning that they are from the same group of countries with regard to Lipset’s comparative study. Senegal was chosen instead of the neighbouring countries, which are also affected by the Arab Spring. Countries such as Chad, Niger, and Mali are all land-locked posing greater resemblance among Libya and Western African countries situated on the coast.

2.3.1 Credibility

Generally, research needs to address the concepts of validity and credibility in order to qualify the findings. Nonetheless, when the thesis applies a qualitative method, the ideas of objectivity, validity, and creditability are obstructed by the ontological view of a subjective and socially constructed world. Therefore, the thesis strives to pragmatically ensure validity of the research by assessing the data sources in the following (Bjerg & Villadsen 2006, 26):

- Local newspapers can have a political agenda in presenting and reporting from Libya in a certain way. Due to the limited scope of local newspapers, the thesis has not been able to assess a given event or news from different local newspaper perspectives.
- International country reporting institutions and statistical data are generally recognized to be credible. Institutions such as the International Monetary Fund (IMF) can, however, be biased towards a line of thinking according to Western economic concepts with regard to growth and poverty reduction standards (Ravenhill 2005, 317-340). Such bias can be argued to be in line with
modernization theory, as explained above regarding politics as ontology. The thesis has not made use of risk assessment agencies in order to avoid bias of commercial interest.

- The historical insight into Libya was primarily based upon the book ‘A History of Modern Libya’ by Dirk Vandewalle, according to recommendations from Ulla Holm, Senior Research at Danish Institute for International Studies, and Ulla Prien, Lecturer, Department of Cross-Cultural and Regional Studies, Copenhagen University.

B. POLITICAL ANALYSIS

3 Introduction

The political analysis consists of three sections. The first is this introduction with a following insight into Libyan history, and an explanation of the structure of the analysis. The second is the static analysis of current Libya. The third is a dynamic analysis exploring the potentials for Libya’s transition to a constitutional democratic and capitalist state.

4 Overview of Libyan historical development

The current general situation in Libya is affected by unrest resulting in a slow-moving political development, which is unpredictable due to tribal groupings with contrasting interests and the fact that several groupings still possess arms in the aftermath of the revolution leading to the fall of Qadhafi in October 2011 that ended his Jamahiriya regime (see appendix 1).

The uprisings started in the eastern part of the country in the city of Benghazi in the wake of the Arab Spring uprisings in Tunisia and Egypt and developed into a civil war caused by, i.a. years’ corruption and incontrollable informal structures and high unemployment and decreasing living standards (see appendix 1).

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1 The assignment is based on the National Transitional Council’s declaration of democracy of 29 March
When Qadhafi was removed from power most structures and institutions in the Jamahiriya collapsed as these were built around his personal directives and by his system of patronage. In contrast to Tunisia and Egypt, Libya had no system of political alliances, no network of economic associations and no national organizations, but on the other hand, Libya was rich in oil resources (Anderson 2011).

The National Transitional Council\(^2\) (NTC) published a Constitutional Declaration (NTC 2011) that included the vision for transition towards democracy. However, Libya is not facing a mere process of democratization but rather one of state formation (Anderson 2011).

The National Transitional Council had several objectives, the main being democratization and sustainable socio-economic development for the Libyan people (NTC 2011). One of the means to achieve the latter goal is to create a business environment that will encourage foreign direct investments (FDI), and the Prime Minister of the General National Congress succeeding the National Transitional Council has directly expressed that foreign companies are needed in the reconstruction and building of the new Libya (Libya Herald 2012) (Feb 17th 2011) (The Tripoli Post 2012).

5 Structure of the analysis

The thesis focuses on exploring the institution-based dimension to strategy when considering investing in Libya.

The institution-based view argues that formal and informal institutions govern company behaviour, and if formal constraints are unclear or fail informal constraints will play a more dominating role impacting the business environment (Peng, et al. 2009, 68).

\(^2\) Political opposition emerged in Benghazi and in February 2011, the opposition transformed into the Interim Transitional Council calling for revolution against Qadhafi. In March, the interim government claimed the legitimate power over Libya (NTC 2011)
In Libya, new formal institutions are being established and a new constitution based on democratic principles is under way. Accordingly, the thesis argues that the end of the Qadhafi regime not only made the formal institutions collapse but the new formal institutions may also impact the informal institutions.

When establishing or transforming into a democracy, Robert A. Dahl stresses that “…certain underlying or background conditions in a country are favourable to the stability of democracy and where these conditions are weakly present or entirely absent democracy is unlikely to exist, or if it does, its existence is likely to be precarious” (Dahl 2000, 146-147). He explains that the essential conditions for democracy are

1. Control of military and police by elected officials
2. Democratic beliefs and political culture
3. No strong foreign control hostile to democracy

Furthermore, he argues that a modern market economy and society, as well as a weak subcultural pluralism are favourable conditions for democracy (Dahl 2000, 147).

Based on Dahl, the structure of the thesis will take form according to his essential and favourable conditions for democracy. The first essential condition, ‘control of military and policy by elected officials’ is reflected in the static analysis, serving as a baseline. It introduces Max Weber’s definition of the modern state, which subsequently is complemented by Robert I. Rotberg defining the political goods and obligations of the state to its population.

The second essential condition, ‘democratic beliefs and political culture’ is subject to a dynamic analysis applying Seymour M. Lipset’s study of the social requisites of democracy.

The third, ‘no strong foreign control hostile to democracy’ is not of particular influence in Libya’s transition – although the thesis acknowledges the regional influence of the Islamic movement, and the fact that funding is available to support such movement,
e.g. from Qatar. Libya has, however, in fact been a secular state under Qadhafi, and secular layers remain in society, which e.g. had the impact that the electoral law of February 2012 rejected such funding (Holm 2013, 40). The analysis does not address this issue of a strong foreign control, but such conflicts originating within religious and tribal affiliations will be explored throughout the analysis when relevant.

The favourable conditions for democracy, a ‘modern market economy and society’, as well as the ‘weak subcultural pluralism’, are addressed throughout the political analysis by applying the two theoretical concepts by Seymour M. Lipset and Samir Amin, and the rentier economy concept will be introduced as a complement to the two.

B1 Static Analysis

6 Categorizing Libya

Generally, post-conflict areas pose challenges as well as opportunities to businesses. Among the challenges are: corruption, political change, or the sudden eruption of conflict. Furthermore, risks are stated to be much higher than in other emerging economies. The potentials are, among others, high turnover due to first-mover advantages and low competition (Azizi 2012).

Prior to investing, businesses must understand the institutional context of the host market because “…strategic choices are not only driven by industry conditions and firm capabilities, but are also a reflection of the formal and informal constraints of a particular institutional framework that managers confront” (Peng, et al. 2009, 66). Consequently, the following analysis will take a static approach to analysing Libya’s formal institutional capacities in relation to offering an attractive business environment.

The thesis considers the term ‘state’ as generally referring to the government apparatus which “…can be defined as a set of autonomous institutions, differentiated from other institutions, possessing a legitimate monopoly of coercion and extraction in a given territory” (Smith 2010, 12). A ‘nation’ is regarded to typically refer to cultural entities,
collections of people bound together by shared values and traditions, in particular a common language, religion, and history, and the people usually occupy the same geographical area (Heywood 2003).

The collapse of power and state apparatus built around Qadhafi (Anderson 2011, 6-7) and a new constitution yet to be finalized in parliament lead to the question: what is Libya state wise? In general investors will at a minimum demand a broadly defined state apparatus in order to get valid authorizations to invest, to safeguard capital transfers, and a degree of security and the rule of law.

Thus, it is relevant to analyse whether Libya is able to operate as a modern state vis-à-vis its population, where government’s role is to provide the political and public goods that the population expects. It is the state-population relation that determines whether unrest and political uncertainty will prevail or if Libya as a state can fulfil its obligations paving the way for political and economic development (Rotberg 2003).

The point of departure is Max Weber’s definition of the modern state because the NTC emphasized the concept of legitimate authority seizing power in Libya, as well as the fact that Libya has proclaimed the initiation of its transition towards democracy and capitalism, of which the latter marks the move towards modernity (Backhouse 2002). Businesses initiating foreign direct investments need to know whether the institutional context is likely to continue or not. If a state does not live up to its obligations, as explained and analysed, state failure is likely to occur leading to potentially new or changed rules of the game – impacting the institutional context and businesses opportunities for foreign companies in Libya. The static analysis is also important because businesses wanting to benefit from first-mover advantages need to be familiar with the present situation.

The objective of this static analysis is to start out with an institutionalist approach to determine whether the current government can persist and enforce stability. The thesis will now move to an approach of institutional and nation-based legitimacy to provide an understanding of whether Libya has the potential as a nation-state to counter or diminish institutional state failure.
6.1 Libya as a state

The following analysis, serving as a baseline, is a snapshot of Libya facing a planned transition towards democracy and economic development, where private sector development and FDI are key elements in the new government’s objectives for future Libya (NTC 2011).

The static analysis takes its point of departure in Max Weber’s definition of the modern state due to the Libyan government’s desire to transform into a democracy and a capitalist economy. Capitalism was part of the emergence of modernity, which is why the claimed transformation can be equated to stating that the government wants to be a modern state.

The modernist and German sociologist Max Weber defined the ideal type of the modern state as the “…human community that (successfully) claims the monopoly of the legitimate use of physical force within a given territory” (Weber 1919).

In relation to the last concept, territory, Libya is a sovereign state vis-à-vis the international community (United Nations 2011), but the national formal structures have not yet been constitutionally defined. Therefore, the thesis emphasizes only two concepts relevant to the categorization analysis of Libya, namely, 1) the legitimacy of the government or ruler, and 2) the monopoly over the means of physical force.

6.1.1 Legitimacy

Legitimacy is achieved when “…the leader or ruler is believed to have the right to exercise his leadership or his dominance over his subordinates or subjects” (Måanson, Max Weber 2000, 76). Max Weber defined three sources of political legitimacy (Måanson, Max Weber 2000, 81); a) charismatic authority – derived from the leader’s charisma; b) traditional authority – derived from tradition; and c) rational-legal authority – derived from popular accept (Allan 2010). The first two sources are rejected in this case because there is no charismatic individual leading the transition, and traditional authority has been rejected in favour of a new regime.
At first glance, the legitimacy based on rational-legal authority seems to be in place as the NTC was generally accepted as the authority of Libya during the Revolution\(^3\). The NTC (see appendix) seized power during the revolt against Qadhafi and proclaimed it to be the new official government of Libya, consequently claiming power over the territory of Libya and the legitimate monopoly over the means of coercion. Even though the democratic development is in its infancy, the NTC already held elections and handed over power to the GNC in accordance with its proclaimed plans (Reuters 2012). The GNC has now appointed a new government and is working on drafting a constitution (The Tripoli Post 2012).

It can be argued that the legitimacy has been met based on the high turn-up of voters at elections in July 2012 where 2.8 million registered voters from around 3-3.5 million eligible voters (45 per cent women) cast their vote (BBC 2012), thus claiming a consent to the new leadership and electoral system.

Nevertheless, groups within the society have not expressed their political affiliation e.g. because former Qadhafi loyalists have neither been permitted the democratic right to register as candidates in the election nor to cast their votes, thus hollowing out legitimacy of the democratic element of voting (Danziger 2005, 168) (Dahl 2000, 37).

Furthermore, the question is whether the ‘witch hunt’ after Qadhafi loyalists (Foreign Policy 2012) (Carnegie 2012, 15-16) impacted the actual freedom of votes to the effect that people did not feel the empowerment and security to cast the vote on the candidate they genuinely wanted to represent them in the new government. Thus, a bias in elections appears based on limited freedom of speech and expression (see ‘media participation’ p. 43).

6.1.2 Monopoly

After the Revolution February 2011, not only the army but also the Libyan population has been armed due to the fact that weapons had been available to most people during

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\(^3\) The opposition against Qadhafi emerged across tribes, regions and professions – thus a heterogeneous group with a common objective (The Global Post 2011).
the civil war (Carnegie 2012, 7, 11) (The World 2011) (The Tripoli Post 2012) – and these groupings do not possess the general or same legitimacy as the new government has (Månson 2000, 76, 81-82) but, as in line with the Weberian use of physical force, weapons equal power resulting in the fact that the power is not monopolized by the government.

Furthermore, as part of his desire to strengthen the Jamahiriyya, Qadhafi introduced compulsory classes in the handling of weapons, which ‘backfired’ during the civil war (BBC 2012). Also during the Qadhafi period, military camps were established providing training to al-Qaida troops, which included Libyan citizens. Today, such groupings are still present in Libya and the surrounding regions (Information 2013).

Unrest, revolts, and torture are still present in various cities and zones in Libya (HRW 2013) (Foreign Policy 2012) (EIU 2012, 3), which indicates that the current government does not possess a military that can fight down armed unrest – nor does the government have full support within the country as people feel the need to exercise justice beyond government control and authority, that again may support the indication of biased elections or lack of free elections in July 2012 (p. 24).

Another clash with the Weberian concept of the modern state, based within modernity, is identified when reviewing the fact that modernists “…assert that nations build on a radical break with the organizations and mentality of premodern societies” (Østergaard 2000, 460). For this reason, Libya fails to fall into the ‘modernity’ category because tribes and social formations based on tribal affiliation still predominate (Rózsa 2011).4

Therefore, according to Weber’s ideal type, Libya cannot yet be characterized as a modern state because of its lack of control of territory and its social formations based

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4 Throughout history, continuous tribal tensions have existed due to the regional disintegration within Libya; a long-term battle between Tripolitania and Cyrenaica for influence, respectively, during the United Kingdom under King Idris, and the Qadhafi regime. Qadhafi initiated a re-tribalization during his regime when he infiltrated all institutions with his tribal affiliates in order to secure loyalty to his ideas (Vandewalle, 2006, 152)

5 The emphasized and continued influence of tribes can be questioned (Hweio 2012). An in-depth analysis is not within the scope of this analysis.
on pre-modern tribal structures. Libya possesses a structural complexity based on pre-modern social structures that does not conform to the modernists’ break with pre-modern structures; but it is a state in transition. In relation to political unrest, Libya is not in a Hobbesian mode of anarchy, simply because of the existence, to some extent, of the rule of law and of government institutions to which a large fraction of the population has given consent through the elections – but political unrest, among others, still hinders progress towards becoming a modern state.

To illustrate some elements required before Libya can overcome political unrest as well as establish a stable and predictable business environment, the thesis will turn to another framework for defining the state.

### 6.2 Political goods and strength of the state

States that do not conform to Weber’s definition of the modern state can be categorized through a grading of the state concept depending on the state’s capabilities vis-à-vis its population. The thesis introduces Robert I. Rotberg in order to analyse Libya’s capabilities of meeting the demands of the population, thus leading to political stability, which again can form the basis for economic development and attracting FDI.

Rotberg focuses on the state’s obligation to provide political goods. He contributes with an understanding of the processes and importance of these obligations in order to avoid unrest and state failure.

Political goods “…are those intangible and hard to quantify claims that citizens once made on sovereigns and now make on states” (Rotberg 2009, 2-3). Rotberg\(^6\) claims that there are four political/public goods that a state must deliver as a minimum in order to satisfy its role as the legitimate authority (Rotberg 2010, 3):

1) Security: security of the state and its citizens to prevent invasions and loss of territory as well as to prevent attacks on national order or the social structure of

\(^6\)“As an alternative to defining the state in terms of its legal standing, the state can also be defined by the key organizational structures that operates as “the government” and the key functions that the state performs. In this structural-functional perspective, the state might be defined as the organized institutional machinery for making and carrying out political decisions and for enforcing the laws and rules of the government” (Danziger 2005, 113)
the nation, also achieved by securing internal stability by resolving differences through the state apparatus instead of seeking recourse to arms or other types of physical coercion;

2) The institutional and systematized rule of law, e.g. a judicial system to settle disputes;

3) Political rights: – albeit democratic – the right to participate freely and to express oneself in political institutions, to run for office⁷, etc.;

4) Goods, depending on the scope of the state, being e.g. education and health care, physical and communications infrastructure, and a banking system⁸ (Rotberg 2009).

In the 1990s and onwards, research of the state began focusing on the strength or weakness of the state. “…According to their performances – according to the levels of their effective delivery of the most crucial political goods – …strong states may be distinguished from weak ones, and weak states from failed or collapsed ones” (Rotberg 2010, 2). Strong states provide full control over their territories and provide, i.a., all the above-mentioned political/public goods (Rotberg 2010, 4).

Jessop, 2009, argued that internal strength of the state refers to its “…capacities to command events and exercise authority over social forces in the wider society”. Weak states are characterized by their inability to do so (Jessop 2009), and they fail to comply with these societal and institutional expectations and do not provide the majority of the political and public goods (Rotberg 2010, 4).

The failing or failed state is not, by definition, incapable of providing public goods, but may e.g. not provide security, and internal violence can create the platform for failure, even though the state does provide health care and education (Rotberg 2010, 4). Besides the most important political and public good being security, it is the diminishing or the temporary or complete neglect of the remaining public goods e.g.

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⁷ The third point may contain a liberal bias towards democracy and will not be dealt with further than in the chapter of democracy.
⁸ Depending on the scope of ‘res publica’
deteriorating infrastructure and flawed institutions that leads to failure (Rotberg 2010, 4-5).

The population’s expectations to the state will be shaped by opinions of what belongs in the public sphere – how much should the state provide for of public goods and governance – and can further be shaped by political and public goods provided by previous regimes. The Libyan population has been subject to a totalitarian state providing goods and heavily subsidizing real estate, foodstuff, and the like, in order to keep the population satisfied (Vandewalle 2006, 163). The question is, however, if the population will demand goods beyond the level provided by Qadhafi, e.g. the democratic rights the population was promised at the revolutionary uprising, while simultaneously also expecting the state to provide everything that Qadhafi provided.

Currently, Libya must be regarded as, at least, a weak state because it does not provide the most important political good: security. Some areas are without police and state military protection where unrest and human rights violations against certain tribes or groupings exist hence threatening internal stability (Foreign Policy 2012) (EIU 2012). Instability is exemplified through events such as the killing of the US Ambassador in Benghazi in September 2012 and the fact that all Western citizens are now (February 2013) advised to leave Benghazi (British Foreign Ministry 2013) (US Foreign Ministry 2012). Furthermore, the constitution has not been drafted and the GNC faced problems in electing a new government (EIU 2012, 3), hindering the provision of the 2nd political good. Education and health care systems are still functioning to some extent, albeit just on city or regional level (Ramboll Interview 2013, 15). Political rights, on the other hand, have been provided to a large fraction of the population. It is not, however, a general right (p. 24).

In addition to Rotberg’s institutionalist approach, the thesis will now briefly go through some of the requisites of being a nation because nation-states are argued to be the strongest states, and elements of the ‘nation’ can serve as a base for legitimacy thus potentially countering state failure and institutional failure (Lemay-Hérbert 2009).
6.3 The origins of a nation

A “…nation is an historically constituted, stable community of people, formed on the basis of a common language, territory, economic life, and psychological make-up manifested in a common culture” (Stalin 1913, 3) and points to the importance of a ‘national character’, which “…is something intangible for the observer, but in so far as it manifests itself in a distinctive culture common to the nation it is something tangible and cannot be ignored” (Stalin 1913, 3).

Western Allies agreed the territorial borders after the Second World War – and many states share the same fate of colonial powers deciding territorial boundaries insensitive to nationality differences (Danziger 2005, 116-117). Consequently, Libya’s social structure based on kin and tribes and regional affiliation instead of national affiliation hinders a clear-cut categorization of Libya as a nation.

And if not a nation, conflict can appear due to mutually exclusive interests within the various ‘ethnies’ inside the state, which can have their origin within tribe and kin (Smith 2010, 10-18).

In contrast, national identity and nationalism can be argued to only be part of the modern industrial society, due to the fact that, previously, elites and food-producing masses always led completely separate lives. The traditional society is determined by structures, and that modern society is determined by culture (Østergaard 2000, 459). Therefore, if Libya wants to become a modern society, societal structures based on tribes need be transformed into a unified culture emphasizing the common traits of e.g. homogenous religious belief, language, and history – based within the home territory, being the ideal type of the nation-state (Smith 2010, 14).

From the above analysis can be concluded that Libya does not qualify as a state in the modern sense, nor as strong state or as a nation-state.

6.4 Sub-conclusion

With the new government, new decisions have been made to start the transition into a new Libya heading for the claimed goals of democracy and capitalism with the aims of
establishing a private sector and attracting FDI. The prerequisites for successful achievement will be the establishing of a strong state because of the needed changes if the government wants to succeed – security, legitimacy, and stability are key to ensuring the state apparatus to lead Libya through its transition. This is of major importance to businesses considering investing in Libya because strong states can provide the necessary institutions and a steady political agenda and prevent political unrest and change.

This snapshot of the current situation in Libya indicates that there is no stability and the state apparatus has not proven its ability to govern yet, leaving it as a weak state. The static analysis cannot provide insight into the future development and cannot provide any evidence if the claimed transition and goals can be achieved, but it serves as a baseline from which the following dynamic analysis takes its point of departure. The dynamic approach will analyze whether the change towards democracy and capitalism are realistic outcomes, given Libya’s point of departure. This analysis is relevant because it illustrates the potential short-term future of Libya emphasizing the possibility of achieving stability and security in order to attract foreign companies. Attracting FDI is key, announced by the President of the GNC (The Tripoli Post 2012), especially due to the fact that the oil wealth can hinder Libya in receiving technical assistance compared to other less developed countries (Ramboll Interview 2013).

The declared goals of democracy and capitalism as well as attracting FDI (NTC 2011) (The Tripoli Post 2012) are set as prerequisites to the following analysis.

B2 Dynamic Analysis

7 Theoretical framework for development

In this chapter, the thesis briefly introduces the potential dynamics of political and economic development within the two contrasting theoretical frameworks of modernization theory and dependency theory.
Libya set a goal implying a transition to a modern state, and the following chapter will analyze if the transition is likely to succeed so that businesses can rely on the planned transition and expect a business environment favourable to investments.

The theories applied cover Lipset’s social requisites of democracy based within modernization theory, and Amin’s Marxist approach to understanding the political economy of development through modes of production based within dependency theory. Given the fact that Libya is an oil exporting country, the thesis includes the rentier concept in order to illustrate the particular challenges to developing Libya.

7.1 Modernization Theory
Modernization theory is developed in the United States and identified “…a linear path to development, from a traditional, agrarian society to a modern, industrial, mass consumption one” (Ravenhill 2005, 324). Further, it became a model of social evolution where countries in the South would be required to embrace liberal Western values of economics, politics, and society in order for them to (Ravenhill 2005, 324) “…develop their resources and improve their living conditions” (Hoogvelt 2001, 35).

At the emergence of Modernization theory, economic and technological aid was seen as key prerequisites for economic development (Hoogvelt 2001, 35) and economic growth was perceived to go through set stages (Ravenhill 2005, 324). Over time, however, it was realized that “…the transplantation of capital and technology to the Third World would not bear fruit unless it was accompanied by wider and consistent social, cultural and political changes” (Hoogvelt 2001, 35). Modernization theory regarded structures created by imperialism as irrelevant to future development of the South (Ravenhill 2005, 324).

7.2 Dependency Theory
Dependency theory takes its point of departure in a critique of modernization theory arguing that “[u]nderdevelopment as distinct from undevelopment…does not result from some original state of affairs, as modernization theory had argued, but rather from the same world historical process by which the now-advanced capitalist countries became developed” (Hoogvelt 2001, 38). Dependency theory places “…the cause of
continued underdevelopment in the legacy of a distorted structure of economy and society…” (Hoogvelt 2001, 40). Moreover, dependency theorists argued that “…the interaction between the centre⁹ countries of the capitalist system and the peripheral countries involved a transfer of value: an expropriation of economic surplus by the centre countries from the poor countries, resulting in capital accumulation in the advanced countries, and in stagnation and impoverishment in the others” (Hoogvelt 2001, 40).

Within this theoretical realm, the thesis will now turn to the dynamic analysis to determine whether Libya, a weak pre-modern state, is likely to succeed in reaching the objectives of introducing democracy and capitalism.

8 Democracy

Generally, democracy is an umbrella term for a) free and fair elections b) political rights of expression, organization, and opposition, c) opportunity for self-determination, d) moral autonomy, the ability of each individual citizen to make normative choices and thus be, at the most profound level, self-governing “…while also providing the best means for people to protect and advance their shared interests” (Diamond 1999, 3).

8.1 Seymour M. Lipset and social requisites of democracy

“If…[a country is] allowed to develop on its own, and [is] able to increase its productivity and middle classes, there is a good chance that many…countries will follow in the European direction” (Lipset 1959, 102).

The modernization theorist Seymour Martin Lipset published ‘Some Social Requisites of Democracy: Economic Development and Political Development’, in which he

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⁹ Centre economies have been subject to autocentric development, which “…refers to a process of development where the whole cycle of production, reproduction, realization and valorization of capital, and the relationship between producer-goods and consumer-goods industries, are all nicely contained within the same territorial economy and society. As indeed had been the case in the ‘core’ economies” (Hoogvelt, 2001, p. 40).
established a theoretical link between the level of development of a given country and its probability of being democratic (Lipset 1959). Lipset published the social requisites of democracy in order to show how dynamics both internal and external to the political system support the base and potential for democracy (Lipset 1959).

In order to discuss democracy, Lipset defines it as “…a political system which supplies regular constitutional opportunities for changing the governing officials. It is a social mechanism for the resolution of the problem of societal decision-making among conflicting interest groups which permits the largest possible part of the population to influence these decisions through their ability to choose among alternative contenders for political office” (Lipset 1959, 70-71). According to Lipset, a) there can be no stable democracy if the government in office does not recognize the legitimate opposition, and vice-versa, and further allowing the peaceful battle for power; b) recognition of the periodic awarding of effective authority to one group is crucial to establishing a stable government; and finally, c) if no opposition exists, the government officials will become too powerful, which will reduce popular influence (Lipset 1959, 71).

Lipset argues that increased wealth and education serve democracy by increasing “…the extent to which the lower strata are exposed to cross pressures which will reduce the intensity of their commitment to given ideologies and make them less receptive to supporting extremist ones…it functions through enlarging their involvement in an integrated national culture as distinct from an isolated lower class one, and hence increasing their exposure to middle-class values” (Lipset 1959, 83).

Besides the above-mentioned features of democracy, Lipset outlines two main requisites for supporting democracy, which will form the basis for the analysis below: a) economic development covering industrialization, wealth, urbanization, and education; and b) the political system based on legitimacy and effectiveness of government being the “…structural characteristics of a society which sustain a democratic political system” (Lipset 1959, 71).
Based on: (Wucherpfenning & Deutch 2009)

The two concepts interrelate in the way that:

“…the contribution of economic development to democracy is evident in the processes through which regimes low in legitimacy may gain it, and conversely in those which are related to the collapse of a legitimate system. Prolonged effectiveness, which lasts over a number of generations, can give legitimacy to a political system; in the modern world, such effectiveness mainly means constant economic development. Thus those nations which adapted most successfully to the requirements of an industrial system had the fewest internal political strains, and either preserved their traditional legitimacy, the monarchy, or developed new strong symbols of legitimacy” (Lipset 1959, 91).

Additionally, these ends do not promise an automatic transition into democracy, and Lipset draws on Tocqueville’s work on social and political participation and organization as key evolutions to developing the men’s will and commitment to democracy (Lipset 1959, 103).

In order to replicate Lipset’s study, the thesis has chosen to compare Libya with the two countries; Norway as the ‘more democratic’ country and Senegal as the ‘less democratic country’ (p. 17).

8.1.1 Economic development

Lipset points to industrialization, wealth, urbanization, and education as indicators and elements of economic development. And by changing the stratification of the population by increasing overall wealth (GDP per capita) and economic development, a middle-class will emerge or an existing one will become larger. The existence of a
large middle class serves a “…mitigating role in moderating conflict since it is able to reward moderate and democratic parties and penalize extremist groups” (Lipset 1959, 83).

8.1.1.1 Industrialization

In Lipset’s study, industrialization is measured by “…the percentage of employed males in agriculture...” – the higher the value, the less democratic – “…and the per capita commercially produced ‘energy’ being used in the country, measured in terms of tons of coal per person per year” (Lipset 1959, 78). Lipset states that the higher the percentage of total workforce employed in agriculture, the less democratic, because industrialization is by definition an abandonment of rural occupations or a decrease in the ratio of the population employed within rural occupations (Fourastié 1951, 216).

Between 15-20 per cent\(^\text{10}\) of total work force is employed within the agricultural sector (Euromonitor 2012) whereas Norway employs approximately 2 per cent and the latest available number from Senegal is 33.7 per cent in 2006 (World Bank 2013).

Since year 2000, the agricultural production in Libya increased by approximately 12 per cent (2010 numbers) and the food production has risen equivalently during the same period (UN Stats 2011). The new government prioritizes the agricultural sector with the purpose of providing food security in the country (FAO 2012) (Euromonitor 2012). In this regard, it can be argued that the agricultural sector will grow in one way or the other – but the influence on the ratio of employment depends on how the government prioritizes – whether the government mechanizes or automatizes the sector or not.

Therefore, at first glance, it seems that Libya can ensure one of the requisites of democracy, depending on the country’s ability to industrialize the agricultural sector over the next years.

\(^{10}\) No data regarding distribution of males or females in agricultural employment – nor on employment ratios in industry or services: UN Statistics, World Bank, IMF, OECD, Euromonitor
Digging deeper though, Libya’s agricultural sector has not been developed mainly due to the fact that the desert soil proves difficult for irrigation and agriculture, and during the Qadhafi regime food imports accounted for 15 per cent of total import budget (Vandewalle 2006, 111). Geographical and climate factors often influence the scope of the agricultural sector in developing countries, and in order to compare the numbers of countries around the world a deeper analysis is needed to give better assessments of countries such as Libya and Norway both possessing large areas that are unfavourable in relation to agriculture.

The level of energy use is measured as ‘kg of oil equivalent per capita’ and Libya’s level has varied the last ten years between 3,000-5,000, and Norway’s energy use being in average 1000-2000 kg higher than in Libya. In Senegal, numbers are much lower, averaging to 250 kg per capita (World Bank 2013). The higher the level, the more developed is a country in relation to private energy consumption spent on technological products e.g. cars, refrigeration, air-conditioning.

8.1.1.2 Wealth

Comparing democratic to non-democratic countries with regard to overall level of wealth, Lipset drew on the following indicators; a) per capita income, b) number of persons per motor vehicle and per physician, and c) the number of radios, telephones, and newspapers per thousand persons, where the higher the levels, the more democratic.

GDP per capita is the gross national product per person and seeks to illustrate a country’s standard of living.

<table>
<thead>
<tr>
<th>GDP per capita (current US$)</th>
<th>2000</th>
<th>2005</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Libya</td>
<td>7,354.1</td>
<td>7,877.6</td>
<td>11,320.8</td>
</tr>
<tr>
<td>Norway</td>
<td>37,473.4</td>
<td>65,324.1</td>
<td>84,588.7</td>
</tr>
<tr>
<td>Senegal</td>
<td>492.3</td>
<td>801.0</td>
<td>1,032.7</td>
</tr>
</tbody>
</table>

Source: (UN Stats 2011)
In relation to GDP per capita, Libya lacks far behind Norway, but is nevertheless well ahead of Senegal, which is one of the poorest countries in the world (IMF 2012).

Data for Libya regarding motor vehicles and physicians per 1,000 people is very sporadic. There were 254 and 290 motor vehicles per 1,000 in Libya in 2005 and 2007, respectively – and it is the only data available as far as this research is concerned. In contrast, Norway had 546 and 572 motor vehicles per 1,000 people in the same years, and Senegal had 20.

Accordingly, there were 1.25 and 1.9 physicians per 1,000 people in Libya in 2004 and 2010, respectively. Norway had 3.1 in 2003 and 4.2 in 2010. Senegal had 0.06 in 2004 and 0.059 in 2010 (World Bank 2013).

According to Lipset’s economic requirements, Libya is not lacking far behind like Senegal, and based on the numbers above, one can argue that Libya has already developed the basis for the economic foundations necessary to support a democracy.

Turning to more concurrent economic indicators of industrial development and wealth on an overall country basis, telephone subscribers and internet users show the degree of overall development because communication when developing a modern state is regarded as key, and basic infrastructure in relation to signal also needs to be in place.

<table>
<thead>
<tr>
<th>Economic indicators (Libya)</th>
<th>2000</th>
<th>2005</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telephone subscribers (per 100 inhabitants)^a</td>
<td>12.3</td>
<td>49.4</td>
<td>190.9</td>
</tr>
<tr>
<td>Telephone lines (per 100 inhabitants)^b</td>
<td>11.6</td>
<td>14.8</td>
<td>19.3</td>
</tr>
<tr>
<td>Mobile cellular subscriptions (per 100 inhab.)^b</td>
<td>0.8</td>
<td>34.7</td>
<td>171.5</td>
</tr>
<tr>
<td>Internet users (per 100 inhabitants)^a</td>
<td>0.2</td>
<td>3.9</td>
<td>14.0</td>
</tr>
</tbody>
</table>

Source: a: (UN Stats 2011), b: (World Bank 2013)

<table>
<thead>
<tr>
<th>Economic indicators (Norway)</th>
<th>2000</th>
<th>2005</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telephone subscribers (per 100 inhabitants)^a</td>
<td>125.3</td>
<td>148.5</td>
<td>149.5</td>
</tr>
<tr>
<td>Telephone lines (per 100 inhabitants)^b</td>
<td>53.5</td>
<td>45.6</td>
<td>45.4</td>
</tr>
<tr>
<td>Mobile cellular subscriptions (per 100 inhab.)^b</td>
<td>71.8</td>
<td>102.8</td>
<td>115.7</td>
</tr>
</tbody>
</table>
Internet users (per 100 inhabitants)\(^a\)  
\[\begin{array}{|c|c|c|c|} 
\hline 
& 2000 & 2005 & 2010 \\
\hline 
\text{Telephone subscribers (per 100 inhabitants)}\(^a\) & 4.8 & 18.4 & 69.9 \\
\text{Telephone lines (per 100 inhabitants)}\(^b\) & 2.2 & 2.5 & 2.8 \\
\text{Mobile cellular subscriptions (per 100 inhab.)}\(^b\) & 2.6 & 15.9 & 67.1 \\
\text{Internet users (per 100 inhabitants)}\(^a\) & 0.4 & 4.8 & 16.0 \\
\hline 
\end{array} \]

Source: a: (UN Stats 2011), b: (World Bank 2013)

This data shows different spreading than the two previous data sets. Libya is the country with the highest telephone subscribers per 100 inhabitants. The number increases 100 per cent because one inhabitant can subscribe to more mobile operators in order to get full coverage in the country, e.g. local and long distance mobiles, as is the case in Senegal.

Internet usage in Libya is the lowest of the three countries, even though Libya and Senegal are very similar\(^{11}\).

It has not been possible to obtain information regarding the number of newspapers per 1000 people (World Bank 2013) – but a survey on Arab media published in 2004 states that there were 15 daily newspapers per 1000 people based on numbers from 2000 from the World Bank (Carnegie 2004). Norway, in contrast, had 566 daily newspapers per 1,000 people in 2000. Senegal, as the opposite contrast, had 8.7 daily newspapers in 2004 – the only data available. (World Bank 2013).

Education influences the opportunities of written communication – partly due to literacy, differing dialects, and partly due to financial resources. Furthermore, Qadhafi’s suppressing regime may reflect the former government’s attitude towards freedom of the press and hence still the relatively low number of daily newspaper.

\(^{11}\) Freedom House reports that social media online played a key role during the revolution; but statistical data is not available to spot this trend. See more under ‘media participation’ (p. 42)
After the 17 February 2011 Revolution, new newspapers have started publishing and the younger generation is expressing itself on the internet as well. Thus, there is an increase, which is not reflected in statistical data yet (Feb 17th 2011) (Freedom House 2012).

Data on number of radios is not available – presumably due to its large and predominant use in most areas of the world.

In addition to the wealth indicators above, Lipset argues that there are more features to wealth that illustrate democracy inclination a) difference between rich and poor; and b) nepotism as a function of wealth.

a) Difference between rich and poor
Lipset argues that “[t]he poorer a country, and the lower the absolute standard of living of the lower classes, the greater the pressure on the upper strata to treat the lower classes as beyond the pale of human society, as vulgar, as innately inferior, as a lower caste” (Lipset 1959, 83). Thus the difference between rich and poor in a country is also an important factor because if the upper strata become too powerful and too predominant, it tends to “…regard political rights for the lower strata, particularly the right to share in power, as essentially absurd and immoral” (Lipset 1959, 83-84).

The Gini index, measuring the income distribution gap between the richest and the poorest family in a country, was 25.8 in Norway in 2000, and the number was 41.3 in Senegal in 2001 (World Bank 2013). There is no available data available regarding the poverty gap in Libya12.

b) Nepotism as a function of wealth
Regarding the general income level, Lipset highlights two aspects. The wealthier the country, the easier it is for the country to develop ‘universalistic norms’ among its civil servants and politicians because the selection of them is based on performance and

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12 Data regarding poverty gap in Libya is not available from World Bank Databank, UN Statistics Division, OECD, Euromonitor, nor from CIA World Factbook. Generally, Qadhafi did not provide information about the situation of the country to the international community, creating a basis for the lack of reporting to statistical databases.
competence and thus avoids satisfying nepotism pressures. Lipset argues that nepotism is predominant in poorer countries and it reduces the opportunity to develop an efficient bureaucracy, which is a crucial condition for establishing a modern democratic state (Lipset 1959, 84).

With regard to level of GDP per capita, and according to Lipset, Norway should be the least and Senegal the most corrupt country – arguing that nepotism is part of corruption. On the basis of Transparency International’s Corruption Index, Libya ranks, however, as the most corrupt country of the three. It ranks as number 160, Senegal as 94, and Norway as 7 – where the higher the ranking, the more corrupt (Transparency International 2012).

**8.1.1.3 Urbanization**

Lipset points to urbanization as a factor paving the way for democracy because the ‘cosmopolitan’ is less predisposed to extremism. Urban people will be subject to differing opinions in the urban area, where people in rural areas will often be isolated, and ideas and beliefs will not be nuanced in the same way as in the cities and they “…will be the ones most likely to accept extremism” (Lipset 1959, 96)

Urban population in Libya accounted for 77.7 per cent of total population in 2011 and has been very steady for at least the last 10 years. 79.4 per cent of Norway’s population live in urban areas, and both countries are estimated to have an average urban population growth rate on 1 per cent during the period 2010-2015 indicating that Libya is on the same level as the highly democratic and developed Norway. Of Senegal’s population, in contrast, 42.5 per cent lives in urban areas (UN Stats 2011).

Urbanization was a key strategic choice made by Qadhafi when he seized power, thus the data does not illustrate a voluntary urbanization tendency (Vandewalle 2006).

**8.1.1.4 Education**

Lipset’s study shows that the better educated the population of a country, the better the chances for democracy. A link exists between education and democracy because
“Education presumably broadens men’s outlooks, enables them to understand the need for norms of tolerance, restrains them from adhering to extremist and monistic doctrines, and increases their capacity to make rational electoral choices” (Lipset 1959, 79).

He illustrates that “[d]ata gathered by public opinion research agencies which have questioned people in different countries with regard to their belief in various democratic norms of tolerance for opposition, to their attitudes toward ethnic or racial minorities, and with regard to their belief in multi-party as against one-party systems have found that the most important single factor differentiating those giving democratic responses from others has been education” (Lipset 1959, 79).

His results, elaborated more than 50 years ago, show that the ‘more democratic’ countries of Europe were almost entirely literate at the time, where the lowest rate of literacy amounted to 96 per cent. The ‘less democratic’ countries outside Europe, with a focus on Latin America, had an average literacy of 85 per cent.

The Libyan literacy rate of total population above age 15 is 89.2 per cent in 2010 (World Bank 2013). The Norwegian population above age 15 has a literacy rate of 99.9 per cent (Euromonitor 2013), and the rate in Senegal is currently approaching 50 per cent (World Bank 2013).

8.1.1.5 Lerner’s study of the passing of traditional society

In addition to the two characteristics derived from Lipset’s own study, he draws on a study by Daniel Lerner ‘The Passing of Traditional Society’ who claims that urbanization, literacy, media participation, and political participation are all factors influencing the possibilities of the development of modern industrial society (Lipset 1959, 81-82). The factors are highly interrelated and Lerner points to “…the consequences, for overall stability, of disproportionate development in one direction or another, and the need for coordinated changes in all of these variables” (Lipset 1959, 81). High levels in some factors, where the remainders lag behind and deviate will result in an acceleration of the social disorganization. This is due to Lerner’s perception that the development into the modern industrial society happens through a
stage gate model where urbanization is the first stage, “…for cities alone have developed the complex of skills and resources which characterize the modern industrial economy” (Lipset 1959, 82). The second stage is when literacy forms a reciprocal relationship with the factor, media participation, because literacy improves the capacity to read and thus the possibility for the spread of media growth, which again affects literacy in a positive direction. “Not until the third phase, when the elaborate technology of industrial development is fairly well advanced, does a society begin to produce newspapers, radio networks, and motion pictures on a massive scale. This in turn, accelerates the spread of literacy. Out of this interaction develop those institutions of participation (e.g., voting) which we find in all advanced modern societies” (Lipset 1959, 82).

As studied above, Libya’s urbanization is on the same level as in Norway thus assuming that Libya has developed the ‘complex of skills and resources’ which characterize the first stage towards the modern industrial economy according to Lerner. Turning to literacy, Libya is not quite as literate as Norway, but far more literate than Senegal. So now the thesis turns to assessing the two new factors a) media participation and b) political participation that influence the economy’s possibility to develop into a modern industrial economy.

8.1.1.5.1 Media participation
As illustrated in ‘education’ above, Libya’s amount of daily newspapers is low in relation to that of Norway and it reached only 15 daily newspapers in 2000 (Carnegie 2004). Furthermore, internet usage is also very limited (UN Stats 2011). These relatively low indicators of media participation can be traced back to Qadhafi’s political decision to keep control of media (Freedom House 2012).

At the overthrow of Qadhafi, the NTC introduced an article guaranteeing, among other things, “…freedom of opinion for individuals and groups, freedom of scientific research, freedom of communication, liberty of press, printing, publication and mass media” (Freedom House 2012). Despite initial efforts to appear united against Qadhafi involving strong control over the media, such control was quickly rejected and the
media was hence allowed to critically write about the new leadership and government processes (Freedom House 2012).

Although the new charter and regulation abolishes censorship, “…it does not cover all types of expression and methods of communication, and it does not grant these rights to every person” (Freedom House 2012)

Despite this, Freedom House reports that the Libyan media landscape has been altered since the Arab Spring, now including a wider diversity of independent and pro-government viewpoints. More than 800 media outlets have been established since the declaration of independence at the death of Colonel Qadhafi. Newspapers, television and radio stations have been created – and some in dialects or languages previously banned by the Qadhafi regime. Simultaneously, much of the printed press that emerged during the Revolution is now closing down due to the fact that society and its activists are returning to ‘normal lives’ (Freedom House 2012). Moreover, social media keeps playing a more and more important role as a communications means – and it was key during the conflict (Freedom House 2012).

Consequently, the overall literacy has spread into the development of media, which again impacts the creation of institutions of participation, according to Lerner.

8.1.1.5.2 Political participation
As explained above (p. 23), 2.8m registered voters from around 3-3.5m eligible cast their vote in the July 2012 election. More than 100 political entities contested for a seat in the National General Assembly (EIU 2012, 3) (HNEC 2012).

In addition to political participation in its most direct form as explained above (election participation), Lipset draws on Tocqueville’s work of the mass society in which Tocqueville argues that “…a society without a multitude of organizations relatively independent of the central state power has a high dictatorial as well as a revolutionary potential” (Lipset 1959, 84). Tocqueville argues that intermediary organizations and institutions can act as “…sources of countervailing power, and recruiters of participants in the political process” (Lipset 1959, 84), and “…men who belong to
associations are more likely to hold democratic opinions on questions concerning tolerance and party systems, and are more likely to participate in the political process – to be active or to vote” (Lipset 1959, 84-85).13

At the beginning of the revolution, Anderson 2011 argued that Libya had no system of political alliances, no network of economic associations and no national organizations (Anderson 2011). Correspondingly, there was no ‘real’ freedom of association, and independent trade unions were banned (The UN Refugee Agency 2012) due to Qadhafi’s ideology of the socialist Jamahiriya where people were self-governed and thus did not need unions because they were, in principle, the owners of their own factories (Vandewalle 2006, 145). Qadhafi had also banned organization of all political parties (see appendix 1) (Vandewalle 2006, 80).

NTC announced in its vision for a democratic Libya that the new regime had an obligation to form political organizations and civil institutions including the formation of political parties, popular organisations, unions, societies and other civil and peaceful associations (NTC 2011).

Data regarding scale and scope of political and social organization, and data on the emergence of unions, associations, clubs, and the like – also external to political organization and participation – are scarce; the thesis found a Libyan newspaper reporting that there are currently eight rugby clubs – a sport, which was banned temporarily during the Qadhafi regime. The news reports that rugby matches were still held during the temporary ban, albeit in secret (Libya Herald 2013).

Therefore, with the increasing media growth, according to Lerner, the development in Libya may in fact already be at the third stage although insufficient information beyond third stage leading to participatory institutions hinders clear analysis. The high turn-up at the elections in July 2012 can imply that Libya is beyond the third stage – either indicating a reverse effect (political participation is high despite low level of

13 Additionally, an in-depth analysis of the political culture of the Libyan population in relation to democracy can be performed based on a model elaborated by Almond and Verba, 1989, where 1) the cognitive orientation, 2) affective orientation, and 3) evaluational orientation are indicators to be investigated if the political culture matches democracy (Almond & Verba 1989)
social and political organization), or simply because social and political organization as well as participation is already so extensive resulting in the high election turn-up. Such organizations could have existed in secret as the example with the rugby team, or one can surmise that such organization is already present within the tribal structures.

If tribal structures dominate the political participatory organization, legitimacy will not be achieved because it “…is also conditioned by the extent to which nations have developed a common 'secular political culture’” (Lipset 1959, 89), and tribes will hollow out the democratic organization due to the rejection of individualism in relation to equality and one-man-one-vote.

8.1.2 Sum-up of economic development
The data derived from the indicators of economic development show that in relation to industrialization, wealth, and education Libya is well ahead of Senegal but behind Norway. Nevertheless, lack of data hindered analysing the poverty gap, which is an important element when investigating the democratic development. The previous regime, however, increased economic stratification when distributing wealth originating from oil resources (see appendix 1). The short period of time since the fall of the former regime indicates that there has not yet been a levelling out leaving the potential for a continued poverty gap. Further, the corruption index shows that Libya is ranked as one of the most corrupt countries in the world, drawing the attention to the nepotism-wealth relation.

Libya is urbanized to the same extent as Norway, indicating no need for improvement or change in this category.

Thus, the concluding remark, when applying Lipset to the economic development study of Libya, is that Libya possesses some but not all of the elements needed for implementing and supporting democracy.

Regarding Lerner’s stage model of the modern industrial economy, it seems that Libya has already reached second stage and is well on its way to reach level three with a well-advanced technology of industrial development and media growth. Media
participation has increased but it still lacks some crucial standards providing the equality of all citizens to have the right of expression, communication, etc. Regarding political participation, information on social organization is scarce, but it does indicate that some social organization has existed in Libya during the former regime.

Overall, Libya seems to possess the embryonic elements for going beyond third stage towards developing a participatory social and political organization. Insufficient data hinders a clear assessment of whether all levels of literacy, urbanization, media participation, and political participation are similar – or whether some elements lack far behind the others, implying a risk of social disorganization.

8.1.3 The political system

Lipset points to elements, which are part of the political system, opposite to economic development, which is external to the political system. He argues “…the stability of a given democratic system depends not only on the system’s efficiency in modernization [the economic development towards industrialization], but also upon the effectiveness and legitimacy of the political system” (Lipset 1959, 86).

8.1.3.1 Legitimacy

According to Lipset’s study, “[l]egitimacy involves the capacity of a political system to engender and maintain the belief that existing political institutions are the most appropriate or proper ones for the society” (Lipset 1959, 86).

Lipset also draws a clear line between legitimacy and how key issues have been resolved, which historically have divided the society (Lipset 1959, 86). Additionally, a legitimacy crisis can emerge if the society is subject to a transition to a new social structure if (a) groups are restricted from access to the body politic (Lipset 1959, 89), or (b) the status of major conservative institutions is threatened during the period of structural change because such conservative institutions, like religion, can serve as a base for loyalty among the citizens (Lipset 1959, 87).
So far the new regime has not made any efforts towards unification of Libya as a means to bridge the various tribes and regions – being one of the key issues to historical tensions and conflicts (see appendix). The PM, on the other hand, has expressed that differences between tribes and regions will not be allowed to hinder the development of Libya (The Tripoli Post 2012).

The thesis has addressed legitimacy in the chapter of the Weberian state definition (p. 43).

8.1.3.2 Effectiveness

By effectiveness, Lipset refers to “…the actual performance of a political system, the extent to which it satisfies the basic functions of government as defined by the expectations of most members of a society, and the expectations of powerful groups within it which might threaten the system, such as the armed forces” (Lipset 1959, 86). An efficient bureaucracy and decision-making system are elements increasing the effectiveness of the political system (Lipset 1959, 86).

In this respect the thesis refers to the above analysis (p. 25), in which Rotberg points out that the provision of political goods illustrates state performance and the ability to satisfy the population’s expectations.

Regarding bureaucracy and decision-making, the formal political system in Libya is still developing. Nevertheless, the political system has ministries, officials, foreign affairs, and the like – but delays in appointing a government and finalizing the constitution is hindering progress (p. 18) (EIU 2012).

8.1.4 Sum-up of the political system

Based on Lipset and drawing on the previous analyses based on Weber and Rotberg, the political system is not fully legitimate, and the effectiveness of the political system

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14 Lipset’s thoughts on the population’s expectations to the government will be addressed in the subsequent chapter ‘political economy of oil’ drawing on the various findings of the two theories complemented by the rentier concept.
is hindered by political tensions delaying the finalizing of the constitution. Such shortcoming in effectiveness can lead to a breakdown of the sub-system thus affecting legitimacy (Lipset 1959, 86). Inability to meet the population’s expectations is a sign of ineffectiveness, but the degree hereof will depend on the extent of the population’s demands.

8.2 Sub-conclusion on Lipset’s theory
There are many indicators in Libya that illustrate a foundation for economic development towards achieving one of the requisites of democracy, a large middle class, allowing for democratic values and forces to spread throughout the society.

Drawing on Lipset’s sources, Lerner and Tocqueville, it is assessed that the democratic culture through media and political participation is difficult to determine at the current moment due to insufficient data. Scarce information indicates a tendency of increased participation and freedom of organization, provided that it is not tribal affiliation that determine and structure participation. The democratic culture is, however, key to developing a stable democracy.

The elements of economic development and modernization are linked to the institutionalization of legitimacy and urban tolerance, which are key to democracy.

The political system, in contrast, does not fulfil most of Lipset’s requirements to legitimacy and effectiveness of the democratic government institution.

Economic development may, however, offset the ‘democracy deficit’ in legitimacy, but the overall lack of the political system can lead to political instability. Merely the shortcoming of meeting powerful groups’ expectations can result in system breakdown and armed conflict.

Consequently, the findings challenge Libya’s transition into democracy. The challenge will persist until Libya meets more of the requisites presented by Lipset.
9 Capitalism

The Libyan government states that it wants to transform its economy from a high degree of state control present during the former regime to a capitalist economy with an extensive private sector opening up for FDI (NTC 2011) (The Tripoli Post 2012).

Originally, the capitalist ideology was focused on developing policies that would reduce poverty and improve the condition of the working class. Today, the discipline is more clearly separated from politics (Backhouse 2002, 184), emphasizing the market economy (Danziger 2005, 216) in which the modes of production are privately owned, and labour and goods are traded and exchanged in the market. Accordingly, profit is divided among owners and investors, whereas the individual sells his labour to the owner (Heywood 2003, 328), and “[t]o survive competition, capitalists are constantly forced to introduce more advanced technology to reduce costs” (Månson 2000, 137).

9.1 Samir Amin and the modes of production

Samir Amin, an Egyptian Marxist economist, criticized the modernist assumption that underdevelopment is nothing more than delayed development. Additionally, he challenged the concept of ‘international division of labour’ and pointed to capitalism and marginalization being the reasons to underdevelopment in the ‘periphery’ (Amin 1976) (Third World Forum 2013).

In ‘Unequal Development’ Amin describes the causality of modes of production and social formations. Social formations are organized structures characterized by the dominating mode of production within an economy, in which a complex of other modes of production submit and are shaped by the predominant mode of production (Amin 1976, 16).

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15 Hoogvelt draws on Amin’s work when she explains that a distorted structure of economy and society is categorized as the periphery to the capitalist world system, and it is contrasted to autocentric development, which “…refers to a process of development where the whole cycle of production, reproduction, realization and valorization of capital, and the relationship between producer-goods and consumer-goods industries, are all nicely contained within the same territorial economy and society” (Hoogvelt 2001, 40).
16 Samir Amin is linked to both dependency theory and its follower world systems theory, but the thesis focuses on dependency theory.
In order to understand the causality, Amin described the stages of the five modes of production from which the social formations generated, thus being a historical concept. Even though Amin later came to reject his described stages — arguing that not all societies have to pass through all of the five stages — they still prove relevant to understanding the social formations created out of changing modes of production.

The five modes of production, and subsequently, the social formations, are
1) the primitive communal, in which labor is partly organized “…on an individual basis (that of the ‘nuclear family’) and partly on a collective basis (that of the ‘extended family’, the clan, or the village) with the principal means of labor, the land, being collectively owned by the clan and its use freely granted to all the clan’s members, but in accordance with rules that are closely bound up with kinship organization” (Amin 1976, 23);
2) the tribute paying, which has replaced the collective basis present in the primitive communal modes of production/social formations with a tribute. There are two classes, a state-class and peasant class (Amin 1976, 13). The state-class does not own the land but the land belongs to the community, but the ruling class [the state-class] “…monopolizes the functions of the given society’s political organization and exacts a tribute (not in commodity form) from the rural classes” (Amin 1976, 15).
3) the slave-owning, where in search for surplus the dominating class utilizes slaves, taken in from the periphery, in order to add to and increase the surplus from e.g. agriculture and production and the slave becomes the means of production (Amin 1976, 15, 38-39);
4) the simple petty-commodity, which is often present but never becomes a dominating mode of production because it is ‘merely’ small producers exchanging goods (Amin 1976, 15); and eventually
5) the capitalist, where the surplus from production becomes a profit, which is shared among the recipients or so-called ‘capital interposers’. (Amin 1976, 18) The capitalist mode is the only mode of production existing here, due to the deepening of the internal market. Moreover, the capitalist mode of production constitutes a world system in which “…all the formations, central and peripheral alike, are arranged in a single system, organized and hierarchical” (Amin 1976, 22).
In addition, some social formations are partly shaped by the modes of production above, and partly by the relation to other social formations, e.g. to colonial powers (in the form of long-distance trade) (Amin 1976, 16-17).

9.1.1 Arab political economy in the periphery

In ‘Unequal Development’, Amin stresses that the concept of social formation is a historical concept as well as a dynamic concept because “…[t]echnological progress – the level of development of the productive forces – is cumulative” (Amin 1976, 21).

Amin explains how the social formations in the nomad Arab world, excluding Egypt, were shaped by its commercial role in world trade. Social formations emerged where necessary according to conversions of trade routes, or vice versa. This is due to the potential condition in which a civilization was entirely dependent upon this trade – e.g. when no national production has emerged – “…and a shift in trade routes may cause a whole region to fall into decline, or contrariwise, may provide conditions for it to flourish without any significant advance or regression of the productive forces having occurred” (Amin 1976, 17-18).

After achieving independence from colonial powers, the revival of the Arab countries differed. Except in Egypt, the Arab world had never been a peasant world, and according to Amin, the revival could not base itself on genuine national peasant cultures; “…it therefore fell to the bourgeoisie of the towns to revive the former unity of the Arabs in language and culture. Where, as in Egypt, the revival could base itself on national peasant unity, there was a delay in the appearance of the sense of Arab unity, instead, a revival of (Egyptian) national feeling” (Amin 1976, 301-302).

Additionally, he describes a certain pre-capitalist formation as the ‘African type’ due to the absence of or only a embryonic feudal mode of production where “…there are no simple commodity relations within the given society…[and] the formation, [is] thus reduced to the combination of an undeveloped communal or tribute-paying mode of production with long-distance trade relations…” (Amin 1976, 17).
Amin explains the importance of determining the predominant mode of production as well as the type of surplus generated in this formation when analysing a given social formation. Of equal importance is the role of long-distance trade relations and whether the surplus is generated within the formation or through trade with other formations (Amin 1976, 18).

Long-distance trade can lead to a monopoly position for the social formation in charge of the trade due to incomplete information about costs, scarcity in the provision, and inexistent alternatives or substitutes. Amin argues that “[t]his long-distance trade plays a decisive role when the surplus that the local dominant classes can extract from the producers within the formation is limited, owing to the less advanced level of development of the productive forces, to difficult natural conditions, or to successful resistance by the village community. In these cases, long-distance trade makes possible, through the monopoly profit it permits, the transfer of part of the surplus from one society to another” (Amin 1976, 17). In this way, social formations can be examined on the extent to which they rely on a surplus derived from its own production or from a surplus transferred from another society (Amin 1976, 18).

Generally, Amin argues that the analysis of the social formation and its classes or social groupings cannot be reduced to focusing on the ownership of the modes of production due to the complex set-up of several modes of production within one formation, albeit one predominating mode. The relation between two antagonist social groupings and their functions in production are not decisive for the generation and distribution of the surplus generated in production because, in addition to the economic level determining the scale of production, a politico-ideological superstructure exists dominating the production process. When the capitalist mode of production inhabits the economy this superstructure becomes opaque and transforms itself into social and natural laws organizing the social formation, profit and its circulation and distribution (Amin 1976, 23-25).

The capitalist mode of production

“…entails private ownership of the means of production which are themselves the product of labour, namely machinery. This in turn presumes a higher level
of development of the forces of production (compared to the artisan and his instruments) and, on this basis, the division of society into two fundamental classes. Correspondingly, socially necessary labour takes the form of free wage labour. The generalised capitalist market thus constitutes the framework in which economic laws (‘competition’) operate as forces independent of subjective will. Economistic alienation and the dominance of economics are its expression” (Amin 2011, 12-13).

Amin’s reaction to the continuous underdevelopment of the periphery led him to advocate its rupture with the world capitalist system, “…the delinking or refusal to subject the national development strategy to the imperatives of ‘worldwide expansion’” (Amin 1985, 62). It was not advocated as mere autarky but the “…pursuit of a system of rational criteria for economic options founded on a law of value on a national basis with popular relevance, independent of such criteria of economic rationality as flow from the dominance of the capitalist law of value operating on a world scale” (Amin 1985, 62).

He stressed two choices available to the underdeveloped countries; one – delinking - is to initiate the abolition of the dominant form of private ownership of land and factories, and go ‘back to basics’ by accentuating agriculture. The second is to be part of the capitalist system and being integrated in the international division of labour (Amin 1985, 62-63).

9.1.2 From primitive to capitalist political economy
According to Amin’s ‘African type’ (p. 51), and prior to the revolution, Libya can be characterized as the first mode of production, the primitive communal. Oil is the main source of government revenue and extraction of oil can be argued to be of basic production, but it is not the predominant source of employment. Libya’s limited refinery capacity amounts to approx. 20 per cent of total oil production (EIA 2012)\(^\text{17}\), meaning that the extraction of oil has not led to an extensive increase in technological development or spreading throughout the economy. Additionally, the collective feature

\(^{17}\) Calculations were based on numbers from before the revolution: pre-war level of oil production.
of the first mode of production can be identified in Qadhafi’s revolutionary thoughts based on Arab socialism, where he distributed land, property for real estate, as well as modes of production within agriculture (Vandewalle 2006, 107).

Amin’s modes of production were originally elaborated as stages, which all social formations had to pass before transforming into capitalism. Amin did, however, reject his early ideas (Amin 2011), thus enabling the thesis to assess the changes in the social formation when moving directly from the first stage, primitive communal, to the last stage, the capitalist.

The capitalist mode of production requires private ownership in line with NTC’s announced objective of private sector development (NTC 2011). According to Amin, Libya’s social formation will be structured in classes depending on the relation to the modes of production; the owner of the modes of production or the labour being the mode of production. Consequently, capitalism will lead to a break with the historical ties to the tribe within the primitive communal mode of production in order to become a class society.

Moreover, due to the limited production in the country, Libya is categorized as an allocation state – and not a production state (Luciani 1990). Amin advocates a historical approach to understand the world today. Libya was a nomad economy dependent on foreign trade routes. Extensive production has never been developed, even though oil does generate high government revenues. Due to oil dependency and limited national production outside oil sector Libya risks being a peripheral economy. Furthermore, introducing capitalism Libya cannot extract surplus from national production given its weak position in relation to long-distance foreign trade partners. Accordingly Libya risks that the profit from oil production is transferred abroad. This happens, Amin argues, if a social formation heavily relies on foreign trade, as Libya does with oil exports generating more than 90 per cent of government revenues (EIU 2012, 7).

Amin argues, however, that only largely rural countries have the choice of delinking thus excluding Libya. Nevertheless, the thesis argues that to some extent the delinking
concept is still relevant with respect to the government’s future policies vis-à-vis foreign countries. The thesis argues that some means of delinking can still prove relevant, however, in a less aggressive form of increased government intervention in order to control or limit the transfer of profits abroad. The new government can enforce regulations on contracts and FDI in order to restrict profit transfer. Examples of means of partial delinking are, i.a., expropriations of foreign and domestic private companies in Venezuela and also Libya’s expropriation of US oil companies during the Qadhafi regime (see appendix 1). In spite of partial delinking foreign trade and relations will be maintained.

9.2 Sub-conclusion on Amin’s theory
Amin stresses the mechanisms of modes of production and the subsequent structure of social formations. Libya faces a change in its social structure due to the introduction of capitalism and private ownership with the purpose of establishing an extensive private sector.

Due to its dependency on oil exports Libya risks being positioned as peripheral economy vis-à-vis its trading partners. In the periphery, Libya will be subject to profit accumulation in the central states, leaving Libya with inferior opportunities of development. Even though total delinking is not an option due to Libya’s poor conditions for agriculture and food self-sufficiency as well as to its dependency on oil exports the thesis argues that elements of delinking can be relevant in government regulation. Accordingly businesses face a risk of nationalization of FDIs or strict government control of profits.

9.3 Concluding remarks on Lipset and Amin
Despite different points of departures, the thesis draws a parallel between Lipset and Amin. In relation to the claimed goals of implementing democracy and capitalism, they both argue that the changes will lead to and require a transformation of the Libyan society.
According to Lipset, creating the social requisites of democracy implies a structural transformation of society, consisting of the establishing of a middle class through economic development, of implementing a legitimate and effective political system, which is founded in a common culture. Both require moving from a traditional to a secular social structure.

According to Amin, implementing capitalism will lead to the separation of the modes of production from the production forces. This also leads to a break with the non-secular tribal social formation and results in establishing a class society.

Even though Amin explains the mechanisms that make one social formation change into a different one, shaped by the change in the modes of production, his purpose is to illustrate the mechanisms of peripheral capitalism. The thesis argues that by implementing capitalism, Libya risks being peripheral and continuously underdeveloped. Such underdevelopment can hinder Libya in meeting the requisites elaborated by Lipset, failing to provide political goods. Consequently, Libya risks political instability and unrest.

Thus, when investing in Libya, it is not viable to leave the country in the periphery, as it will hinder stable conditions for the population and for foreign businesses. Furthermore, extracting profits will excavate the economic growth needed to establish a large middle class. To avoid the peripheral risk, Libya may have the option of enforcing government regulation.

10 Political economy of oil
Libya’s oil wealth stresses the need to assess possible future development from the perspective of the rentier economy concept as a supplement to the previous analyses.

10.1 Rentier theory
Since oil discovery in 1959, Libya has developed a strong dependence on exporting its oil for state revenue. The general characteristic of a rentier economy is when revenues
from oil export constitute more than 90 per cent of government revenues (Mahdavy 1970) (Beblawi 1987). Pre-conflict oil dependence levels accounted for more than 70 per cent of GDP, more than 95 per cent of exports, and approximately 90 per cent of government revenue (IMF 2012, 2).

Beblawi stresses that the term ‘rent’\textsuperscript{18} is reserved for “the income derived from the gift of nature” (Beblawi 1987, 49). He argues that rent is just like any other factor price, but it is an unearned type of income because of the absence of an active participation in the economic production (Beblawi 1987, 50). The term rentier is a characteristic of the political economy of such states where oil predominates (Yates 1996, 13).

Beblawi presents four characteristics of the rentier economy (Beblawi 1987, 50-52):

1) An economy where rent situations predominate,
   2) A rentier economy relies on rents originating externally to the economy, because internal rent would, in contrast, inevitably lead to an extensive domestic productive sector
   3) Only few are engaged in the generation of the rent meaning that “…a rentier economy is thus an economy where the creation of wealth is centred around a small fraction of the society; the rest of society is only engaged in the distribution and utilisation of this wealth” (Beblawi 1987, 51).
   4) The government is the principal recipient of the external rent; controlling the distribution of the wealth,

Along the lines of these characteristics, the below analysis will determine whether or not Libya is a rentier economy jeopardizing the claimed development towards democracy.

1) Do rent situations predominate in the Libyan economy?
Since Libya discovered the oil in 1959, oil has been the predominant source of revenue. After the Arab Spring and the Libyan Revolution starting in February 2011,

\textsuperscript{18} The World Bank explains oil rents as being the difference between the value of crude oil production at world prices and total costs of production (World Bank 2013).
crude oil production dropped from an average of 1.65m barrels to 22,000 barrels per day in July 2011 but production is very close to pre-war levels (Euromonitor 2012). The Economist Intelligence Unit forecasts that oil income will continue to account for more than 90 per cent of total government revenue in its forecast period lasting until 2017. The share of revenue from oil is, however, expected to decline as the government invests in other sectors of the economy (EIU 2012, 5).

The new government has declared that it wants to reduce dependency on oil19 (NTC 2011) (EIU 2012, 7).

2) Does Libya rely on rent originating externally to the economy?
In 1963, four years after the first exploration, the country possessed 437 producing wells, and petroleum made up 98.7 per cent of export revenues (Vandewalle 2006, 58) and it is the same tendency throughout Qadhafi’s regime. Prior to civil uprisings in primo 2011, oil accounted for approximately 95 per cent of export revenues and 80 per cent of its government revenues (Euromonitor 2012). Furthermore, economic crises seem to follow after drops in oil prices (Vandewalle 2006, 114).

3) Minority engaged in the generation of rent while the majority is involved in the distribution and utilization of it
Only a small portion of the Libyan population was engaged in the generation of oil at its appearance, and the Libyan government allowed foreign companies to enter and perform the extraction of the oil. The Libyan people increasingly began regarding the manual work as undignified, and the oil drilling relied heavily on foreign workers (Vandewalle 2006, 83). Around 1969, the oil sector employed only one per cent of the active population (Vandewalle 2006, 89). Throughout the Qadhafi era, the economy, beyond the oil sector, remained undeveloped, inefficient, heavily subsidized by the state, and lacked a skilled workforce. A dualistic economy emerged where per capita income only increased due to foreign economic rents and not due to development of productive sectors (Vandewalle 2006, 92).

19 No data on percentages of population employed in the oil sector after the revolution.
4) Government principal recipient of external rent

During Qadhafi’s regime, the state nationalized several foreign oil companies and further, the Libyan National Oil Company (NOC) is a state-owned enterprise (Vandewalle 2006, 106-109, 113). After the Arab Spring, the government continues to control the oil contracts, even though no contracts have been renegotiated with the foreign oil companies present in Libya (EIU 2012, 7). Moreover, the government will still be the principal recipient of rent with a new set-up of the NOC even though the refinery activities are now placed in Benghazi (EIU 2012, 7).

From the above, Libya qualifies as a rentier economy.

10.1.1 General effects of being a rentier economy

A rentier economy leads to a rentier mentality of the population (Yates 1996, 20-21):

- it is argued that a rentier economy creates a break in the work-reward causation because income and wealth are not derived from work but rather from chance or situation;
- rentierism will lead to socio-political stagnation and inertia because there are sufficient resources to ensure survival, and the rentier elites become satisfied with their material conditions.

The characteristics of a rentier economy are (Yates 1996, 22-33):

- highly vulnerable to external price shocks;
- oil industry tends to be enclave industry that does not support any other domestic production;
- the state becomes the main intermediary between the oil sector and the rest of the economy leaving government in control of distribution of wealth;
- imported goods have the tendency to replace domestically produced goods due to abundant foreign currency;
- industrial and agricultural sectors diminish. The service sector increases, meaning that there is a tendency for bureaucracies with primarily allocative functions to expand;
remittance workers will fill the labour gap because national population access wealth from connections rather than from work;

- a rentier economy does not need to introduce tax collection due to sufficient inflow of income from oil production, and accordingly it will avoid taxation, which is regarded as an unpopular measure. By doing so, the rentier economy diminishes its own administrative capacity, and redistribution of wealth is again further linked to affiliation rather than participation.

Thus, the economic conditions and sectoral imbalances discourage class formation due to the fact that there are no common economic interests to represent for specific groups, and the fact that there is no need for taxation results in an inexisten participatory link between ruler and ruled (no representation without taxation) (Yates 1996, 35). Consequently, these elements embedded in the rentier economy challenges democratization and economic development.

10.3 The Libyan economy
After the military coup in 1969, Qadhafi’s Revolutionary Command Council (RCC) increased oil taxes and royalties in order demonstrate increased power vis-à-vis the Western oil companies and to create greater economic sovereignty for Libya. The oil revenues were spent on education and health care, and minimum wages were raised and interest-free loans provided to buy cheap, though heavily subsidized, estate property – houses and land that had been confiscated during the Italian period were now given back to the Libyan population (Vandewalle 2006, 86, 88).

Due to the limited production, an estimated 70-75 per cent of all Libyans were government employees in 1987 (Vandewalle 2006, 192) and thus not inclined to oppose the regime and risk losing their jobs. Furthermore, Qadhafi succeeded in distributing oil wealth in order to create relative satisfaction among Libyans (Truedson 2008, 14).

In 2004, according to Qadhafi’s Prime Minister Ghanem, approximately 17 per cent of the working population was employed by the state (Vandewalle 2006, 192). But looking at the unrest due to high unemployment as a cause of the Arab Spring (BBC
2011), a high proportion of the population must have been financially dependent upon the state for income and survival. After the Arab Spring, employment and unemployment figures have yet to be published for the new Libya.

After the Revolution, in July 2012, EIU reports that “[o]n the revenue side, oil earnings reached LD37.9bn and local revenue, including from customs and taxes, reached LD1.1bn” (EIU 2012), meaning that some degree of taxation exists.

According to World Economic Outlook, the top income tax rate is 15 per cent but in practice, the tax burden will be much higher due to additional taxes as well. The top corporate tax rate is reported to be 20 per cent (The Heritage Foundation 2013). Nevertheless, since the uprising in 2011, tax collection has not been enforced due to instability and a weak central government but also due to the historical practice of receiving high amounts of revenue from oil exports (The Heritage Foundation 2013).

Furthermore, the fact that the government’s budget surplus increases due to constraints from investing in public projects because of security and institutional issues (EIU 2012, 5), the thesis argues that such constraints reduce the need to impose taxes in order to finance future projects, and thus the establishment of the institutional framework of taxation could be postponed.

10.4 Sub-conclusion

Drawing on previous analyses based on Lipset and Amin, structural changes are needed in order to succeed in the transition towards democracy and capitalism. Lipset argues that economic development is crucial to developing a large middle class, which serves as a base for pressing for democratic rights to the lower strata of the population. According to Amin capitalism is based on private ownership and a working class. Consequently, the Libyan rentier economy will hamper the government’s desired development towards democracy unless the population’s rentier mentality is changed so that the active population will engage in the reconstruction of Libya by embracing the work-reward dictum. Furthermore, the government needs to develop a strong private sector in order to release the population from dependency on the state, as well as countering the state’s dependency on foreign rent. The first development, of creating
a working class away from the rentier mentality, is nevertheless crucial for the latter, the private sector development.

The ‘no taxation-no representation’ dictum is the main argument to the question of why a rentier economy cannot transform into a democracy. Governments of rentier economies are not necessitated to tax its population, and it is argued that without taxation the population will not demand democratic rights. Focusing on Rotberg’s definition of political goods, the rentier economy downplays the expectations of the rentier population.

By looking at history, the thesis argues that oil price reductions have often led to economic crises and unrest in Libya pointing to the fact that decreasing living standards will provoke popular dissatisfaction and conflict (Sandbakken 2006). Consequently, ensuring the same level of political goods as during the Qadhafi regime seems crucial in developing a stable state.

Concluding, being a rentier economy depending on oil exports and foreign trade is an obstacle to the desired transition to democracy and capitalism in Libya. Businesses must acknowledge that, according to the analytical findings, Libya faces several challenges to the implementation of its objectives and need to shape their strategy according to the unstable political and institutional context of Libya.

C. BUSINESS STRATEGY ANALYSIS

11 Business strategies in post-conflict countries

Based on the political analysis, the thesis concludes that Libya is a rentier state with a governmental desire to transform into a democracy and capitalist economy. The political analysis showed that the transition is not possible in the short term.

With this analytical point of departure, the thesis turns to analysing the appropriate business strategies in post-conflict countries.
Businesses can either enter through full foreign direct investment or through partnerships – an analysis of the entry strategies is not, however, within the scope of the thesis (Azizi 2012)\(^{20}\). There are four forms of engagement, i.e. four business strategies in post-conflict areas.

### Forms of business engagement in conflict zones (Wolf et al., 2007)

<table>
<thead>
<tr>
<th>Form of engagement</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Take advantage</td>
<td>Taking advantage of the economic temptations of war</td>
</tr>
<tr>
<td>Withdrawal</td>
<td>Disengagement from a conflict zone</td>
</tr>
<tr>
<td>Business as usual</td>
<td>Mere compliance with local regulatory stipulations</td>
</tr>
<tr>
<td>Proactive engagement</td>
<td>Intentional corporate contributions to public security</td>
</tr>
</tbody>
</table>

Source: (Jamali & Mirshak 2010, 446)

### 12 Beyond the modern state and its limitations

New theoretical findings argue that not all four business strategies are appropriate in states with limited statehood, which is often the case in post-conflict areas due to the lack of formal and strong political institutions. Libya is no exception as argued in the section of Libya as a weak state (see ‘Categorizing Libya’ p. 21).

Nevertheless, Börzel and Risse, 2010, argue that the modern state is more the exception than the rule because most countries contain ‘areas of limited statehood’ being “…those parts of a country in which central authorities (governments) lack the ability to implement and enforce rules and decisions, or in which the legitimate monopoly over the means of violence is lacking, or both, at least temporarily” (Börzel & Risse 2010, 118-119). Börzel and Risse point to distinguishing between areas of limited statehood along various dimensions; e.g. territorially; sectorally – in relation to

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\(^{20}\) Entry strategies depend on national regulation, and e.g. on national governments’ desire for FDI to lead to a spillover in the local economy (Azizi 2012).
specific policy areas; socially – in relation to specific parts of the population; and temporarily (Börzel & Risse 2010, 119).

Most states of today’s world – not only confined to failing or failed states – contain ‘areas of limited statehood’ “…in the sense that central authorities do not control the entire territory; do not fully possess the monopoly over the means of violence; and have limited capacities to enforce and implement decisions, at least in some policy areas or with regard to large parts of the population” (Börzel & Risse 2010, 119).

Tanja Börzel and Thomas Risse argue that governance with(out) government can work even in the absence of a strong shadow of hierarchy. They focus on examining the conditions, which enable effective and legitimate governance, even in areas of limited statehood (SFB 700 2012). Thus, Börzel and Risse counter the elements of the modern state, i.e. the Weberian definition (p. 23), because what Weber and modernists categorize as the ‘effective territorial sovereignty’, “…in the sense of a legitimate monopoly on the use of force” and the fundamental ability to enforce political decisions is not usually present outside the OECD (SFB 700 2012).

Consequently, Libya is not doomed as modernists would claim it to be because of its insufficient legitimate monopoly over the means of coercion in a given territorial area or weakness in relation to the provision of political and public goods.

Instead, Börzel and Risse focus on ‘new modes of governance’ where governance is defined “…as institutionalized modes of social coordination, which aim to produce and implement binding rules or provide collective goods” (SFB 700 2012), and the ‘new modes’ refer to the research’s study of the various actors and collective models of social regulation to provide collective goods that can step in and complement the state apparatus (SFB 700 2012).

In general, it is thought that a strong ‘shadow of hierarchy’ is needed before conventional or modern governance and also new modes of governance can be effective (Börzel & Risse 2010, 118). This is based on the notion that “[b]usiness actors, in particular, engage in public policymaking but only if national governments
and EU institutions are powerful enough to cast a credible shadow of hierarchy…” (Börzel & Risse 2010, 118). A credible shadow of hierarchy refers to when states are ‘strong’, where states have the power and ability to resort to hierarchical modes of governance – top-down regulation and enforcement (Börzel & Risse 2010, 116-117). Therefore, when being strong, states can threaten to or “…impose binding rules or laws on private actors in order to change their cost-benefit calculations in favor of a voluntary agreement closer to the common good rather than to particularistic self-interests” (Börzel & Risse 2010, 116). The means of threat or enforcement is termed the ‘shadow of hierarchy’ and the stronger it is the more willing non-state actors become to engage in governance with or without government. Thus, as long as the shadow of hierarchy is strong, the non-state actors ‘voluntarily’ seek to become a source of or a direct part of the provision of regulation and of political goods (Börzel & Risse 2010, 117). Thus the ‘shadow of hierarchy’ leads to non-hierarchical modes of coordination that are embedded in hierarchical structures resulting in a common provision of rules and political goods (Börzel & Risse 2010, 117).

So, “[o]n the one hand, the lower the capacity of the state, the greater is the need for governance through non-hierarchical modes involving non-state actors to compensate for government weakness or state failure. On the other hand, limited statehood implies a weak shadow of hierarchy as a result of which such “new” and non-hierarchical modes of governance are unlikely to emerge and be effective. To sum up, the more such “new” modes of governance are necessary, the less likely they are to be sustainable” (Börzel & Risse 2010, 120).

Nonetheless, Libya is not, in line with Weberian state definition, a strong state with the sufficient state institutions and a subsequent ability to cast the shadow of hierarchy. And further, following the logic of businesses as profit maximizing entities, one could question the business’ interest in providing governance as it can lead to increased transaction costs due to increased regulation. Here Börzel and Risse contribute with an

21 The shadow of hierarchy is curvilinear with regards to governments’ incentive to cooperate with non-state actors; because the stronger the state is, the less need it has to integrate non-state actors into the decision-process for the provision of regulation and political goods. Consequently, a medium shadow of hierarchy is the best combination “…to yield effective and problem-solving governance, once non-hierarchical modes of coordination and non-state actors are involved” (Börzel & Risse 2010, 117-118).
explanation of the functional equivalents to a strong shadow of hierarchy that force companies to engage in the provision of governance (Börzel & Risse 2010, 119-120). The functional equivalents (see below) are the forced impetus to why companies should “…invest in the common good and contribute to governance, particularly under conditions of high political instability and legal uncertainty, including unclear property rights, all of which are all too common in areas of limited statehood…” (Börzel & Risse 2010, 121). In post-conflict areas, some businesses take advantage of the low level of regulation and actively engage in keeping regulation down.

Börzel and Risse claim that, in post-conflict areas, four functional equivalents to a strong state exist that will cast a shadow of hierarchy obliging companies to participate in the provision of regulation and of political goods. “Consolidated statehood is a prominent way but not the only way to generate a shadow of hierarchy” (Börzel & Risse 2010, 120), but nonetheless “[g]overnance without government is seldom as effective as government in areas of consolidated statehood. Yet at times it is the sole effective regulation that exists…Moreover, when combined, the functional equivalents can compensate for some of their individual weaknesses, such as ensuring compliance” (Börzel & Risse 2010, 127)²².

The functional equivalents are;

1) the risk of anarchy, resulting in a business’ strong incentive to proactively engage in the provision of public goods because the lack of the public goods can eventually lead to state failure and consequently damage or eliminate investments and profit;

2) the risk of external actors compensating for limited statehood, where the international community will be stepping in to control the territory and obligate companies to follow international law. Businesses will thus face a strong incentive to participate in direct regulation by setting norms and standards to hinder a race to the bottom (Börzel & Risse 2010, 121-123);

²² Can lead to a discussion whether or not non-compliance with CSR standards actually leads to a reputational loss and consequently proves as an incentive for companies to comply. It is, however, not the within the scope of the thesis.
3) the risk of being subject to inspection activities to ensure CSR, where companies, particularly if companies have a brand name to defend, seek to race to the top due to reputational concerns. From a transaction cost point of view, it is still a subject of self-interest because it pays off for companies to set the standards instead of facing compliance (Börzel & Risse 2010, 124-125);

4) the risk of local communities’ reaction if companies do not meet local demands e.g. defined by clan structures sharing certain standards of appropriate behaviour that include the provision of governance, particularly in the resource extraction sector, where the provision of political goods are increasingly raised by communities at the local level “…*who lay blame and grievances at the doorstep of companies’ operations*” (Börzel & Risse 2010, 125)

Local communities can link up with international community to cast a shadow of hierarchy, or companies can meet pressure from the industry in order not to spoil the reputation of the entire sector.

Thus, the conclusion is that, based on Börzel and Risse, the last strategy, proactive engagement, is the only solution if a foreign company wants to invest in a post-conflict country where the national government is too weak to cast a shadow of hierarchy (Börzel & Risse 2010).

**12.1 Theoretical fit to Libya**

Now the thesis turns to illustrate whether and in what way the new strategic input fits Libya.

Börzel and Risse argue that a state is not doomed merely due to the fact that it does not live up to the characteristics of a modern state (Börzel & Risse 2010, 126), and point to how private companies can complement a state like Libya in providing regulation and political goods. According to Rotberg (p. 28), this is exactly what Libya needs in order to become a strong state.

The environmental and developmental stage on which Börzel and Risse base their theoretical findings may not, however, fit the Libyan stage. Börzel and Risse present
examples of companies building schools and providing health care checks for their employees (Börzel & Risse 2010, 120). Due to the high incomes originating from oil production, Libya already has schools and hospitals for health care, and Libya does not start from zero, as seems to be the primary focus of Börzel and Risse.

Still, the thesis will now argue that Börzel and Risse’s findings prove relevant in the reconstruction of Libya despite its high oil incomes and relatively higher level of development.

According to the analysis applying Rotberg, the above findings are relevant because Libya still needs political stability and a strengthening of the state in order to claim legitimate monopoly over the means of physical force in its territory. Further, if the state is not able to satisfy the population’s claims and demands on the state, uncertainty and political instability will prevail.

In relation to the functional equivalents, the question is whether or not private companies can complement the state in delivering such political goods as mentioned above. The fourth functional equivalent, the local community standards and the possibility of linking up with the international community, appears crucial in the Libyan context due to the fact that parts of the population are still armed and continue to act in own pursuit of justice (p. 25). Furthermore, armed hordes of radical Islamic people exist in the region of North Africa, including in Libya e.g. because former training camps for al-Qaeda were placed there. The thesis argues that there is a risk that local communities might link up with such hordes. Consequently, businesses need to support incentives to avoid such link.

In Libya, because the government wants democracy and capitalism, businesses should support this development with the purpose of reaching a stable business environment and the potential for a long-term partnership. Thus, in addition to the above-mentioned issues, businesses should participate in the provision of political goods needed in Libya. The private sector development should support a reduction of the rentier structure over time building up a large middle class and subsequently support the shift
from traditional social structures towards secular social structures based on classes and economic interest.

In this regard, the rentier mentality is an obstacle to the democratic and capitalist development in Libya. Accordingly, it seems vital for businesses to strategize to promote educational programs equipping the population with the needed skills as well as motivating a work-reward mentality in order to promote a national active engagement in the reconstruction of Libya.

Furthermore, the rentier structure (p. 59) in which a high ratio of the population has been employed by the state without actually working (Vandewalle, A History of Modern Libya 2006), the question is how these groups of people will react to the potential imposition of the work-reward dictum. Recalling that the Libyan people rebelled against the former regime during low oil price periods because such price declines inevitably led to the decline in living standards as well (Sandbakken 2006), the question is whether people will accept the work-reward dictum and how they will react if they are forced to be part of the reconstruction of Libya through working in order to become eligible to the previously ‘free’ political goods. Even more radical to the norm, if oil money is insufficient in the period of transition, governments may resort to enforcing a taxation system including the individual. It can be argued that a population, used to getting security and several other public goods during the Qadhafi regime, does not easily accept the change into – in one way or the other – paying for all services and leaving the no taxation-no representation era (p. 61).

Businesses must act in accordance with political objectives and support the intended transition when investing. If not, the businesses will be subject to the functional equivalents, which may have high economic or even fatal consequences for the investment. Thus, due to the risk of armed groups, businesses need to communicate and illustrate their efforts to the population in order to justify their presence.

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23 Even though the younger generation pressed for reduction of unemployment during the Arab Spring (BBC 2011)
12.2 Ramboll in relation to investments in Libya

Ramboll’s strategy is to grow strongly during the next four years, meaning that Ramboll is looking for new markets depending on the sector and the according Ramboll business unit. Libya is interesting to Ramboll Oil & Gas (ROG) because ROG assumes that investments made by oil and gas companies will be realized in countries that have high reserves and additionally have the opportunity to expand production without exceeding OPEC quotas or other potential restrictions (Ramboll Interview 2013, 1-2). Dealing with locals or internationals, Ramboll and ROG require from their partners that they live up to Ramboll’s own standards (Ramboll Interview 2013, 14).

Furthermore, ROG believes that it is better and easier to enter a market in growth instead of entering a mature market where entry is equated by outcompeting another business. Libya is particularly interesting because it has opened up to international investors as well as it does not have an established supplier of consulting services yet. ROG presupposes that, due to Libya’s revenues from oil production amounting to approximately EUR 50 billion a year, the state will spend much of the revenues on keeping the population satisfied during the transition period (Ramboll Interview 2013, 1-2).

ROG has not made the decision of entering Libya yet, which is why this study is carried out in order to create an insight into how businesses should behave and strategize in the case of Libya (Ramboll Interview 2013, 4).

At the current moment, Ramboll is considering whether the consultancy should be situated outside of Libya or whether to open an office in Libya, or whether it should be a combination of the two, as well as how to undertake the various strategies. Nothing is confirmed yet, but Ramboll’s preliminary plan is to open a one-company set-up in order to be able to supply several of the business units’ consultancy services in one unit. Another question is how much national participation the government demands from foreign investors, e.g. in relation to local staff demands (Ramboll Interview 2013, 4-5, 7).

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24 Brief company presentation is enclosed in appendix 2.
Ramboll imagines that the customers will be, i.a., the Libyan authorities being ministries and planning authorities, contractors, and the international oil companies. The primary assignments during the reconstruction phase of Libya will be various types of construction but also societal development such as consultancy within education programs and how to overcome societal issues of high unemployment (Ramboll Interview 2013, 4-5).

ROG assumes that Libya’s main challenge originates from oil exports due to the fact that the high revenues may exclude Libya from receiving aid from the international community in the form of technical assistance. If so, Libya will have to buy the services from private companies (Ramboll Interview 2013, 5).

ROG does not perceive the security situation in Libya to be any more dangerous compared to other countries at the current moment. ROG argues that the recent months’ development – killing of US ambassador as well as travel advise to all Westerners to leave Benghazi – are isolated events and not part of a general tendency or mega-trend indicating a future state collapse (Ramboll Interview 2013, 5, 14). ROG forecasts that state collapse and increased insecurity and unrest can originate from decreasing oil prices, but as long as oil prices are high, as at the current moment, there will probably be enough government revenue to satisfy everyone concerning distribution of the wealth and to find a solution to the security situation. If oil prices fall, the situation will be completely different, he forecasts (Ramboll Interview 2013, 5, 7), because Libya is not a production but an allocation state (Luciani 1990) and one could imagine that everything will fall apart (Ramboll Interview 2013, 5).

With regard to risk, Ramboll makes various analyses, but ROG acknowledges that it is not always enough – with reference to the recent hostage taking and killing in Algeria – and points to the potential undertaking of new methods to analyse the environment prior to undertaking investments (Ramboll Interview 2013, 6).

Prior to investing, risk analyses should primarily determine a reasonable rate of return in the short run, and ROG and Ramboll weigh opportunities against the risks implied;
in relation to Libya, there are risks but very great opportunities. ROG evaluates that opportunities are the high revenues deriving from the oil and gas sector, the unfreezing of the old regime’s fortunes, and a small population displaying no local competition, which forces Libya to buy the consultancy services from outside of Libya (Ramboll Interview 2013, 7). Ramboll has the advantage that it employs people in both Denmark, the UK, and Qatar, all countries that are in a good standing and position in relation to the new government, thus giving Ramboll a comparative advantage to some of its competitors (Ramboll Interview 2013, 7).

Ramboll has a dynamic list with ‘prohibited’ countries on which Libya does not appear due to the fact that Ramboll does not perceive the situation in Libya to be dangerous enough to avoid activities in the country. Should a stable situation not be achieved on the long run, Libya will probably end up on the list. Ramboll believes that stability will be achieved enabling Ramboll to operate there, as well as the fact that Ramboll feels obliged to participate in the reconstruction of Libya after the Arab Spring (Ramboll Interview 2013, 10).

Also, Ramboll does accept activities in some of the countries on the list (not countries banned by the international community). Prior to undertaking such activities, Ramboll consults with external risk agencies and undertakes several special procedures to assess security and prepare a report from which the employee in question can get full information to assess the situation (Ramboll Interview 2013, 10). Consequently, Ramboll weighs and prioritizes various elements to others from its Corporate Responsibility strategy, including safety for employees and anti-corruption, its risk assessment procedures, and the challenges and opportunities, and the decision to undertake investments in politically unstable environments. This means that investment decisions in politically unstable or high-risk/higher-risk countries are dynamic (Ramboll Interview 2013, 10-11).

Ramboll does not perceive Libya as particularly dangerous compared to other countries despite recent incidents. Such incidents highly affect the risk assessments from agencies but in reality, ROG argues, the security situation is much more harmless and the real danger is everyday accidents e.g. in traffic or health. Still, risk assessments
and national guidelines are followed to detail, and Ramboll provides special protection in such circumstances as well (Ramboll Oil & Gas 2013, 11).

In accordance with its Corporate Responsibility strategy, Ramboll aspires to work in areas where the customers or people value their services, which leads to their strict stand in relation to corruption: Ramboll does not operate in areas where it cannot win projects in a transparent way without paying corruption money (Ramboll Oil & Gas 2013, 12).

Ramboll does operate in countries without democracy; democracy is not an end in itself, but Ramboll does not wish to operate in dictator states where the population is not secured an acceptable situation. The company does not want to shape and direct the development in a certain direction, but it wants to help states and their populations to gain an improved educational and informational level, and to establish and to organize themselves (Ramboll Interview 2013, 12).

At the end of the day, Ramboll may have to balance and prioritize between helping a country to develop and securing employees in relation to such activities. Some employees are more willing to take a risk compared than their colleagues. ROG argues that there is no clear line between corruption and personal risk, and reasoning based on budgets and economy sometimes help us make the decision to invest or not, after complying with all the several standards (Ramboll Interview 2013, 13).

12.3 Strategic fit between post-conflict requirements and Ramboll

When Ramboll invests in a new market, two main requirements have to be met; 1) a reasonable rate of return on investments, and 2) the investment has to be aligned with CSR strategy (Ramboll Interview 2013). The economic aspect and calculations are outside the scope of this assignment due to the fact that Ramboll has already recognized the great economic and business opportunities in Libya. Therefore, the focus is how the investments in Libya will fit the overall strategy of Ramboll emphasizing CSR regards, and accordingly, how the investment can benefit the Libyan society.
Börzel and Risse argue that it all comes down to an empirical question (Börzel & Risse 2010, 127) whether or not the strategy is appropriate for a given context, but according to their theoretical findings, Ramboll should not enter Libya with neither the ‘take advantage’ nor the ‘business as usual’ strategy. These two strategies would activate the functional equivalents and the investments and profit will be at risk – e.g. due to the still predominant rentier mentality according to which the population will not accept paying (working or through taxes) for political goods but still want the government go on delivering such goods.

The remaining two, ‘withdrawal’ referring to not entering and ‘proactive engagement’ will be assessed below according the Ramboll’s various strategic CSR elements.

Withdrawal would mean loosing a business opportunity, and the balance and priority of safety of employees vs. promoting sustainable development will be the only factor countering such decision. In such a situation, as stated in the interview, reasoning based on budgets and economy can help Ramboll make the decision of investing or not. Withdrawal or not entering will leave Libya in a financially poor situation due to the fact that oil revenues are derived through foreign companies extracting the oil from the soil. The oil finances the society and political goods, and the lack hereof can lead to unrest and civil war, according to Rotberg (p. 25). Thus the conclusion is that there is a strong incentive for businesses not to withdraw from politically unstable countries, but to accept to be an actor of political and economic development serving stability.

Consequently, only one business strategy remains when Ramboll or other businesses invest in Libya, the proactive engagement. As stated above (p. 68), a proactive engagement in Libya is supporting institutional development away from the rentier mentality and rentier economy (p. 59). Due to institutional deficiency, businesses need to fill the gap and complement the state in delivering governance, being regulation and political goods, in order to support and promote stability. Moreover, the transition towards democracy and a capitalist economy will require a national productive population, meaning that the work-reward dictum will be enforced. This may lead to dissatisfaction within the population, and the foreign investor can be blamed for stealing the oil revenues that previously sustained the whole society. So, businesses
must be willing to renounce part of the profit and leave it inside Libya, e.g. through paying taxes. This will also serve as a visible sign that foreign businesses do not transfer excessive profits but share the profit with the Libyan population. At the same time the businesses must support regulation ensuring a fair distribution of wealth as well as securing improved living standards in order to fill out the existing poverty gap.

12.3.1 CSR impact on business strategy
From the Corporate Responsibility report and the interview with ROG, three main CSR aspects exist:

1. Anti-corruption
2. Safety
3. Good corporate citizenship in promoting sustainable development

Regarding 1) anti-corruption, Ramboll expresses a clear-cut attitude towards the fact that it does not and cannot participate in activities based on corruption. Anti-corruption is a CSR element, which is controllable due to the fact that Ramboll can chose not participate in such activities. If corruption is present, Ramboll may lose a good investment, but it does not have further consequences from a mere business perspective. In line with the above, if corruption leads to withdrawal, such strategy may imply long-term political instability in post-conflict and institutionally weak countries like Libya – and withdrawal illustrates the neglect of the business’ own role in promoting political and economic development, countering the idea of CSR.

The 2) safety is of high priority in Ramboll. The political analysis of Libya shows that it will for a long period of time continue to be a weak state with the potential of political unrest and dissatisfaction within the population. Consequently, such personal risk may be an obstacle to investing in Libya. Moving to Börzel and Risse’s contribution, investing in Libya with a proactive engagement will reduce personal and safety risks because the investment can lead to the strengthening of the state to the benefit of the society. In this way, Ramboll may subsequently gain a better and more accepted position within the society as well.
The safety risk will, however, never disappear in such an unstable area, and the choice to invest or not will depend on the management’s decision on whether the risk is too high or acceptable, as stated above regarding withdrawal. If the safety risk is unacceptable, the alternative is ‘withdrawal’ – meaning not entering – leading to no risk of employees, but nevertheless a potential regional instability.

In relation to 3) the good corporate citizenship in promoting sustainable development, Ramboll elaborated and committed to its ‘Obligation to Act’, in which it strives for a proactive and systematic approach towards its customers and business relations. This CSR element fits Börzel and Risse’s conclusion that only the proactive engagement will be appropriate to the circumstances in Libya, and thus excludes the possibility of not entering Libya. The proactive engagement is in accordance with the political analysis, in which the thesis showed that socio-economic development is crucial to overcoming the ‘oil curse’ in transforming Libya into a democratic capitalist economy.

12.4 Sub-conclusion on strategic analysis
The thesis introduced four business strategies of which only the proactive engagement is applicable when investing in a post-conflict institutionally weak state, as Libya.

The only alternative is withdrawal or no-entry. However, such strategy will imply loosing a business opportunity, depending on the balancing of two CSR elements: safety of employees vs. promoting sustainable development. Prioritizing elevates CSR strategy to become part of overall business strategy because it influences the decision-making process of entering or not. Nevertheless, CSR strategy holds elements that are counterproductive and can result in neglecting the role of businesses as private actors.

When the decision to invest has been made, CSR commitment does not affect company behaviour because the proactive engagement is in compliance with the concept of CSR. Businesses will have to undertake the same active role in promoting political and economic development regardless of its CSR commitment.
D. CONCLUSION

13 Conclusion

Ramboll is considering investing in Libya. The new Libyan government wants to attract FDI and give a preference to i.a. Danish companies. In order to investigate the relevant business strategies, the thesis analyzed the political situation in Libya due to its recognition of the importance of the institution-based dimension in strategy formation.

The recent change in Libya after the Arab Spring has resulted in Libya becoming a post-conflict weak state with limited ability to govern and ensure progress. In order to achieve political stability and development, the state apparatus needs to comply with its obligations vis-à-vis its population.

The new Libyan government wants to develop democracy and a capitalist economy. The political analysis shows that Libya faces long-term challenges in addressing popular unrest and instability. The static analysis reveals that Libya cannot be categorized as;

- a modern state due to the lack of the monopoly of the legitimate use of physical force within a given territory as well as its pre-modern social structures,
- a strong state, due to its inability to provide political goods, nor
- a nation-state due to tribal and regional affiliation.

The lack of the three characteristics prevents the state apparatus to achieve legitimacy and capacity to enforce stability in the short-medium time horizon, and consequently there is a risk of a change in institutional set-up, which can affect business opportunities in Libya.

Additionally, in order to map the Libyan reality the thesis applies a comprehensive qualitative method investigating the Libyan structures and mechanisms, which are often not empirically observable. The thesis performs a dynamic analysis to forecast Libya’s opportunities to succeed in transforming into a democracy and a capitalist
economy. On the one hand, the economic indicators showed good conditions for a
democratic transition. On the other hand, the thesis argues that radical structural
changes are needed in Libya, referring to Lipset and Amin.

Tribal and regional affiliation with religious connotations and a rentier mentality
originating from the economy of oil are obstacles to the needed structural changes.
These factors challenge the development of the secular, participatory political and
social organization of Libya in order to become democratic. They also challenge
Libya’s objective of obtaining a capitalist economy if it prevents developing a national
production and national productive class.

If the said factors hinder the state apparatus in complying with its obligations vis-à-vis
its population, political unrest and armed conflict can emerge. Unrest may evoke
depending on the population’s ability to claim political goods from the state after
decades of depoliticization.

In relation to developing Libya, modernization theory and dependency theory disagree.
The new Libyan government is in line with modernization theory of promoting
political and economic development through introducing democracy and an open
market economy with FDI. Dependency theory draws the attention to the risk of profit
transfer leaving Libya in the periphery. Such development can lead to political unrest
due to limited financial resources to meet state obligations to provide political goods.

The political analysis shows that political stability as well as a strong state cannot be
achieved in the short term and this sub-conclusion serves as the understanding of the
Libyan institutional context. Therefore, the thesis proposes four business strategies
relevant to post-conflict areas: a) take advantage, b) withdrawal, c) business as usual,
and d) proactive engagement.

Applying Tanja A. Börzel and Thomas Risse’s theoretical findings of the critical role
of businesses providing governance in areas of limited statehood, the business strategy
analysis explains that functional equivalents to the strong state do exist in Libya and
consequently rejects the ‘take advantage’ and ‘business as usual’ business strategies.
Furthermore, the functional equivalents provide a basis for governance, and such governance is conditional to foreign businesses’ commitment to a proactive engagement strategy. Accordingly, the thesis recognizes a shift from merely state-centered governance to the pluralist new modes of governance.

The answer to the first research question is that there are two business strategies, ‘withdrawal’ or ‘proactive engagement’, that are relevant given Libya’s recent change.

When the decision to invest is made, a ‘proactive engagement’ is the only possible business strategy due to the existence of strong functional equivalents in Libya’s post-conflict context. This can partly be explained by the existence of armed groupings, partly by the rentier economy. Due to Libya’s institutional limitations but continuous obligations vis-à-vis its population, the transformation into a capitalist democracy will require that businesses fill the gap of the reduced res publica in order to ensure investments and stability.

In relation to deciding to invest or not – meaning ‘withdrawal’ or no-entry – Ramboll’s strong commitment to CSR and its ‘Obligation to Act’ will force the management to prioritize between two conflicting CSR elements; safety of employees and the obligation to promote sustainable development. When balancing these two elements, Ramboll will include reasoning based on budget and profit potential, meaning that if no or unreasonably low rate of return, there will be no investment and no engagement.

Therefore, answering the second research question, in post-conflict countries, CSR commitment and strategy is elevated to be part of the overall strategic investment decision-making, and the increased costs of complying with CSR regards is analyzed against potential business profits. Accordingly, CSR commitment only affects the decision making of investing or not. The CSR commitment in itself will not affect Ramboll’s role as an actor promoting political and economic development. A proactive engagement strategy regardless of CSR commitment is enforced by the functional equivalents.
13.1 Delimitation and further research

As mentioned in the analysis, scarce information has been a challenge. When supplementary statistics are available, it is relevant to evaluate the assessment made and compare it to new data.

The thesis is relevant to businesses with and without a CSR commitment, and it will be relevant to investigate how non-CSR commitment affects decision making prior to investing.

Furthermore, the thesis’ findings are relevant to governmental institutions in seeking to attract FDI. Further research can investigate how to set-up public-private partnerships in order to promote political and economic development in Libya.

The thesis pointed to the fact that Libya can be excluded in receiving technical assistance due to its oil wealth. The most recent development is that the IMF has prepared a report on how to promote development in Libya. Such report can form the basis for more research on how technical assistance should be adapted to Libya – with regard to avoid peripheral capitalism.

The application of a proactive engagement raises the need for further research in relation to investigate where to draw the line between positive proactive engagement and potential corruption.
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Appendix

Available on the CD attached:

1. Brief introduction to Libya and its history
2. Ramboll profile, presentation
   a. Corporate Responsibility Report
   b. Global Risk – internal document
   c. Risk Guidance in Ramboll – internal document
3. Interview guide
4. Interview transcription

Map of Libya

Source: http://www.ezilon.com/maps/africa/libya-physical-maps.html
Map of today’s tribal dispersion


Map of current oil fields

1. Historical flash back

Libya became a sovereign state in 1951, when after World War II the Allies agreed to proclaim it the United Kingdom of Libya. Libya obtained independence after being an Italian colony since 1911 and prior to that the regions had been under the Ottoman Empire since early 1500 (Vandewalle, 2006, s. 20-24). The country consists of three regions Tripolitania, Fazzan and Cyrenaica inhabited by between 30 and 140 tribes or families (Holm, 2011, s. 46-47).

During the Ottoman period the Empire’s engagement in the area was declining and eventually, the provinces were left to organize their own affairs. The Ottoman forces concentrated on Tripolitania and Fazzan, while Cyrenaica became the home of the Islamic movement, the Sanusi Order, which gained support among the tribes in the region. The movement created a regional identity in Cyrenaica. There were continuous conflicts with France and Britain, the two other colonial powers in North Africa, and when in the beginning of the 20th century the Sanusi Order wanted support from the Ottoman Empire against France it did not get it, so instead the Order turned to Italy that had increased its commercial control in North Africa (Vandewalle, 2006, s. 16-20).

In 1911 Italy seized all Libya. The reasoning behind the conquest was to counter the French and British empires and not because Italy had any particular interest in the country. This resulted in the systematic exclusion of the Libyans from progress and investments. Italy expropriated and expelled Libyans with the purpose of settling Italian farmers, who received subsidies from Italy. In contrast to the situation in Egypt, Algeria, and Tunisia the colonial economy in Libya did not create any clear domestic financial, commercial capitalist or agricultural classes. Also politically Libya was weakened. Consequently, there were no social classes or economic interests to push nation-state building. Around thirty per cent of the population in Libya was killed under Italian rule. Accordingly, local resistance remained strong against the Italian invasion, in particular in Tripolitania and Cyrenaica (Vandewalle, 2006, s. 24, 32-34).
After World War II the Allied military administration took over Libya. The relation among the three provinces had deteriorated due to tribal affiliations and differences, and the idea of unity was under hard pressure, but finally a UN resolution on an independent and unified Libya was adopted in 1949. The result was supported by Western interest in an independent Libya where military bases could be established or retained during the escalation of the Cold War (Vandewalle, 2006, s. 29-30, 34, 38-40).

For the next 18 years the first head of state, King Idris, was in power. He was originally affiliated with Cyrenaica and the Sanusi tribe and reluctant to take power over all three provinces due to the poor relations among them, but also due to the serious economic and social difficulties he was facing. At the time of independence the per capita income was $25 per year, the infant mortality rate was 40% and the illiteracy rate 94%. King Idris kept favouring Cyrenaica and his own affiliated tribes. His central government was weak and the general public was depoliticized. The Libyan population still had no social structure or economic classes as was the case during the Italian occupation and still relied on tribal and provincial affiliation dating back to the Ottoman era (Vandewalle, 2006, s. 23, 27, 30-31, 42).

In 1959 oil was discovered, but King Idris failed creating state institutions and economic bureaucracies around oil exports (Vandewalle, 2006, s. 45-46). Corruption and favouritism characterized the oil sector, which over the first years of explorations was located in Cyrenaica. Besides the oil sector, no industry or agricultural sector existed. Until the influx of oil revenues Libya depended on foreign aid and incomes from the US and British military bases (Vandewalle, 2006, s. 47-48, 66). In 1962 Libya joined OPEC and due to increased oil production and exports the country had an extreme growth, which on the other hand was a hindrance for receiving foreign financial and technical aid. King Idris centralized power in order to counter rivalry among the provinces and to support the oil sector, and a system of patronage emerged supported by the Sanusi tribes. Still the general population was de-politicized from the government if not part of the system of patronage (Vandewalle, 2006, s. 49, 59, 67-69).
General dissatisfaction due to a high degree of corruption, Western countries and their economic interest in the oil sector and parts of the younger generation being influenced by Arab nationalism resulted in a military takeover led by Colonel Mu’ammer al-Qadhafi in 1969. He came from rural backgrounds and was affiliated with inferior tribes. The military revolutionaries had their base within Islam and Arab nationalism but Qadhafi and his Revolutionary Command Council tried to break with the Sanusi government and the influence from Western countries advocating for popular rule in which people should govern themselves, and aiming for the reduction of traditional identities of tribes. Structures of local, provincial and national assemblies were created in order to enable the individual to participate directly and express himself (Vandewalle, 2006, s. 70-85).

At this time in 1969 the population had doubled to 2m since the independence in 1951, but only very few were employed in the oil sector. Other sectors were still not developed. Thus the per capita income increased due to oil income and not to general productivity. Oil revenues were spent on education and health care, and interest-free loans were granted to buy cheap and heavily subsidized property (Vandewalle, 2006, s. 86-92).

In 1975 Qadhafi published his alternative to Marxism and capitalism; the Green Book based on Arab socialism. In line with the established assemblies, the idea was to construct a Jamahiriya; a country directly governed and protected by its armed citizens, and therefore with no need for a constitution or a representative government structure. Furthermore, Qadhafi endorsed national unity and egalitarianism, but also made an informal break with Islam\(^1\) previously emphasized by the Sanusi. Nevertheless, all members of the various assemblies were loyal supporters to Qadhafi, and an extensive network and Revolutionary Committees served to keep control locally and fight down political formation and opposition within the population; serving as a depoliticizing entity (Vandewalle, 2006, s. 97-98 103-104, 106, 121-122). Although the Revolutionary Council was abolished the former members and circles around Qadhafi still possessed the actual control over all institutions and decisions.

The system continued financial support to secure a level of economic wellbeing to

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\(^1\) The Green Book elevated religion and custom as the law of society, but in practice, both were displaced as sources of law by secular policies (Vandewalle, 2006, 126).
keep population satisfied to a certain extent. Still there were no productive classes that could serve as base for particular economic interests or rights, and Libya depended on expatriate workers, which made up 55 per cent of unskilled labour performing the jobs that the Libyan population no longer wished to undertake (Vandewalle, 2006, s. 113-116, 128-129).

Libya started nationalizing the oil sector, including in 1974 three US oil companies, and by 1980 the private sector was non-existent and private property rights had been eliminated. Government agencies were responsible for the import of all goods and there were no regulations on the capital inflow from oil revenues, which represented 99.9% of total income (Vandewalle, 2006, s. 106-109, 113).

The US-Libya relationship had deteriorated over time influenced by the Arab-Israeli conflict due to Qadhafi’s official claims of support of pan-Arab revolution (Vandewalle, 2006, s. 80, 87, 131). The US introduced trade restrictions against Libya in 1978 and the tensions between the two countries increased due to Libya’s assumed involvement in terrorist actions and the US bombing of Tripoli and Benghazi in 1984 and other violent actions internationally. As a result of this, multilateral UN sanctions were introduced against Libya in 1992 followed up by further US sanctions against foreign companies that engaged in Libya’s oil industry (Vandewalle, 2006, s. 177-184, 195).

Due to its strong reliance on the high influx of revenues from oil exports, Libya was forced to enter into new partnerships with companies from Eastern European countries (Vandewalle, 2006, s. 156-159). As Libya did not want to cut back on military spending, the sanctions resulted in revenue shortage and hence affected the ability to continue the high spending on the public sector and to secure the level of living standards for the population. To fight the general dissatisfaction, and as a response to the declining economic level, Qadhafi announced several economic liberalization and human rights reforms in the late 1980s. Nevertheless, the reforms were never realized except for minor liberalizations, and still it was solely the Qadhadi’s revolutionary leadership that had access to foreign trade and capital, in this way, establishing a system of patronage and corruption around Qadhafi based on tribal affiliation (Vandewalle, 2006, s. 140-146, 152-167).
In 1998 the sanctions were lifted, and over the next years, Qadhafi launched a limited privatization of large public state-owned enterprises and of the oil sector, partly forced by internal pressure from the younger population facing unemployment rates of 30%, and partly in order to meet IMF’s guidelines to economic and structural reforms. In spite of an economic boom in Libya around 2004 there was a general dissatisfaction in the population due to nepotism and corruption and as well as low wages to the state-employed workers and professionals (Vandewalle, 2006, s. 172-176, 186, 192-196).

Political opposition emerged in Benghazi and in February 2011, the opposition transformed into the Interim Transitional Council calling for revolution against Qadhafi. In March, the interim government claimed the legitimate power over Libya with legitimacy derived from the liberated cities’ city councils (NTC 2011). After the fall of Qadhafi in October 2011, the NTC began realizing the plan towards democracy by initiating the planning of democratic elections to the General National Congress (GNC)² (NTC, 2011). Elections eventually took place in July 2012 (EIU, 2012). Despite many years depoliticization during the Qadhafi regime (Vandewalle, 2006, s. 98-99), there was a great interest from political entities to register for the election – 2,639 individual candidates and 374 parties registered (BBC, 2012); all candidates except for Qadhafi loyalists and affiliates were allowed to register – without a proclaimed degree of unacceptable affiliation or engagement into the Qadhafi system (The Tripoli Post, 2012) (Carnegie, 2012, s. 14-16).

With 200 seats in total, the votes were transformed representing the regions in the following way; Tripolitania 100 seats, Cyrenaica 60 seats, and Fazzan 40 seats, with 120 reserved for individual candidates and 80 seats reserved for political parties (BBC, 2012). In the election, the Muslim Brotherhood Party had not the same success as in Tunisia and Egypt³, and The National Forces Alliance⁴ was announced as winner of the first free elections in Libya (EIU, 2012).

² The parliament.
³ Nothing confirmed, but EIU surmises that the Muslim Brotherhood had to start from scratch like any other political fractions due to Qadhafi’s long-term suppression of political formation; due to already existing grassroots movements in Tunisia and Egypt the Muslim Brotherhood quickly gained ground.
The NTC proportionally transferred political power onto the elected candidates in the established General National Congress according to a provisional constitution (Euromonitor, 2012), and with that power also the responsibility for electing a Prime Minister, who will form a government. The General National Congress will be responsible of drafting a new constitution, and planning and holding parliamentary and presidential elections (Information, 2012), which are currently scheduled for late 2013. The General National Congress elected Mustafa Abu Shagur as Prime Minister (PM) (The Telegraph, 2012) in September 2012 but less than a month after, a majority voting within the GNC dismissed him from office due to the fact that he, for a second time, failed to win parliamentary approval for a new cabinet (EIU, 2012) (Euromonitor, 2012). The dismissal was due to disagreements and lack of alliances together with accusations of nepotism and close ties to Islamist groups (EIU, 2012).

The General National Congress, on 31 October 2012 (EIU, 2012, s. 18), decided to appoint Ali Zidan - an individual candidate and human rights lawyer (The Guardian, 2012) – as new prime minister (EIU, 2012). He took office 14 November 2012 and has formed a coalition government consisting of representatives from both the National Forces Alliance and the Muslim Brotherhood’s Justice and Construction Party. The two political parties are claimed to be ideological rivals and thus it is expected that consensus decision-making will be difficult to achieve – hampering institutional effectiveness and increasing the risk of a potential break-up of the coalition itself (EIU, 2012, s. 3).

So far, Zidan’s proposed government is still under vetting by the Integrity Commission. Four ministers have already been disqualified and another four are being vetted at the moment of writing (Libya Herald, 2012).

there. “Suspicion of regional ties to Egypt and Qatar also worked against Islamist parties in the election” (EIU, 2012)

4 A broad coalition of political parties, civil society organizations, and independent figures, led by Mahmoud Jibril, well-known from initiating economic reforms during the Qadhafi regime led by Saif al-Islam Qadhafi (Qadhafi’s son) but in February 2011 Jibril rejected Qadhafi and joined the rebellion. He later became de facto Prime Minister for the NTC (EIU, 2012)

5 An independent, long-time opponent to Qadhafi and has spent years in the US in exile, more acceptable than Jibril who also ran for the seat as Prime Minister (Economist Intelligence Unit, 2012)

6 The assignment has not followed the election process since the inauguration of mr. Zidan as PM in mid-November 2012, and at the time of writing all ministers had not been accepted yet. The
The GNC has introduced an Integrity Commission investigating all candidates in the new governmental system and institutions, and several officials have been banned (Libya Herald, 2012). Furthermore, through the Integrity Commission, the GNC is replacing former Qadhafi loyalists from leading positions, e.g. exemplified by recalling all ambassadors who were appointed by former regime, initiating a radical change to the Foreign Ministry (The Tripoli Post, 2012) (Libya Herald, 2012).

The new PM and his future cabinet will serve until the full parliamentary elections that are currently scheduled for late 2013 (EIU, 2012). Deputy ministers are running the ministries that are currently lacking ministers (Libya Herald, 2012) (EIU, 2012, s. 16). So, the time schedule is already delayed, and it is expected that there will be further delays for parliamentary elections because “…the administration struggles to re-establish order and political rivalries impede effective decision-making. The success of the transition process will also depend on the government's commitment to wealth distribution and its ability to restore the state's capacity to provide Libyans with basic goods and services. Failure to meet high public expectations would probably lead to renewed social unrest over the forecast period” (EIU, 2012, s. 3)⁷.

Concluding, a new government has been established, and elections have taken place, but stability has not been achieved due to fragile state institutions, slow progress, and political unrest.

disqualifications have been argued on the basis that candidates do not meet standards or ‘extensive criteria’ of the GNC or if candidates are too affiliated with unrest in regions (Libya Herald 2012) (Libya Herald 2012) (Libya Herald 2013)

⁷ Cf. the killing of the US Ambassador in Benghazi on 11 September 2012.
CORPORATE RESPONSIBILITY (CR) REPORT 2011

Working together responsibly 3
People 4
Climate 8
Activities 10
Business Integrity 21
Business Partner Responsibility 25
We trust that our customers and business partners share our ambition to act as a responsible company that complies with universally recognised ethical principles for business behaviour. And we believe that our customers and business partners on projects acknowledge that we may inform them if - in connection with our professional activities - we identify matters or come across information that we consider unacceptable.

Based on Ramboll’s strong fundamentals instilled by our founders and our commitment to delivering sustainable solutions to people and society, we have acknowledged and accepted corporate responsibility for many years. Our commitment to the UN Global Compact gives us the opportunity to advance our efforts and continuously improve our performance as a responsible community consultant operating on a global scale.

Ramboll wishes to be a trusted and responsible partner to our customers. We want to comply with our customers’ standards and help our customers in reaching sustainable goals.

We also want to be an attractive and responsible employer giving our employees equal opportunities and freedom of expression - a prerequisite for generating creative and innovative ideas.

In 2011 we progressed our corporate responsibility efforts in a number of areas, which you can learn about in this report. We conducted a business integrity e-learning training course with the participation of 65% of our employees. We managed for the first year to measure our CO2 emissions caused by work related transport based on a new method made by Ramboll experts. We established policies and procedures in relation to our suppliers, partners and customers - with the aim of ensuring within our sphere of influence a broader acceptance and adherence to internationally recognised ethical principles in the areas of human rights, labour rights, the environment and anti-corruption.
“All employees must work as independently as possible, have the freedom of expression that generates a wealth of ideas, and have all the skills they can reasonably exercise. At the same time they must support one another, professionally and personally. The Ramboll family must be imbued with a spirit of trust and confidence. The firm will always benefit – both internally and externally – if the artistic touch and an awareness of the human dimension are evident in all its activities, its products and its services.” – Børge Rambøll 1986.

To this day, Ramboll fundamentally believes in people’s inherent ability and understands that the inspirational solutions we provide to our customers across the globe are entirely dependent on people’s creativity, insight and integrity. At the end of the day, our people – their skills and drive – are the critical factor for success in our business.

In Ramboll, our employees have to strike a balance between being an individual consultant and acting on behalf of Ramboll, and they must therefore act in accordance with Ramboll’s values and strategies and they must understand and act in accordance with our policies, guidelines and governance principles.

Ramboll’s human dimension also extends beyond our own employees. We also care and have a responsibility for the community that we are part of.

During the last ten years, Ramboll has grown rapidly and our operations have become increasingly internationalised. We now employ close to 10,000 experts across 21 countries and over 200 offices. As a consequence of our internationalisation, we are everyday faced with people’s
challenges around the world, and it has become more evident than ever to stress our opinion on human rights and dissociate ourselves from any abuses that are taking place. We do not participate in projects that are destructive or aggressive towards mankind and we want to ensure that the business partners that we work with also respect human rights.

**OBLIGATION TO ACT**

As a responsible company, we believe that an integrated part of our business behaviour must be to inform our customers and business partners on projects, if in connection with our professional activities, we identify matters or come across information that we consider unacceptable - also from a business behaviour perspective, and not only from a technical or professional perspective.

In 2011 we launched a new policy - the ‘Obligation to act’ - with the purpose of adopting a more proactive and systematic approach towards our customers and business partners in relation to specific matters violating our Code of Conduct or internationally recognised ethical principles within:

- HUMAN RIGHTS
- LABOUR RIGHTS
- ENVIRONMENT
- ANTI-CORRUPTION

In essence, the policy is about our own behaviour and what can be expected of us. The policy applies to all employees in Ramboll, independently of position or seniority. Each project manager is responsible for communicating a policy statement to our customers to inform them of our obligations.

We are communicating and training employees on the policy’s meaning, importance and impact on our business behaviour. In 2011 all employees have received a leaflet explaining the purpose of the policy and what is expected of them.

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**ALL MEASUREMENTS HAVE BEEN ESTABLISHED ON THE BASIS OF THE PERFORMANCE OF OUR BUSINESS UNITS**

<table>
<thead>
<tr>
<th>MEASUREMENT</th>
<th>WORKS COUNCIL MEETINGS PER YEAR</th>
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<tbody>
<tr>
<td>BUSINESS UNIT</td>
<td>2011</td>
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<td>Denmark</td>
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<td>Sweden</td>
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</tbody>
</table>

- On target
- Partly implemented
- Not implemented

*The business unit, Energy, was established 1 January 2010.

**MEASUREMENT**

**AGE VERIFICATION**

Systematic procedure that ensures age verification prior to employment

<table>
<thead>
<tr>
<th>BUSINESS UNIT</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
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<td>Energy</td>
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</tbody>
</table>

- On target
- Partly implemented
- Not implemented

*The business unit, Energy, was established 1 January 2010.
7,345 employees, a record number equal to 84% of Ramboll’s employees, participated in the Employee Satisfaction and Engagement Survey (ESES) in 2011. The overall result showed a high satisfaction and engagement score of 3.9 on a 5-point scale which is unchanged from 2010.

ESES is carried out each year and all employees are invited to participate. It is important for Ramboll’s development in becoming an even better workplace to identify the reasons that indicate why employees are motivated, enthusiastic and satisfied.

ESES is the employees’ opportunity to reflect on what matters in their daily work life and by completing the ESES questionnaire they are contributing to improving work satisfaction and engagement – not only for themselves, but also for their colleagues.

From department level to Group level, ESES reveals how satisfied or dissatisfied the employees are with issues relating to their work environment, immediate manager, personal development, engagement, knowledge-sharing and innovation.

ESES shows where managers should make an extra effort to improve the conditions that engage the employees in their daily work. As such, it provides important input on how we can strengthen the business through continuous improvement of employee engagement, working processes and management practices.
After having trained our HR organisation in our non-discrimination policy in 2010, we have had an open dialogue about discrimination and how we can prevent this from happening in our organisation. We have continued these discussions in 2011 and considered how to approach diversity management. Consequently, in June 2011, we organised a one day workshop for our HR Managers’ Forum with the purpose of discussing how Ramboll could work with diversity management. The workshop was split into two sessions. The first session dealt with diversity management with emphasis on the various aspects of diversity management as well as discussion on the possibility of successfully introducing diversity management as a global initiative. In the second session, specific emphasis was put on the issue of promoting female managers as Ramboll wants to be an attractive employer for both genders. However, it was stressed that diversity management addresses much more than gender issues.

After this workshop, we decided - as a step towards working with diversity management in the future - to include a diversity perspective in the review and rewriting of our global HR processes within talent development, performance management and succession planning. The review and rewriting of the processes will take place in 2012 and is linked to the implementation of a new global HR system. In this way we ensure that basic global HR processes are in place to pave the way for a more targeted approach to diversity management in the future.

An average of 14% of our managers are female – a slight decrease from 2010 (15%). Over a 10 year period the number of female managers has increased from 6% in 2001 to 14% in 2011.

**DIVERSITY**

After having trained our HR organisation in our non-discrimination policy in 2010, we have had an open dialogue about discrimination and how we can prevent this from happening in our organisation.

We have continued these discussions in 2011 and considered how to approach diversity management. Consequently, in June 2011, we organised a one day workshop for our HR Managers’ Forum with the purpose of discussing how Ramboll could work with diversity management. The workshop was split into two sessions. The first session dealt with diversity management with emphasis on the various aspects of diversity management as well as discussion on the possibility of successfully introducing diversity management as a global initiative. In the second session, specific emphasis was put on the issue of promoting female managers as Ramboll wants to be an attractive employer for both genders. However, it was stressed that diversity management addresses much more than gender issues.

**FEMALE MANAGERS 2011**

- Russia
- Denmark
- Sweden
- Management Consulting
- Corporate
- Ramboll average
- Oil & Gas
- Norway
- Finland
- United Kingdom
- Energy
- Telecom
- Middle East

- [Female managers](#)
- [Female employees](#)
In Ramboll we work holistically with climate issues at both strategic and operational level. We are keen to contribute to social debate and professional discussions with our expertise on climate solutions. Ramboll is committed to adhere to the statements made by the IPCC (Intergovernmental Panel on Climate Change) and we see it as our duty to make our expert knowledge available to help reaching global climate change targets. We therefore wish to contribute to reducing CO2 emissions as well as the effects of climate change both through our consultancy and via our own activities. In 2011, Ramboll established an internal Group Climate Panel consisting of climate experts across Ramboll with the purpose of increasing our focus on climate and providing an overall policy direction on climate issues for Ramboll. The Group Climate Panel had its first meeting in 2011 and will meet regularly in future.

**CO2 FOOTPRINT**

All Ramboll employees work actively to minimize our carbon footprint through our behaviour. In order to target our efforts most effectively, we have developed a specific method for calculating CO2, data collection and data quality assurance. In 2011 we focused on establishing a new method for measuring our CO2 emissions caused by work related transport. Some of our climate experts have established the method and the guidelines for collecting the data. Now, all business units have collected data and reported their CO2 emissions from work related transport and energy use (caused by cooling, heating and electricity).

The energy results show that the emissions have not necessarily decreased compared to 2010.

### MEASUREMENT CO2 EMISSIONS

<table>
<thead>
<tr>
<th>BUSINESS UNIT</th>
<th>Energy use</th>
<th>Work related transport</th>
<th>Total CO2 emissions</th>
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<tbody>
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<td>Corporate</td>
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<tr>
<td>Ramboll average</td>
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<td>1.01</td>
<td>0.96</td>
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</table>

**On target**  **Partly implemented**  **Not implemented**

*Calculation of emission based on number of employees multiplied with factor 0.76 which is national factor in Sweden.

**The business unit Energy was established 1 January 2010.

***Based on 2009 calculation due to lack of valid data.
This is mainly due to three factors. Firstly, a better validation of data, secondly, a greater consistency with our calculation methods and thirdly, we have improved the data quality by conducting a more thorough and systematic quality assurance of the data.

The total average CO2 emission per employee (FTEE) was 2.52 tonnes, the CO2 emission per employee (FTEE) caused by work related transport was 1.40 tonnes and the CO2 emission per employee (FTEE) caused by energy (cooling, heating and electricity) was 1.13 tonnes per employee (FTEE).

Compared to 2010 this number increased slightly from 1.01.

In future we will continuously work on improving the data validation and our CO2 emission results.

PLEASE NOTE

- For the results to be comparable across countries, the CO2 emission factors used are made by the International Energy Agency (IEA statistics, “CO2 Emission from fuel combustion highlights”, 2011 edition).
- FTEE is an average of FTEE in period July 2010 to June 2011, however, the month July 2010 has been replaced by the August 2010 FTEE figures, and January 2011 has been replaced by February 2011 FTEE figures due to lack of reporting in these months.

Business Unit specific notes

Denmark:
- The slight increase in energy use is due to a general increase in consumption.
- The energy use increase in 2011 is due to a more exact calculation in 2011.
- Consumption from rental cars, public transport and ferry not reported.

Norway:
- The energy use increase in 2011 is due to a more exact calculation in 2011.
- Consumption from rental cars not reported.

Finland:
- The energy use increase in 2011 is due to a general increase in consumption.
- Consumption from rental cars not reported.

Middle East:
- Consumption from the Abu Dhabi office not reported.

Finland:
- The slight increase in energy use is due to a general increase in consumption.
- Consumption from rental cars not reported.

Russia:
- The considerable increase in energy use from 2009 to 2010 is due to new office facilities.
- Consumption from private cars not reported.
- Do not use rental cars.

Management Consulting:
- The considerable increase in energy use is because all international units are now included in the result. In 2009 and 2010 the results were based on energy use in Denmark only.

Energy:
- 19 employees in one office in Sweden are not included in the reporting.

Oil & Gas:
- Consumption from taxi, rental cars and ferry not reported.
- Consumption from private cars in Qatar, Abu Dhabi, India, Copenhagen and Esbjerg not reported.
- Do not use company cars and public transport in India.
- Consumption from airplane in Norway and Abu Dhabi not reported.

Telecom:
- Consumption from company cars and rental cars in Denmark not reported.
- Do not use private cars, rental cars and ferry in India IMI.
- Consumption from private cars and public transport in Indonesia not reported.
TAKING A HOLISTIC APPROACH
SUSTAINABLE AVIATION BIOFUEL

Ramboll in Norway has been engaged by Avinor, the organisation responsible for planning, developing and operating the Norwegian airport network, to investigate opportunities for sustainable and profitable synthesized bio jet fuels for civil aviation in Norway.

“What really motivates our project team is the possible CO2 emission reductions for the airlines, but also for Norway as a nation. This is an innovative project investigating new technologies, future resources such as algae and business concepts, which makes the project even more exciting,” says project manager Magnus Killingland, Ramboll.

The project is an example of how technologies, if used correctly, can help solve today’s environmental challenges.

Many stakeholders involved
The project is challenging as it will involve several external stakeholders. Ramboll will organize meetings and seminars with entrepreneurs and companies wishing to develop new technologies. This includes biomass producers, government institutions, European airlines and environmental NGOs, as well as research and academic communities both in Norway and abroad to highlight all the challenges for sustainable biofuels.

Reducing CO2 emissions despite growth in air traffic
To reduce CO2 emissions despite strong growth in air traffic, Avinor aims to ensure that Norwegian aviation will stabilise and then reduce CO2 emissions. In addition to energy-efficient engines and new airplanes, the replacement of fossil fuels with sustainable biofuels can reduce CO2 emissions caused by aviation.

The whole value chain, from resources and feed stocks to the establishment of production facilities for biofuels in Norway, will be analysed with a thorough review of different technologies. The focus is on sustainable production, and initially production of certified biofuels, both in terms of sustainability and requirements for jet fuels in general.

THE MAIN TASKS IN THE PROJECT
• To investigate publications from leading research and knowledge institutions in Europe
• To explore opportunities for biofuel imports and profitable biofuel production in Norway
• Define work packages and procure expert reports, either from the Ramboll Group or externally
• Establish a reference group with the relevant authorities, research institutions, environmental organisations and industry
• Report to a steering committee with Avinor and airlines

A final report on the findings will be submitted by the end of November 2012.
ENABLING KNOWLEDGE SHARING

We want to be at the forefront of the development of environmentally friendly technologies and for this reason it is important to share knowledge on this issue with both external and internal experts. In Ramboll we have a large number of internal networks including a network for sustainable buildings, master planning and urban water.

On 13-14 October 2011, 100 Ramboll experts within sustainable buildings met at the inaugural Sustainable Buildings Network Conference in Copenhagen. The event was organised to encourage cross-company networking, knowledge sharing and to define future policy objectives in this area. One output from the conference is a policy white paper entitled ‘Engineering our Future – Ramboll Sustainable Building Design.’

CREATING INSPIRING LEARNING SPACES

School projects offer Ramboll a unique challenge. Through innovative design we are able to create vibrant learning spaces with strong sustainability credentials. Sustainability has many definitions. At Ramboll, we use the United Nations’ holistic definition of sustainable development. We do not see buildings as isolated sustainable systems – we see them as part of neighbourhoods and cities.

Design elements can interplay with curriculum delivery creating imaginative, informative and inspiring environments that contributes to children’s wellbeing. Here are just a few examples of sustainable school projects where Ramboll has been involved as consultant.

Ashmount primary school, Crouch Hill, Islington, UK

The project at Crouch Hill Community Park involved the relocation of Ashmount Primary School, Bowler’s Nursery and the renovation of the community Cape building. The primary school caters for school ages from 3 to 11 and currently has 340 pupils enrolled.

The project has a challenging brief as the site is metropolitan open land. Sustainability, energy and landscaping have all been integral to design development. The school aesthetics are based on a ‘tree house’ concept to connect with the surrounding environment. Biodiversity will be enhanced at the site, with plans to regenerate the entire park.

The project is set to achieve the highest BREEAM ‘Outstanding’ rating, with zero carbon emissions during operation and zero waste during the demolition, construction and operation of the development.
Axxell vocational school, Karjaa, Raasepori, Finland

Ramboll was closely involved in the planning of a new building for the Axxell vocational school. The school building is built in Karjaa, Raasepori in southern Finland and it was one of Finland’s first school buildings with environmental certification.

The aim was to build a modern, efficient and appropriately designed teaching facility for Axxell as well as a sustainably designed and constructed building, which can serve as a practical example for the students. This energy-efficient and environmentally friendly building has been fitted with the latest technologies within heating, lighting and electricity. The building will attempt to achieve a LEED® Gold-certification, and serves as Ramboll’s pilot project for LEED consultancy services in Finland.

“The location of the modern school building was carefully chosen near the main railway next to Karjaa station, to make it easy to reach the school by public transport. Energy efficiency was emphasised from the very beginning of the project in the premises strategy and project planning,” says Frej Werner Project Manager, Ramboll.

Axxell’s new vocational school will accommodate 500 students, youngsters and adults. The floor area of the building is 12,500 square metres and the volume 55,000 cubic metres. Construction began in April 2010, and the building was inaugurated in October 2011.

First active-house nursery, Hørsholm, Denmark

Working in conjunction with Christensen & Co Architects, Ramboll has prepared the design of an unusual building that fuses energy efficiency with new and inspiring architecture. The nursery, ‘Solhuset’, is a building based on the ‘Active House’ principals; which refer to the building’s ability to produce energy, its comfortable indoor climate as well as its interaction with the surroundings and nature. The Danish construction magazine, Byggeri, has selected Solhuset as the best building of the year in the ‘Open Category’.

The building is a pioneering example of the energy producing and healthy nurseries of the future, and is the first so-called Active House in the world that is made for children. An Active House is a building that reduces energy consumption, and Solhuset demonstrates how good energy design can create a surplus of energy from sustainable energy sources, while at the same time allowing plenty of daylight and fresh air in the indoor environment.

1 Definition: Building Research Establishment Environmental Assessment Method
2 The Leadership In Energy and Environmental Design (LEED) Green Building Rating System is an independent certification program that provides voluntary guidelines for developing high-performance, sustainable buildings
CARE FOR THE COMMUNITY

As a company with a strong commitment to society, Ramboll is also obliged to contribute to improving the situation for some of the world’s most vulnerable people. We want to help where we can and also support non-profit organisations in relation to humanitarian aid and development projects.

Engineers Without Borders

In 2011 Ramboll donated approx. EUR 27,000 to the organisation ‘Engineers Without Borders’ (EWB). The organisation is responsible for providing emergency relief to people affected by natural or manmade disasters and offering engineering expertise to development projects as part of rebuilding communities - all on a voluntary basis.

The donation was used for three things. Firstly, for repairing roads and bridges in Liberia to access the border region where thousands of refugees from the civil war in the Ivory Coast are situated. Secondly, it was used for water pumps at Lake Victoria in Africa to supply drinking water to arid villages and to irrigate the area. Thirdly, it went to fact finding in relation to cyclone shelters in Bangladesh.

At Ramboll, we want to do meaningful work, and therefore we support EWB. We encourage our employees to join EWB as this is a genuine way for engineers to make a difference.

Ramboll engineers contributing their time for free

The Charity Task Group - organised by employees in the UK - supports many charitable jobs in the local community for example structural design of a school in Zambia. Ramboll employees are contributing their spare time to deliver planning or engineering services on a pro bono basis.

“We have the opportunity to truly employ multidisciplinary working alongside our core values of sustainability and protection of the environment, and assisting local community activities. Combined with this our engineers and technicians will be involved at a hands-on level that is often not available to us under more commercial projects”, says Jeremy Foster, leader of the Charity Task Group.

In 2011, the Charity Task Group organised and launched the scheme ‘Donate one paid working day for free’. All employees in the UK were invited to donate one paid working day to a charity of their own choice helping a good cause.
DONATIONS

The Ramboll Foundation, the main owner of Ramboll, has made several donations to non-profit organisations in 2011:

• EUR 13,500 to the Norwegian People’s Aid’s work in demining, removing cluster munitions and other remnants of war around the world.
• EUR 100,000 to help the countries in the Horn of Africa suffering from the worst drought since 1951.
• EUR 13,500 to the twelve largest humanitarian organisations in Denmark for their mutual mission to allocate funds for projects supporting young Africans and their future.
MIND YOUR OWN BUSINESS

In Denmark, Ramboll acts as business mentor for young ethnic boys participating in the project ‘Mind your own business’. The project is initiated by the Danish Refugee Council (DRC) and sponsored by the Tryg Foundation. The purpose is to strengthen ethnic minority boys’ professional and social skills and relations.

Eight micro-enterprises are being created, run and managed by young ethnic boys with entrepreneurial spirit. In conjunction with DRC, business mentors, support from schools, volunteers and partners, the boys are learning business by doing business. The intention is to encourage the boys to use their entrepreneurial experience from the project to start an education and to build a network within the business world.

With the help of business plans, marketing, product development and mentoring, 35 boys have learned how to run their own business. Ramboll – headed by Kurt Nielsen-Dharmaratne – was business mentor for the team that won the competition with the micro-enterprise ‘Shop’N Wash’. The premise for the business is washing people’s cars whilst they are shopping groceries in the supermarket – saving time for the customers.

For Ramboll it was a perfect opportunity to participate as mentor in the project. We are involved in many projects in social housing areas and we are often in contact with the same issues that the DRC is working with. Also we want to be an active part of the community in which we work.
Ramboll employee Kurt Nielsen-Dharmaratne was business mentor for a team of young ethnic boys taking part in the ‘Mind your own business’ project.

GROUP WORKS COUNCIL

The Ramboll Group Works Council is responsible for consulting and informing employees in relation to strategic decisions taken by Ramboll companies covered by the Agreement for Guidelines and Procedures for the Ramboll Works Council. The Ramboll Works Council, which consists of employee representatives from all business units, met with the Group Executive Board on 1 December 2011 in Copenhagen.

The following issues were discussed at the meeting:
• Finance and strategy
• Important organisational changes
• Overall employment situation
• General development – order backlog and changes in activities
• Large investments
• Corporate responsibility
• Ramboll Share Scheme
HUMAN RIGHTS IN DUBAI

In February 2011, the Danish NGO, Danwatch, published a report on working conditions for migrant workers in Dubai’s construction industry. The report documented that two large contractors, Arabtec Construction and Al Habtoor Leighton, with whom Ramboll worked on eight projects in Dubai, violated the rights of the construction workers they employed.

This story found its way to the Danish media on 21 February 2011 and the days after, with about 60 articles in newspapers, magazines, television and on the internet. The incident had impact on Ramboll’s image in Denmark.

The two contractors mentioned took part in construction projects where Ramboll was involved as a consulting engineer for the developer. In other words, no contractual relationship existed between the contractors and Ramboll.

The core element
The allegations against Ramboll stated that by silent complicity we supported the violation of human rights and were indirectly responsible for the behaviour of the contractors. As such, Ramboll failed to comply with the 2nd principle of the UN Global Compact:

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. make sure that they are not complicit in human rights abuses.

Through the UN Global Compact, we are obligated to respond to the actions of collaboration partners to whom we are not connected contractually.

Lessons learned
We must admit that we were not well enough prepared for the consequences of our commitment. Our focus was on business integrity, and human rights was not included in the risk assessment of our projects.

We had not succeeded in making our employees fully aware of what our commitment really means - securing the right business behaviour also in relation to human and labour rights. And we also learned that what happens in one market can have major effects on other markets - a consequence of being a global company.

Actions taken
We continuously strive to live up to the UN Global Compact. This is a process which means that we continuously launch initiatives that strengthen our alertness and procedures in accordance with the principles in the UN Global Compact, and we will seek to implement them whenever we have the opportunity to influence.
Based on our experience from Dubai, we have established a more systematic approach to issues concerning human rights including an ‘Obligation to Act’ policy to guide our employees on ethical business behaviour.

If, through any of our projects, we encounter problematic circumstances of a professional or business ethical nature – including matters concerning human rights – it is always our duty to actively make our customer or business partner aware of this. If we find that the actions taken do not live up to our expectations, we have to reconsider the basis for further collaboration with the customer or business partner.

Our experience from Dubai has given us reason to establish a more systematic approach in relation to issues concerning human rights. We have introduced the policy ‘Obligation to act’ to guide employees on what they must do and why it is important. The policy also outlines a ‘policy statement’ that we must be proactive in communicating to all customers (see page 5 and 26).

**INDUSTRY RESPONSIBILITY**

The risk and challenges we face in the area of human rights are not specific to Ramboll but apply to our whole industry. In addition, professional consultancies are experiencing increased sustainability requirements from customers and society.

Increasing globalisation challenges our profession in relation to sustainability – do we have the right attitudes and structures in place to act responsibly?

The engineering industry’s focus has been on business integrity, but what about human rights, labour rights and the environment?

The International Federation of Consulting Engineers (FIDIC) held its annual conference in October 2011, which was a perfect opportunity for Ramboll to engage in dialogue with industry peers on these issues. Flemming Bligaard Pedersen, Ramboll’s CEO, participated as a speaker and emphasised that common policies and procedures should be established to ensure sustainable growth within our industry.

Taking a point of departure in Ramboll’s experience from Dubai, a constructive discussion took place and all delegates agreed that it is a general industry issue. Based on Ramboll’s best practice, FIDIC decided to review industry guidelines and incorporate aspects of human rights, labour rights and the environment into these guidelines. The revised guidelines are expected to be ready in 2012.

Ramboll has also engaged with other industry associations such as DI (Danish Industry) and FRI (the Danish association of consulting engineers) on how consulting engineers can ensure a responsible cooperation with customers, partners and suppliers.
WE BELIEVE IN A BUSINESS BEHAVIOUR BASED ON TRUST, TRANSPARENCY, INTEGRITY AND PROFESSIONALISM
BUSINESS INTEGRITY

Our Code of Conduct is the backbone of our approach to business integrity. We have a set of tools that help us uphold the Code of Conduct that include training programmes, a Whistleblower and a CR management system as part of our quality management procedures (see page 22 and 26).

TRANSPARENCY CREATES AWARENESS

As a fourth element of the CR Management System, we trained all employees in Business Integrity in January 2011. The purpose was to increase awareness of the reason why we have a Code of Conduct, how it influences our daily work and what we should do to maintain our ethical standards for business behaviour.

The training was developed as an e-learning training course related to our own industry. The training starts with a pre-test where employees can test their present knowledge of business integrity in Ramboll. The training continues with information on our Code of Conduct and Code of Practice and the reasons why it is important. Then the training takes the employee through three fictional dilemmas related to our business. In each dilemma, the employee must evaluate and decide which solution is the best. Information is then given on business integrity tools and where to find more information. Finally, as the most important part, the training ends with a post-test consisting of the same questions as in the pre-test, which gives the employees the opportunity to see where they have improved their knowledge.

All employees were automatically signed up to the course which made it possible for us to measure the participation rate (see figure 04 on page 23). We were pleased that so many employees participated in the business integrity training, and we have subsequently included the online training in introduction packages and induction programmes for new employees.

WHISTLEBLOWER

Our Group Whistleblower is a tool for employees to make anonymous reports about matters that they believe are jeopardising our business integrity and contravene our Code of Conduct. But the Whistleblower can also be used to report other issues such as quality or financial misconduct, or unfair treatment of employees. The Whistleblower is accessed through Ramboll’s intranet, where it is possible to send an anonymous message directly to our Group CEO. However, we encourage people to identify themselves as it is then possible to have a dialogue and to get a better understanding of the situation. We also encourage people to provide sufficient detail about the matter to be able to investigate the situation properly. All reports are taken seriously, investigated and handled with discretion.

In 2011, we have had nine Whistleblower reports. All of which have been investigated carefully and measures have been taken. Eight reports have been investigated internally and one report has been investigated by an independent external investigator.

<table>
<thead>
<tr>
<th>SUBJECT AND NUMBER OF WHISTLEBLOWER REPORTS</th>
</tr>
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<tbody>
<tr>
<td>Values</td>
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<td>Code of Conduct</td>
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</tbody>
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CR MANAGEMENT SYSTEM

Our CR management system, which among other issues focuses on business integrity has been developed according to industry guidelines and composed of six elements (see list of elements). In 2011 we conducted training according to the 4th element and established audit and management review procedures according to the 5th and 6th element – now all elements of the system are implemented. In 2012 all business units must submit their documented CR management review to the Group Executive Board.

01 MEASUREMENT

CODE OF CONDUCT

<table>
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<tr>
<th>BUSINESS UNIT</th>
<th>2011</th>
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02 APPOINTMENT OF A CR ORGANISATION

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On target ■ Partly implemented ■ Not implemented

*The business unit, Energy, was established 1 January 2010.

03 CR PROCEDURES

FOR SCREENING AND MANAGING PROJECTS

Procedures for identifying (screening) and managing CR critical projects are implemented in quality management procedures.

04 TRAINING IN BUSINESS INTEGRITY

Employees are trained in business integrity and how to use the CR management system.

05 CR AUDIT

Audits monitor and document whether CR is implemented in the project processes and if corrective and preventive actions are completed successfully.

06 CR MANAGEMENT REVIEW

At least once a year the management reviews the CR procedures for suitability, adequacy and effectiveness, and decides actions for improvement.
### 03 MEASUREMENT

**CR PROCEDURE FOR SCREENING AND MANAGING PROJECTS**

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- ■ On target
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- ■ Not implemented

*The business unit, Energy, was established 1 January 2010.

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### 04 TRAINING IN BUSINESS INTEGRITY

**% OF EMPLOYEES WHO PARTICIPATED IN BUSINESS INTEGRITY TRAINING**

- **Corporate** 93%
- **Middle East** 95%
- **Management Consulting** 54%
- **Telecom** 37%
- **Oil & Gas** 63%
- **Energy** 78%
- **Informatik* 80%
- **United Kingdom** 68%
- **Finland** 77%
- **Denmark** 71%
- **Sweden** 77%
- **Russia** 70%
- **Norway** 64%
- **Ramboll average** 65%
- **On target**
- **Partly implemented**
- **Not implemented**

*The Informatik business unit was divested of Ramboll in 2011.

**The actual number of employees completed training is assumed to be higher due to an inadequate IT platform in India in 2011.**
## 05 Measurement
### CR Audit

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## 06 Measurement
### CR Management Review

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- ■ Not implemented
BUSINESS PARTNER RESPONSIBILITY

In the past years we have experienced that the requirements to us as a professional community consultant are increasing and today include expectations on us in matters outside the ordinary scope of our services. Consequently, we need to continuously improve our performance and maintain our reputation as a strong responsible partner and supplier.

SUPPLIERS AND CONSORTIUM PARTNERS

As part of Ramboll’s focus on responsible cooperation with business partners, a Group policy on our own suppliers, sub-consultants and consortium partners has been established covering all business units in Ramboll. As part of the policy, we now have requirements on all our suppliers, sub-consultants and consortium partners in the form of a common set of corporate responsibility (CR) standards. These standards are compiled in a Suppliers’ Declaration.

The purpose of the Suppliers’ Declaration is to ensure that our suppliers and partners understand, accept and commit to Ramboll’s standards for good governance and business behaviour. The standards are based on UN Global Compact’s internationally recognised ethical principles in the areas of human rights, labour rights, the environment and anti-corruption as well as Ramboll’s Code of Conduct.

All suppliers and partners with whom Ramboll enters into contract must sign the Suppliers’ Declaration as part of or as a supplement to the contract. Our screening and assessment of suppliers now include these standards as well.

Ramboll must proactively cooperate with our suppliers, sub-consultants and consortium partners on Ramboll’s CR standards in order to promote sustainable development and good corporate citizenship, and to improve performance. Engaging with our suppliers, sub-consultants or consortium partners to improve performance in the cases where these standards are not met will benefit all involved parties and society at large. As a last resort, we may need to terminate business if the company in question continuously fails to comply with a corrective action plan.

CUSTOMERS

Ramboll wishes to be a trusted and responsible partner to our customers. We want to comply with our customers’ standards and help our customers in reaching sustainable goals.

MONITORING SUPPLIER STANDARDS

Corporate responsibility standards for suppliers are not completely new in Ramboll, but merely an extension that now covers all our suppliers. Since 2002, Ramboll has been a supplier of cost efficient guyed masts, towers and monopoles for telecommunication. Ramboll has a network of eight reliable steel manufacturer sub suppliers in countries such as India, China, Poland and Portugal that are all fulfilling our standards. The structures are manufactured according to EN 1090 or similar by highly skilled craftsmen and certified welders. We ourselves select, develop and train new factories to fulfill our standards. Ramboll’s production experts are supervising the production and responsible for the complete documentation. Based on our experience, especially quality of masts and towers, and workplace health and safety issues need to be monitored closely.
As a community consultant, Ramboll is faced with challenges not only in our supply chain, but also - and to a larger extent - in relation to our customers and the projects we work on. We want to work with customers who agree to and do not violate international principles on human rights, labour rights, the environment and anti-corruption and we want to influence our customers’ opinion, actions and choices in the right direction.

As mentioned on page 5 we launched the policy ‘Obligation to act’ in 2011 – with the purpose of having a more proactive and systematic approach towards our customers and business partners in relation to specific matters violating our Code of Conduct or internationally recognised ethical principles.

In this way we are communicating our policy statement to our customers, and in 2011 we have sent letters from our Group CEO to more than 5000 customers explaining Ramboll’s obligation as a community consultant. This was an opportunity to engage with our customers on other terms than usual. In future, we will explain the same to new customers either as part of the tender process, included in the agreement or by letter from Ramboll.

The system has therefore been renamed and is now called the CR management system (see page 22).

In addition to adapting existing procedures in our management systems such as our manuals, project risk assessment and CR file, we have introduced new procedures related to tender and agreements and established an internal Group CR list where companies - that being either customers, suppliers or partners - are listed and shared internally if they are considered to be CR critical.

**MEASUREMENT**

**ADAPTED QUALITY MANAGEMENT PROCEDURES**

The existing Business Integrity Management System is adapted to include aspects of human rights, labour rights and the environment. The system is renamed CR Management System.

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**MANAGEMENT SYSTEMS**

To make our new Group policies and standards related to customers, suppliers and partners operational, we have implemented new and adapted procedures in our quality management systems.

The scope of our business integrity management system (BiMS) have now been expanded to include standards of human rights, labour rights and the environment, and is not limited to bribery, extortion, fraud and collusion as previously.
COUNTRY HEAD OFFICES

01 BELGIUM, Brussels  02 CYPRUS, Episkopi  03 DENMARK, Copenhagen
04 ESTONIA, Tallinn  05 FINLAND, Helsinki  06 GERMANY, Hamburg
07 GREENLAND, Nuuk  08 INDIA, Hyderabad  09 LATVIA, Riga  10 NORWAY, Oslo
11 POLAND, Warsaw  12 QATAR, Doha  13 SINGAPORE, Singapore  14 ROMANIA, Bucharest
15 RUSSIA, St Petersburg  16 SAUDI ARABIA, Riyadh  17 SOUTH AFRICA, Pretoria
18 SWEDEN, Stockholm  19 SWITZERLAND, Zurich  20 UAE, Dubai
21 UK, London  22 USA, New York
Global Risk

As our company grows, operates on international markets, cooperate across cultures, Ramboll is increasingly exposed to various risks.

In order to deal with global risk and protect the safety of our people, we must constantly increase our awareness of risk preparing ourselves to deal with difficult situations and to protect our brand.

An awareness of risk and risk management is increasingly viewed as a must when evaluating every project opportunity in Ramboll.

Risk Assessment in Ramboll:

On any Ramboll project a risk assessment should be carried out based on your Business Unit's risk assessment procedures. Many factors have to be considered to form the basis for deciding whether or not to bid for a project in a certain country.

The types of risks that we have to deal with as Global Risks are the following:

1. Countries where Ramboll have decided not to work in/provide services/products to
2. International restrictions or internal policies that prevent Ramboll from delivering services (e.g. consulting services regarding constructions for the purpose of supporting chemical, biologic or nuclear weapon or constructions that produce or store missiles)
3. Personal security – guidelines from the Ministry of Foreign Affairs in the country where the Ramboll employee are permanent located/are citizen (e.g. due to risks related to kidnapping or safety)
4. Insurance and travel
5. Business Integrity

The primary principle which we must always remember in Ramboll is the safety of our people.

For other types of risks please see the Risk policy and the Risk guidance.

If you are working on a project and you during the project obtain an understanding that the project could be in conflict with the below, you are requested to contact the Group Legal Function in order to discuss how to handle such a situation.

Countries where Ramboll has decided not to work in/provide services/products to

For safety and/or political reasons Ramboll has for now decided that we will not work on any projects or provide services/products to the following countries:

- Afghanistan
- Burundi
- Côte D'Ivoire (Western border)
- Congo (DRC)
- Iran
- Iraq
- North Korea
- Palestine (Gaza strip)
- Pakistan
- Somalia
- Sri Lanka (Wanni region)
- Sudan (Darfur)
- Syria
- Yemen
The list of countries will be continuously evaluated and revised, therefore please look out for updates.

**Services that Ramboll cannot deliver according to internal policies or international restrictions**

According to Ramboll's internal policies combined with international restrictions, Ramboll has for now decided that we will not work on any projects or provide services/products that:

- Support projects that as its primary purpose potentially is destructive towards mankind, and/or
- Support chemical, biologic or nuclear weapon or develop, produce, maintain or keep/store missiles

**Personal security – always follow guidelines from the Ministry of Foreign Affairs in your country**

For personal security reasons, before travelling and during travel, short or long term, each employee must regularly ensure that:

- the travel guidelines from the Ministry of Foreign Affairs in the country where the Ramboll employee are permanent located/are citizen, do not recommend its citizens to avoid visiting/staying in the actual region/city (typical region in a country or large cities).

Due to risk of e.g. kidnapping or general safety precaution such guidelines must always be respected by Ramboll's employees. Only under extraordinary circumstances and provided that an employee need to travel to or stay in such region/city on behalf of Ramboll and is prepared to do so, such travel may be accepted. However, it is subject to a written specific acceptance - the Travel Risk Declaration - from the Managing Director of the PBU the employee in question is employed in, prior to the travel is initiated/at the time the travel guidelines from the Ministry of Foreign Affairs changes its guidelines to recommend avoid visiting or staying in the actual region.

**Insurance and travel policy**

No employee in Ramboll must travel on behalf of Ramboll without necessary travel insurance according to Group standards and without ensuring that the travel policy and the requirements in the Global Risk description are fulfilled.

**Business Integrity**

In Ramboll it is crucial that we work within our Code of Conduct and the UN Global Compact principles in order to mitigate risks and to protect our values and brand. However, we cannot avoid facing business integrity dilemmas in our everyday business and it is therefore very important that every employee knows Ramboll's stand on integrity issues and knows how to act.

By increasing our knowledge of the potential integrity risks and where they are highest, we can prepare ourselves for the dilemmas we may face. Please always remember to assess the CR risk (corporate responsibility risk) related to a project (this procedure is incorporated in the quality management procedures). Especially, we must screen sub-consultants and customers.

Please be aware of our obligation to act when unacceptable business behaviour is identified. We have an obligation even when it has to do with our customers, suppliers and other partners on a project.

For more information please read:
Obligation to act policy and Obligation to act leaflet,
Policy on suppliers, sub-consultants and consortium partners,
Suppliers' Declaration
RAMBOLL
RISK GUIDANCE IN RAMBOLL
Risk Guidance in Ramboll

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RISK GUIDANCE IN RAMBOLL – JANUARY 2010

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[DO NOT delete the following line since it contains a section break – delete this field before printing]
1. RISK MANAGEMENT IN RAMBOLL

1.1 Background
Risk management in Ramboll is about awareness and mitigation of risks related to Ramboll’s business.

Risk is a feature of the business which Ramboll inherently accepts as a professional provider of knowledge services. Accepting risk is a choice Ramboll accepts by undertaking the type of business we do.

The challenge is to ensure a risk profile that provides Ramboll with the right balance between bearing such risks (be able to deal with such risks if realised) and protecting Ramboll from unreasonable risks that could seriously harm Ramboll.

1.2 Purpose of this Guidance

The purpose of this Guidance concerning risk in Ramboll is to provide the management in Ramboll with guidance in the form of a description of the risks that could affect the operation of Ramboll and establish policies, guidelines and requirements for how to treat such risks in the form of Risk Management guidelines and requirements.

This Guidance does not cover all potential risks that could affect Ramboll, but the risks touched upon in this Guidance reflect the risks that Ramboll has experienced until today.

This Guidance has also been prepared in order for Ramboll to have a consistent and uniform approach to risks not necessarily covered by the Corporate Policies and for the purpose of providing all employees in Ramboll with guidance on what is good practice in Ramboll when considering risks.

1.3 Corporate Policy on Risk and Minimum Requirements

The Group Executive Board has approved a Corporate Policy on Risk Management which is available on the intranet under (“XX”).

Each Principal Business Unit must ensure the implementation of this Corporate Policy on risk and this Guidance within its own organisation.

As stated in our Corporate Policy and based on our present experience the most serious risks in Ramboll have been identified within the area of:

- Errors and omissions in the services performed which have lead to a write down in work in progress or loss arising out of claims;
• Bad debtors which have lead to losses;
• Decrease in activities in a market which has lead to overcapacity of resources that causes losses;
• Inability to attract and retain the right employees and utilise our resources effective;
• Breach of Ramboll's Code of Conduct leading to significant damages of reputation and branding value;
• Mergers and acquisitions where the expectations to performance in the acquired company have not been met;
• Violation of Code of Conduct and Business Integrity Management Systems

In order to monitor these risks certain minimum requirements which are set out in the Corporate Policy must be fulfilled by each PBU.

This Guidance has been drawn up by the Group Executive Board. It is intended for internal use only and must be treated in confidence.

2. GUIDELINES AND REQUIREMENTS CONCERNING RISK MANAGEMENT IN RAMBOLL

2.1 Introduction
Risk in this Guidance is defined as "the combination of the probability of an event and its consequences".

Risks are an integral part of doing, and being able to do business. Risk can be about opportunity and not just about analyzing the potential for a negative event or consequence.

The management of risk is embedded in Ramboll's vision to:

"... helping create inspirational and long-standing solutions that allow people and nature to flourish".

A long term failure to manage risk undermines this vision.

Risk is a feature of the business which Ramboll inherently accepts as a professional provider of knowledge services.

From a risk management point of view, it is important that all potential risks relating to the business of Ramboll are identified, assessed, allocated, monitored, controlled and mitigated.

Risk management in Ramboll is about awareness and treatment of risks related to Ramboll's business (namely the operation, management, organisation and development of Ramboll). It is also about being risk ready or risk preparedness and ensuring the right balance between bearing and being paid for such risks (be able to deal with such risks if realised) and protecting Ramboll from unreasonable risks that could seriously harm Ramboll.

Risk management is also about the treatment of risks and identification of the limits which Ramboll will usually be prepared to accept with respect to accepted risks arising out of its business.
Furthermore, risk is about management ensuring that Ramboll's employees who are empowered to take decisions also treat the risks related to such decisions in accordance with good practice in Ramboll.

This Guidance describes Ramboll's risk management guidelines and requirements and includes a brief description of the identified risks, an assessment of the risk, and a description of how to monitor, control and mitigate/manage such risks. Typical risks borne by Ramboll are considered and evaluated in section 2.4 of this Guidance.

This Guidance should be read in the context of Ramboll Group Corporate Policies.

### 2.2 Why is risk management in Ramboll important

In general any risk which actually impacts Ramboll could potentially harm Ramboll financially.

The examples of the typical risks which can impact Ramboll (listed in section 2.4 of this Guidance) are likely ultimately to have an impact (directly or indirectly) on the financial status of Ramboll.

The realisation of a risk, for example in the form of poor performance by Ramboll under a contract, might lead to a claim and a dispute which has a direct financial implication and which ties up a lot of both internal and external time and resources.

The materialisation of a risk may have both short and long term impacts on Ramboll. For example it may also lead to bad publicity and damage the Ramboll brand which impacts on Ramboll's goodwill and leads to the long term:

- rejection by customers of Ramboll as their preferred supplier for their future projects (damage to reputation).
- rejection by potential competent employees of Ramboll as their employee of choice increasing the risk to Ramboll of attracting and retaining competent and skilled staff (talent management/staff reputation risk).

In order to minimise or avoid potential risks related to all Ramboll's business, we must manage such potential risks in a professional and consistent manner within the Ramboll Group despite the fact that some risks may harm Ramboll more in one service area or one geographic area than another. In this context it is important to understand and comply with Ramboll's existing Corporate Policy regarding "Guidelines for entering into commercial contracts" which stipulates that:

"no agreement or engagement is so important that it can justify the acceptance of terms and conditions which expose the particular legal entity to a risk-profile which may impose a disproportionate potential financial burden on the legal entity and/or the Ramboll Group, that could materially undermine its financial position."

### 2.3 Evaluation of potential risks

With respect to each project or business engagement, a consideration of the potential risks and to what extent such risks can be either accepted, not accepted or accepted subject to agreement on limitations of Ramboll's liability or risk within certain area, must depend on a qualified evaluation of the risks involved in the project and/or business engagement.

#### 2.3.1 Elements of an evaluation process

Such a qualified evaluation must take the following elements into account:

1. **Identify the risk.**
   It is important to consider which potential risks are related to the actual project or business
engagement. Such identification must build on a combination of a number of factors, e.g. experience, project/business complexity, geographic area for the activity, time, competences and technical requirements.

2. **Assessment of risk**

With respect to each risk identified, an assessment of the probability and potential financial cost related to the risk must be identified (quantified). A conclusion on how to manage each of the identified risks must be identified, based on a reasonable commercial decision (which always must comply with internal requirements and guidelines e.g. Ramboll's Corporate Policies). An assessment must be made on how the risk can be minimised or avoided e.g. according to commercial terms and/or insurance cover.

The assessment must result in a decision on whether Ramboll can accept or not accept the risk, and if accepted to what extent such risk can be accepted (e.g. provided that certain express limitations on Ramboll's liability are agreed upon in a contract).

3. **Monitoring the risks**

Once the commercial decision has been taken to accept the identified risks, allocation of responsibilities and reporting lines with respect to each of such risks must be identified. Monitoring the risks must be organised so that it reduces the probability of the actual risks arising and so that internal experience with respect to the actual risks is collected and analysed in order to obtain a qualified basis for considering such risks in the future (use lessons learned – factor into risk preparedness for the future).

4. **Controlling and mitigating the risks**

When risks are taken, instruments to reduce such risk must be considered and established. A common way to control risks taken is by using internal procedures and management techniques (e.g. quality management systems, training).

To the extent that a risk cannot be controlled or avoided then consideration should be given as to how such risk can be mitigated should it arise. This can include entering into a “back to back contract” so that the impact of such risk can be passed onto to a third party. It can also include taking out insurance so that a third party bears the cost of such risk.

5. **Review the risk and risk preparedness**

At the end of a project, risks which were borne should be assessed and reconsidered. At a policy level consideration should be given to what extent the monitoring processes, controls and mitigating strategies were effective and to what extent policies were relevant. This policy level information should then be reported to Group Corporate to improve Ramboll's policies and collective corporate experience on the particular risk issue. The review should also improve the risk preparedness of Ramboll.

### 2.3.2 Taking into account of other factors

Dealing with risk is a commercial issue that might affect our competitive position in a particular service market or a particular geographical market. The variables which affect such market must be taken into account in a risk evaluation.

For example, the tradition and the local law in a market may influence the way such a risk is dealt with. Local traditions and law may also affect Ramboll's style and approach.

However, such competitive issues should not affect the overall evaluation of Ramboll's risk profile although it may lead to a weaker competitive position because of the legal requirements and the terms and conditions in an agreement regarding a project or a business engagement.
2.4 **Description of the approach to risks arising out of Ramboll's business**

This section contains a more detailed analysis of the typical risks borne by Ramboll.

In particular, this section identifies briefly the risks arising out of Ramboll's business and describes the general approach to how such risks should be evaluated.

Before entering into any commercial agreement Ramboll must consider its ability to fulfil such an agreement. With respect to any consultancy agreements Ramboll must consider its ability to provide the requested services in accordance with the customers' expectations, in the right quality, within the time schedule and based on terms acceptable to Ramboll.

The term "commercial agreement" or "commercial agreements" include (in accordance with the Corporate Policies, "Guidelines for entering into commercial agreement") any consultancy agreements, service agreements, cooperation agreements, employment contracts, lease agreements, guarantees, securities or any other agreement resulting in an obligation on a legal entity in the Ramboll Group.

With respect to each description, "monitoring" has not been described as such monitoring process requires a specific case (specific data) to be evaluated. Please also note that the process regarding monitoring and "Review the risk and Risk Preparedness" is covered by the action described under the Ramboll’s Corporate Policy on Risk (see section 1).

### 2.4.1 Lack of updated strategy for development of Ramboll

**Identification and awareness of risk:** The risk is lack of having an updated strategy in order to optimise the business development of Ramboll, so that the development of Ramboll is not lagging behind our competitors. The strategic risk is not having the right strategy or not implementing the latest strategy and thereby missing opportunities and lag behind in the competition.

**Assessment of risk:** Typically the probability of this risk is medium but it cannot be assessed without a business case grounding the foundations of any new strategy (for example expansion into a new area) and an audit a couple of years later to assess the implementation of the strategy.

**Controlling and mitigating the risk:** The instruments used to reduce the risk are a combination of (1) regular strategy process with reporting and follow-up, (2) ensuring that strategies exist for new business developments which are supported by robust business cases (3) ensuring that decisions are grounded on strategic rather than political or organisational reasons (4) empowerment of Ramboll’s employees to say no to the continued development of a strategy if during the course of implementation of a strategy it becomes apparent that the underlying assumptions of the strategy are not being met.

### 2.4.2 Poor payment terms

**Identification and awareness of risk:** Cash flow is important to Ramboll. A poor cash flow may affect Ramboll's credit facilities or limit Ramboll's free cash.

**Assessment of risk:** The direct cost is related to the interest on outstanding debts, but the larger concern is related to the increased risk of bad debt losses.
Controlling and mitigating the risk: The instrument to reduce the risk is to ensure payment terms in any consultancy agreement that provide Ramboll with a reasonable cash flow in connection with any project and furthermore ensures that Ramboll is not financing the customers’ project. It is therefore important to focus on such payment terms when the consultancy agreement is negotiated. If Ramboll must accept poor payment terms, Ramboll must price the contingency by charging a higher fee covering both interest cost an increased risk of bad debts losses.

Any fixed fee for a service must be negotiated with extreme care.

Advance payments, an effective monthly invoicing, short period for payments, constantly following-up on due payments and procedures to pursue due payments are important to improve the cash flow.

2.4.3 Bad debtors and write down on work in progress

Identification and awareness of risk: Bad debtors are often a potential risk. The reason for a debtor to become a bad debtor is often due to internal business difficulties that may arise without any "early warning". During periods of recession the number of bad debtors normally increases.

Assessment of risk: Accounts receivables, trade are recognised initially at fair value and subsequently measured at cost less provision for impairment. A provision for impairment of trade receivables and WIP is established when there is objective evidence that Ramboll Group will not be able to collect all amounts due according to the original terms of receivables.

Controlling and mitigating the risk:

If a customer does not pay when invoices are due according to its agreement with Ramboll it is in breach of its obligation, and Ramboll must in such cases consider how to respond thereto. For example do we take legal action (with the risk of damaging our long term commercial relations with the customer) or do we endeavour to reach an amicable commercial solution by working with the customer to obtain payment.

The instrument to reduce such risk is to follow up with the customer and stop working on the project and ask for advance payments. Often the best way of ensuring the payment or reducing the potential loss is to let the customer know that we will stop working on his project. However, such a decision requires a legal evaluation of Ramboll’s legal position to do so according to the consultancy agreement as such a step may affect the project and the customer relation dramatically.

An other important way of mitigating the risk is always to obtain a clear written document/agreement from the customer before starting the work.

2.4.4 Lack of qualified employees and utilisation of resources

Identification and awareness of Risk: The most important asset in Ramboll is the employees.

One of the most important parameters in the competition between companies providing knowledge services is the ability to attract and retain the right people, use employees with the right competences in each project combined with ability to optimise the resources and ensure necessary development of the employees in order to prepare Ramboll and our employees to the future. Available resources not being involved in projects creates financial losses and uncertainty among the employees affected by such lack of projects.

Assessment of risk: Changes in the market situation and fluctuations in the demand from our customers are a challenge to our operations.

Controlling and mitigating the risk: The instrument to reduce such risks is to closely follow up on
the effective utilisation of resources, reliability in the forecast and planning systems for allocation of resources on projects in the pipeline and the flexibility as well as mobility to transfer resources form one area of services to another area of services (provided however that such transfer from a technical perspective can be justified). Furthermore, education and development of competences are important to avoid a lack of resources.

Competition for talent, talent management and increased competition on the future competences due to demographic challenges are other issues to be addressed.

The instrument to reduce the risks related to the competition for talent and talent management is to have a professional approach in the operation supported by qualified HR-resources and a strong brand to differentiate Ramboll in a way that retains present employees and attracts potential future employees.

2.4.5 Mergers and acquisitions

Identification and awareness of risk: It is generally accepted that a merger or acquisition of a company, including the integration of such an acquired company into an existing operation, involves many types of serious risks that requires very experienced and competent resources in an organisation to deal with such matters.

Categories of risk include:

- The business being acquired, particularly where acquired by means of the share acquisition of the company where hidden liabilities will be inherited with the newly acquired company. The acquired business may not generate the profits assumed by the assumptions in the business plan for the acquisition of the company.

- Integration of the business into Ramboll

- Key employees leaving the acquired operation

Assessment of risk: Many companies have lost huge amounts on mergers and acquisitions and wasted money on failed integration.

Controlling and mitigating the risk: In Ramboll, all acquisition and merger activities including integration of the acquired operation is a matter for the top management.

The instruments to reduce the risks related to mergers and acquisitions, including integration of the acquired operation, are checklists and valuation tools combined with competent and experienced people within financial, technical, commercial, operating and legal areas that due to the complexity cannot be described in this memo.

For further information please see Ramboll Corporate Policies regarding "acquisition and sale of shares or assets".

2.4.6 Errors and omissions in the services provided by Ramboll

Identification and awareness of risk: Most claims against Ramboll are raised by Ramboll's customers and are based on claimed errors or omissions in the provision of Ramboll's services. Such claims are based on an argument that Ramboll's professional advice or design has been insufficient or faulty and caused a loss for the customer.

Assessment of risk: Typically the probability of this risk is high and the impact in terms of time and cost is substantially based on the experience within Ramboll even though Ramboll's professional indemnity insurance covers claims related to such risk up to a certain limit. Cost related to rectifying your own services, costs of excess cover and potential negative effect on our
cooperation with the client are typically results of errors and omissions in Ramboll's services to be borne by Ramboll.

Controlling and mitigating the risk: The instruments used to reduce the risk are a combination of (i) having competent and capable people to resource the particular project (ii) ensuring Quality Management Systems become an integrated part of each project, (iii) through using standard contracts and negotiation, such as by ensuring the right limitations are included under the terms of the consultancy agreement, (iv) placing professional insurance that covers the services to be provided under the agreement, and (v) sharing knowledge and education of personnel such as via the Ramboll Academy.

The Corporate Policies contain requirements as to the terms and conditions that apply to Ramboll's agreements with customers ('consultancy agreements') which must be included in any agreement. These include the requirements for a limitation of Ramboll's liability in connection with consultancy agreements as described in Ramboll Corporate Policies, item 5.1. According to the Corporate Policies, the instrument to reduce such risk is to obtain the right terms in the consultancy agreement through negotiation namely by:

- Including a financial limit on liability for delay
- Excluding types of loss such as indirect losses or consequential damage (to the extent possible under applicable law) – clauses to be carefully drafted for compliance with local law to ensure that loss of profit or economic loss are excluded
- Limiting the time in which a customer may make a claim
- Limiting the grant of any indemnities and guarantees

The requirement for insurance for Ramboll covering professional liability is described in section 6 (Insurance standards) below.

Any claim made under our insurance policy is registered on Ramboll’s claim record on the professional indemnity insurance and will most probably affect the future insurance premium.

2.4.7 Delay in services to be provided by Ramboll

Identification and awareness of risk: Ramboll fails to provide services on time leading to claims and delay in payment.

The risk is that the delay in Ramboll’s performance may affect the entire project which may cause potential claims from other involved parties in the project (e.g. from the customer due to loss of profit if construction is not ready as originally planned or from contractors involved in the project as they due to the delay may have to stay longer on the construction site).

Assessment of risk: Historically the delay of Ramboll services has not been a risk that has occurred very often. Without the careful negotiation of contractual terms, the potential impact of such a risk on Ramboll is serious.

Controlling and mitigating the risk: Such a risk is not covered by Ramboll's insurance and the consequences of delay must from a risk perspective be treated as a liability with the consequence that Ramboll must compensate affected parties for their losses. Limitation of the liability in the agreements is important to mitigate the risk.
2.4.8 General liability and product liability

Identification and awareness of risk: In connection with the professional operation, Ramboll’s employees may cause damage which is not considered as professional liability but general liability (e.g. if an employees by accident breaks a Chinese vase in a customer’s reception).

Product liability is related to a systematic fault in a product that may cause physical damage to tangible assets or cause personal injury to individuals.

Despite the risk being low in connection with the main parts of Ramboll’s business, standard general liability insurance in Ramboll will in certain cases include a reasonable cover for product liability.

Assessment of risk: General liability is not very often realised and will under normal circumstances be covered by Ramboll’s insurances (e.g. general liability insurance or automobile insurance).

Product liability is not a traditional risk related to Ramboll’s business as a provider of knowledge services. However, in connection with manufacturing of equipment (e.g. telecom masts) product liability is an issue that must be treated very carefully, as the loss in the event of a product liability could be huge.

Controlling and mitigating the risk: The main instrument for controlling and mitigating the risks are insurance and limitation of the liability. An assessment of the insurance needs of a project must be assessed at the planning stage of a project. Cost of insurance must be taken into account by the project when bidding for the relevant project.

2.4.9 Contractual liabilities (e.g. liability for the performance of a sub-consultant)

Identification and awareness of risk: When Ramboll enters into a consultancy agreement which requires that Ramboll’s services must be supplemented with services from sub-consultants, Ramboll will be contractually liable towards the customer for all services to be performed according to the consultancy agreement (including the services performed by the sub-consultants).

Assessment of risk: Ramboll must as main consultant ensure that the liability and insurance cover for the sub-consultant are similar to the liability and insurance cover of Ramboll as main consultant. If this is not the case, Ramboll may have a contractual liability towards the client, which is not 100% covered by the liability of the sub-consultant that has caused the damages that the client has claimed.

Controlling and mitigating the risk: In order to manage the risks related to the non performance of the sub-consultant, it is important to consider the sub-consultant’s ability to provide Ramboll with the services based on an evaluation of the sub-consultant’s technical competences as well as his resources and furthermore evaluate his ability from a financial/economical view to fulfil his obligation in time with the right quality.

Besides an evaluation of the sub-consultant, the instrument to reduce the risk related to such sub-consultant is through the terms of the sub-consultancy agreement and by ensuring an insurance set-up that leaves Ramboll with no contractual liability with respect to the liability of the sub-consultant for errors or omissions in the services provided by the sub-consultant (the sub-consultancy agreement must be based on the "back to back principles"). For further information, please see the Ramboll Corporate Policies regarding "Guidelines for entering into commercial agreements" and "Insurance".
2.4.10 Acceptance of contractual terms regarding guarantees and/or hold harmless obligations/Indemnities

Identification and awareness of risk: Within certain technical areas, customers would like Ramboll to give guaranties or hold the customer harmless in the event that specified and agreed technical specification will not be fulfilled as a result of the consultancy services provided by Ramboll.

The purpose of such request from the customer is to increase the risk profile for Ramboll as the legal obligation arising out of a guarantee, a "hold harmless" clause or an indemnity in a consultancy agreement may lead to a wider risk compared to the risk arising out of the legal obligation of being liable. Where the professional indemnity insurance will cover Ramboll's legal obligation based on a liability evaluation, it will normally not cover such losses arising out of a legal obligation based on a guarantee or an hold harmless provision.

Some customers also place risks on Ramboll by means of indemnities which increase the limitation of action periods under many legal systems and do not require the customer to mitigate their loss. Under certain standard form contracts, indemnities are also excluded from the limitation of Ramboll's liability under the contract.

Assessment of risk: From time to time Ramboll is asked to provide guaranties or accept hold harmless clauses. As such provision increases Ramboll's risk compared to the liability according to law, such guarantees or "hold harmless" clauses must be avoided.

Controlling and mitigating the risk: The instrument to reduce such risks is to avoid such "guarantees", "hold harmless clauses" or other warranties or undertaking provisions in Ramboll's consultancy agreements. One should also avoid giving third party (collateral) warranties and indemnities.

2.4.11 Breach of obligation

Identification and awareness of risk: If Ramboll is in breach of its contractual obligations (often called breach of contract), the risk will often be that the counterpart/customer is entitled to terminate the agreement (in certain cases after Ramboll has been given a notice period for remedying the breach) and claim damages such as by requiring Ramboll to compensate the counterpart/customer for all losses arising out of Ramboll breach of contract.

A breach could be caused by Ramboll not being able to provide the right technical services or right and competent resources to a project to a customer.

Assessment of risk: Could be high. Bearing in mind that breach of contract is not a legal matter that under normal circumstances is covered by insurance, and furthermore may damage our image, breach of contract must be avoided.

Controlling and mitigating the risk: The instrument to avoid such risks caused by Ramboll's breach of contract, is a professional evaluation of the actual agreement before signing (ask - can Ramboll fulfil all requirements defined in the agreement?) and then ensuring that Ramboll has a right to remedy any potential breach of contract within a reasonable period of time and a defined period of time before the counterpart/customer is entitled to terminate the agreement. Finally, in the event of a breach of contract, Ramboll must require the counterpart/customer to do everything to mitigate/reduce any cost arising out of the breach before the counterpart/customer has a right to claim Ramboll to compensate it. This is so that the claim against Ramboll is reduced to what Ramboll is directly responsible for.

If Ramboll's customer is in breach of its obligations (e.g. not paying Ramboll's invoices when they are due or not providing Ramboll with required and contractual defined data in a project), Ramboll must claim that the customer is in breach of contract (see also section 3.4.3 bad debtors).
The instrument to reduce the risk of losses caused by breach of contract by a customer, is to react and, if necessary, to suspend the work on the project. Before coming to such a conclusion an evaluation of Ramboll’s legal position is required.

2.4.12 Criminal act (fraud and unauthorised use of knowledge or data)

Identification and awareness of risk: Risk of fraud and unauthorised use of knowledge and data belonging to Ramboll.

However, our values and culture of empowerment, knowledge sharing and decentralised structure increase the risk.

Assessment of risk: From a historical perspective Ramboll has very seldom been affected by criminal acts committed by Ramboll employees (e.g. fraud or unauthorised use of knowledge or data).

Controlling and mitigating the risk: The instrument to minimise the risks of criminal acts committed against Ramboll by its employees is the setting up internal procedures that prevent (makes it difficult) its employees from committing criminal acts. Internal control systems and requirement of approval of payments and invoices by two employees reduce the possibility for employees being tempted to commit criminal acts. Furthermore, such internal procedures can be supplemented by insurance covering certain types of criminal acts committed against Ramboll.

The instrument to reduce the risks arising out of a failure to comply with an obligation to keep information confidential is to follow internal best practice for keeping and using confidential information according to the instructions agreed upon with the counterpart.

The instrument to reduce the risk arising out of an unauthorised use of Ramboll protected knowledge or Ramboll intangible rights is not to withhold knowledge from being shared with the colleagues within Ramboll, but to react immediately by informing the management, when such unauthorised use of confidential or protected knowledge is noticed.

2.4.13 Integrity – violation of Code of Conduct

Identification and awareness of Risk: Actions violating the Ramboll Code of Conduct or the Ramboll Code of Practice, will most probably also violate governing local law (seen as a criminal act). Furthermore, any such act seriously violates Ramboll’s internal requirements (including the breaching of Ramboll’s obligation according to our membership of the UN Global Compact).

Furthermore, any such violation of the Ramboll Code of Conduct or the Ramboll Code of Practice will harm our reputation and our brand and thereby damage our business opportunities in the said market and have a negative spill over effect on other Ramboll Businesses (including attraction and retention of employees).

Assessment of risk: The risk in our industry may be lower compared to other industries, but the impact would be high especially in the event of public exposure in the media. Ramboll could also be sanctioned from bidding for public projects causing an impact on its business. Directors and managers could also incur personal (criminal) and professional sanctions.

There is a potentially higher risk in violating the Code of Conduct in periods of financial crises where the temptation to sacrifice ethical compliance for financial survival is increased.

Controlling and mitigating the risk: The instrument to reduce risks related to violation of the Ramboll Code of Conduct or the Ramboll Code of Practice is through the Business Integrity Management System (BIMS) according to the guidelines of FIDIC and incorporated in to the Quality Management System as the BIMS screening tool (and included in the Corporate Social Responsibility activities).
Moreover, the whistleblower system available to all employees on the intranet is a tool for all employees who believe that Ramboll’s Code of Conduct or Ramboll’s Code of Practice have been violated.

Finally, a zero tolerance policy regarding breach of Ramboll’s Code of Conduct is preventive.

2.4.14 Lack of or disruption in IT support systems

Identification and awareness of risk
An emergency situation is defined as the occurrence of any event that causes a significant disruption in the IT services. The risk for such a disruption could be hardware breakdown, electricity break out, flooding, fire, etc.

Assessment of the risk
For each IT system there must be a DRP – Disaster Recovery Plan and back up procedures to be able to get the IT services/systems up and running again after an emergency. The emergency plan is a how-to instruction to restore the business unit’s IT services locally as well as a plan to restore the same IT services on new hardware on a new location. The unit's emergency plans must be prioritized to reflect the business critical level. E.g. what downtime would cost per day, how fast each system must be brought back up and in what order.

Controlling and mitigating the risk
The Disaster Recovery Plans for all systems have to be reviewed and updated every year. Based on the updates a number of plans can be selected to be tested. The plans for the most critical systems must be tested every second year or when major changes have occurred.
2.4.15  Contract Document management risk

Identification and awareness of risk: Contract document management risk is the risk that we cannot document all the terms and conditions of our internal and external agreements.

The risk is greatest where we enter into agreements verbally.

The potential lack of certainty as to the terms of our contracts also exists where contracts are signed using email as an indication of agreement. This leads to the separation of the terms of the contract from the confirmation that it has been agreed by both parties. This also increases the uncertainty as to whether a particular document is the final version or a draft.

In general the risk relating to concluding contracts by electronic means is a practical rather than a legal risk as laws such as the EU Electronic Commerce Directive and Electronic Signatures Directive are intended to ensure that in the EU anyway contracts can be concluded by electronic means and member states in the EU are supposed to remove internal legal obstacles to this. It is also recognised, for example in England, that electronic mail and transmissions satisfy the requirement of writing where such formality is required for a binding contract.

However, countries outside the EU may still limit and question whether a contract concluded using email and/or electronic communication is a valid contract. Even within the EU some contracts require a high level of formality such as notarisation which must always be checked.

The nature of the risk is that poor contract document management can lead among other matters to uncertainty about the terms of our contracts, poor knowledge sharing and leverage of beneficial terms or failure to benefit from terms and agreements previously obtained by Ramboll.

Assessment of risk: The risk is evaluated as medium – most likely because of well established internal procedure for handling agreements etc.

Controlling and mitigating the risk: Ramboll has indicated in a number of policies, such as the Ramboll Governance Principles, the importance of PBUs having internal documentation management guidelines, and the policy is to avoid start working on a project without having a written agreement or order that fulfils Ramboll’s requirement to guidelines for entering into commercial contracts.

2.4.16  Business interruption - damages caused by third party

Identification and awareness of risk: Damages caused by a third party damaging Ramboll business have according to our experiences so far not seriously caused a business interruption.

However, employees have been physically injured and assets have been destroyed because of damages caused by third party.

The risks that may affect our business substantially are damages leading to business interruption (e.g. fire in an office building leading to lack of office facility to the employees, break down in suppliers cable or supply chain systems (e.g. electricity, energy or heat) or break down on IT/server system preventing our employees from working on their computers or corresponding with customers/business partners).

Even though the risks above are often caused in a way leading to a potential financial claim against the person causing the damage, the type and circumstances of such loss might require a separate risk consideration from Ramboll, leading to precautionary or risk minimising activities.

Outsourcing and off-shoring may lead to a higher exposure of potential business interruption that requires separate evaluation of such risks.
Assessment of risk: The potential risk is low but the consequences can be very serious – e.g. when an office is out of electricity for a couple of hours or even worse if an office is damaged seriously by fire.

Controlling and mitigating the risk:

The instrument to reduce such risks is for each office facility to consider which reasonable and precautionary arrangements can be established in order to reduce or eliminate such risks. Such arrangements must be combined with insurances covering e.g. insurance covering business interruption, insurance cover of certain types of assets (e.g. cars and expensive equipment) and insurance cover of injured employees (e.g. workers compensation).

2.4.17 Decrease in activities in a market (market area)

Identification and awareness of risk: When business activities are decreasing in a certain market area, the consequence is often a combination of having free internal resources in Ramboll and having a local economic slowdown.

Assessment of risk: Nature and level of risk are uncertain. Given the uncertainty this is a risk which needs to be focused on and monitored.

Controlling and mitigating the risk: The instruments to reduce the risk are therefore a combination of actions related to changes in the market situation, flexibility in labour market/agreements and high management focus and monitoring.

2.4.18 Natural disasters

Identification and awareness of Risk: Natural disasters may impact existing and future projects involving Ramboll and its clients. It may for example delay existing projects and cause damage to work already done by Ramboll on an existing project increasing the projected costs on Ramboll undertaking such project. Natural disasters can also postpone projects.

Natural disasters can be an opportunity for Ramboll where Ramboll is able to assist its customers in responding to the actual or potential effects of a natural disaster.

Assessment of risk: Even though serious risks related to natural disasters have not been realised to date in Ramboll, a current focus on such potential risks and how to deal with such risks must be given priority.

Controlling and mitigating the risk: The instrument to reduce such risks is to be pro-active (currently consider and establish arrangement reducing or eliminating such risks) and establish insurance cover where such potential risks could occur. The contract with the customer should also allocate the risk of a natural disaster allowing Ramboll for example the opportunity (such as with reference to force majeure) to suspend work, recover costs and ultimately terminate its assignment where the effect of a natural disaster is extended delay.

2.4.19 Criminal acts by third party

Identification and awareness of Risk: These are typically risks related to criminal acts originating outside Ramboll namely committed by a third party:

- Robbery
- Fraud
- Violence
- Misuse of confidential information (leading to disciplinary action)
- Misuse of protected knowledge (leading to disciplinary action)
- Kidnapping

Assessment of risk: The general impression is that historically the level of criminal acts reported to Ramboll and related directly Ramboll's business is low.

Controlling and mitigating the risk:

The instrument to reduce the risks related to robbery, fraud and violence is to implement internal routines, guidelines and controlling systems that make it almost impossible to commit a robbery, fraud or violence against Ramboll and its employees when being present at Ramboll's offices. Furthermore, guidelines for behaviour of Ramboll's employees when travelling can reduce such risks. Further details can be found in Ramboll's travel policy and in the travel portal.

The instrument to reduce the risk arising out of an unauthorised use of protected knowledge or intangible rights is not to withhold knowledge of such misuse from being shared with colleagues in Ramboll, but to react immediately by informing the management, when such unauthorised use of confidential or protected knowledge is noticed.

The instrument to reduce the risks related to kidnapping is to have clear guidelines for where Ramboll's employees may travel and have an action plan ready in case of kidnapping.

2.4.20 Political risks (changes in the political environment)

Identification and awareness of risk: In certain areas of the world the political environment results in an unstable political situation. Such an unstable political situation increases the risks for unforeseen political changes (new legislation and new regimes to handle the obligations of the public authorities), that may influence Ramboll's project or business in such unstable political area.

Political risk can also have an impact on the safety of Ramboll's employees.

Assessment of risk: Historically low given the geographic scope of Ramboll's activities but uncertain and unquantifiable.

Controlling and mitigating the risk: The instrument to reduce risks related to unstable political areas is to avoid being present (having permanent business activities in the area) and to the extent possible have the required consultancy services carried out outside the unstable political area.

Furthermore, a general monitoring of unstable political areas must be conducted in order to identify unstable political areas where Ramboll will not be present or carry out projects.

At an operational level, for the safety of Ramboll's employees Ramboll has a travel portal and a travel policy to deal with the situation where countries become unstable.

2.4.21 Changes in law (including changes in the tax regime)

Identification and awareness of risk: Changes in law (regulatory and legislative changes) may affect Ramboll's ongoing and future activities within a country. Changes that especially affect the business environment (new tax rules or rules that support the local business environment (protectionism)) or changes increasing the obligations towards public or private authorities may affect Ramboll's operation in a negative way.

Changes in law can also affect consultancy services to be provided within the country in question by increasing the cost and time to Ramboll of undertaking a service. Changes in law affecting the project design or implementation must be discussed with the client. The risk related to changes
in law affecting ongoing project ought to be a risk of the customer.

**Assessment of risk:** Normally changes in law will also affect Ramboll's competitors. However, any substantial changes in law affecting Ramboll must be evaluated and the future consequences that such changes in law may have on Ramboll considered.

**Controlling and mitigating the risk:** The instrument to reduce such risks is to ensure that the customer bear the risk related to changes in law and furthermore ensure that any substantial affecting changes in law are identified and the consequences for Ramboll considered before continuing 'business as usual'.

### 2.4.22 Economic slowdown - financial crises

**Identification and awareness of Risk:** When our customers decrease their activities, bank credit facilities freeze, job losses increase and consumer spending decreases due to an economic slowdown and the financial crises, the turmoil thereby caused may lead to a risk that Ramboll may seek for short-term gains an acceptance of higher risks to compensate for the downturn.

An economic slowdown and the pressure on the business environment may also increase the risks of being sued by third parties with the strategic aim of seeking compensation for alleged wrongdoing as part of a claims culture rather that just accepting a loss.

Furthermore, for the purpose of trying to avoid future similar economic crises, the political environment may require changes in the legislation that may have an impact on Ramboll's business.

Overcapacity of resources and the lead time of adjusting our workforce to the changed market condition is a risk with major financial consequences.

**Assessment of risk:** Nature and level of risk is uncertain but the impact is evaluated as high. Given the uncertainty this is a risk which needs to be focused on and monitored.

**Controlling and mitigating the risk:** The instrument to reduce risks during period of economic crises and financial crises is for management to keep its focus on doing business according to applicable guidelines and requirements in Ramboll and ensuring that the economic slowdown does not lead to a different risk exposure or a different approach such as with respect to cash flow, price setting or quality of services to be provided by Ramboll.

Furthermore, management needs to take the appropriate actions to adjust the workforce to the changed market condition bearing in mind our aim of being a long term attractive employer.

### 2.4.23 Currency risk

**Identification and awareness of risk:**

Ramboll faces currency risk in the form of economic, transaction and translation risk as it has costs and income in a number of different currencies.

**Assessment of risk:**

For a company of the size and nature of Ramboll, currency risk is substantial and must be dealt with by people in Ramboll with the right competences and skills.

**Controlling and mitigating the risk:**

Ramboll controls currency risk by means of internal policy and controls, such as proposed under its 'Corporate Treasury Policy and Procedures'. Controls include:
prohibitions on what type of foreign exchange positions can be maintained
obligations on PBUs to convert and exchange income into their base currency
currency payments not covered via currency income to be exchanged and hedged in Group Treasury.

Risk is thereby mitigated by an economic hedge of matching cost and income in the same currency and by hedging and controls within Ramboll performed by Group Treasury.

2.4.24 Interest rate risk

Identification and awareness of risk:
Ramboll has an interest rate exposure on account of its interest bearing debt with banks.

Assessment of risk:
For a company of Ramboll’s size and nature, interest rate risk is substantial and must be dealt with by people in Ramboll with right competences and skills.

Controlling and mitigating the risk:
Ramboll controls interest rate risk by means of internal policy and controls, such as proposed under its ‘Corporate Treasury Policy and Procedures’.

The interest rate risk is managed by Group Treasury as the bank loans are all held by Ramboll Group. Management of interest rate risk is centralized in Group Treasury.

The interest rate strategy is to hedge between 30-70 pct of all Group debt. Hedging maturity is to be between 2 and 10 years.

All interest hedging, not within hedging range of 30-70 pct of Ramboll debt or not within 2 to 10 years maturity, has to be approved by Board of Directors prior to executing such dealings.

There are other financial risks. They include liquidity supplier risk and credit risk. The identification, control and management of such risks are described in further detail in Ramboll’s 'Corporate Treasury Policy and Procedures'.

2.4.25 Goodwill impairment

Identification and awareness of Risk: Under DK GAAP (the Danish Accounting Act), a difference between purchase price for an acquisition and fair value of net assets acquired is classified as goodwill. Goodwill is amortised over the expected useful economic life of the acquisition with a max. of 20 years. Ramboll's goodwill policy reflects these requirements.

DK GAAP also requires that the useful economic life and the value of goodwill is reviewed on an annual basis. If the expected useful economic life or value is significantly different from earlier estimates, the period or value has to be changed, and the carrying value of the asset should be amortised over the revised remaining useful economic life, if the amount of goodwill has to be adjusted for any changes in future value. Adjustments can only be to shorter periods or lower value. Goodwill can thus not be extended or re-valued at a higher level. Changes in goodwill have to be accounted for as a cost, which goes through the profit and loss account.

It is important to notice that goodwill impairment has no cash flow effect, but will have a negative impact on the net result and equity.
Assessment of risk: For all units, which have indications of impairment and for which positive goodwill has been recognised, an impairment test has to be performed. The impairment test will be performed by GFA, based on budgeted future cash flow. Indications of impairment includes:

- Adverse changes in market conditions
- Adverse changes in technological, economic or legal environment in which the unit operates
- Increase in interest rates or market rates of return, which may affect the WAAC
- Deterioration in the expected level of the unit’s performance
- Forecasts of future net cash inflows and operating profits show significant decline from previous forecasts
- Operating losses or net cash outflows
- Cash flows for acquiring the asset or for maintaining or operating it are significantly higher than those budgeted

Controlling and mitigating the risk: Achieved by following the indication above, closely monitoring the performance of the acquired unit and evaluating the potential impairment on a quarterly basis.

2.4.26 Compliance Risk – Example: Transfer Pricing

Identification and awareness of risk: Ramboll's lack of compliance with local law or standards – e.g. lack of specific licences within a certain technical area required to provide the relevant consultancy services are a serious risk. Transfer Pricing is an example of compliance risk. Transfer Pricing is a term that can refer to the compliance by groups of companies (such as Ramboll) which are taxed in more than one tax jurisdiction in accordance with local tax rules governing transactions between connected companies within the Ramboll Group.

The nature of the risk is that the failure to comply with transfer pricing rules can lead to among other matters:
- Tax audit
- Arbitrary income adjustments
- Penalties

Assessment of risk: Bearing in mind that non-compliance with regulations could result in loss of markets, reputation and customers, it must be noted that the consequence of the materialisation of such a risk could stretch far beyond the direct penalties imposed by local authorities.

The risk is potentially high especially in the current economic climate where tax authorities are under pressure to obtain their share of the taxable income of international companies.

The consequences could be serious in both financial and management terms. Responding to any government investigation, such as a transfer pricing audit, could tie up management time and resources. The outcome of such an investigation could be serious from a financial perspective should penalties be charged.

Controlling and mitigating the risk: Compliance risk is mitigated within Ramboll by means of:
- policies to ensure compliance,
- education to understand policies and manuals
- standards to assist with the compliance
- reporting and questionnaires to gather data on the nature of the risk, and
- clear lines of communication with authorities, in particular in the case of regular tax and transfer pricing with the Danish tax authorities.
3. **QUALITY MANAGEMENT SYSTEMS TO REDUCE RISK**

According to the Group Corporate Policy for Business Integrity and Quality Management, each business unit and its subsidiaries shall implement and maintain a Quality Management System (QMS) which meets the requirements of the ISO 9001 and a Business Integrity Management System (BIMS) that meets FIDIC’s “Guidelines for Business Integrity in the Consulting Industry”.

The Group’s Quality Management bodies are responsible for the introduction and operation of these systems and for integration also of an Occupational Health and Safety System according to OHSAS 18001 and/or an Environmental Management System after ISO 14001 into the QMS if considered relevant to meet the expectations or requirements of the business units’ local markets.

The QMS comprises procedures and tools for managing and monitoring risks in the consultancy process hereby encountering the most important threats related to breaches in quality and ethics.

Every consultancy project must carry out a risk assessment before tendering. The assessment focuses on relevant internal and external risks as: economy, time, organisation, technical and legal requirements, environmental and ethical aspects etc.

The risk assessment is input to the quality plan which describes the preventive actions to handle the risks identified and includes these actions in the project plan.

Our major projects are encouraged to conduct an assessment as a brainstorming and planning meeting in the early phases of the project. The key personnel hereby gain a shared impression of what is important to focus on to assure the success of the project.

Monitoring of our projects is based upon audits and project evaluations. Audits focus on the implementation and effectiveness of our procedures and tools and constitute an important part of the ongoing quality improvements. Project evaluations are conducted for all our major projects. Here strengths and opportunities for improvements are identified and communicated for learning and improving of our project management.

Once a year the management of each business unit evaluates the QMS and the results based on input as customer satisfaction surveys, complaints, claims, audit-reports, registered non-compliances, project evaluations etc. The effectiveness of the business unit's management of project-related risks and quality are evaluated and an action plan for improvements is decided. The business units provide the Board of Directors with the report of this evaluation giving a yearly status for the unit’s handling of these types of risks.

4. **FINANCIAL STANDARDS TO REDUCE RISK**

Ramboll manages risk through a combination of financial instruments. Such instruments include structured hedges, options and interest rate swap agreements. Ramboll's policy is set out in Ramboll’s 'Corporate Treasury Policy and Procedures', relevant sections of which are quoted below.

**Currency**

Group Treasury is allowed to hedge currency risk with maturities of up to 2 years. Maturities of more than 2 years can only be hedged if specific approved by Group CFO and Group CEO. However, if currency hedge is more than 2 years, and exceeds EUR 10 Million, such hedge is subject to final approval by Board of Directors.

It is absolutely forbidden to speculate in any currencies without written approval from Board of Directors.

**Interest Rate**
The interest rate strategy is to hedge between 30-70 pct of all Group debt. Hedging maturity is between 2 and 10 years. All Interest hedging not within the limits above has to be approved by The Board of Directors. This rule includes excess hedging of interest rate risk (above 70 pct.)

All new interest hedging, including closing hedging deals, not within hedge range of 30-70 pct of Ramboll debt or not within 2 to 10 years maturity, has to be approved by Board of Directors prior to dealing executions.

5. **INSURANCE STANDARDS**

5.1 **Insurance summary and guidelines**

5.1.1 **Implementation of the insurance standards**

The following guidelines shall apply to Ramboll's insurances programs, and each PBU must ensure that it is fully in compliance with Ramboll’s insurance standards as defined in this section 5.0 and comply with local law and tax regulation.

Reference is also made to Ramboll's existing Corporate Policies regarding “Insurance”.

5.1.2 **Global programs and structure**

Ramboll Group has on behalf of the Principal Business Units (PBU) in Ramboll entered into a broker agreement with Aon Denmark A/S. Aon Denmark A/S is responsible for assisting Ramboll Group and the PBU’s with all insurance related issues, hereunder in general:

- overall administration of the global insurances,
- advising on which insurances are relevant,
- in cooperation with the PBU's negotiating cover, conditions and premiums with the insurance companies,
- assisting with insurance claims handling, risk assessments, general market surveys, and
- in the daily operation representing Ramboll towards the insurance companies.

As being Ramboll’s preferred broker on a global level, it is the aim that Aon represent offices, branches or subsidiaries of Ramboll Group as their insurance broker on all non-life insurance lines.

It is the intention of the Group Legal Function to establish Global Programmes for a number of insurance lines if appropriate, e.g. within the area of Professional Indemnity and Property.

5.1.3 **Local programs and structure**

Each PBU must appoint a person (usually from the legal function) as responsible for the local insurance program in close cooperation with Aon locally. The services to be provided by the local Aon office (local Aon broker) within the framework agreement between Ramboll Group A/S and Aon Denmark A/S must be agreed upon locally and be subject to the approval by Group Legal Function in Ramboll. Such services should as a minimum include:
• Elaborate risk assessments on locally covered insurable hazards,
• Evaluate existing coverage and retention levels on local policies,
• Ensure annual renewal of local insurances,
• Administration of local insurance policies and related insurance incidents,
• Reporting and assisting Group Legal Function in relation to local incidents covered by a global insurance
• Main contact to the local Aon broker/local Aon office
• Ensure local procedures and guidelines for handling of all insurance related matters locally

The local responsible person is also responsible for familiarizing him/herself with the insurance standard applicable in Ramboll from time to time and report local matters with relevance to the Global Programme to Group Legal Function.

5.1.4 Local Limits and Retentions

When considering which insurances are relevant for Ramboll (both locally and globally), the possible risks connected with the business should be carefully considered together with the possibility of ensuring reasonable protection of both our capital, employees and customers while balancing this against the premiums that have to be paid for the insurances in question.

Insurance limits are to be established locally in cooperation with Aon based on a local risk assessment, insurance and market requirements and good local standards.

Most insurances have a retention (deductible) amount included, which means that Ramboll or the office/subsidiary in question may have to pay the first part (corresponding to the retention amount) of any paid out damages itself or that claims below the retention amount are not covered by the insurance.

Retention levels should be based on the price/claims experience last 5 years but it should also be based on an evaluation of the cost savings made on insurance premiums and the financial ability and solidity of the actual PBU.

Claim - Although claims handling by insurers can be an advantage for certain insurances, such as Professional Indemnity, experience shows that a separate claim handling agreement with insurers for claims below the retention level can be a more cost efficient solution than a lower retention level.

It is Ramboll Group policy to maintain fairly high retention levels compared to the size and the financial ability and solidity of the actual PBU, and thereby avoiding attritional claims that ultimately result in money swapping with insurers and handling costs.

5.2 Directors and Officers liability

The insured under the D&O policy are any past, present or future individual members of the board of directors and/or executive board or similar executive body of Ramboll Group and its subsidiaries as well as any past, present or future director, office or employee of Ramboll, who is capable of incurring personal managerial liability. The insurance covers any indemnity for financial loss arising from personal managerial liability including liability for the Ramboll’s debts, arising out of any claim first made against the insured during the policy period.
A global D&O policy is in place for the Ramboll Group and its subsidiaries. It is not permitted to take out local D&O cover without the prior approval of the Head of the Group Legal Function. Aon can forward a summary of the present policy in question. A copy of the global D&O policy can also be forwarded to the local legal department leader or local board members by Aon Denmark A/S on request. It should be noted that Aon has to ask Group Legal Department in Denmark for permission before forwarding a copy of the global policy.

5.3 **Professional Indemnity (PI)**

Professional indemnity insurance provides coverage for loss arising out of a wrongful professional act in the rendering or failure to render professional services, and as such will cover liability towards a client (or third party) for acts, errors or omissions of an employee or Ramboll operation.

5.3.1 **Limits**

PI insurance limits has to be established locally in cooperation with the local Aon office based on a local risk assessment, good local standards and insurance and market requirements.

When evaluating the local coverage or retention levels, consideration must be given to potential third party exposures in addition to local contract terms.

Global Professional Indemnity Excess Programs:

Group Legal Function and Aon Denmark A/S is constantly evaluating the grounds for a Global Professional Indemnity Program and it is therefore important that major changes in existing local programs are reported to Group Legal Function and forwarded Aon Denmark A/S for information. A change in excess of +/-10% of the retention and/or limit is considered major.

There was as at November 2009 a Pan Excess Scandinavian PI excess program. This program is excess of the local primary cover and cover Denmark and Finland.

5.3.2 **Retention**

PI retention has to be established locally in cooperation with the local Aon office based on the price/claims experience for the last 5 years but it should also be based on an evaluation of the cost savings made on insurance premiums and the financial ability and solidity of the actual PBU.

5.3.3 **Minimum requirements**

**Local cover**: Requirements should be analysed locally and discussed with local broker, in order to match the cover to the local needs, market expectations and contract demands. The insurance must cover all types of services provided by the PBU.

**Global (the Pan Scandinavian Excess program)**: Requirements will be analysed globally by Group Legal Function and Aon Denmark A/S but should also be discussed with local broker and Aon Denmark A/S.

5.3.4 **Loss Prevention**

It is very important that the local operations are aware of their potential risk (special risk and contractual liability) versus the insurance cover.

Each PBU must always ensure that requirements to entering into commercial contracts (see Corporate Policy 5.1) are fulfilled.

5.4 **General Liability**

General Liability Insurance provides coverage for legal expenses and bodily injury and/or property damage to third parties arising out of Ramboll’s operations. Product Liability includes coverage for damages allegedly arising out of the use of Ramboll’s services/products.
Local General/Products Liability insurance should be maintained with broad terms and conditions, which have been, tailored to the local Ramboll needs.

5.4.1 Limits

General liability limits has to be established locally in cooperation with the local Aon office based on a local risk assessment, insurance and market requirements and good local standards.

5.4.2 Retention

General liability has to be established locally in cooperation with the local Aon office based on the price/claims experience last 5 years but it should also be based on an evaluation of cost savings made on insurance premiums and the financial ability and solidity of the actual PBU.

When more than one Ramboll Group Company is involved in a product liability loss the "manufacturing" company is the ultimate responsible for the product loss and will be asked to carry the deductible for any product liability loss.

5.4.3 Minimum requirements

Required coverage is public and products liability. General liability insurance is intended to provide protection against and settlement of costs for legal claims brought against the Ramboll Group defined as insured by third parties for claims arising out of bodily injury, property damage or financial losses caused by the Ramboll Group's operations or products.

*Required coverage’s:*
- Public- and products liability
- Ingredient/component liability + financial loss, where applicable
- Prevention of injury and damage
- Pollution liability
- Employer’s liability
- Defence costs

*Relevant coverage’s, if at risk:*
- Treatment and processing liability
- Dismantling and reinstalation costs
- Consequential loss
- Tenants and neighbours liability
- Professional/advisory liability
- Builder’s risk liability
- Recall

5.5 Property

Local Property Insurance must be maintained to protect Ramboll from catastrophic loss due to unexpected physical damage to property, contents and buildings owned by, or for which Ramboll is responsible.

5.5.1 Limits

Property insurance limits has to be established locally in cooperation with the local Aon office based on a local risk assessment, insurance and market requirements and good local standards.

Due to the nature of Ramboll’s business, and the need for immediate continuity in the event of a significant event, such as a fire, careful consideration must be given to the terms and limits provided for business interruption and extra expenses.
5.5.2 Retention

Property insurance retention has to be established locally in cooperation with the local Aon office based on the price/claims experience last 5 years but it should also be based on an evaluation of the cost savings made on insurance premiums and the financial ability and solidity of the actual PBU.

5.5.3 Employee Personal Property

Ramboll will not be responsible or liable for any personal property of an individual that is lost, stolen or damaged, unless this happens whilst an individual is on business travel for Ramboll abroad and outside Ramboll's premises.

The responsibility for safeguarding, replacing or repairing personal property while on Ramboll premises, in a company owned vehicle, or while on business travel rests with the employee. Consequently, employees are encouraged not to bring personal property of any substantial value to work nor keep such property at their workstation, on business travel and in company cars.

5.5.4 Minimum requirements

Required coverage should be on All Risk – basis. Property insurance is intended to provide protection against all risks losses such as fire, lightning, explosion and other perils in order to secure the investments in property, buildings and contents.

Limit of liability shall be on replacement value as new; no loss limit must be installed (if possible).

Required coverage’s for all property:
- All risk cover
- Improvements and betterments
- Contents, which Ramboll by contract is obligated to insure
- Data recovery
- EDP equipment incl. hull and business interruption/extra expense
- Assessor’s fee/professional fees
- Original models and drawings
- Index- and Investment cover
- Automatic Acquisition Clause
- Pollutant Clean up and pollution of land
- Floater
- Business Interruption and Extra expense (additional increased cost of working) (the cover must reflect a potential loss in the event of BI in the largest office as a result of a fire - must be discussed with your local broker).
- Debris removal
- Under Insurance Protection

Relevant coverage’s, if at risk (please consult your local broker):
- Tenants and Neighbours Liability
- Demolition cost by law and increased cost of reconstruction
- Research and development
- Natural catastrophes
- Brand and trademark clause

Coverages that should be discussed with your local broker:
- Leased equipment (if any)
- Art
- Floater, offshore equipment
- Rental Income (if any sub rental)
5.6 Business Travel and expatriation

Local Business Travel Insurance must be maintained to protect employees and board members when travelling in the interest of Ramboll. The insurance should cover employees, accompanying spouse and children abroad, board members, invited guests and other persons travelling in the interest and behalf of Ramboll and /or on Ramboll’s account.

When travelling or on expatriation, insurance covering medical expenses, hospitalisation, repatriation and luggage shall be contracted on a declaration basis with standard local limits. The insurance covers accidents, sickness and home transportation, lost or delayed luggage, liability, delay, etc. which occurs during business travels and combined business/pleasure travels.

Reference is made to Ramboll's policy on Travel.

5.6.1 Limits

Travel and expatriation insurance limits have to be established locally in cooperation with the local Aon office based on a local risk assessment, insurance and market requirements and good local standards.

5.6.2 Retention

Travel and expatriation insurance retention has to be established locally in cooperation with the local Aon office based on the price/claims experience last 5 years but it should also be based on an evaluation of the cost savings made on insurance premium and the financial ability and solidity of the actual PBU.

5.6.3 Minimum requirements

Medical expenses and repatriation
Personal assistance
Personal financial security (assault and guarantee)
Rescue (search and rescue, evacuation and crisis assistance)
Luggage, personal liability and legal expenses

*Personal accident should be covered under a separate collective accident insurance and not under the business travel insurance.*

5.7 Workmen’s Compensation / Employers Liability

Workman’s Compensation insurance or arrangements applies to the statutory regulations that may apply within the Countries / States where Ramboll and its subsidiaries are represented.

Due to a variety of local legislation regarding this exposure, local management will have the responsibility to ensure that all employees are covered in respect of any regulatory or governmental requirement, in collaboration with the local Aon office.

Coverage for death or disablement should be considered for all employees if there is no general requirement for workmen’s compensation coverage.

5.7.1 Limits

Workmen’s compensation/employers liability insurance limits has to be established locally in cooperation with the local Aon office based on a local risk assessment, insurance and market requirements and good local standards.

5.8 Automobile

Automobile insurance falls into two main categories:
• Automobile liability related to personal injury and/or property damage to Third Parties.; and
• Physical damage to owned or leased vehicles, including collision, theft, etc.

Each subsidiary is responsible for arranging Automobile Liability Insurance in compliance with local laws and standards through the local Aon representative.

Group Legal Function suggests that subsidiaries consider medium high deductible for both Physical Damage and Automobile Liability coverage. Minor damage can usually be assumed without overexposing a profit center’s financial position.

5.8.1 Use of Employee Vehicles

The employees have the sole responsibility for properly insuring their own vehicle against damages incurred while in use on legitimate company business.

5.9 Personal Accident and health insurance

Coverage for personal accident, death and disablement and/or health insurance for the employees in an area can be taken out at the discretion of local management, and must be considered in the light of the local tradition and market requirements (what is offered by our competitors in the actual market).

5.10 Contractors All Risks

Coverage for construction works (contractor’s all risk and erection all risk) shall be taken out as necessary. Coverage and deductibles should be evaluated in light of the specific risk.

5.11 Lawyer’s Liability Insurance

Coverage for the legal consultants employed by Ramboll to the extent they provide advice to customers outside Ramboll (external customers – e.g. as provided by Ramboll Management Consulting). In many countries a Lawyer’s Liability Insurance is mandatory for lawyers admitted the local Bar Association.

5.12 Employment Practices Liability

Coverage shall be taken out locally if considered necessary.

5.13 Credit Insurance

Coverage shall be taken out locally if considered necessary.

5.14 Insurance broker - roles and responsibilities

Our insurance broker plays an important role as the intermediary between Ramboll and the global and local insurance market; sparring partner and advisor on insurance and risk related issues.

Ramboll will usually not engage directly with an insurance company, unless by specific exemption, for example where broker-servicing costs outweigh the size of the local operation.

5.14.1 Global service

The specific role of the broker is to assist Ramboll Group Legal Department in:

• Identification of exposures and hazards;
• Risk assessment;
• Analysis of the current insurances, including recommendations in support of or improvements to the current solution;
• Designing the Corporate & Global Insurance Programmes;
• Marketing the Corporate & Global Insurance Programmes to insurance underwriters;
- Ensure annual renewal of the Corporate & Global Insurance Programmes;
- Administration of the Corporate & Global Insurance Programmes, including negotiating conditions and premiums;
- Communication of the Corporate & Global Insurance Programmes through local representatives to Ramboll subsidiaries;
- Coordination of insurances and insurance issues with network offices including maintaining a global overview of all insurance in the Group;
- Compiling information on loss experience;
- Provide assistance in claims investigation and settlement;
- Provide an annual stewardship report.

5.14.2 Local Service

The Local Aon office will provide services to the Local Ramboll operations in accordance with local agreements on support and within the framework as defined by these insurance standards.

The local Aon offices will provide the local Ramboll offices with the necessary consultancy and services of Global Programmes as instructed by Aon Denmark and Group Legal Department.

Other insurances, such as workers’ compensation, auto, and travel are issued and serviced locally in cooperation between local Ramboll and Aon. These services will include:

- Evaluate existing coverage and retention levels on local insurance policies
- Ensure annual renewal of local insurances
- Administration of local insurances and related insurance incidents

It may be necessary to issue a Broker of Record Letter (BORL) to the local Aon office.

<table>
<thead>
<tr>
<th>Company</th>
<th>Name</th>
</tr>
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</table>
| Ramboll Group A/S              | Mr. Kim Bergholt (Company Secretary, Legal Director)  
Teknikerbyen 1, 2               | Telephone: +45 4598 6076                   |
|                                | E-mail:        kbe@ramboll.com              |
|                                | Mr. John Lawrie (Group Legal Officer)      |
|                                | Telephone : +45 4598 6064                  |
|                                | E-mail:        jpml@ramboll.com              |
| Aon Risk Services A/S          | Thomas Pearman ( Account Executive)        |
| Strandgade 4C                  | Telephone: +45 3269 7171                   |
| 1401 København K               | Mobile: +45 24243954                       |
|                                | E-mail: Thomas_Pearman@aon.dk              |
|                                | Fax +45 3269 7002                           |
| Telephone: +45 3269 7000       |                                           |
| Telefax: +45 3269 7001         |                                           |
|                                | Jeremy Kirkland ( Account Director)         |
|                                | Telephone: +45 3269 7170                   |
|                                | Mobile: +45 5159 8160                       |
|                                | E-mail: Jeremy_Kirkland@aon.dk              |
|                                | Fax +45 3269 7002                           |
|                                | Jeannette Reppien ( Assistant Account Executive) |
|                                | Telephone: +45 3269 7195                   |
|                                | E-mail: Jeannette_Reppien@aon.dk            |
|                                | Fax +45 3269 7002                           |
In accordance with instructions from Group Legal Department and Aon Denmark, the local Aon representative is not authorized to:

- Place or cancel any local insurance without prior approval of locally assigned individuals.
- Make recommendations on existing global policies or programs without authorization of Group Legal Department.

**5.14.3 Contacts**

If you have any questions to the insurance standards please contact Group Legal Function or Aon Denmark.
6. **RISK: GOVERNANCE AND ORGANISATION**

Ramboll believes in the inherent ability of people.

Consistent with Ramboll's values, everyone in Ramboll is responsible for the management of risk as part of the empowerment of employees to make the right decision in a given situation.

This value is supported by section 3.2 of the Ramboll Governance Principles which provide that as an integrated element of management of Ramboll the 'grandfather' principle applies. Decisions regarding risk are an example of decisions to which the grandfather principle applies. Therefore an important risk issue has to be considered by a manager's manager.

At a corporate level Ramboll is structured to limit the impact of risk on one legal entity on another legal entity. Under section 11.7 of the Governance Principles the need to mitigate risk is an exception to the principle of one legal entity within a country.

Each year Ramboll publishes in its Annual Report the key risks Ramboll bears and details of risk management. This Annual Report is audited by Ramboll's auditors (Pricewaterhouse-Coopers) in accordance with Danish Auditing Standards. The audit includes an evaluation of the overall presentation of the Annual Report.

The accounts recognise provision for risk items such as legal claims. A similar duty is placed on the subsidiaries of Ramboll who must submit their own set of accounts.
[Text - Do not delete the following line since it contains a section break.]
Interview: torsdag d. 31. januar kl. 13-14.00

Til stede:
1) Per Jørgensen, Director Director, Strategy & Business Development, Ramboll Oil & Gas
2) Kanidådstuderende og interviwer: Stine Skouby Asnæs

Interviewguide: semi-structured guide with limited time – need to keep track on time and be stringent in order to match time left with remaining questions.

Formålet med interview:
   a) Få Rambølls billede af Libyen
   b) Indblik i Rambølls strategiske overvejelser i Libyen
   c) Få svar til analysen jf. Berlin teori og Rambølls CSR og private actor engagement ift. den politiske og økonomiske udvikling i Libyen

Generelt om investeringer:

1) Hvilken overordnet strategi har Rambøll ift. udenlandske investeringer og aktiviteter?
   a. Hvis en specifik strategi;
      i. Hvad går den ud på?
      ii. Hvordan indgår Libyen i den strategi?
   b. Hvis ingen overordnet;
      i. Hvad går den ud på?
      ii. Hvordan indgår Libyen i den strategi?
   c. Hvilken opgaver går I efter i Libyen?
      i. Kun Olie/Gas eller Rambøll Gruppen?
   d. Hvem vil være jeres kunder?
      i. Den libyske stat?
      ii. Olieselskaberne?
   e. Hvem vil være jeres samarbejdspartnere?
   f. Hvordan vil en eventuel investering i Libyen udforme sig – ift. Ansættelser (lokale), etc

2) Givet at Rambøll har kontorer i mange lande og har aktiviteter i endnu flere lande; hvordan bærer Rambøll Olie og Gas sig ad med at opbygge et marked i et nyt land?
   a. Hvad er jeres overvejelser ift.
      i. Datterselskab?
      ii. Partnere?
         1. Gør Rambøll brug af lokale partnere?
      iii. Salg og markedsføring?

3) Hvad foretager I af risikovurdering, inden eller når I går ind og investerer eller påbegynder aktiviteter i et nyt marked?
   a. == i et nyt land?
   b. (økonomisk)
   c. (politisk)
d. Hvordan vægter I de politiske personlige risici ift. de økonomiske?
e. Hvad er minimumskrav til et nyt land, hvor der er politisk usikkerhed?

4) Når Rambøll bevæger sig I mere ustabile områder; hvilken strategi eller hvilke overvejelser gør Rambøll Olie og Gas/Rambøll Gruppen sig så?
   a. Hvordan træffer I beslutningen om, hvilket område/land/marked, I skal gå ind i? (Gruppeplan eller enkelte afdeling – ikke nævnt, blot note)?
   b. Hvordan foregår beslutningsprocessen?
   c. I relation med risikovurdering: Hvilke faktorer spiller ind – positive såvel som negative?

Generelt om Libyen:

1) Hvordan vurderer I den nuværende situation i Libyen?
   a. Hvordan har udviklingen været?
   b. Hvilke faktorer vil være afgørende for jeres beslutning om at investere eller lade være?
   c. Har jeres holdning til Libyen – fra det Arabiske Forår/Februar 2011 til nu januar 2013 – ændret sig?
      i. Hvordan?
      ii. Hvorfor?

2) Hvordan indsamler I oplysninger om situationen og udviklingen i Libyen?

CSR og udvikling:

1) Hvordan indgår CSR og etiske overvejelser i forbindelse med nye markeder?
2) Rambøll ift. Libyens situation:
   a. Social engageret?
   b. Rådgivende rolle?
   c. Hvilke overvejelser indgår der i jeres strategi ift. at støtte statsdannelsen og udvikling i landet givet et post-conflict area, og demokratiseringsprocessen, m.v.?
      i. For at støtte demokratiseringsprocessen?
      ii. Statsdannelsen?
3) Givet jeres kunde (olieselskab eller den libyske stat?), hvilke CSR overvejelser gør I jer, når I opererer i et politisk ustabil område?
   a. Hvilke krav stiller I til jeres samarbejdspartnere mht. CSR?
4) Hvis Rambøll ikke vil gå ind i politisk ustabile områder grundet fare for sikkerheden/forskellige faktorer – hvilke overvejelser gør Rambøll sig så ift. dilemmaet om, at man ikke ønsker at deltage i aktiviteter i
sådanne lande samtidigt med at man ønsker at fremme en bæredygtig udvikling i denne type lande?

a. "Ramboll believes in taking a responsible and holistic approach to everything we do, and strives to promote sustainable development and good corporate citizenship"

b. Hvordan forholder Rambøll sig til det selvpåtagede ansvar om at være en privat aktør, der aktivt søger at fremme en bæredygtig udvikling og good corporate citizenship, når man ikke vil – hvis der er en strategi, der kan hjælpe til udvikling – deltage eller operere i denne type lande?

Afsluttende:

1) Er der nogen spørgsmål, jeg ikke har stillet, som jeg burde have spurt om?
S: Det er et interview, og jeg har fået lov til at optage.

S: Per, jeg vil starte med at spørge generelt om investeringer her i Rambøll, og så vil jeg gå videre til at snakke om noget risikovurdering og så også Rambøll’s CSR overvejelser og strategi – for Rambøll koncernen og så også i forhold til Rambøll Olie & Gas.

S: Det første spørgsmål er; hvilken overordnet strategi har Rambøll for udenlandske investeringer?


Men investeringsmæssigt vil vi i høj grad gå efter opkøb af firmaer, og det vil vi gøre forskellige steder i verden. Der er nogle lande, der er udpeget, som vi satser på – både på gruppe niveau og på olie-og-gas niveau.

S: På olie/gas-niveau, kan du komme nærmere ind på, hvad for nogle lande det er, og hvad der måske spiller ind som faktorer?

P:
Nogle af de lande vi snakker om, det er...alså, vi har jo etableret os i Danmark, Norge, Qatar, Emiraterne, Indien og Rusland, og det er klart, at vi vil forsøge at fylde ud og investere mere i de steder, hvor vi er i forvejen. På de andre lande, der står vi med USA og UK, der også vil være højtprioriterede, og de har altid været højtprioriterede. Problemst med de lande er bare, at det er meget svært at finde passende kandidater til opkøb, fordi det er modne markeder, og alle de gode kandidater er ofte allerede nuppet af andre. Og det er højprismarkedere, så det er dyrt at købe op.

Så ser vi meget på Mellemøsten og Nordafrika, som potentielle muligheder, fordi vi i forvejen er stærke i Qatar og i Emiraterne. Og konkret ser vi på Libyen, Irak og tilsvarende steder. Det er i høj grad baseret på, at vi ser, at olie/gas-firmaernes investeringer vil foregå i de lande, der har nogle reserver, men lande som også har mulighed for at udbygge dem; fx inden for OPEC-kvoter eller andre restriktioner, som der nu måtte være.

Vi har også Vestafrika på listen, og det er primært blandt andet for at følge et selskab som Mærsk til Angol. Men vi forsøger også at følge med i, hvad der sker – om der nogle andre i de nye lande i Vestafrika, som kan være interessante. Generelt har vi også en historisk oplevelse af, at nogen gange er det bedre at komme ind i et land, hvor der er vækst i olieproduktion og investeringer, fremfor at komme ind i et mere modent marked. I et modent marked skal man vippe nogle andre af pinden – man skal ligesom konkurrere med andre eksisterende firmaer, der allerede har etableret sig. I vækstmarkeder kan man i højere grad følge med den vækst, der er i samfundet eller i landet.

S: Og det er så også her I ser Libyen?

P: Ja, det er det, for vi ser selvfølgelig Libyen, fordi det er et land, som har åbnet temmelig meget op med at have internationale selskaber, der laver investeringer. Men også fordi det er et land, der ikke har en etableret leverandør inden for rådgivningsydelser, og derfor har de brug for at få nye selskaber ind og dermed for at få modnet nogle projekter og etableret nogle investeringer. Det, som er uklart, er blandt andet, om det vil ske i Libyen eller med rådgivning uden for Libyen, eller hvordan kombinationen af de to ting vil være. Det er noget af det, som jeg tror, at ikke engang dem selv kan svare på endnu, fordi der er forskellige holdninger til det spørgsmål. Og det er helt klart nogle af de ting, som vil blive afklaret over de kommende år/måneder – hvor vi som rådgivningsfirmaer også har en vis indflydelse på, hvad der vil ske, for hvis vi gør noget, så vil det også påvirke situationen, ligesom hvis alle vores konkurrenter gør noget.

S: Du snakkede om, at I måske vil følge nogle samarbejdspartnere – du nævnte Mærsk -, er der også nogle samarbejdspartnere i kan følge ift. Libyen eller er det jer selv, der skal...? 

P: Der findes jo en række vestlige selskaber, Eni-gruppen fra Italien, Wintershall fra Tyskland, der er selv polske selskaber inde, og der findes en række selskaber, der er inde i Libyen allerede. Men der uderover tror vi også, at det nationale olieselskab,
NOC, også selv vil blande sig i en form for aktiv rolle om indkøbspolitik. Måske ikke i det konkrete fra job til job, men mere om nogle retningslinjer for, hvad udenlandske selskaber skal stå for…eller hvilken form procurement de skal have. Og det er det endnu uklart, hvordan det præcist vil foregå. I det gamle system havde man nogle indkøbscentraler, hvor man købte rådgivningsydelser og andre ydelser via forskellige kontorer i Europa, men der tror vi nok meget mere på, at det fremover vil foregå i Libyen, hvor man vil have det tættere på sine egne beslutninger. Før i tiden var det blandt andet for, at man ikke skulle have blandet for mange folk ind i beslutningsprocesserne. Jeg tror mere på, at tendensen nok går mod at man vil trække mange af tingene tilbage til Libyen. Men det er stadigvis i sin vorden, og det vil stadigvæk afhænge utrolig meget af den politiske udvikling, og hvordan man reelt vil styre det nationale olieselskab, og hvor aktive de vil være – om de bare vil være en passiv investor, eller om de vil gå aktivt ind i projekterne.

S: Hvad vil være mest positivt for Rambøll?

P: Jeg tror en blanding vil være det mest positive; at de går aktivt ind, men at de ikke nødvendigvis går ind i alle konkrete kontrakter. Men at de vil sætte nogle retningslinjer, som vil sikre en form for transparens i tilbudsgivningen. Det vi satser på er, at vi får et forholdsvis transparent marked.

De forsøger allerede nu på at gøre det, hvor de har en internetside, hvor de offentliggør hvilke udbud, der er ude for alle de forskellige selskaber. De forsøger jo i det mindste på at vise intentionen om at få et åbent marked. Men om det så lykkes i praksis vil fremtiden jo vise. Og det er klart, at her lige efter konflikten, der har man selvfølgelig i høj grad måtte belave sig på at de internationale selskaber…at de ikke gjorde det nødvendige for at få tingene i gang igen. Nu begynder man at snakke om helt nye investeringer, greenfield investeringer, så må man formode, at der kommer en eller anden form for politisk afklaring af, hvordan arbejdsdelingen skal være inde i mellem de forskellige selskaber.

S: Kan du uddybe i forhold til de investeringer eller projekter?

P: Fokus, helt op til et år eller to år efter konflikten, har jo været at få reetableret produktionen. Der har jo ikke været nye investeringer som sådan, det har mere været reparationsarbejde. Men der findes jo en række potentielle nye store investeringer; både på olie/gas og på andre ting, som skal i gang. Og der er man først kommet til den proces nu, hvor man ligesom skal få defineret nogle projekter, og man skal gå tilbage og reviewé, vil ejerkonstellationerne fortsette, som det var planlagt hele tiden, eller vil der ske ændringer i ejerskab osv. Så det er ligesom…når man snakker om justeringer, så vil det nok tage lidt længere tid at få tildelt kontrakter, end når det gør, når det drejer sig om rene reparationsopgaver.

S: Og i forhold til Rambøll, der kan jeg huske, at du tidligere har nævnt, at strategien var, at Rambøll Olie & Gas ville være første del af Rambøll, der skulle gå ind i Libyen, men at man så senere åbnede op i ft. infrastruktur. Er det stadig gældende?
P: Vi har ikke truffet nogen beslutningen endnu, men lige nu vurderer vi på at gå ind med sådan et one-company set-up for at få flere af vores ydelser i spil på samme tid. Ud fra en betragtning om, at der findes to sider i sådan et land som Libyen – dels at producere olie og gas; det er den ene side af mønten, og den anden side af mønten er så at bruge pengene. Efter at indtægterne fra olieproduktionen i Libyen er ca. 50 milliarder EUR om året, så er der ganske store summer til investeringer og til forbrug. Så derfor forventer vi, at man parallelt vil investere i olie-gas produktionen og så i det at bygge samfundet op og etablere en infrastruktur, der virker. Og så også i høj grad nok også, som vi også ser i andre transition-økonomier, er der en periode i starten af sådan en genopbygningsperiode, hvor man i det mindste forsøger at holde folk tilfredse og keep-them-happy; at der helt klart vil være en periode, hvor man satser voldsomt på at pumpe penge ud i forbrug.

S: Hvem vil jeres kunder være?


S: Så I vil også komme ind med noget rådgivning i forhold til udbygge og opbygge landet?

P: Ja, vores intension er at bruge den del af Rambøll, der hedder Rambøll Management Consulting, til at gå ind i mere sådan samfundsophygning, og dermed ligesom kombinere de tekniske ting, som vi kan her, med de elementer, der har at gøre med opbygning af samfundet og de institutioner, der hører til i samfundet. Altså lige fra beskæftigelse, som jo var en af de ting, der udloste det Arabiske Forår – det var jo den store arbejdsløshed i de arabiske lande. Og derfor noget som beskæftigelse vil være af høj prioritet, og uddannelse vil have høj prioritet, og sundhed vil have høj prioritet. I hele taget få bygget hele den struktur op, som det kræves.
Der kan vi se, at Libyen har en speciel udfordring, at man er så rig et land, at man ikke kan trække på de sædvandlige ting, som man har set fra EU-systemet, fra Verdensbanken, fra IBRD, som man har gjort i Østeuropa, hvor man har brugt de institutioner til at levere teknisk assistance. Det opfylder Libyen ikke, de krav om bruttonationalprodukt på indbygger. Dermed er de måske formelt set afskåret fra de ydelser, man kan få fra de internationale organisationer. Og det betyder måske, at de til en vis grad vil blive overladt til selv at købe de samme services fra private firmaer, og det som kunne være – og som er inde i vores forretningskoncept – at ikke nødvendigvis skal pengene gå gennem verdensbanken eller gennem IBRD, men kan gå direkte fra de libyske myndigheder.

S:
Og i forhold til netop Libyen; hvordan vurderer du den nuværende situation fx i forhold til sikkerhed eller andet, som I nu tænker på, når man skal investere?

P:

Det, der også er vores holdning er, at i Libyen – i forhold til fx Egypten – har de sandsynligvis så store indtægter, at der er så mange penge, at der er penge nok til alle. Derfor vil alle også have noget at tabe, hvis man ikke finder en ordning på tingene.

S:
Hvad tror du? Hvis det så sker?

P:
Hvis oliepriserne falder så kan man komme ind i en situation med enten stagnation, for der er jo ikke en egentlig produktion i Libyen som sådan. Det er jo et forbrugersamfund, som i høj grad ikke producerer ret mange andre ting end olie og gas plus selvfølgelig lokalt byggeri og handel osv., så hvis ikke man har indtægterne og man ikke kan finansiere landet via olieindtægterne, så vil man nok bare falde ned til sådan et meget forholdsvis lavt niveau, som svarer til de indtægter, som man får på olie og gassen. Der kan der selvfølgelig komme et opgør om, hvem der så skal have andel i de indtægter. Hvis olieprisen derimod falder, så man ikke længere vil kunne bruge olieindtægterne til at trive landet på, så står man med en helt andet situation.
Hvis olieprisen falder, altså tager vi et eksempel efter Sovjetunionens sammenbrud, hvor man havde meget lave oliepriser, hvor det egentlig var grund til, at Rusland i 90’erne levede på et meget, meget lavt niveau. Så der kunne man godt forestille sig, at det enten bare falder fra hinanden eller går ned i sådan en slags zombietilværelse for en periode. Men hvis olieprisen er høj, så tror jeg mere på en forholdsvis hurtig udvikling af landet.

S:
Og når du nævner, at I ikke mener, at Libyen er så meget mere politisk ustabil eller farlig at investere i, i forhold til andre lande, hvilke faktorer kigger i på eller hvilken form for risikovurdering laver I?

P:
Vi bruger jo selvfølgelig alle de kilder, vi kan få, med hensyn til risikovurdering. Alle mulige officielle fra alle mulige forskellige regeringers vurderinger.

S:
Kan du uddybe eller nævne nogen?

P:
Vi bruger altså de almindelige risikovurderinger fra det engelske udenrigsministerium, og fra det franske og fra det danske og så videre. Det er selvfølgelig på den helt kortebane. Men ellers prøver vi på at bruge nogle lokale vurderinger fra de mennesker, vi nu har talt med, og de firmaer, som vi forsøger at bygge relation til, og vurderer, hvad deres holdning er. Og så ser vi selvfølgelig også på, hvad vores potentielle kunder gør; altså hvad de internationale olieselskaber gør. Vi er jo ikke en first-mover i den sammenhæng. Det er jo i høj grad de internationale olieselskaber, som først går ind i landet. Og der har vi set, at de stort set alle er kommet tilbage igen. Det indikerer jo i hvert fald, at de tror på tingene. Og det vil vi nok i høj grad binde os op på i sådan en vurdering. Men igen også tilbage til at så lang tid, at der er penge nok, og at der ligesom er store indtægter, så er det jo ofte ganske sandsynligt, at man finder en pragmatisk løsning på mange af konfliktene.

S:
Med risikovurderingen mere konkret, hvilke faktorer kigger I på fra Rambølls side – udover selvfølgelig at følge de andre og informationssøgning – er der en standard, I går efter?

P:
Der er ikke sådan en fast standard, vi går efter. Vi er jo også ekspert i risikoanalyse, så vi kan jo selv lave vores egen. Ofte laver vi vores egen. Men ellers bruger vi nogle af de internationale firmaer, som er eksperter i risikovurderinger og bruger deres intelligence, og hvad de har inside-informationer og omkring den konkrete risikoanalyse. Men det viser sig jo altså, at det jo ikke altid er godt nok, for man kan jo se, at der sker uventede ting. Fx angrebet på den amerikanske ambassade, og angrebet i Algeriet på gasfelterne; det betyder jo selvfølgelig, at alle har fået øjnene op for det, og at der er behov for at tage nogle nye metoder i brug og også tage en mere serios risikovurdering.
S:
Og hvad for nogle faktorer eller begivenheder kan så spille ind og afgøre, at I vil eller ikke vil investere i sådan et land?

P:
Altså vi skal jo først og fremmest have en rimelig rate of return på den forholdsvis korte bane. Vi tænker ikke meget, meget langsigtet. Vi har ikke så stor tålmodighed, at vi kan vente 10 år, før vi begynder at få indtægter. Vi skal have nogle forholdsvis hurtige indtægter. Og det er klart, at vi ser både på risici men også på opportunities i den sammenhæng. Så det er nok en sammenvejning af risici og opportunities, som vi bruger som vurdering. Og det er den øvelse, vi er i gang med lige nu, hvor vi prøver at kvantificere både risici og opportunities. Og det er klart, at når man ligesom går i Libyen, så er der på den negative side risici, men på den positive side, er der også de store opportunities – som er specielt i Libyen i forhold til andre lande.

S:
Kan du uddybe mere om de opportunities?

P:
Ja, indtægterne. Her og nu er opportunities, at man har ganske store indtægter. Man har 50 milliarder EUR i indtægter om året fra olie- og gasproduktionen. Man har store formuer fra det gamle styre, som man nu har beslaglagt, som kan bruges til investeringer. Man har en forholdsvis lille befolkning, som gør, at man ikke har en stærk lokal konkurrence; man er nødt til at få rådgivningsydelser af en vis kvalitet udefra. Det er ikke et spørgsmål; det er et must. Sådan er det. Der findes ikke et lokalt marked til at levere de ydelser.

Og så har man fra dansk, skandinavisk og engelsk side…fra Rambølls side har vi folk både i Danmark, i England og i Mellemøsten, som har haft relation til Libyen og har relation til Libyen. Så vi prøver at kombinere de indgangsvinkler til Libyen. Og her kan vi ser, at både Danmark, England og Qatar har en forholdsvis god standing i Libyen, hvilket giver os en relativ fordel i forhold til visse af vores konkurrenter. Så på den måde tror vi, at der er rigtig gode opportunities – og som sagt har vi også opportunities i, at man må formå, at i betragtningen af historien bag det Arabiske Forår, som er baseret på utilfredshed i befolkningen og utilfredshed med beskæftigelses situationen og andre ting; må formå, at man vil sørge for at pengene bliver brugt på en forholdsvis bred måde, så pengene bliver brugt i hele samfundet og ikke bare vil ende på nogle få persons konti i Schweiz, eller hvad man nu kan forestille sig. Jeg tror, det er svært at forestille sig, at nogle få personer vil få adgang til alle indtægterne; en stor del af indtægten skal fordeles ud i befolkningen.

S:
Og når du nævner, at I allerede har relationer i Libyen; hvad er det for nogle?

P:
Vi har relation til en række rådgivningsfirmaer og en række enkeltpersoner. Og det har vi haft fra før konflikten, og vi har fået nye relationer efter konflikten, hvor vi har haft møder med en række firmaer og en række enkeltpersoner. Og med dem har vi også muligheder for at etablere samarbejder på lidt længere sigt.
I forhold til investeringen i Libyen – du nævnte, at I er forholdsvis kortsigtede – jeg mener, at I har fortalt, at I overvejede at åbne et kontor, og hvordan vil det så påvirke jeres strategi ift. om det er lang- eller kortsigtet?

P:
Det er jo klart, at vi ikke er nogen steder for at være kortsigtede. Så når jeg siger 'kortsigted', så er det mere for at sige, at vi er nødt til at få nogle indtægter på forholdsvis kort sigt. Vi åbner selvfølgelig et kontor for at blive der på lang sigt. Så derfor når jeg siger kort sigt, så er det mere af hensyn til, hvor lang tid kan man vente til, man begynder at få et positivt cash-flow fra en investering.

Der har vi ikke sådan ubegrænset tålmodighed, men samtidigt må man også erkende, at vores erfaringer siger, at der nogen gange går 2-3-4 år, før man begynder at få flere indtægter end udgifter på sådan noget, hvis man sådan etablerer et kontor helt fra grunden.

Man kan være heldig sådan et specielt sted som Libyen, at man rammer ned i en stor opgave helt fra starten, så man opbygger kontoret op på baggrund af en enkelt opgave. Det giver selvfølgelig en anden situation. Ellers må man se i øjnene, at ofte vil det være sådan, at der går noget tid, før man begynder at få opgaverne hjem. Først skal man bygge nogle relationer op; man skal først kende projekterne, og man er nødt til først at gå ind og byde på nogle småprojekter, før man får nogle større projekter.

Og alle de ting tager tid.


S:
Hvad tror du i forhold til det, du kender til Libyen?

P:
Jeg tror, at Libyen – i modsætning til andre lande – har ganske store muligheder for at uddanne lokal arbejdskraft… men også, at det tager tid.

Det er nok specielt i Libyen, at mange har været udenfor Libyens grænser under Gaddafi og måske er begyndt at vende tilbage nu. Det gør måske, at man får sådan et forholdsvis hurtigt inflow af uddannede folk, som sikkert kan bruges til at bygge lokal produktion op. Samtidigt må man også se i øjnene, at der skal uddannes mange flere folk for at have tilstrækkelig kapacitet i Libyen. Uddannelselser er nogle af de
investeringer, der tager længest tid – dybest set, kan det jo tage op til 10-15-20 år, før man får uddannet folk, og det er ikke noget, man kan gøre på den meget korte bane. Så derfor vil det være et spørgsmål om at få brugt de folk, der har en vis form for uddannelse, bedst muligt. Og det er klart, at det vil selvfølgelig sætte nogle grænser for, hvor meget man kan producere lokalt, og hvor meget man skal producere uden for landet.

S: I forhold til genopbygning af samfundet – også med henblik på uddannelse – kunne Rambøll så spille en rolle i noget rådgivning?

P: Det tror vi i høj grad, at vi kan. Det er selvfølgelig det, som vi gerne vil forsøge på. Vi tror også i høj grad, at andre institutioner i et land som Danmark kan spille en rolle for at få bygget noget kapacitet op med hensyn til uddannelse. Så det tror vi i høj grad vil være en af de afgørende faktorer.

S: For at kunne vurdere det seriøst, så er man også nødt til at få lavet nogle tests; finde ud af, hvordan er situationen, få kortlagt situationen og få lavet statistik på tingene, få lavet pålidelig statistik, så bare det at få etableret en baseline vil tage tid. Et af de første råd, man vil give, er, at i stedet for at spring til løsningen, så også at få brugt noget tid at evaluere den nuværende situation.

P: Helt klart. Der mener vi, at vi har kapaciteten til at gøre det. Så i stedet for bare at komme til løsningen, så det at analysere problemet, er også et område, vi vil kunne gå ind i i et land som Libyen.

S: Jeg har kigget på jeres overordnede Corporate Responsibility-plan, hvor der er en liste over en række lande, Rambøll ikke vil operere i. Hvordan kan det være, at Libyen ikke er med på den liste, og hvorfør er de lande med på den liste, hvis du har indblik i det?

P: Det er en dynamisk liste. Og det er også en guideline, for det er ikke en liste, som ikke kan fraviges fra, hvis der er en konkret problemstillinger. Det er klart, at det er en samlet risikovurdering af de forskellige lande, som gør det. Og det er jo en blanding af dels sikkerhed for vores eget personale, som jo er en væsentlig del af det. Dels er det et spørgsmål om korruption, og hvordan man får opgaverne tildelt. Det er også et spørgsmål om i høj grad findes der internationale sanktioner; altså grunden til, at fx Iran står på listen er, at der findes et EU-direktiv, som forbryder os at arbejde med nogle af vores kerneydelser i Iran – og derfor er vi nødt til at følge de regler, som findes. Det ligger uden for vores beslutningsevne at ændre på det.

S: Det er en dynamisk liste. Og det er også en guideline, for det er ikke en liste, som ikke kan fraviges fra, hvis der er en konkret problemstillinger. Det er klart, at det er en samlet risikovurdering af de forskellige lande, som gør det. Og det er jo en blanding af dels sikkerhed for vores eget personale, som jo er en væsentlig del af det. Dels er det et spørgsmål om korruption, og hvordan man får opgaverne tildelt. Det er også et spørgsmål om i høj grad findes der internationale sanktioner; altså grunden til, at fx Iran står på listen er, at der findes et EU-direktiv, som forbryder os at arbejde med nogle af vores kerneydelser i Iran – og derfor er vi nødt til at følge de regler, som findes. Det ligger uden for vores beslutningsevne at ændre på det.

S: Den type opgaver er I også interesserede i?

P: I forhold til genopbygning af samfundet – også med henblik på uddannelse – kunne Rambøll så spille en rolle i noget rådgivning?
Hvis man tror, at der ligesom vil ske en forandring på meget kort sigt, så er det måske ikke der, hvor man skal bruge sine kræfter lige nu.

Men det er klart, at det er en dynamisk liste. I høj grad er den styret af spørgsmål vedrørende personlig sikkerhed for vores medarbejdere. Det betyder også, at hvis man skal ind i et af de lande, som står på listen, så har vi specielle procedurer – så skal man have folk, der ikke selv har noget med projekterne at gøre, til at vurdere sikkerheden, og man skal tage råd ude fra. Ofte også snakke med ambassaderne, og vi vil forsøge at få mere uvildige råd end det, som bare står på Udenrigsministeriets hjemmeside, som jo ofte er baseret på mere turisme-agtige aktiviteter. Der vil vi gå mere i dybden, og vi vil udarbejde en rapport, som vi så vurderer, som den pågældende medarbejder kan vurdere, og også den pågældende medarbejders familie kan vurdere. Så det ikke bare er noget, man bare får en ordre på at man skal af sted.

Så derfor gør vi os den umage at få vurderet de pågældende lande i detaljer. Det er klart, at når ting, som sker, i Algeriet nu, som jo heller ikke står på vores liste - så er det jo klart, at man i høj grad forsøge at vurdere; skal man så putte dem på listen, eller skal vi gennemføre, eller tage andre forholdsregler for at vurdere situationen, for at gøre noget.


S:
Hvad så, hvis der ikke kommer en stabil situation?

P:

S:
Så i forhold til fx Somalia, hvor I er trukket ud fra; hvad var det, der spillede ind?

P:
Det var i høj grad sikkerhed, men det er også et spørgsmål om at få sine penge, hvis man laver noget. Det er jo også et ikke-ubetydeligt element. Også det med, om hvordan opgaverne bliver tildelt; Hvis man har et til dels korrupt land, hvor man på forhånd kan se, at man kun kan få opgaver ved korruption – og det er vi ikke interesserede i, og så vælger vi at vælge det let fra, for det vil være spild af alles tid, at vi skal bruge tid på sådan et land.
Det er jo også et element, at vi tror på et sådan land som Libyen vil forsøge på, at det bliver en mere transparent måde at tildle opgaverne på.

S:
I trækker i hvert fald en grænse ved korruption, og ved for høj usikkerhed for personale – og andre ting som du har nævnt…

P:
Også politisk, de lande som er på det internationale samfunds sorte liste, vil vi heller ikke arbejde i. Det er jo sådan tilbage til den lovgivning; i visse lande må vi ikke arbejde. Der skal vi så bryde landets love, og det gør vi ikke.

Det er sådan set, det enkleste at forholde sig til. Mens de andre ting er en gradbøjning; for ser man seriøst på risikosituationen for medarbejderen, så er man nok ikke i tvivl om, at den største risiko for alle medarbejdere er ikke terrorisme; det er ikke kidnapning. Det er jo banale ting som trafik og infektioner, maveonder, med langt, langt større risiko end de der mere spektakulære ting.

Men selvfølgelig vil vi følge den nationale vejledning, der findes, og i det øjeblik vi vil forsøge at lave specielle arrangementer, og så vil vi også sørge for, at folk har specielle beskyttelse for at få ind forskellige steder. Og der har vi aftaler med forskellige firmaer og institutioner omkring de ting her.

S:
Er det noget du kan uddybe?

P:
Nej, helst ikke. Men det er klart, at når vi indgår kontrakter med konkrete, så indbygger vi det i vores prissætning – det er et spørgsmål, om vi er konkurrencedygtige, hvis vi skal ind og lave et job i Irak: så skal det selvfølgelig først godkendes i vores interne system, i vores direktion osv. Men der udover skal vi også have det rigtige sikkerheds set-up på plads, og det betyder, at det indgår i vores kommercielle overvejelser om, hvad det kostet at etablere sådan et sikkerhedsniveau, som er acceptabelt.

S:
Nu går jeg lidt tilbage, og hvor meget CSR og etiske overvejelser er der i forbindelse med at gå ind på nye markede?

P:
Det er jo en blanding.
I vores nye strategi siger vi jo, at vi i høj grad vil gå til markede, der vil ’value our services’. Det er også lande, der værdiserter det mental, men også økonomisk. Det er jo i høj grad de ting, der er en driver bag det.

Også sagt, at vi er ikke inde i nogle markede, hvor det er ren assistance; det er ikke vores mission i den type opgaver – hvor det bare er ren nødhjælp. Det gør vi
selvfølgelig også, men det gør vi sådan mere gennem Rambøll Fonden; hvis vi skal lave rene donationer af forskellig karakter. 

Men når vi går ind i markeder, så gør vi det nogle steder, hvor folk gerne vil have vores ydelser, og hvor de gerne vil betale for vores ydelser. Det er det, der er driveren. Så når du siger CSR i den sammenhæng, det er jo så også, at vi ikke vil ind i markeder, som er meget korrupte, hvor vi ikke kan vinde opgaverne på en transparent måde. Det er udtryk for, at de ikke værdiserter vores ydelser højt nok. Hvis det er det, som er afgørende for, om man kan vinde eller ikke vinde. Så derfor er det i høj grad en af de parametre…og der har man selvfølgelig diverse indices, som man kan bruge som guidelines. Men igen kan man sige; hvor alvorligt skal man tage sådan nogle indices. Enhver kan jo vælge at tage sine egne parametre op, og tager man sådan diverse korruptionsindeks; de er jo selvfølgelig set ud fra et meget europæisk synspunkt, om hvad der er acceptabelt, og hvad der ikke er acceptabelt. Tager man World Economic Forums indeks om at gøre business i forskellige; de lægger meget vægt på stabilitet – og gør man det, så kan man jo komme i den absurde situation, at lande med diktatur uden demokrati ender meget, meget højt på listen, fordi de har stabilitet. Der indgår det så ikke som et negativt parameter, at de ikke er et demokrati. Derfor kan man ende i den absurde situation, at hvis man går efter nogle meget forsimplede indices, så kan man ende i en situation, hvor man helst vil arbejde i diktaturlande. Og det er jo ikke som mål i sig selv; men vi accepterer jo selvfølgelig også, at vi arbejder i visse lande, som ikke har demokrati. Vi arbejder i Qatar og i Emiraterne, og i andre lande, som ikke har demokrati, men hvor man trods alt…hvor man vurderer, at man har en acceptabel situation for befolkningen. Men der er selvfølgelig et dilemma i det spørgsmål, om vi skal bestemme, hvordan landet skal organiseres – det mener vi ikke, vi skal. Men vi vil gerne hjælpe med at sikre et højere oplysningsniveau, hvordan de skal etablere sig, og hvordan de skal organisere sig.

S:
I forhold til – du nævnte før, at Foden har nogle mere velgørende ’udbetalinger’; kunne man forestille sig, at I var dem der udviklede, eller dem der blev sat på en opgave, men med penge fra Foden, så det i princippet [blev velgørenhed]…

P:
Vi har ikke set så mange eksempler på det – men det kunne man godt forestille sig. Men vi har ikke brugt det endnu sådan aktivt med ydelse som donation in-kind; ’nu giver vi tusind eller titusind rådgivningstimer til et land’ – det kunne man godt forestille sig, men det er ikke noget, vi har brugt specielt meget, fordi vi ligesom har forsøgt at holde donationer adskilt fra vores business, og det er klart, at det kommer an på, hvilken sammenhæng det kommer i. Men jeg synes da selv, at det kunne være en spændende ide at kombinere de to ting.

S:
Så er det egentlig det opsummerende spørgsmål, jeg er kommet til nu her: Når du siger, at man trækker en linje ift. korruption eller for høj personlig og politisk usikkerhed; så tænker jeg, at der opstår et dilemma ift. den CSR-profil, man har ift. at man gerne vil, som Rambøll, udvikle og hjælpe med at udvikle og egentlig har selvpåtaget sig et ansvar. Hvad er dine overvejelser og tanker om, at man så alligevel trækker en linje og stikker halen mellem benene?

P:
Jeg tror, at linjen er, at vi ikke kan bestemme, hvordan forskellige lande skal organisere sig. Vi kan stille vores ydelser til rådighed, hvis de ønsker dem – og de skal også ville dem. Så hvis vi løber vores vej fra et land, så er det jo ofte, fordi de enten ikke ønsker vores ydelser – i form at dem, der nu bestemmer i landet, hellere vil acceptere korruption end andre ting og sager; og hvis vi skal konkurrere mod det, så er det også udtryk for, at de ikke ønsker vores ydelser. For hvis de ønsker dem godt nok, så ville de også sikre et miljø, hvor man ville kunne konkurrere på fair og lige vilkår.

Andre steder er det selvfølgelig bare, fordi landet faldør fra hinanden...der er det et spørgsmål om vores medarbejderes sikkerhed contra det at hjælpe et konkret land. Det er jo en afvejning af de to ting, og det vil jo også ofte være noget, som hvor der ikke er en klar linje. Man kan sige, at nogen personer i Rambøll er måske også villige til at gå lidt længere end andre personer. Derfor vil vi nok også gøre det, at vi i sådan en situation, også ofte tager medarbejderne med på råd; er der nogen, der har specielle kvalifikationer i den sammenhæng; om der er nogen, der har specielle muligheder for at begå sig i et vis land i forhold til andre personer. Og også; vi kan jo ikke have folk, som ikke tør at arbejde i et land, som bare er bange for at være der, for så sidder de jo bare på kontoret og låser sig inde og vil ikke rigtigt kunne bidrage med noget. Der har vi også brug for at have nogle folk, der har den eventyrlyst; som det også er den del det at være et rådgivende ingeniørfirma er jo også, at man skal have en vis mængde lyst til, at hvis man går ind i sådanne fremmede lande, at man så har lyst til at acceptere en vis form for forøget risiko.

Så derfor er der en gråzone – man kan ikke sige, at der er en skarp linje. Det gør det rigtig svært ved korruption og personlig sikkerhed; hvis bare der var en skarp linje, så ville alting være ganske enkelt; så ville man bare se, om man er på den ene side eller anden side af stregen. Virkelighedens verden er jo det, at det er en gråzone, vi bevæger os i. Og det i hele taget er dynamisk, og at alting flytter sig. Og derfor er det et spørgsmål; har man taget et skridt, betyder det så automatisk, at man tager det næste skridt og det næste skridt igen? Det mener vi ikke, at det gør. Tager man et skridt, og får undersøgt og analyseret tingene, så er det ofte for at blive klogere på, om man kan gøre noget – og ud fra det træffe en mere kvalificeret beslutning. Det betyder ikke, at hvis man først har truffet det første skridt, at man så har truffet en endelig beslutning. Ofte skal man jo i gang, før man kan vurdere situationen. Men det er helt klart, at der er et dilemma i mellem de ting. Og ofte så vil det i praksis komme ned til et spørgsmål om økonomi; hvis det opfylder alle vores krav om CSR, om sikkerhed, om det ene eller det andet, bliver så besværligt og meget dyrt, og så ender man op i en situation, hvor vi ikke kan konkurrere med småfirmaer, som er villige til at påtage sig meget, meget stor risiko. Derfor kan det i praksis blive et spørgsmål om økonomien, der hjælper med at sætte de her grænser.

S: Hvordan vægter I så økonomiske og mere politiske/personlige risici?

P: Jamen i princippet vægter vi jo altid personlig sikkerhed højt. Vi skal helst ikke have nogle ting, der går galt. Så derfor har det meget, meget høj prioritet. Vi har EU's liste over hvilke flyelskaber, vi flyver med – men vi kører ikke nødvendigvis rundt i store firhjulstrækkere i alle verdens lande; nogle gange er det lokale taxaer. Så derfor er det selvfølgelig igen en afvejning af sund fornuft og vel også en vis form for accept af, at
der er nogen gange større risici ved at arbejde uden for kontorets rammer end ved at sidde på et kontor…

S:
Er der noget du vil tilføje?

P:
Det er der sikkert!
Vi har en af vores værdier, der hedder ’insight’ – insight og dermed viden og intelligence om, hvad der foregår, er jo vigtig for os. Det med at følge med i udviklingen i forskellige lande er jo vigtig, og det med at kunne være en lille smule forudsigende, det er det vigtigste. Vi skal helst kunne se lidt frem i tiden, og vi skal helst bruge til at se frem i tiden. Hvis vi bare reagerer på dagligdagshændelser eller konkrete hændelser, bliver det bare ét stort zigzag forløb. I vores strategi går vi meget efter at køre efter megatrends og se på…landene og økonomierne. Det vil sige, at hvis der kommer buler eller huller i vejen, så skal vi ikke nødvendigvis lade os stoppe af det; så skal vi have det lange sigt. Men på den korte sigt, handler det selvfølgelig om, at vi helst også indser, at virksomheden kan ikke trives uden indtægter, og vi tager ikke meget, meget langsigtede investeringer. Men kommer der en ting, som går galt, så er det op på hesten igen og så komme videre. For at vurdere, om det kun er et kortsigtet event, eller om det er noget langsigtet, så er det vigtigt, at vi sætter os ind i tingene og bliver klogere på tingene og har den ’insight’ og danner os et billede af situationen.

S:
I forhold til nogle af jeres etiske og moralske regler i jeres Corporate Responsibility program, sætter I nogle krav til de partnere, I arbejder sammen med?

P:
I høj grad.
I princippet har vi samme krav til vores partnere, som vi har til os selv. Det gælder både de partnere, som vi økonomisk er bundet sammen med, men det gælder også partnere i andre sammenhænge, som vi arbejder sammen med. Så der stiller vi i høj grad til partnere.
Det er jo også noget af det, som vi siger direkte til de partnere, hvad vores regler er; vi forklarer dem det og giver dem kopi af vores systemer, og vi siger også, at vi vil auditere tingene, og at vi vil tjekke tingene før vi…altså nu har vi arbejdet sammen, så vil vi ikke bare acceptere, at de…det må ikke ske, at vores partnere nu gør noget, som er forkert, og at det ikke er os. Så derfor er kravene de samme i princippet til vores partnere som til os selv. Det er klart, at på et eller andet tidspunkt langt ude i systemet ender man ude i den store verden; og det kan vi ikke, og vi kan ikke have hele verden som partnere. Så det er selvfølgeligt et spørgsmål om, hvor langt væk man kan agere.

S:
Hvad gør I fx for at tjekke, at jeres partnere lever op til det, I har lovet? Er der nogle specielle systemer, I har?

P:
Nogle gange så laver vi sådan en audit af, hvordan man får tildelt kontrakter, og hvordan vi gør det ene eller det andet. Vi tjekker jo oftest de selskaber, vi hører om og
arbejder sammen med, med de forskellige kilder, som nu er til rådighed – om der nogen, der har noget dårligt på dem, osv. Men ellers forsøger vi at følge med i, hvad de gör. Og ellers prøver vi at følge med i, hvad de gør ved at være til stede, og være sammen med dem så meget som muligt er den bedste måde at tjekke sin partner på.

Slut.

Additional information from the meeting; not part of the formal interview. Per Jørgensen has provided the interviewer with consent to make use of the statements made away from the interview.

Per: Libyen som sådan fungerer; der er sundhedspleje, hospitaler, uddannelse, m.v., men det foregår på lokalt- eller byplan.

Per: folk dernede ikke kan tale om det gamle regime på en positiv måde, så man kan stille spørgsmål til, om valget overhovedet var så frit, som man gerne ville have det til at være.