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Title: Corporate social responsibility in Uganda's oil and gas industry. What can Uganda learn from the Norwegian policies and practices?

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Aim: The aim of the study is to investigate the current state of corporate social responsibility in Uganda's Oil and Gas industry in its infancy stage, with a view of determining whether there are any lessons the country could learn from experienced countries in the industry like Norway.

Objectives:

1. To ascertain whether Uganda could learn something from the Norwegian CSR policies and practices.
2. To recommend ways of closing the gaps, if any, given that Uganda is an emerging oil economy.

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Corporate Social Responsibility in Uganda's Oil and Gas Industry. What Can Uganda Learn From The Norwegian Policies And Practices?

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ABSTRACT

This study was designed to investigate the current state of CSR activities in Uganda's Oil and Gas industry, with a view of determining whether there were any lessons the country could learn from Norway which is assumed to have overcome the so called resource curse syndrome.

In order to undertake the assessment of the CSR policies and practices in Uganda and Norway, the research reviewed the current relevant literature that provides an understanding of the key themes relating to CSR including; definitions, evolution, dimensions and the applicable theories. This was achieved through the use of content analysis and secondary data within the interpretivist research paradigm.

The results indicate that, unlike Uganda, Norway has an established a comprehensive document on CSR that highlights the various ways companies can integrate CSR initiatives into their corporate activities. Further still, the Norwegian

government set up a consultative body on matters relating to CSR in addition to institutions, laws and regulations including; Petro Artic supplier association, Petroleum Safety Authority, Statoil and the Norwegian Petroleum Directorate. On the other hand, although Uganda has established petroleum institutions, the process of making petroleum laws and regulations is still ongoing. Therefore, it can be concluded that Uganda has a lot to learn from the Norwegian CSR policies and practices. For instance; developing CSR policies and guidelines, drafting regulations for the enacted petroleum laws, clear and specific local content clauses within the petroleum laws, obtaining membership with EITI and PWYP, drafting environment related petroleum laws and regulations and establishing a Petroleum Safety Authority.

Keywords: CSR, CSR policies and practices, Environment, Local content, Health and safety, petroleum sector

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Acronyms and Abbreviations

ACODE	Advocates Coalition for Development and Environment
BBOE	Billion Barrels of Oil Equivalent
CCG	CSR Consultative Group
CNOOC	China National Offshore Oil Corporation
CSCO	Civil Society Coalition on Oil and Gas
CSR	Corporate Social Responsibility
EITI	Extractive Industries Transparency Initiative
HSE	Health Safety and Environment
IPIECA	International Petroleum Industry Environmental Conservation Association
MEMD	Ministry of Energy and Mineral Development
NEMA	National Environment Management Authority
NOC	National Oil Company
OAG	Office of the Auditor General
OECD	Organization for Economic Co-operation and Development
PEPD	Petroleum Exploration and production Department
PRCTMS	Petroleum Refining, Conversion, Transmission and Mid-Stream Storage
PSA	Production Sharing Agreement
PWYP	Publish What You Pay
SEA	Strategic Environment Assessment
TEP	Total E&P Uganda
TUOP	Tullow Uganda Operations Pty Limited
WBCSD	World Business Council for Sustainable Development

CHAPTER 1: INTRODUCTION

1.1 Background of the study

As advocated by the Chatham House, good governance is a key element for sustainable development. Absence of good governance may arguably be the reason resource rich countries are getting minimal benefits from exploiting existing resources such as oil. In fact, instead of the oil resource instigating economic and social development, it has led to a mismatch of the natural resource and economic development, otherwise known as the "resource curse." In a bid to curb the earlier mentioned "resource curse", the Chatham House developed a framework of good governance for the national petroleum sector. Given its attributes; transparency and accountability, good governance is arguably a foundation for good CSR policies and practices. Further still, the framework advocates for, among other things, sustainable development. Being a capital intensive industry that is largely dependent on a finite resource, the oil and gas industry should have sustainability at the heart of its policies and operations. A key aspect of sustainable development is corporate social responsibility (CSR).

As argued by Frynas (2009), the oil and gas sector is among the leading industries at the forefront of CSR. This may be due to the highly visible negative outcomes of daily operations for example environmental degradation, oil spillage and pollution that may lead to protests by the indigenous people and civil society groups. For example Shell's Niger Delta oil spill that led to unrest and the pollution of water in Nigeria's Ogoni land region¹. Therefore, companies ought to consider the needs of the host communities and act accordingly in order to avoid civil unrest and disturbances that may subsequently disrupt operations.

The oil hunt in Uganda was initiated by E. J. Wayland, a government geologist in the early 1920s who recorded oil seeps in the Albertine Graben (Bainomugisha et

¹ The guardian, Thursday 7 November 2013 :Shell made false claims about Niger Delta oil pollution
<http://www.theguardian.com/global-development/2013/nov/07/shell-oil-niger-delta-pollution-amnesty>

al., 2006). This was later followed by drilling wells in 1938, 1940s and 1950s although well testing was not done. However, in spite of the oil prospects, exploration came to a halt during World War II and resumed in the early 1980s when aeromagnetic data from the entire Albertine Graben was acquired².

Following the acquisition of aeromagnetic data, Uganda made its first commercial oil discovery in 2006. As at the end of August 2014, the oil fields were estimated to be 6.5 billion barrels of oil out of which 1.4 barrels are estimated to be recoverable (Kabagambe Kaliisa, 2014)³. This has raised expectations from the civilians given the development opportunities the discoveries present if effectively managed. It is therefore important for the country to institute governance including CSR in the wake of the recently discovered oil. However, according to Shepherd (2013), the perceived deterioration of governance and heightened corruption poses a threat to Uganda's future development efforts and maximization of benefits from the oil resource.

In contrast, Norway has had petroleum operations for over 40 years, since the mid-1960s which gives it an edge over Uganda. The petroleum operations are administered through various government bodies such as Statoil the National Oil Company (NOC), a government ministry (ministry of petroleum and energy) that directs policy and the Norwegian Petroleum Directorate charged with oversight and technical expertise. Notably, the NOC greatly advocates for CSR initiatives. This advocacy may be attributed to Norway's national CSR guidelines for companies both in the petroleum and non-petroleum sector. Furthermore, Norway has fully developed petroleum policies, laws, regulations and authorities unlike Uganda. These are believed to be drivers of her success in the petroleum sector (Gardner, (2003); Amegah (2012); Shepherd, (2013)), in addition to the vast experience in Petroleum operations. As such, Norway is often cited as a best practice specimen (Thurber et al., (2011); Bellona, (2004) and Vatne, (2007)) whose enterprises

² Uganda oil and gas info- History and development http://www.ugandaoilandgas.com/ugandaoilandgas_003.htm

³ Uganda's petroleum resources increase to 6.5 billion barrels oil in place <http://www.petroleum.go.ug/page.php?k=curnews&id=102>

(both public and private) have advanced in integrating CSR into their business strategies and daily operations. Therefore, this study analyses the CSR policies and practices in the petroleum sectors of Norway and Uganda to ascertain whether Uganda could learn from the Norway.

1.3 Aim and Objectives

The aim of the study is to investigate the current state of corporate social responsibility in Uganda's Oil and Gas industry, with a view of determining whether there are any lessons that could be learned from Norway.

In order to achieve the above aim, the objectives of the study were:

- (i) To ascertain whether Uganda could learn from the Norwegian CSR policies and practices; and
- (ii) To recommend ways of closing the gaps, if any, given that Uganda is an emerging oil economy.

1.4 Justification of the Study

The justifications of the study are discussed below:

- (i) Literature to date gives no studies that have benchmarked CSR in Uganda with other developed petroleum economies. The existing literature dwells on assessing the impact of CSR on the communities, stakeholder engagement, and basis of deciding on CSR activities, rationale and the question of whether or not companies must engage in CSR activities.
- (ii) As an emerging petroleum economy, Uganda has made minimal progress in developing oil and gas operations and expertise. Besides, the country is still at the exploration and development stages with production under way. This raises the need for her to benchmark with developed petroleum economies in order to maximize the potential benefits.
- (iii) In addition to having petroleum experience of over 40 years, Norway has comprehensive petroleum policies, laws and regulations unlike Uganda. Therefore, as an emerging petroleum economy, Uganda stands to benefit from this study since it may be useful to the various bodies governing petroleum operations.

- (iv) Further, the governing bodies could adopt and tailor the applicable Norwegian policies and practices that would help promote a good CSR culture in Uganda's petroleum industry.
- (v) The research could also make a contribution to the existing literature relating to the concept of CSR in Uganda's petroleum sector.

1.5 The Structure of the study

The research is organized into six chapters. The first section is comprised of the introduction which gives a brief background, aim of the research and objectives as well as the justification of the study. Sections 2 and 3 give a detailed review and analysis of the applicable empirical evidence of the earlier research as well as the status and nature of CSR in the petroleum sectors of Uganda and Norway.

Section 4 looks at the methodology of the research, the research design, sources of data and the various methods of data collection, analysis of key findings, conclusions and the limitations of the research. It also discusses the resource requirements and ethical considerations respectively. The proceeding section 5 gives an in-depth analysis and presentation of the findings. Finally, section 6 gives the conclusion and recommendations of the study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The previous chapter introduced the study giving its background, the aims and objectives, justification and also introduced the concept of CSR highlighting its background in Uganda and Norway. The purpose of this chapter is to review relevant literature concerning the concept of CSR, its evolution, the applicable theories as well as the various dimensions. This chapter therefore commences with a review of the basic concepts and the evolution of CSR and continues with Section 2.4 which examines the applicable theories of CSR; stakeholder theory, corporate citizenship theory and corporate social performance theory. This is followed by section 2.5 which covers the dimensions of CSR. Lastly, section 2.6 provides the conclusion of the chapter.

2.2 The Concept of CSR

CSR is a generalized concept relating to "good" or "desirable" business behavior and has rapidly gained considerable interest among businesses and academicians over the past decades despite it being blurred and fuzzy (Lantos, 2001). As such, many attempts have been made to clarify and simplify this complex concept. For instance, Carroll (1999) presumes that a company not only has economic, legal and ethical obligations to society but also particular responsibilities extending beyond the listed obligations. Similarly, Backman (1975) earlier mentioned that CSR normally refers to goals that should be measured by a business in addition to those that deal with the legal and economic performance.

Another major contributor to the conceptualization of CSR was Sacconi (2004), who pointed out CSR as relevant to the protection of a company's corporate reputation when it comes to unforeseen negative incidents such as pollution that may cause society to seriously question the social responsibility of the company. Consequently, companies should thrive to connect with the societies in which they operate in a way that ensures maintenance and enforcement of a positive public image since they are dependent on these societies (Vaaland and Heide, 2005). They further argue that improperly handled CSR critical incidents may jeopardize and ultimately harm a company's reputation.

On the other hand, the World Business Council for Sustainable Development (2004) views CSR as a business' commitment to contribute to sustainable economic development and improve the quality of life by working with its employees, their families, the local community and the society at large. The above definition covers the elements generally covered in the experiential work relating to CSR such as employee treatment, human rights, environment and the community at large. It is also consistent with Griffin and Mahon's (1997) multidimensional CSR concept as well as Dahlsrud (2008), who analysed the various CSR definitions and found five emerging categories of CSR, namely: stakeholder, social, economic, voluntariness and environmental. Other scholars see CSR as purely relating to voluntary acts consequently conceptualizing it as an issue a company considers over and above economic and legal standards (Wolff and Barth, 2005; Paulo et al, 2008).

Contrary to the previous authors, Austin's (1965) contribution to the conceptualization of CSR was through criticism of the constriction with which businesses define their social responsibilities. He asserted that management should be concerned with not only the growth and development of a business but also promotion of awareness of the impact of their activities on society. He further argued that the actual obligation of business leadership is to assess the social impacts of their activities and come up with possible actions that can be undertaken to curb the problems. Austin's (1965) view on CSR also brought about a shift from the social responsibility of business men to the social responsibility of business.

Further, some critics view CSR as a mere public relations exercise aimed at giving an appearance of social responsibility and alteration of commercial practice while in reality nothing is being done to change the corporate priorities and operations. For example, Christian Aid (2004) described CSR as an insufficient reaction to the sometimes devastating impacts of corporate activities on the host communities with the poor and vulnerable people in developing countries suffering the most.

However, despite the above differing views and definitions of CSR, from his analysis, Dahlsrud (2008) concluded that although the terms used differ, the definitions and perceptions are pertinent and more or less the same thus dismissing the need for a single definition. CSR, therefore, refers to the ability by companies to

go beyond the basic business motive of maximizing shareholder returns to being able to deliver other stakeholders interests.

2.3 Evolution of CSR

How recent is the concept of CSR? CSR is not a new concept and neither are the business practices associated with it. It has grown from a marginalized notion to a complex and multi-faceted concept that is increasingly the basis of today's corporate decision making (Cochran, 2007). According to Carroll (1999), formal writing on the topic was mostly done in the 20th century with Howard R. Bowen's book "Social responsibility of a businessman" (1953) being considered by many to be the landmark contribution in the continuing debate thus the drive behind the increased literature. In his book, Howard Bowen mentioned that businesses were responsible to society for their actions since their decisions had an impact on the lives of the natives at various aspects.

Additionally, besides Bowen's book, the increase in the literature on the concept of CSR is also attributed to the continuously asked questions of whether a company has broader responsibilities to society than maximizing returns for its owners, and whether and how a business might benefit from "doing good." Subsequently, various debates about CSR regarding social, economic and environmental issues have continuously been raised.

However, although he is reputed the "father of Corporate Social Responsibility", Bowen was not the pioneer author in the field of CSR. There were various studies highlighting the importance of social responsibility throughout the 1930s and 1940s (Carroll, 1999). A case in point is Frynas (2009) who echoed Bowen's argument that management had responsibilities far beyond fulfilling shareholders' interests which included social responsibilities to society as a whole since a firm is "literally permitted and encouraged" by the laws of a community to operate there in.

Having formed the foundation of the CSR notion in the earlier years, the 1960s showed a remarkable trend towards researchers focusing on the relation of CSR to business and society as well as identifying its dimensions, which first proved to be difficult due to the deficiency of empirical information at that time. However, as

argued by Lee (2008), researchers were not after providing a link between CSR and a company's financial performance then.

From the above historical evidence, it can be concluded that societal concerns for a firm's social obligations are not new and that there is continuous interest in such concerns, although of late manifestation within the CSR concept seems to defy the conventional pattern since CSR appears to have been incorporated into the daily business operations for good (Jenkins, 2005).

However, the quest for further involvement of CSR in business practices soon saw criticism from opponents like Berle (1954) who argued that management of a business is only accountable to shareholders. Similarly, according to Banerjee (2007), CSR has potential to harm business activities therefore firms should concentrate on maximizing shareholder value since it is the best possible contribution to society. This view is in line with the Shareholders' value theory which is in favor of prioritizing profit maximization and growth of investors' worth (Crane et al, 2008).

The above notion was discredited by Beesley and Evans (1978) who disregarded the need for a firm to be run solely in the shareholders' interests since property ownership had been separated from control and there was need to consider the environment in which the business operates. It can therefore be argued that the concept of CSR began as a concern for management's capacity and ability to incorporate stakeholders' interests in the decisions made (Jones, 1995).

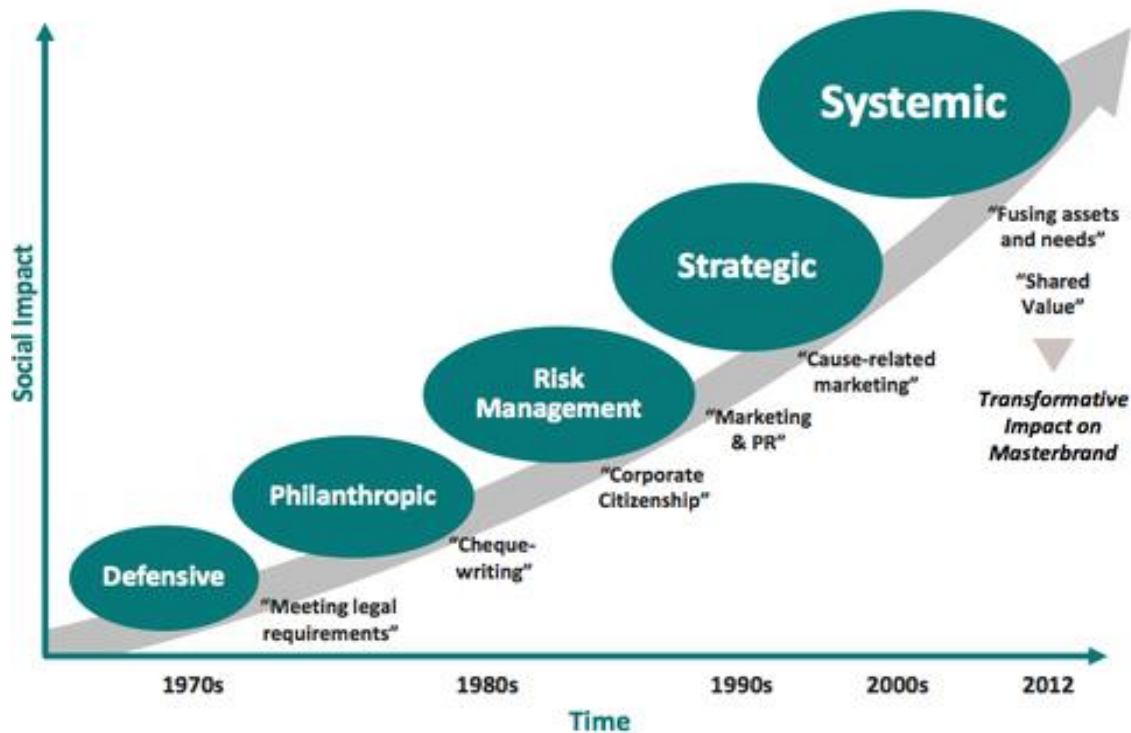


Figure 1: Evolving trends in Corporate Social Responsibility (Source: www.andrecampbell.co.uk)

2.4 THE APPLICABLE CSR THEORIES

In spite of the contradictory views, CSR gained momentum which eventually led to the introduction of theories such as the stakeholder theory, corporate citizenship theory and the corporate social performance theory, in order to give an insight into the concept as illustrated below;

2.4.1 Stakeholder Theory

The primary objective of an organization is to maximize shareholder wealth through profit maximisation which indirectly takes into account all persons that are either

positively or negatively affected by the company's operations. As such, it is an injustice to narrow stakeholders down to only shareholders.

According to the stakeholder theory which is believed by many to be the cornerstone of CSR, a stakeholder is a group or an individual that is either harmed or benefits from the actions and decisions taken by corporate bodies (Freeman, 1998). In spite of the innumerable efforts made by various academics (Thomson et al, 1991; Donaldson and Preston, 1995; Post et al, 2002; Margolis and Walsh 2003) to define stakeholders, Freeman's (1998) definition is the most popular among researchers. However, it was contended by Phillip (1997) who referred to it as vague and extensive such that even thugs and terrorists could be referred to as stakeholders since their actions have an impact on the organization. In the same spirit, Donaldson and Preston (1995) added the term 'legitimate' thus defining stakeholders as groups or persons with legitimate concern for corporate actions and decisions. They also stressed the fact that stakeholder recognition should be based on their interest in the organization irrespective of an organization's interest in them.

Further, Mitchell et al (1997) categorised stakeholders into two, namely; primary and secondary, relating them to proprietors or non-proprietors of a business; performers or those performed upon; risk takers or risk averters respectively. Similarly, Clarkson (1995) refers to primary stakeholders as those whose participation is paramount for the survival of a corporation as a going concern for example shareholders, investors, employees, customers and suppliers whereas secondary stakeholders as those who affect or are affected by a corporation but are neither key for its survival nor engaged in the daily operations.

From the above, it can be deduced that the stakeholder theory accounts for individuals or groups with a "stake", claim or particular interest in a company such as employees, customers, creditors, suppliers, shareholders and the host community at large (Mitchelle et al.,1997; Melé, 2006). Also, Sacconi, (2004) relates the stakeholder theory to the credence that companies are obligated to consider interests of all parties (stakeholders) affected by their actions on top of the stockholders and what is strictly required by law. The stakeholder theory also

accentuates the importance of “stakeholder management and “stakeholder engagement” in terms of effective cooperation with stakeholders as a key determinant of a firm’s financial performance (Garred and Paul (2000); Zadek et al. (1997)).

However, the stakeholder theory is surrounded by a contentious issue of whether it is a normative theory based on moral propositions or an empirical theory (Jones and Wicks, 1999; Treviño and Weaver, 1999; Freeman, 1998). Nonetheless, in relation to social responsibility, the main concern is whether the stakeholder analysis motivates corporations to be responsible to all stakeholders (Moir, 2001). Conclusively, given the current commercial CSR approaches, the rationale is majorly instrumental (WBCSD (1999); Business Impact, (2000)) although there are some elements that are normative.

2.4.2 Corporate Citizenship Theory

Although the idea of the firm as a citizen appeared in the work of CSR pioneers such as McGuire (1963) and Davis (1973) in the 1960s and 1970s, there has been a renewed interest in this concept among practitioners due to factors that have affected the business and society relationship such as the globalization phenomenon (Garriga and Mele´, 2004). The renewed interest is elaborated by the corporate citizenship framework in which Garriga and Mele´ (2004) refer to corporate citizenship as an approach used under the integrative and political theories, a view supported by Wood and Lodgson (2002).

Notably, corporate citizenship is quite recent (Matten et al., 2004; Wood and Logsdon, 2002) and has always triggered a sense of belonging among companies. It has also increasingly demonstrated the need for businesses to take into account the community in which it is operating. Nevertheless, different scholars have different perceptions about the term “corporate citizenship” for example Matten et al (2004) presented three views that is: (1) the limited view which is used in relation to defined responsibilities assumed towards the host communities; (2) the CSR equivalent view, which is relatively common; (3) corporate citizenship view that is extended to include all the above views and looks at corporate citizenship as a lee way for corporations to “fill the gap” where government fails to provide or

contribute to the livelihoods of the citizens. This view arises from the gradual replacement of powerful institutions such as government by some corporations.

2.4.3 Corporate Social Performance Theory

This theory is considered a fruit of Bowen (1953), who in his work referred to social responsibility as an obligation of businessmen to make decisions and act in a way that is desirable and upholds the objectives and values of society. Bowen's work was supplemented by Carroll (1979) who proposed a model of "corporate social performance" composed of three elements; a rudimentary social responsibility definition, a list of issues to which social responsibility applies and a specification of the philosophy of response to social issues. He also highlighted the fact that a social responsibility definition must symbolize the economic, legal, ethical and optional performance categories of a business if it is to address all the obligations a business has to society.

Further, Wartrick and Cochran (1985) extended Carroll's approach by arguing that social responsibility principles, the "issues" management policy and the social responsiveness process form the base of corporate social involvement. Similarly, in 1991, Wood brought a new development in form of a basic model of corporate social performance that is currently applied. The model includes; (i) CSR principles expressed in terms of individual, organizational and institutional; (ii) corporate social responsiveness processes, and finally (iii) outcomes of corporate behavior.

Additionally, in the same year (1991), Carroll integrated his four- part categorization of CSR namely; philanthropic responsibilities, ethical responsibilities, legal responsibilities and economic responsibilities into a "Pyramid of Corporate social responsibilities" as illustrated below;

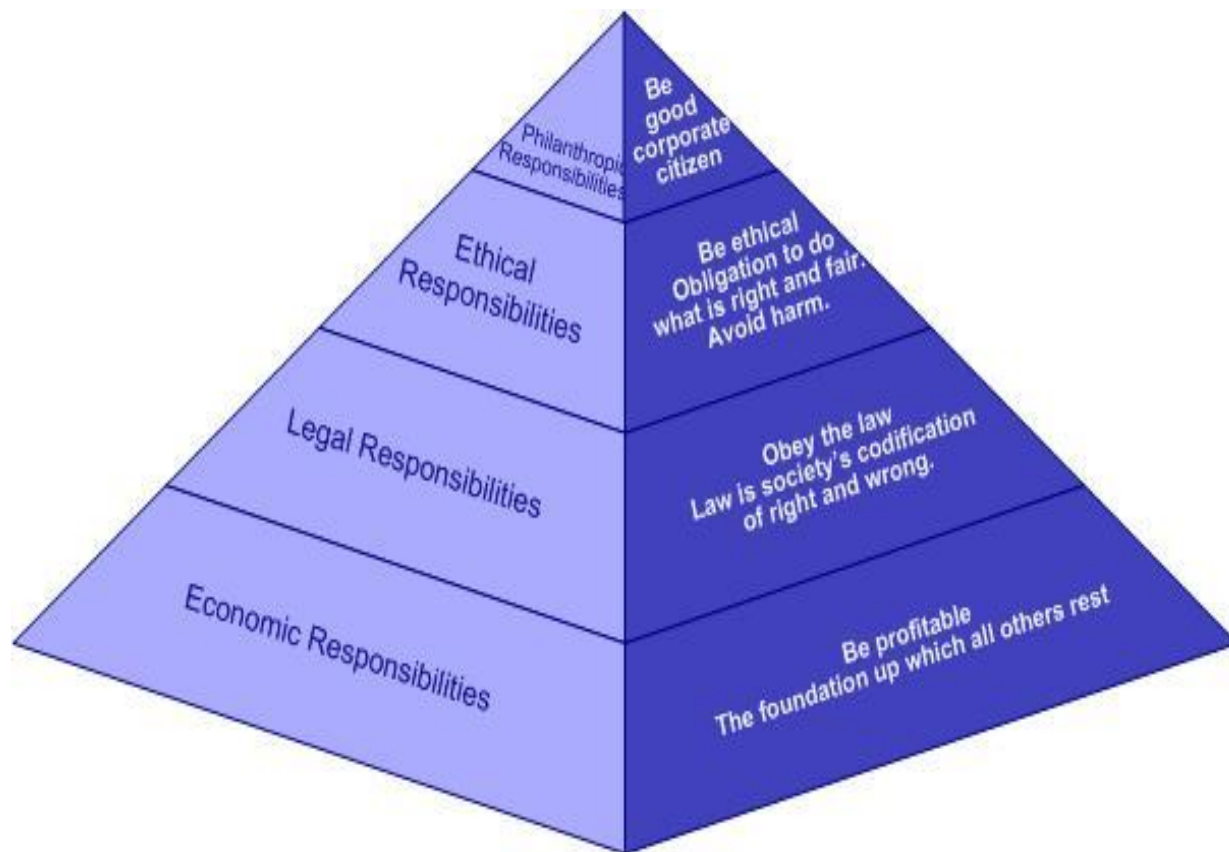


Figure 2: Carroll's CSR Pyramid (Source: Carroll, 1991)

In 2003, Schwartz and Carroll suggested an alternative approach to CSR composed of three responsibility areas; economic, legal and ethical responsibilities as well as a "Venn model framework" which, through a Venn diagram depicts the three domains earlier mentioned thus suggesting that none of them is more important relative to the others.

2.5 DIMENSIONS OF CSR

In a broader sense, CSR can be broken in three broader aspects; economic aspects, social aspects and environmental and ecological aspects. However, in order to obtain a better understanding of CSR and enable the researcher meet the aim and objectives of the study, CSR will be broken down into smaller aspects as discussed below.

2.5.1 Voluntary nature of CSR

Due to the increased awareness and evolving nature of CSR, it is perceived by many to be compulsory. Host communities are increasingly expecting more from corporations by the day in exchange for permission to operate in their communities, which is arguably over rated since corporations have different objectives and the impacts of their activities vary depending on the nature of operations.

According to Wolff and Barth (2005), most CSR definitions are based on the premise that it is voluntary which may be deemed to describe the motivation of corporate behavior. They further argue that even where a company is obliged to publicly report on its social and environmental performance, the decision to improve its performance socially and environmentally would still be voluntary. However, despite their line of argument, they concluded that it was necessary to institute public policies in order to promote CSR thereby prompting the debate of whether CSR is compulsory or voluntary.

On the other hand, those in favor of the compulsory nature (Schmitt (2004); Matten and Moon (2004)) argue that there is need for minimum regulations establishing guidelines on what the environmental and social responsibilities of the companies ought to be as well as requirements for disclosure to all stakeholders. In contrast, the supporters of the voluntary nature of CSR like Jordan et al. (2003); McWilliams and Siegel (2001) believe that companies should self-regulate and voluntarily formulate and implement CSR related regulations and guidelines, a view supported by most of the companies. However, given the inadequate guarantee associated with the voluntary approach, most scholars defend CSR regulation since it helps curb the gaps in self-regulation.

2.5.2 Disclosure of information

Since a company is "literally" given permission to operate in an area by the laws of society, it is important that the locals are kept in the know regarding the activities of the company irrespective of the gravity of their impact on that society. People ought to know how the company operates and how the profits are distributed for the benefit of the society in general.

Importantly, although disclosure of information relating to CSR is perceived to be voluntary, some scholars believe companies disclose information because of its potential benefits. For example Woodward et al (1996) argue that disclosure enhances a company's reputation through increased trust and support from respective stakeholders. Additionally, Dowling and Pfeffer (1975) mentioned that CSR helps to ascertain the correspondence between social values and social norms. Barnett (2007) and Mackey et al (2007) also argue that companies carrying out CSR activities embrace disclosure because of its contribution to financial performance, which is questionable in my view.

Further, CSR disclosure gives an understanding of a company's CSR performance, although at times the published corporate social performance greatly differs from the actual performance (Magness, 2006). Consequently, disclosure may be viewed to signify a rightful gain through which businesses seek to better their reputations socially and environmentally (O'Donovan, 2000) as cited by (Yao et al., 2011).

Lastly, Zwetsloot (2003) highlighted transparency and reporting as vital for CSR-practicing firms and recommended continuous communication with both external and internal stakeholders stating that a remarkably high degree of communication boosts further development of CSR.

2.5.3 Economic Development

Before the late 1960's, most economists viewed development as the maximization of economic growth until the definition was broadened to include more for example elimination of poverty, unemployment and inequality than just increasing per capita output (Servaes and Tamayo, 2013). Notably, CSR avails a platform for companies to contribute to both the social and economic development of the host communities through corporate activities especially those that promote sustainable development.

Given the heightened prominence of CSR and the shift in CSR discourses towards its contribution to development, is there more need for corporations to be more involved in development than before? Companies are increasingly gaining interest in being involved in development contrary to earlier years, although most of the interest is tending towards philanthropy rather than development per se (Hopkins,

2007). This is greatly attributed to the increasing expectations of natives from the corporations they host forcing them to engage in developmental projects and activities so as to protect and maintain their corporate images.

Further, on top of being seen as a means of mitigating the effect of negative externalities arising from operations, for many, CSR is entangled with issues of development and poverty eradication (Blowfield, 2005) and Jenkins (2005)). Similarly, Visser (2005) described CSR as naturally being development fuelled by the private sector which impeccably complements government and multilateral development institutions' development efforts. Subsequently, it is seen as a contributor to development although it did not set out to be one.

However, as argued by CSR activists like Paul Streeten, a development expert, there should be a limit to which companies get involved in development. He believes that only monopolies should accept social responsibilities that enhance development. The OECD (2001)⁴ also argues that CSR should not be expected to replace governments since it cannot adequately fill the gaps created by incapable or unwilling governments.

Moser and Miller (2001) identified three theoretical perspectives relating to the debate on CSR's contribution to development, stating that they deferred regarding the determination of how best CSR could fulfil developmental responsibilities. Firstly, the voluntary initiative perspective which is supported by Reed and Reed (2004) argues that CSR's best contribution to development can best be achieved through voluntary initiative by corporations and that government legislation should promote and create incentives and conditions that boost good corporate behavior through self-regulation. Similarly, Utting (2000) argues that company efficiency and voluntary initiatives may be undermined by government regulations since they impede corporate freedom.

⁴ OECD (Organization for Economic Co-operation and Development), (2001), Global Forum on International Investment, New Horizons for Foreign Direct Investment
http://books.google.co.uk/books?hl=en&lr=&id=r4XYAgAAQBAJ&oi=fnd&pg=PA296&dq=csr+and+%22economic+development%22&ots=FN4GaW1QvM&sig=pi06EmWQpPwDeJsFbpl_B5BE6ZU#v=onepage&q=csr%20and%20%22economic%20development%22&f=false

In contrast, the accountability perspective argues that CSR is constrained by profitability and as such companies will always prefer profitability to contributing to development since the costs incurred in doing so cannot be recouped in terms of profit (Fryans ,2005); Blowfield and Frynas,2005). Therefore, CSR is unlikely to make developmental contributions due to its voluntary nature.

Lastly, the “enabling environment” school of thought highlights the need for enhanced assimilation of government regulation and the voluntary approach(Fox, 2004).An enabling environment is one that encourages business activities that keep environmental and social costs at a minimum while maximizing economic gains thereby increasing the chances of CSR initiatives achieving their desired impacts (Fox et al., 2002). As such, this perspective considers stakeholder participation and the integration of governmental and voluntary regulation vital for CSR’s contribution to development.

2.5.4 Local content

Sigrid et al., (2011) refers to local content as a complicated notion with no clear definition since most countries define it by their own words. For example Nigeria defines it as “*The quantum of composite value added to or created in Nigeria through utilization of Nigerian resources and services in the petroleum industry resulting in the development of indigenous capability without compromising quality, health, safety and environmental standards*”(Menas, 2008). Also, the Ghanaian ministry of energy defines local content as using local expertise, goods, services and financing in the oil and gas activities (ministry of energy, 2010). However, Warner (2011) suggested that it was better to say what one meant when discussing local content than using the term itself.

Local content expectations are on the rise both in developed and developing economies as evidenced by Dynes (2011) who stated that some African countries assign up to 40% weighting to the quality of a bidder’s local content proposal when awarding public contracts. Consequently, corporations incorporate their CSR initiatives involving community participation and capacity building into their local content strategies, a move that empowers them to respond to the never ending pressures from both international and local civil groups who advocate for more

comprehensive and transparent local content development packages (Estevesetal.,2013).

Further, as a result of CSR, corporations are continually expected to work with the host government and communities to better the quality of life, educational, economic and social welfare of the natives through provision of training opportunities and employment especially for those from disadvantaged backgrounds (Hufbauer and Schott, 2013). CSR pressures also prompt companies to prioritize local content through checks like; Does the company have a designated “talent scout” to source potential local talent and suppliers? Has the company formulated comprehensive procedures for the certification and verification of the local suppliers? Does the firm support and encourage potential indigenous suppliers? (Moran, 2011).

2.5.4.1 Education

According to the oxford dictionary, education is “a process of teaching, training and learning, especially in schools or colleges, to improve knowledge and develop skills.” The word education is derived from a Latin word “educare” meaning “bring up”. Socially, the cause of education is normally associated with intellectual development of the young particularly through school systems.

Notably, education is human-oriented by nature because the results of the educational activities that is; human knowledge and creativity are intangible and un-measureable. As such, the question of whether education is an economic or social activity will always surface.

Given the current corporatized environment, CSR has gained momentum and as a result, firms are increasingly becoming responsible for the sustainable development of host societies as well as other dimensions of social progress of which education is no exception. Education is key to the progression of human beings, societal development and promotion of a healthy economic environment therefore corporations ought to contribute to the optimization of education conditions in order to promote literacy.

However, despite the call for corporations to fully engage in the promotion of education, Rong (2010) cautions companies to avoid “low level involvement” where they just make donations without bothering to track and support the implementation of the educational projects. He claims that this habit has led to wastage of resources with little or no direct impact.

Further, Porter and Soper (2003) argue that schools must exhaustively identify their strengths, weaknesses as well as needs and formulate strategies to curb them in order to benefit from sustainable improvement through CSR activities. Likewise, the firms availing these activities should design CSR plans that; (i) Incorporates all aspects of the school especially management (ii) Programs that motivate and enable children to meet their daily academic goals and challenges (iii) A plan to use research to drive the move towards a unified plan with a sole focus. Importantly, a good CSR strategy considers both the implementation of a CSR plan and sustainability.

2.5.5 Health and Safety

There is no doubt that safe and healthy working conditions are part of the social responsibilities of firms and are regarded as an integral part of the concept of CSR (Zwetsloot et al, 2004). This view was earlier highlighted by Segal et al. (2003) who stressed the importance of occupational health and safety as key CSR aspects since they are normally used to measure the general CSR progress of a company.

As such, since most organisations greatly depend on human beings who spend the greater part of their time at work, it is important that the working environment is friendly. This may be achieved through the prevention and management of hazards resulting from the work done and the working environment so as to promote the health, safety and wellbeing of workers (Marmot & Wilkinson, 2006). However, it can generally be argued that the initiatives of health and safety at work trivially contribute to the facets of CSR as they ignore some of the CSR dimensions such as the economic and environmental dimensions (Zwetsloot, 2003).

Further, firms engaged in CSR activities tend to have defined interest in health and safety since poor standards may damage their “social responsibility” image

consequently threatening business continuity and the value of the CSR effort (Zwetsloot and Starren, 2003). Additionally, these firms also engage in social accountability not only in relation to the impact of their operations but also in relation to occupational health and safety among their overseas suppliers (Zwetsloot et al, 2004).

The above discussion raises the question of whether the impact of health and safety performance on corporate image can prompt businesses to increase interest in health and safety at work. And if yes, can the interest be increased at a profit? Well, this is greatly determined by the objectives and nature of operations of a company as evidenced by some studies. For example Cramer (2003) highlights the possibility for organisations to promote both health and safety and care for the environment while maintaining high profitability.

2.5.6 Environment

As a result of increased transparency of business practices, CSR has ceased to be a luxury and is now a requirement as evidenced in the work of scholars like Bruch and Walter (2005) and Porter and Kramer (2006) that campaigned for an alignment of a company's primary strategy and its CSR efforts in order to maintain a good corporate image. Similarly, Sarkar (2008) highlighted the evolution of business practices regarding the environment from environmental management to environmental strategy. He was cognizant of the relation between environmental and economic interests being a balance of both competitive and cooperative factors.

Businesses are more regularly judged basing on their environmental stewardship because the environment is of high interest when it comes to the market's attitude towards CSR (Bird et al., 2007). Similarly, according to Welford et al. (2007) and Kassinis and Vafeas (2006), the environment is considered a vital concern for stakeholders when assessing a company's CSR efforts. However, some scholars attribute good financial performance to environmental performance development (Klassen and McLaughlin, 1996).

The importance attached to the environment has prompted companies to accept responsibility and undertake a positive role in the promotion of environmental protection as opposed to being seen as the "environmental problem itself" (Hart, 2000). This argument is supported by the World Bank Environment Strategy which gave evidence of the private sector's influence in the long-term environmental performance and sustainability (World Bank, 2000).

Consequently, research has been done to ascertain the rate at which companies adopt environmental management practices (Williamson et al.,(2006); Welford et al., (2007); Wahba, (2008)), the results of which indicate heightened attention to environmental impact as well as the adoption of practices by organisations to curb negative environmental impact. On top of the research, various variables have been established to identify and measure environmental responsibility which include; emission and waste reduction, engaging in voluntary environmental restoration, presence of pollution reduction programs and finally the level of natural resource conservation (Delmas and Toffel, 2004).He also highlighted the shared social and environmental concern for activities relating to environmental responsibility. Therefore, the CSR environmental aspect can be viewed in line with a company's duty to cover the environmental implications of its operations, products or facilities such as elimination of emissions and pollution.

2.6 Conclusion

The chapter reviewed issues relating to CSR. From the review, it can be seen that CSR is voluntary and that some factors; disclosure of information, education, local content, environment, health and safety and economic development are key to successful CSR policies. However, CSR is tending towards being compulsory by the day due to the high regulation. In fact, countries are increasingly including CSR provisions in their petroleum laws and regulations thereby making it obligatory for the oil and gas companies.

CHAPTER THREE: CSR IN THE OIL AND GAS INDUSTRY

3.1 INTRODUCTION

An analysis of the relevant literature relating to the CSR concept, its evolution, applicable theories as well as the various dimensions; Local content, education, health and safety, environment, economic development and disclosure of information were presented in the previous chapter. In a bid to obtain a clear understanding of the petroleum sectors in Norway and Uganda, it is important that existing literature is reviewed and analyzed. Analysis of the above literature therefore ignites discussion of the CSR policies and practices in the oil and gas industries of both Uganda and Norway as laid down in the dimensions presented in chapter two; thus forming the purpose of this chapter. Section 3.2 covers CSR in the oil and gas industry, 3.3 looks at the CSR practices in Norway while 3.4 covers CSR practices in Norway. This will form the basis of the analysis in chapter 5 to establish whether Uganda could learn from the Norwegian CSR policies and practices.

3.2 CSR in the Oil and Gas industry

In view of the above, what should be the stakeholders' expectations of the IOCs in the oil industry? Oil companies pose potential environmental hazards due to the nature of their operations therefore they ought to be more vigilant in showing social responsibility. In so doing, a favorable and peaceful environment is created for companies to generate profits some of which should be ploughed back in to the host communities (Amaewhule, 1997). This view is further highlighted by Campbell (2007) who mentioned that it is an irony for a thriving company to exist in a "sick" society.

In line with the above, Warhurst and Mitchell (2000) further points out that there is constant pressure for oil companies, especially in developing countries, to portray openness and accountability and to publicly report on their social and environmental performance. Meanwhile, other schools of thought opt to differ from

the above. They argue that maximizing profits using the available resources is the only social responsibility of an organization. The justification for this is that government revenue will be collected and the society will benefit as a whole.

On top of the above arguments, it is important to highlight some of the CSR driving forces. Frynas (2005) lists a few; competitive advantage, manage external pressures, ensure a stable working environment and to keep the company employees content. He also mentions that the above factors dent development projects and concludes that the prime motivation is the business factor.

Environmentally, Frynas (2009) highlights the high potential of negative environmental impacts like oil spills and natural gas emissions especially at the exploration and production stages which are amplified since hydrocarbons are often found in areas of ecological vulnerability like rain forests and national parks. Consequently, oil companies currently provide detailed environmental reports as a sign of environmental engagement.

He further asserts that oil companies currently provide detailed environmental reports as a sign of environmental engagement. This is backed by various international studies which have confirmed that companies in the petroleum sector produce more extensive environmental reports compared to other sectors although this is partly attributed to the industry's environmental impact. In the same spirit, Cho and Patten (2007) claim that companies facing environmental challenges are enticed to use disclosure to address the social and political pressures to which they are exposed.

Regarding development, the continuously asked question is; Are CSR and development correlated? There are many inevitable interactions between petroleum companies and the local communities in which they operate which has led to an increase in demand for investments in order to develop these communities (Frynas, 2009). He also highlighted the fact that the beneficiaries of the projects funded by the oil companies do not normally have other sources of support, especially in the developing countries where the host governments are not in position to perform their development role.

According to Jenkins (2005), government agencies like World Bank and U.S Agency for International Development have highlighted the potential CSR has in contributing to the achievement of development objectives for example reducing poverty plus improving health and education. This view is shared by Blowfield (2005) and Ward et al (2007). It should however be noted that aid cannot create lasting development without economic growth and value creation. Additionally, some scholars argue that corporate social investments in their present form have low chances of nurturing genuine local community development in practice.

Another key issue is whether CSR contributes to governance in any way. According to Sir Adrian Cadbury⁵, "*Corporate Governance and CSR aim at aligning as nearly as possible the interests of individuals, corporations and society.*" Various petroleum economies are faced with the "resource curse" characterized by mismanagement as well as political and military conflict (Sachs and Warner, 2001). High quality governance is vital if a country is to evade the so-called 'resource curse' yet governance still remains a big challenge for oil producing economies especially in developing countries.

Previously Oil companies have rejected the idea of actively undertaking macro-level governance matters since governance is basically a government role. However, of recent a number of multinational oil companies are recognizing the fact that they can make a contribution to strengthening governance (Frynas, 2005).

In line with the above, Gulbrandsen and Moe (2007), highlight BP's willingness to engage in policy making processes and give appropriate support to the development and implementation of policy programs in Azerbaijan, evidence that the oil companies are increasingly getting involved in governance issues. However, despite the increased involvement of oil companies in the governance issues, host governments need to take full responsibility and ensure quality governance of all aspects of the industry especially CSR.

⁵(Sir Adrian Cadbury) in *Global Corporate Governance Forum*, World Bank, 2000)

3.3 NORWAY

Exploration for hydro carbons in Norway started mid-1960s although the first field was developed in 1971. As a result of the vast experience, Norway has been one of the major producers of oil and gas worldwide with production rates being roughly 3.0 million barrels per day in the early years of the century (Heum, 2008). Currently, Norway has a fully established locally based oil company, StatoilHydro with comprehensive documented operational skills and policies. StatoilHydro is a domestic giant specializing in offshore petroleum activities and has an ambition of increasing total daily production to over 2.5 million barrels⁶

On top of the above, Norway has also developed local industrial competences to provide offshore petroleum activities with goods and services in a broad sense. This development can partly be attributed to Norway's advantageous geographic proximity and the competitiveness of the industrial competence of the local supply and service providers on the international scene (Vatne, 2007). Additionally, Norway is greatly involved in CSR initiatives (Bellona, 2004).

3.3.1 CSR in Norway

Ihlen and Hoivik (2012) attribute the development of CSR in Norway to the small and medium sized companies that dominate the economy. This coupled with the high poverty levels among most of the Norwegian nobility, they argue, greatly influenced the development of a society capable of influencing and understanding CSR practices. That being said, we will now review the current status of CSR in the Norwegian petroleum sector.

3.3.1.1 CSR Guidelines

Norway is one of the first countries in the world to come up with a comprehensive document on CSR (Ministry of Foreign Affairs⁷). The white paper, 'CSR in a global economy,' report No.10 was launched by the Norwegian government to the Storting and later published by the Norwegian Ministry of Foreign Affairs in 2009, marking

⁶ New production on the Norwegian shelf

<http://www.statoil.com/en/ouroperations/futurevolumes/pages/default.aspx>

⁷Ministry of Foreign Affairs: Corporate social responsibility http://www.regjeringen.no/en/dep/ud/selected-topics/csr_en.html?id=621814 Accessed 31st March 2014

one of its first attempts to develop a comprehensive government policy in the field of CSR.

Although it is not specific to the petroleum sector, the report covers the various ways corporations can incorporate issues like human rights, environment protection, labour standards as well as anti-corruption strategies into their activities. As such, the government expects all the Norwegian companies operating overseas to comply with not only the laws and regulations of the host countries, but also the Norwegian regulations in as far as they comply with those of the host countries⁸. Further, the Norwegian government has a consultative body on issues relating to CSR called "KOMpakt" constituted of members representing different groups of stakeholders which ensures objectivity and fairness thus promoting good governance.

On top of the above, Norway has other legal and institutional structures that indirectly oversee CSR which include;

1. Ministry of petroleum and energy

Headed by a minister of petroleum and energy, this ministry is responsible for energy that is; petroleum and natural gas production with a primary objective of ensuring that value is created through efficient and environmentally friendly management of the country's energy resources⁹. The government believes that efficient use of resources will create jobs and revenues needed to promote prosperity and employment.

2. Norwegian petroleum directorate

Established in 1972, the Norwegian petroleum directorate is a specialist government directorate and an administrative body that reports to the Ministry of Petroleum and energy. Its prime objective is to make the highest

⁸ Royal Norwegian Embassy (2009), Corporate social responsibility: Country profile- Mozambique, pp 2 <http://www.norway.org.mz/Global/SiteFolders/webmap/Documents/CSR%20Moz.pdf>

⁹ Ministry of petroleum and Energy – The ministry <http://www.regjeringen.no/en/dep/oed/the-ministey.html?id=755>- Accessed on 2nd August, 2014

possible contribution to the creation of values for society from petroleum activities by shrewdly managing resources through ensuring emergency preparedness, promotion of safety and external environment safeguard¹⁰. Additionally, this department manages petroleum data for the development aid program "Oil for Development."

3. Statoil

Formed in 1972, Statoil is Norwegian multinational Oil and Gas Company with operations in 36 countries around the world, an achievement that is greatly attributed to the merger with NorskHydro's oil and gas division on 1st October 2007. This is because Norsk Hydro's oil history dates back to the late 1960s when the company held a license in the Ekofisk discovery in the North Sea in 1969¹¹. The new company first held the name "StatoilHydro" which was later changed to Statoil on 1st November, 2009.

Additionally, Statoil is highly committed to minimizing carbon emissions as evidenced by its commitment to developing technologies for carbon capture a case in point being the technology that was launched in 2012 that allows greenhouse gases to be buried safely underground¹². Its goal is to become the industry leader with the least environmental impact from petroleum activities¹³.

3.3.1.2 Local Content

Local content has become very contemporary with most countries passing laws to make it mandatory for all stakeholders especially in the extractive industry. A case

¹⁰ The Norwegian Petroleum Directorate <http://www.npd.no/en/About-us/> - Accessed on 2nd August, 2014

¹¹ Statoil – Our history <http://www.statoil.com/en/about/history/pages/default3.aspx> - Accessed on 2nd August ,2014

¹² Reuters: Norway opens major facility to test carbon capture <http://uk.reuters.com/article/2012/05/07/norway-carboncapture-idUKL5E8G7DVY20120507>

¹³ Statoil: Climate <http://www.statoil.com/annualreport2009/en/sustainability/climate/pages/climate.aspx>

in point is Norway which is believed to be one of the leading countries regarding promotion of local content. However the question of whether it's necessary to have a local content policy or scheme still remains. Scholars like Amegah (2012); Heum (2008) believe that local content is the only way a country can maximally benefit from its petroleum resource. This is because local content facilitates development of local economies and industries and also helps build local capacity and skills as well as the creation of a competitive supplier base.

Norway has developed internationally competitive local industrial competence to serve offshore oil and gas activities to the level of 80% in relation to maintenance and operations when measured according to value added and about 50-60% in relation to investments for developing new petroleum fields. In addition, 3.5% of the total Norwegian economy and 5% of the private sector in Norway are employed by supply and service providers in the petroleum industry (Heum, 2008). However, it should be noted that the level of local content development is not measured by the degree of domestic employment.

Furthermore, Norway has established policies and policy instruments to enhance local content. This is in a bid to enable Norwegian based companies to operate as full-scale oil companies thereby spreading the knowledge on domestic industrial capacities and competences in both the foreign and Norwegian oil companies. Additionally, foreign oil companies operating in Norway are required to set up fully operational subsidiaries in Norway and are encouraged to recruit Norwegians.

The above discussion indicates that Norway has succeeded in building internationally competitive industrial competences and capabilities in the upstream oil and gas industry. This success is referred to by some experts and academics as the "Ideal Norwegian Model." However, it is unrealistic to assume that there is one "reliable" guideline as to how countries should organize their operations in order to guarantee success in the petroleum sector.

In fact, Norway's style of operation and organization (for example the measures taken to implement policies, organization of political activities and the way political ambitions are pursued) is in no way significantly different from what other oil rich

countries are embracing. Nonetheless, Norway is still among the few exceptional success stories in the petroleum industry making it an internationally recognised best practice specimen. The Norwegian practices are summarized in the table below;

3.3.1.3. Environment

Although the petroleum industry is one of the prime sources of greenhouse gas and acidifying chemical emissions in Norway, discharges to the environment are low due to high environmental regulation. Right from 1973, the Norwegian government required all petroleum companies to annually submit reports highlighting environmental conditions in the areas being explored (Gray et al., 1999).

Norway has an environment agency (Norwegian Environment Agency) which through the petroleum health, safety and environment regulations monitors and restricts pollution, use of harmful chemicals. It also requires companies to develop new technology that minimizes discharges.

Additionally, the country has a Pollution Control Act which is a framework law that protects the environment from pollution irrespective of the source although it provides for exceptions for example the transport sector. It is based on the principal that all pollution is prohibited if not backed by a permit or regulation. Consequently, corporations operating in Norway have high regard for environmental protection a case in point being its very own national oil company Statoil which has gone an extra mile to develop technologies for carbon capture (Henriksen, 2012).

3.3.1.4. Health and safety

Just like other oil producing countries, Norway considers health and safety an important issue in its offshore oil and gas activities since the working environment is potentially dangerous and involves fire and explosion related risks resulting from the flammable substances used in oil production (Gardner, 2003). According to Lindoe et al. (2001), the Nordic occupational health and safety regime has three structures within a company; (i) a safety committees with sufficient representation from all stakeholders, (ii) safety representative elected by employees and (iii)

internal and external health and safety experts representing management. It is also considered the best for its effectiveness in addressing health and safety issues.

Further, as a way of promoting health and safety, Norway brought into force the 1979 Working Environment Act with an objective of regulating both the physical and psychological working environments on the Norwegian continental shelf. The Act also requires employer and employee co-operation and the opportunity for both parties to discuss the relevant health and safety matters through a safety committee where both employers and employees have equal representation (Hovden et al., 2008).

Notably, of recent, focus has been shifted from determining ways in which technical equipment could be improved to enhance safety to how a safer working environment can be maintained through boosting the behavior of industry workers hence the integration of health, safety and environment aspects. The shift in priorities is believed to have been prompted by the Piper Alpha disaster of 1988 (Gardner, 2003).

In fact, it is currently believed that personnel must be prompted to act in the safest possible way if accidents in the oil and gas industry are to be reduced. Therefore it is very important to analyse the driving forces behind human behaviours and increase employee participation since it creates a favourable environment for the employees to become an essential part of their work thereby promoting creativity and productivity (Amegah, 2012).

3.3.1.5 Disclosure

Although it is done on a voluntary basis, CSR disclosure is becoming more prevalent among companies with more disclosure expected in countries with higher levels of democracy and regulations, investor protection, higher quality regulations and more press freedom (Marques, 2013) which Norway conforms to. During the international conference on CSR held in Oslo on the 13th-14th of November 2012, the Norwegian Foreign Minister Espen Barth Eide pointed out the need for corporations to disclose

CSR information in order to meet the heightened public expectations of greater transparency¹⁴.

Additionally, in 1998, the government established a requirement for companies to include gender equality and environmental issues in the directors' reports. Further still, in April 2013, the Norwegian government passed a legislation requiring all large companies to disclose the way they integrate their social responsibilities into their business strategies¹⁵.

According to Bellona (2004), companies in Norway are continuously disclosing social and environmental information because of the growing interest in socially responsible investments. Another force behind CSR disclosures in Norway is the National Environmental and Social Reporting Awards. These were established in 1994 with the aim of strengthening non-financial reporting in Norway. However, according to Vormedal and Ruud (2006), the impact of these awards on CSR disclosures has been questioned due to the limited media attention they have received.

Further still, Norway maintains memberships with international bodies that advocate for transparency through disclosures. These include; Publish What You Pay (PWYP) and the Extractive industries Transparency Initiative (EITI). The EITI is a voluntary alliance between governments, countries and civil society groups working together to promote international standards for revenue transparency at the local level. Its provisions require companies to report the payments made to governments and the governments to equally disclose the payments received from the companies. On the other hand, PWYP encourages governments to oblige extractive companies to publish their payments to host governments on top of doing a country by country analysis of payments for each project. Their campaign

¹⁴ Northern disclosure: Norway announces aim to legislate for sustainability reporting <https://www.globalreporting.org/information/news-and-press-center/Pages/Northern-disclosure-Norway-becomes-the-fourth-Nordic-country-to-legislate-for-sustainability-reporting.aspx>

¹⁵ Global CSR disclosure <http://hausercenter.org/iri/about/global-csr-disclosure-requirements>

has prompted countries like Norway to pass a legislation requiring country by country analysis for all their extractive companies.

Table 1: Summary of CSR practices in Norway

Benchmark	Elements
Legal and Institutional framework	<ul style="list-style-type: none"> ➤ CSR guidelines ➤ Institutions in place ➤ Laws and policies in place
Local Content	<ul style="list-style-type: none"> ➤ Education / Training ➤ Employment ➤ Local procurement and supplier development
Disclosure	<ul style="list-style-type: none"> ➤ Transparency and accountability ➤ Stakeholder engagement
Health and safety	<ul style="list-style-type: none"> ➤ Health and safety training ➤ Incidence (accident) prevention and response ➤ Regulations and institutions in place
Environment	<ul style="list-style-type: none"> ➤ Disclosure and accountability ➤ Greenhouse gas emissions and pollution

3.4.1 CSR in Uganda

How much attention should a country, in particular government give to CSR? This is a “million dollar question” given the contentious views surrounding CSR, although CSR should arguably be given a lot of attention since corporations especially in the oil industry are well positioned to make significant contributions to development and the welfare of natives through CSR projects and activities. However, in spite of the above, Katamba & Gisch-Boie (2008) argue that Uganda has failed to recognize the potential of CSR in relation to the country’s development which has led to a

limited number of CSR activities in the country hence less development. It is vital to know the impact and potential of CSR for the development of Uganda.

CSR activities in Uganda can be traced back to the 1950s when the communal values of the African traditional societies were being upheld. Communities engaged in developmental activities such as building schools, hospitals and roads. Large local businesses also engaged in charitable donations to social causes. However, from the 1970s, there was a shift from the philanthropy based CSR to one that was “stakeholder engagement” oriented (Visser and Tolhurst, 2010).

3.4.1.1 CSR Guidelines

In pursuit of achieving optimum benefits from the commercial petroleum discoveries made in 2006, the government of Uganda passed the Petroleum Exploration, Development and Production Act of 2013 with the intention of operationalising the Oil and gas policy of 2008. However, this law does not have comprehensive CSR provisions, for example it does not list any standards or guidelines and regulations covering percentages, amounts and the areas for CSR expenditure.

Additionally, it does not highlight the kind of CSR activities corporations should engage in as well as the applicable boundaries in the definition of CSR activities. For example, it does not specify whether training and research programs should be considered recoverable costs or CSR activities. Therefore, Uganda as a country has not adopted any CSR guidelines, whether general or specific to the petroleum sector. Nonetheless, there are other laws that are relevant to CSR and these include;

I. National Environment Management Act (NEMA)

The 1995 constitution of Uganda provided for the conservation and management of the environment and natural resources as well as the right to a clean and healthy environment (Article 39). This saw the establishment of the National Environment Act which provides for sustainable environmental management and NEMA an institution mandated to coordinate, monitor and

supervise environment related activities across all sectors (Akello, 2007). NEMA's primary functions include; liaising with all organisations operating in the country on environment related issues, coordinating with the policy committee in the formulation of environmental policies, standards and guidelines; promotion of public awareness through educating people formally and informally about environmental issues and execution of environmental audits on all activities likely to have an impact on the environment¹⁶. However, the above mentioned functions are not tailored to the oil and gas industry.

II. The national oil and gas policy of Uganda – February 2008

After the discovery of commercial quantities of oil in Uganda, there was need to ensure efficient and effective utilisation of the resource in order to create prolonged benefits to the country. Consequently, the government saw the need for a more comprehensive National Oil and Gas Policy than had been provided for in the Energy Policy of 2002. This was achieved through a vast consultation with the different government institutions and a review of various oil companies' petroleum policies among others which led to the formulation of the National Oil and Gas Policy 2008¹⁷.

Some of the objectives of the policy directly address CSR and these include; ensuring optimum national participation in the petroleum activities, supporting and maintaining the development of national skills and expertise and ensuring that petroleum activities are carried out in a manner that promotes environmental conservation¹⁸.

III. The Petroleum (Exploration, Development and Production) Act 2013 (PEDP)

¹⁶ The National Environment Act

<http://www.opm.go.ug/assets/media/resources/263/NATIONAL%20ENVIROMENTAL%20ACT.pdf>

¹⁷ PEDP <http://www.petroleum.go.ug/page.php?k=regpolicies&id=1>

¹⁸ National oil and gas policy

<http://www.petroleum.go.ug/uploads/NATIONAL%20OIL%20AND%20GAS%20POLICY%20FOR%20UGANDA.pdf>

After critical review and analysis, on 21st march 2013, the president of Uganda, Mr. Yoweri Kaguta Museveni consented to the Petroleum (Exploration, Development and Production) bill of 2012, making it an Act of parliament¹⁹. The purpose of this act is to operationalize the oil and gas policy and some of its objectives including; regulation of petroleum exploration, development and production, establishment of the petroleum authority of Uganda which is under way, Establishment of the National Oil company, to promote efficient and safe petroleum activities and to fight environmental degradation and ensure proper restoration of ruined land²⁰.

IV. The Petroleum (Refining, Conversion, Transmission and Midstream Storage) Act 2013 (PRCTMS)

This Act is the first of its kind in East Africa ahead of the construction of the first refinery in Uganda. According to the current minister of Energy and mineral development, Hon. Irene Muloni, this Act establishes a legal framework for the governance of petroleum activities to ensure maximum benefits for all the citizens and operationalizes the 2008 National Oil and gas policy²¹. One of its key objectives is to supplement the health, safety and environment regulations that are insufficiently covered in other laws in the petroleum sector²².

¹⁹ PEPD <http://www.petroleum.go.ug/page.php?k=regacts&id=4>

²⁰ Petroleum (Exploration, Development and Production) Act 2013 <http://www.petroleum.go.ug/uploads/Petroleum%20%28EDP%29%20Act%202013.pdf>

²¹ PEPD <http://www.petroleum.go.ug/page.php?k=regacts&id=5>

²² The Petroleum (Refining, Conversion, Transmission and Midstream Storage) Act 2013 <http://www.petroleum.go.ug/uploads/9.%20The%20Petroleum%20%28Refining%20Conversion%20Transmission%20and%20Midstream%20Storage%29%20Act%20No%20%204%20of%202013.pdf>

- V. The petroleum (exploration and production) (conduct of exploration operations) regulations, 1993

This regulation is divided into 8 sections; general section; geological and geophysical operations; drilling operations; offshore operations; pollution prevention and control; explosives (earthing, proper storage and transportation of explosives among others); safety (use of manual instructions, repair and maintenance of machines, reminders on safety regulations, responsibility in use of equipment among others); health (use of safety equipment such as boots, training of first aid and rescue teams and ventilation of confined areas among others)²³.

3.4.2.2 Local content

The proven commercial quantities of oil and gas in Uganda have prompted local industrial development through plans to construct a refinery and pipelines in order to secure a market outlet for the oil. This encouraging development however raises the question of whether Uganda can and will benefit from an increased national participation in the oil and gas activities. However, just like Belderbos et.al. (2001) put it, national participation does not guarantee the development of a country's indigenous industrial base but rather successful attraction of foreign investors to the host country. Thus, foreign companies should be encouraged to collaborate with local companies in order to create dynamic industrial processes.

Further, the report on local content²⁴ prepared by the Ministry of Energy and Mineral Development of Uganda highlights the fact that foreign-owned companies present grounds for training and capacity building for the locals and therefore there is need to keep track of the number of Ugandans employed by such firms. It also points out the need to ascertain the positions held by the locals in these companies

²³ PEPD <http://www.petroleum.go.ug/page.php?k=regregs&id=1>

²⁴ MEMD, (2011), Enhancing national participation in the oil and gas industry in Uganda <http://www.eisourcebook.org/cms/Feb%202014/Uganda,%20Enhancing%20National%20Petroleum%20Participation.pdf>

since the country uses the level of employment of Ugandan citizens in foreign-owned companies as a way of measuring national value added.

Notably, the promotion of local content in Uganda's oil and gas industry not only involves developing local skills, transferring knowledge, using local manpower and local manufacturing and building a competitive local supplier base, but also establishing comprehensive well thought out policy measures in order to guarantee integration of local enterprises into the petroleum sector. In fact the 2012 Oil and Gas revenue management policy of Uganda²⁵ suggests that Uganda should sustain a comprehensive perspective and ensure proper enforcement of national content policies as well as management of public spending to promote local content and avoid damaging development opportunities.

3.4.2.3 Environment

Although oil development has great potential in terms of benefits, it is also characterized by serious environmental risks as already witnessed in the already existing oil zones from the Gulf of Mexico to the Niger delta. The Albertine Graben is comprised of ecologically sensitive and biodiversity rich and protected areas such as forest reserves, game reserves and national parks which pose significant operational challenges (Bazira, 2012). Further, local communities whose environment faces possible contamination by oil activities are also concerned about the absence of context-specific environmental safeguards as they believe that the current institutions and enforcement mechanisms are incapable of preventing environmental damage or even responding to a crisis in case it happened (Kiiza et al., 2011).

As such, it is vital for the legislative bodies of Uganda to put in place laws and regulations that will ensure minimization of risks. The regulatory framework coupled with the current effort by companies to undertake environment initiatives in relation to climate change, land use, management of emissions and bio-diversity will promote environment conservation. Notably, although there have been efforts to

²⁵ MOFPED, (2012), Oil and Gas revenue management policy
http://www.acode-u.org/documents/oildocs/Oil_Revenue_Mgt_Policy.pdf

put in place environmental regulations, those that exist such as the National Environment Act 1995, Water Act 1997, Fisheries Act, Uganda Wild Life Act 2000 and the National forest and Tree Planting Act 2003 do not provide for oil and gas activities since they were developed before oil and gas discoveries. In addition, Katamba & Gisch-Boie (2008) noted that politics and the various practices of companies have made it hard for NEMA to enforce its mandate thus affecting sustainability of company operations from an environmental point of view.

3.4.2.4 Health and Safety

Since oil and gas activities are highly risky and dangerous to people, it is important to protect both the employees and the communities living near the production sites through the establishment of environmental, health and safety regulations and procedures. Uganda is no exception to this given its thriving petroleum activities that are becoming popular among the citizens by the day, which in effect are increasing the country's exposure to health and safety risks on top of amplifying the expectations among the citizens (Kasimbazi, 2008).

Consequently, in a pursuit to manage the health and safety risks, the government of Uganda enacted the occupational safety and health Act in 2006²⁶ with a purpose of regulating health and safety standards and ensuring the welfare and relevant training of employees in order to keep them abreast with the latest developments regarding health and safety in the oil and gas sector.

Additionally, due to the possible danger oil exploration activities may pose to human safety and the environment, section 18(1) of the Act requires all oil companies to monitor and control the release of dangerous substances into the environment. The companies are expected to use equipment and apparatus to test all substances that are likely to be a danger to plant and animal life both on land and in water and only release them into the environment when they have been rendered safe and there should be a record of the full monitoring process as well.

²⁶ Occupational Health and Safety Act of 2006

<http://www.ilo.org/dyn/travail/docs/1822/Occupational%20Safety%20and%20Health%20Act.pdf>

Further, the National Oil and Gas policy also tackles health and safety issues as evidenced in one of its objectives which is to ensure that the necessary health and safety guidelines, including provision of protective equipment where deemed necessary are implemented by all oil and gas companies and their contractors and subcontractors. It also makes provisions for protection of all employees and other stakeholders against activities that may cause harm to their health and the provision of a safe working environment.

3.4.2.5 Disclosure

Although disclosure of CSR information is believed to be voluntary, Barnett (2007) and Mackey et al (2007) argue that companies disclose CSR information for various reasons; (i) to confirm to the expectations of society thereby securing continued access to resources (ii) To avail capital market participants with additional information to help them reliably and accurately assess a company's financial prospects (iii) to maintain a good public image as well as good relations with the public especially those companies operating in environmentally sensitive industries such as the petroleum industry.

Since transparency and disclosure go hand in hand, Yao et al. (2011) encourage host countries and the oil companies to ensure regular access to information about petroleum activities for both the public and the various regulatory institutions for example amount of oil produced, revenue raised from the petroleum activities as well as the results of the environmental impact assessments. This is because they view transparency as a cornerstone of effective and efficient management of the oil and gas industry.

In 2005, the government of Uganda enacted the Access to information Act which clearly stipulates the requirement for all petroleum companies to disclose information on their agreements, licenses and any amendments, if any for both valid and terminated licenses and field development plans among others. However, this Act is criticized by some scholars like Kenneth Kakuru²⁷ who argue that the Act

²⁷ Kenneth Kakuru, Access to information in Uganda
<http://www.greenwatch.or.ug/files/downloads/Access%20to%20information%20in%20%20Uganda-1.pdf>

somewhat discourages disclosure due to a clause therein that requires members of the public to pay a prescribed amount to gain access to the information. They therefore conclude that the Act does not grant the right of access to information.

Additionally, despite the importance of transparency and disclosure, the ministry of Energy and mineral development still remains adamant regarding the release of information about oil company practices to the public. Further still, Uganda is not yet a member of EITI, a body that promotes transparency at the local level. This makes it impossible for the public to keep abreast with the occurrences in the oil industry.

3.5 Conclusion

The section gave a background of CSR practices in the oil and gas industry and also gave an in-depth analysis of CSR practices in both Norway and Uganda. From the review, it can be seen that petroleum companies are increasingly embracing CSR due to the nature of petroleum activities that are characterized by negative environmental impacts.

CHAPTER FOUR: RESEARCH METHODOLOGY AND METHODS

4.1. Introduction

Having analysed the relevant literature and reviewed the CSR practices in Norway and Uganda, the research methodology which states the various methodological issues will now be presented. Therefore, the purpose of this chapter is to discuss the research design, approach taken, and type of data that was used as well as the mode of its analysis and contextualize the methodology according to the aim of the study which is; to investigate the current state of corporate social responsibility in Uganda's Oil and Gas industry, with a view of determining whether there are any lessons that could be learned from Norway. However, prior to the discussion of the methodological choices, an explanation of the paradigm to be adopted will be made.

4.2 Research Paradigm / Philosophy

A paradigm is a pattern of beliefs and practices regulating inquiry through which research can be done (Weaver and Olson, 2006). Understanding a paradigm prior to a research is vital since it determines how the research is to be conducted (Hussey and Hussey, 1997). The two common paradigms often referred to by researchers as competing alternatives are: positivism and interpretivism.

Positivism is based on the assumption that social reality is independent of human beings and exists regardless of its acknowledgement. Its advocates maintain that only observable and measurable phenomena can be authentically viewed as knowledge. They further emphasize that researchers should be objective and detached from the objects of the study (Ticehurst and Veal (2000).

Contrary, interpretivists argue that the interrelationship of the researcher and the object of the study is impossible to separate. They assume that social reality is within human beings therefore reality investigations have an impact on reality itself. Additionally, their focus is on the meaning rather than the measurement of phenomena (Hussey and Hussey, 1997). Consequently, as noted by Saunders et al (2012), positivists use highly structured quantitative data while interpretivists use

in-depth investigations of qualitative data. The types of research data are analyzed below.

4.3 Qualitative Verses Quantitative Research

The research used an interpretivist qualitative approach to address both objectives because there is sufficient literature on the topic. Qualitative research involves exploring attitudes, behaviors and experiences through unstructured interviews and observations as well as content analysis of pertinent literature. It places less emphasis on examining the cause and effect and looks at truth as context (Denzin and Lincoln, 2000). This view was earlier highlighted by Merriam (2009) who argued that rather than determining cause and effect, qualitative researchers might be interested in discovering the meaning of a phenomenon by understanding peoples' interpretation of their experiences and the meaning they attribute to them. However, Strauss and Corbin (1998) caution researchers to carefully examine studies that may appear to be qualitative but do not really follow the principles of the paradigm.

Quantitative research on the other hand involves generating statistics through the use of large scale survey research with the application of methods like questionnaires and structured interviews (Dawson, 2009). It is much quicker and more objective than qualitative research. In relation to this study, a recap of the objectives is made;

1. To ascertain whether Uganda could learn something from the Norwegian CSR policies and practices.
2. To recommend ways of closing the gaps, if any, given that Uganda is an emerging oil economy.

For the first objective, a study of CSR policies and practices in both the Norwegian and Uganda's petroleum sectors was done in chapter five. This entailed a detailed review and analysis of company annual and CSR reports, policies relating to CSR, government databases and the relevant literature. The purpose for this was to ascertain whether Uganda could learn something from Norway. In order to achieve

the second objective, recommendations were made based on the findings of the study.

4.4 Benchmarking

Stapenhurst (2009) defines benchmarking as "a method of measuring and improving our organizational performance by comparing ourselves with the best". In simple terms, the purpose of benchmarking is to investigate or carryout research about a model company, country or competitor in order to find out what they are doing better and, if and how their mode of operation or doing things can be adopted and incorporated into your own mode of operation. He also lists some of the reasons people carryout benchmarking, some of which include; it is a simple and quick way of improving, helps expose a competitor's weak points, helps solve problems among others.

There are various methods of benchmarking that a study can follow although none has been singled out as solely correct. This has been backed by Stapenhurst (2009) who argues that it is important to have a variety to choose from as this helps prevent force-fitting one's research needs into a method that is not suitable thereby encouraging one to choose the most appropriate method for their research. Some of the benchmarking methods include; business excellence models, review, trial, database, survey, one-to- one and domain benchmarking. Review benchmarking involves identifying relative strengths and weaknesses, best practices and perhaps making recommendations while the public domain benchmarking method is where information is collected from public sources and is analysed to produce a report or draw conclusions. On the other hand, one-to-one involves the researcher visiting the "benchmark" while trial benchmarking, testing the practices, methods or policies from another organization or country and comparing them against your own. Therefore, the research used a mixture of review and public domain benchmarking because they emerged the most befitting methods to achieve the objectives of the study.

4.5 Sources of data

The study was based on both secondary and primary data. Primary data is data collected first hand by the researcher using interviews, surveys and observations. Its advantage is that researchers collect information tailored to their area of study hence reliability. However, despite its reliability, it is time consuming. Nonetheless, although the study would ideally require interfaces through interviews with employees of the various government departments, oil and gas companies as well as residents of the communities where oil companies are operating, the primary data used was solely obtained through observation. Websites and annual CSR and financial reports of the selected companies were observed. In addition to the above, government sites and press releases from Norway and Uganda were also observed and reviewed.

Secondary data on the other hand is information which has already been collected by someone for another purpose and is readily available for other people to use. The sources for this study included; newspaper articles, previous research and web information, company documents, Petroleum exploration and production department website, Norwegian government database, parliamentary reports, text books and journal articles. Secondary data has an advantage of being less time consuming as it is already "processed."

4.6 Design and Methodology

The research design was influenced by the interpretivism paradigm. This necessitated in-depth examination and content analysis of secondary qualitative data from oil and gas company documents, Norwegian and Ugandan government databases, journal articles and text books. Also, primary data was obtained by observing internet sites and annual CSR and financial reports. Other credible oil industry sources like the Society of Petroleum Engineers (SPE) among others were also used.

To select the six companies studied in this report that is; Statoil, BP Norge, Detnorske, Tullow Uganda Operations Pty Limited (TUOP), Total E&P Uganda (TEP) and CNOOC Uganda Limited, the researcher looked at the "big" petroleum companies operating in Norway and Uganda, choosing 3 from each country. In

order to achieve a balanced impression of CSR practices in both countries, a combination of “big” and “small” companies were chosen from each. However, this was not applicable to Uganda since there are only 3 companies that have had significant operations over the last 2 years or so, therefore all were considered. These include Tullow which has been in the country for over 10 years and Total E&P and CNOOC whose operations in the country started early 2012. In the case of Norway, the researcher chose the National Oil Company (Statoil) since it is expected to reflect and represent the countries values and practices with regard to CSR. Secondly, the researcher chose BP because it is among the largest oil companies operating in Norway and finally Detnorske, a “small” Norwegian company.

Having selected the companies, their CSR (sustainability) and annual financial reports as well as CSR disclosures on the company websites were observed and analysed in addition to other relevant documents to ascertain the nature and status of CSR practices in the oil and gas industries of both Norway and Uganda. This was followed by a gap analysis in order to point out the discrepancies between the CSR practices in Norway and those in Uganda. Finally, recommendations were made on how Uganda can close the existing gaps. Data triangulation which involves the use of different sources of information was also applied to enhance the validity of the research.

4.7 Limitations of the Methodology

Since oil and gas company CSR and annual reports were the main source of information, the methodology was limited by the assumption that what is reported is what is actually on ground which at times is not the case. This is because oil and gas companies are fond of reporting what the public anticipates so as to keep a good image. However, this was mitigated by checking for consistency. Additionally, the inherent limitations in the reports will affect the research findings. Lastly, the infancy stage of Uganda’s petroleum sector limits the amount of data on CSR as little research has been done.

CHAPTER 5: ANALYSIS AND PRESENTATION OF FINDINGS

5.1 Introduction

The previous chapter highlighted the various methodological issues including: the types and sources of data, the research paradigms, data collection methods and the research design. This chapter presents a discussion and an analysis of the findings on the CSR policies and practices in Norway and Uganda. Through the use of gap analysis, the chapter further examines the differences in the implementation of CSR activities policies and practices between Uganda and Norway. It concludes with a highlight of findings and gaps identified during the analysis.

5.2 Data Description

In order to ascertain whether Uganda could learn something from the CSR policies and practices in the Norwegian petroleum sector, there is a need to analyse the CSR policies and practices of both Uganda and Norway. The data used for this study includes annual CSR reports, annual financial reports and CSR disclosures of; Statoil, BP Norge, Detnorske, Tullow Uganda Operations Pty Limited (TUOP), Total E&P Uganda (TEP) and CNOOC Uganda Limited for the years 2011, 2012 and 2013. These disclosures were obtained from the respective companies' websites. Laws such as the Petroleum (Exploration, Development and Production) Act 2013, National Environment Act, the 1996 Petroleum Act No. 72 of Norway, Greenhouse Gas Emission Trading Act, the Sales Tax Act, Pollution Control Act and the Carbon dioxide Tax Act were also reviewed. Additional data was collected from websites of government bodies including; health and safety related data from the Petroleum Safety Authority of Norway and the Petroleum Exploration and Production Department of Uganda, CSR guidelines from the Norwegian Petroleum Directorate, environment related data from Statistics Norway, National Environment Management Authority and the Office of the Auditor General of Uganda. This information was used together with the existing relevant literature to support the findings of the study.

5.3 Discussion of Results

In order to achieve the objectives of this study, an analysis of the CSR policies and practices in the petroleum sectors of Norway and Uganda is vital. Using content

analysis, this section presents an analysis of the findings with the aim of ascertaining whether Uganda could learn from the Norwegian CSR policies and practices.

5.3.1 CSR Guidelines

In 2009, the Norwegian government launched a white paper, "CSR in a global economy" that was to form the CSR guidelines in Norway, marking the beginning of efforts to raise awareness and promote CSR in both the private and public sectors of Norway. Although it is not specific to the oil and gas industry, this comprehensive document highlights the various ways companies can integrate environment protection, human rights, anti-corruption strategies and other issues into their corporate activities. Consequently, the Norwegian government requires all companies to comply and promote CSR in all their operations. It has also designated consultative body on matters relating to CSR called "KOMpakt." This body is mandated to stimulate the development of policies concerning the relationship between business operations and human rights. Additionally, it provides authorities with a reliable basis for shaping and prioritizing policies and guides firms in their social responsibility endeavors (Ministry of foreign affairs Norway).

Besides the CSR guidelines, Norway has established institutions, laws and regulations that indirectly relate to CSR. For instance, the Petro Arctic supplier association was created in 1997 to support local suppliers willing to participate in the offshore oil and gas projects in the Northern part of Norway and the Barents Sea. This association works in cooperation with Statoil, local and regional authorities, contractors and subcontractors. Its primary aim is to maximize delivery of its members' goods and services to Snøhvit and the future projects in Northern Norway and Barents Sea. It also creates networks among member companies and provides them with relevant market information in addition to organizing trainings²⁸. Further, in 2004, the Norwegian government formed an independent government regulator, the Petroleum Safety Authority with the primary objective of

²⁸ Petro Arctic <http://www.2b1stconsulting.com/petro-arctic/>

overseeing technical and operational safety as well as safety of the environment under which people work. The authority's supervisory roles cut across the whole petroleum cycle up to decommissioning which ensures health and safety at all stages²⁹.

In contrast, Uganda as a country has not adopted any CSR guidelines, whether general or specific to the petroleum sector. However, there is a CSR communications and reporting manual designed by David Katamba³⁰ the chairman of CSR consultative group of Uganda (CCG) and this may arguably act as a guide to CSR in Uganda although it is not considered a national CSR guideline. Additionally, Uganda does not have a designated petroleum safety authority. The safety issues are covered in the petroleum regulations such as the PEDP Act and the National oil and gas policy.

However, there are inadequacies in some of the aforesaid regulations (CSCO, 2010). For instance; the National Environment Management Act does not address issues related to oil and gas activities such as waste management (OAG, 2014). Further still, section 125 (1) of the PEDP Act requires licensees, contractors and subcontractors to give preference to goods and services provided by Ugandan citizens and companies. Although this clause was included in good faith with the intention of promoting local content, Tullow describes the provision as unrealistic³¹ due to the limited number of suppliers attributed to the infancy stage of Uganda's petroleum industry. Likewise, section 125 (2) of the same Act necessitates licensees that fail to get the required goods and services in Uganda to buy from a company that is in a joint venture with a Ugandan company as long as the former has at least 48% share capital in the joint venture. Given the infancy of Uganda's petroleum sector, this provision may frustrate local content efforts since the country has few competent and experienced suppliers in the industry. Therefore,

²⁹ Petroleum Safety Authority Norway <http://www.ptil.no/risk-and-risk-management/category897.html>

³⁰ CSR consultative group http://www.academia.edu/6443365/CSR_Communications_and_Reporting_Manual

³¹ East Africa: Local content high on the agenda
<http://www.cwcschool.com/news/east-africa-local-content-high-on-the-agenda/>

the assumption that international players in the industry like Slumberger would enter into joint ventures with Ugandan companies is farfetched (Magelah, 2013). Besides, the foreign suppliers can lawfully dissolve their partnerships with the Ugandan suppliers after meeting the legal requirement using capital calls if and when they want.

5.3.2Local Content

The Norwegian government has put in place legislations that require companies exploiting natural resources to make contributions to the country's economic development. A case in point is the 1996 Petroleum Act No. 72, last amended in June 2011 in which section 84 specifically requires foreign oil companies to train civil servants³². Also, article 54 of the Royal Decree of 1972 requires Norwegian goods and services to be given preference as long as they are competitive in price and quality, schedule and service. Furthermore, according to Amegah (2012), the Norwegian parliament approved a new administrative structure in 1972 where functions and responsibilities were separated into;

- (i) Policy making which is under the Ministry of Petroleum and Energy
- (ii) Technical control and resource management which is managed by the Norwegian Petroleum Directorate
- (iii) Commercial Participation which is managed by the National oil company (Statoil)

In addition to the above, the country took further deliberate steps to facilitate and promote local content development; the state encouraged foreign operators to engage in joint development programs and form research and development partnerships with the local companies thus contributing to local content³³. Also, under procurement, the government tries its best to award contracts to the

³²Act 29 November 1996 No. 72 relating to petroleum activities<http://www.npd.no/en/Regulations/Acts/Petroleum-activities-act/>

³³ Norway: A local content success story
<http://www.oilandgasiq.com/strategy-management-and-information/articles/norway-a-local-content-success-story/>

Norwegian bidders whose prices, quality of service and delivery time prove to be competitive.

Meanwhile, although Uganda does not have as much petroleum experience as Norway, the government is doing its best to promote local content development. This is being achieved through the establishment of policies and legislations such as the 2013 Petroleum (Exploration, production and development) Act. For instance Section 126(1) of the PEDP Act states that

“The licensee shall, within twelve months after the grant of a license, and on each subsequent anniversary of that grant, submit to the Authority for approval, a detailed programme for recruitment and training of Ugandans.”

However, the critics of this Act like Magelah (2013) argue that the local content provisions are rather confusing and vague regarding the definition of key issues which is likely to pose a challenge for those involved in local content as well as the legal practitioners.

Despite the criticism, the government has gone ahead to establish new institutions. These include the Directorate of Petroleum, Petroleum Authority of Uganda and the NOC on top of working on the regulations to operationalize the 2013 Petroleum Act. Notably, according to Bernad Ongodia³⁴, a National Local Content policy is currently being drafted with proposals of specifying the goods and services where local companies will have priority over foreign companies.

5.3.2.1 Education and Training

The Norwegian National Oil Company (Statoil) aims to provide attractive training opportunities through programmes such as the “Academia” in which the company maintains long-term collaborations with nine Norwegian academic institutions and other credible international universities like Imperial college, Institut Français du Pétrole and University of Texas to support research and competence building (Sustainability report, 2013). Other programmes include; “Heroes of tomorrow”

³⁴ Bernard Ongodia, Senior Geologist at the Petroleum Exploration and Production Department (PEPD)- Article by Uganda radio Network <http://ugandaradionetwork.com/a/story.php?s=63151>

which focuses on support to education, science, culture and sports and lastly, the apprenticeship programme which provides practical on job training to students at the company's sites and in 2011, 177 apprentices were taken on (Annual report, 2011). Further, Statoil aligns its goals and strategies with development plans for all its employees which include; on job training, extensive training programs, professional networks and internal seminars among others. Notably, Statoil's efforts to support education go beyond Norway as evidenced in Angola, Mozambique, Tanzania and Uganda where the company has engaged in various initiatives in a bid to promote petroleum sciences in higher education.

BP on the other hand is mainly focusing on stimulating the interest of mathematics and science in Norway since the company's management believes that the petroleum sector requires knowledge of mathematics, natural science and technology. As such, it has cooperated with the national website matetikk.org which has a primary objective of increasing the level of interest in mathematics and creating more opportunities in the petroleum industry. BP's contribution to this website is through funding, assignments and visual aids (BP Sustainability report).

In Uganda, Tullow employs a social impact management policy which involves investing in projects that promote capacity building mainly through education. In 2012, Tullow brought on board a career and competency framework to ensure proper planning and career development among its employees through continuous review and analysis of skills, competences and development needs. In the same year, Tullow launched a vocational skills training in Nakawa Vocational Training Institute with the primary aim of ensuring local supplier international recognition and skills development in the construction sector through apprenticeships in steel, plumbing, welding and electrical fabrication (CSR report, 2012). Similarly, CNOOC one of the latest entrants in to the country's petroleum industry donated school bags, stationary and food to the students and teachers of Buhuka Primary school in Hoima district in 2012 (CNOOC sustainability report 2012, pp 84). In addition, the 2013 sustainability report shows that CNOOC held 39 local staff trainings and also assigned 20 local staff to China to undergo training. This was aimed at equipping

them with an overall understanding of CNOOC's technological and management methods thus development of skills and capacities.

5.3.2.2 Employment

Local content in relation to employment requires companies to have a higher proportion of national staff to foreigners at any given time. Statoil is no exception to this requirement given its ambition to recruit locally in order to increase the proportion of Norwegians working in the oil industry. This is evidenced by 95% of about 20,000 employees of Statoil being Norwegians (Jarlsby, 2013). Also in 2011 when Statoil was recruiting, 58% of the new recruits were Norwegians (sustainability report, 2012). Likewise, by 2012, BP's project in Sandnessjøen had 16 Norwegian employees while the Skarv FPSO had about 20-25% Norwegians out of a total of 112 employees (Press release, 2013)³⁵.

Given the importance attached to employment opportunities for locals by the majority of the stakeholders in Uganda, Tullow's localization policy is comprised of KPIs that monitor the number of locals employed under each department. This has compelled the company to ensure a higher percentage of national employees at all times as seen in 2011 where 84% of the employees were Ugandans. Better still, there was an increment to 88% out of 177 employees and 92% in 2012 and 2013 respectively (CSR report, 2012). Similarly, by 2014, CNOOC's staff localization rate in Uganda had reached 73% (Sustainability report, 2013).

5.3.2.3 Local Procurement and supplier development

Procuring locally enhances local supplier development and creates jobs for the locals thereby leading to general economic development. Consequently, Statoil is committed to supporting local markets by hiring and buying goods and services locally. This is evidenced in the 2013 sustainability report (pp 23) where it was reported that the procurement spend in Norway was between 75-100%. In addition, Statoil runs a programme known as LUNN which was established to enhance the development of local suppliers in the Northern part of Norway and

³⁵ BP: Significant ripple effects http://www.bp.com/en_no/norway/media/press-releases-and-news/2013/significant-ripple-effects.html

capacitate them to deliver to the petroleum industry. This programme involves HSE inspections and trainings and has over 40 local companies participating (Sustainability Report, 2013 pp 24). Furthermore, Statoil hosts supplier events and meetings throughout the year, particularly aimed at linking the local suppliers with the relevant entities and people in Statoil (Annual Report, 2012).

In Uganda, Tullow oil supports local suppliers by hiring and buying their goods and services in addition to organizing seminars to enable them compete favorably for business opportunities. For example, in 2012 and 2013, Tullow spent \$48 million and \$19.6 million respectively on purchases from suppliers majorly owned by nationals (CSR reports, 2012 and 2013). Besides that, Tullow held a “closing-the-gap” seminar in Uganda where local companies were enlightened on the requirements of the oil and gas industry like prequalification. Furthermore, Tullow contributed \$600,000 to the inception of an enterprise center in Hoima, Uganda which provides support to relatively small businesses through trainings and advisory services regarding credit access and Tullow’s pre-qualification process. The company also encourages its international suppliers to get involved with local suppliers in order to share and transfer knowledge to them thereby promoting local content which in turn helps Tullow measure and monitor progress (CSR report, 2012). Similarly, in addition to encouraging its suppliers to hire and use local staff and products, CNOOC contracted 174 local suppliers out of a total of 262 in 2013 and arranged trainings for them (Sustainability report, 2013).

5.3.3 Disclosure

Global extractive companies and countries have a major role to play in ensuring transparency and accountability in the petroleum industry through disclosures (Yao et al., 2011). Therefore there is need for transparency rules that will provide citizens and civil societies both at the national and local levels with the necessary information to hold oil companies and governments accountable for the revenue from the oil and gas activities. As highlighted in chapter 3, PWYP and EITI are among the international bodies with this initiative, of which Norway is a member. Norway produces EITI reports highlighting government revenues from the

petroleum industry on a country by country basis and all the payments made by the oil companies³⁶. Five reports have been produced so far. Further still, as a result of Norway's membership in PWYP, the country passed legislation in December 2013 requiring country by country analysis for all their extractive companies with effect from 1st January 2014³⁷. Additionally, Statoil publicly detached itself from the law suit waged by the American petroleum institute against Dodd-Frank 1504. If passed, the proposed law will obligate all US listed extractive companies to disclose to the public all their payments on a project and country basis³⁸. It is assumed that this move was to portray Statoil's support for full financial disclosure.

On the other hand, although the Ugandan government declared its intention to participate in the processes and activities of EITI, little progress has been made towards this initiative since the country is yet to sign up to EITI (Global Rights Alert, 2013). Further, the Access to information Act of 2005 that was aimed at promoting transparency has not been fully implemented. It is arguably anticipated to be contradicted by the transparency provisions of the new petroleum legislation. (Veit et al., 2011 as cited by Wilson and Alstine, 2014). Lastly, section 152 of the PEDP Act of Uganda requires all information submitted to the minister by the licensee to remain confidential and not be reproduced or disclosed to any third parties. Similarly, the Solicitor General made a statement in 2006³⁹ highlighting that the members of parliament would not be allowed access to PSAs because they were confidential. This limits the distribution of petroleum related information. In fact, to date, the PSAs have not been fully disclosed to the public (Bainomugisha et al., 2006).

³⁶ EITI Norway <http://eiti.org/Norway>

³⁷ Publish what you pay: Mandatory disclosures <http://www.publishwhatyoupay.org/about/advocacy/mandatory-disclosures>

³⁸ Publish what you pay <http://www.publishwhatyoupay.org/resources/tullo-oil-leads-implementing-eu-directives-publishing-project-level-data>

³⁹ The New Vision, 9th August 2006

5.3.3.1 Financial and CSR Disclosures

In addition to its corporate partnership with Transparency International, Statoil has “open” as one of its core values and was among the first major oil and gas companies to voluntarily disclose all revenues and payments made to the governments of the host countries. It also publishes a country by country analysis in addition to its commitment to project level disclosure aimed at meeting the requirements of the Norwegian revenue transparency law. Country by country analysis involves oil companies publishing results of the activities of all the projects running in the various countries where they operate. Likewise, BP discloses all its payments to government in its reports.

In contrast, Total E&P Uganda and CNOOC Uganda refused to publicly disclose their payments to the government of Uganda claiming that their contractual obligations with the government prevented them from disclosing such information (oil in Uganda, 2013 as cited by Wilson and Alstine, 2014). However, Tullow oil voluntarily disclosed payments (Taxes and fees equivalent to \$ 174 million) made to the Ugandan government in its 2012 CSR report. Nonetheless, this is no outlier given the fact that Statoil already publishes a country by country analysis. These disclosures promote transparency and keep all stakeholders informed. Some of the disclosures in the CSR reports of the companies under review are highlighted below;

Table 2: Health and safety disclosures of the companies under review

Section	Company	Disclosure
Health & Safety	Statoil	Health & working environment, Safety and security, environment and climate
	BP	Commitment to H&S, HSE directives, Supplier competences, managing safety, process safety, Health and personal safety, contractor safety

	Detnorske	Risk management, risk management in drilling projects, emergency preparedness, oil spill preparedness
	Tullow Oil	Road transport safety, risk management, performance summary, H& S of workforce, human rights, emergency preparedness
	Total E&P	Risk prevention, safety training, employee awareness, golden rules,
	CNOOC	H&S training, H&S management overseas, occupational health, emergency management, checking and rectifying potential safety hazards

Table 3: Local content disclosures of the companies under review

Section	Company	Disclosure
Society (Local content)	Statoil	Human rights, Ethics and transparency, Positive local impacts, Training and capability building, Partners and suppliers, Stakeholder engagement
	BP	School and education, Charitable donations, Employees engagement, managing our impact on society, supporting development work in areas of operation, human rights, stakeholders
	Detnorske	School and education, charitable donations, sponsorships
	Tullow Oil	Risks and opportunities, supplier engagement, performance summary, supporting local content legislation, capacity building, sustainable supply chain
	Total E&P	Community engagement initiatives, local employment, human rights, partnerships in education, supporting local businesses, public health

	CNOOC	Career development, employee participation, humanitarian engagement, voluntary service, community building, stakeholders
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Table 4: Sustainability data disclosures of the companies under review

Section	Company	Disclosure
Key Sustainability data	Statoil	Economic impact by country, HSE accounting, Social performance data, Fines and sanctions, payments to government
	BP	Safety, Environment, people and performance, payments to government
	Detnorske	Social performance data, H&S data
	Tullow Oil	H&S data, environment data, Local content contributions, people, social performance
	Total E&P	Production, local development, environmental performance, social performance
	CNOOC	People, health and safety data, social performance, environment data

5.3.3.2 Stakeholder engagement

Since petroleum activities have high potential for negative impacts, oil companies ought to keep the host communities informed about their operations through “stakeholder engagement”. This entails getting the groups (communities, governments, civil societies, investors, customers and partners) affected by an oil company’s activities involved in decision making especially the decisions directly impact on them. This secures access to the petroleum resources and promotes good working relationships. It is therefore not surprising that oil companies are

largely embracing this practice. For instance, Statoil works with host communities to mitigate the potential adverse effects of their projects through community panels, interviews, surveys and consultations so as to devise strategies and ways of resolving the issues raised, if any. Furthermore, Statoil is involved in stakeholder initiatives like the Voluntary Principles on Security and Human Rights (VPSHR), EITI, the Global Gas Flaring Reduction (GGFR), UN Sustainable Energy for All, the UN Global Compact and the Global Reporting Initiative (GRI) partnership among others (Sustainability report, 2013). All these necessitate the host governments to work with the oil companies thus promoting stakeholder engagement. Similarly, BP has a norm of consulting with host communities throughout project lifecycles since their ability to operate safely not only depends on the official permits issued by the authorities, but also the informal permission by communities to operate in their vicinities. As such, the company's operating management system requires all businesses to maintain contact with key communities and stakeholders. This is being supported by BP's current partnership with oil and gas industry association IPIECA to develop guidelines on managing community complaints (Sustainability report, 2013). In the same way, DetNorske also engages in open dialogues with the stakeholders in the host communities.

In the case of Uganda, Tullow's Community Liaison Officers (CLOs) prepare daily reports that management uses to track community grievances on all engagement activities such as the incident in 2012 where locals complained that seismic surveying had destroyed their crops and land (CSR report, 2012). Likewise, CNOOC encourages its employees to respect the rights and concerns of all stakeholders so as to ensure smooth operations and maintain a good public image. This prompted the formation of Buhuka Oil and Gas supervision consultative committee which was intended to create a window for cultural leaders, vulnerable groups and local community organisations within the vicinity to supervise and give advice on the actions of the company and its contractors thus ensuring stakeholder engagement (Sustainability report, 2013).

From the above discussion, it can be seen that although Uganda is trying hard to promote and get involved in stakeholder engagement, its efforts do not surpass

those of Norway given that Norway is involved in more stakeholder initiatives and has more industrial experience and expertise since it has been a “player” for over 40 years.

5.3.4 Health and Safety

As argued by Zwetsloot et al. (2004) and Segal et al. (2003), health and safety is an integral part of social responsibility. Therefore oil companies ought to provide a safe and healthy working environment for employees through the management and prevention of occupational and operational accidents and illnesses. Consequently, oil companies are promoting health and safety in their areas of operation through H&S campaigns and H&S trainings such as road safety trainings with in the areas of operation. Besides the campaigns and trainings, petroleum companies also implement H&S policies and guidelines and also do their best to prevent, respond and contain any incidents that may occur. All these initiatives are greatly attributed to the fact that majority of the petroleum countries have included health and safety clauses in their petroleum regulations which makes it obligatory for the petroleum companies.

Norway is among the countries that uphold H&S in their petroleum regulations which may explain Statoil’s zeal going by its “zero harm to people” goal⁴⁰. In addition, Statoil has an HSE policy that is aimed at integrating HSE in to all activities and operations. It also has a safety initiative known as “Stop take 5” that encourages people to think before they act in the event of an accident or life threatening incident. This initiative is aimed at curbing risks. Further, Statoil carries out five year interval verifications of the conditions of safety systems and barriers for all installations irrespective on the location. Also, as a way of increasing safety awareness and creating positive attitudes, Statoil holds regular emergency response courses and exercises as well as major accident workshops for its employees where attendance is a must (Statoil website-safety).

Like Statoil, H&S is included in BP’s core values and is therefore accorded high importance. BP invests highly in integrity safety systems and tries to mitigate any

⁴⁰ Statoil: Safety <http://www.statoil.com/en/environmentsociety/security/Pages/Safety.aspx>

potential accidents by improving technologies and control systems for example it is in the process of enhancing the mode of assessing and predicting corrosion in its pipelines (Sustainability report, 2013). It also takes part in various health initiatives and contributes to the development of industry best practices through collaborations with institutions like the International Association of Oil & Gas Producers and IPIECA. Furthermore, BP is a member of the Global Business Coalition for Health whose main objective is to address the world's most persistent health issues at workplaces and the communities at large. Besides, BP runs local health programmes in its areas of operation and carries out road safety awareness campaigns in addition to organising defensive driving courses for its workforce (Sustainability report, 2013). DetNorske also integrates H&S into its activities and strategies in order to achieve its goal of ensuring a safe working environment. The company carries out continuous reviews and follows up on the variables that are likely to induce risk in all projects. Trainings and H&S campaigns are also carried out to promote and create a healthy and safe working environment (CSR report)⁴¹.

Similarly, in 2013, Tullow reviewed the management of its H&S risks with a view of improving performance. Consequently, the company has formed a new safety, sustainability and external affairs function that is charged with the overall management of H&S, social and environmental performance, asset protection among others. In the same year, a Land Transport (LT) standard was released to promote and ensure road safety and also trained response team members in addition to improving response team structures. However, the company's occupational safety does not match up to its industry peers with regard to Lost Time Injury Frequency (LTIF) and Total Recordable Injury Frequency (TRIF). For instance, its LTIF increased from 0.70 in 2012 to 0.81 in 2013 while the number of total recordable injuries increased from 42 in 2012 to 66 incidents in 2013 (CSR report,2013).

⁴¹Det norske: Safety <http://www.detnor.no/en/csr/safety/>

5.3.5 Environment

The importance attached to the environment in the petroleum industry by stakeholders is increasingly compelling companies to take part in environment protection efforts. This is because petroleum activities are characterized by serious environmental risks (Bird et al., (2007); Welford et al., (2007); Kassinis and Vafeas (2006) as already witnessed in the already existing oil zones in the Gulf of Mexico to the Niger delta. In Norway, petroleum activities are the biggest source of greenhouse gas emissions. In fact, oil and gas activities were the main source of emissions in 2013 contributing 14 million tonnes of carbon dioxide which is an equivalent of 27% of the total greenhouse gas emissions (Statistics Norway, 2013). However, the Norwegian government has tried it's best to contain these emissions by highly regulating and monitoring the industry. For example, a carbon dioxide tax was introduced in 1991. This tax has triggered technological development and compelled companies to devise emission reduction measures hence environment protection. Other relevant regulations include; Petroleum Act, Greenhouse Gas Emission Trading Act, the Sales Tax Act, Pollution Control Act and the Carbon dioxide Tax Act.

Despite Uganda implementing environmental regulations such as National environment Act (1995), the National Environment Management Act which supersede all other environmental laws including the contracts by the oil companies, they do not specifically address oil related environmental issues (MEMD, SEA draft report,2013). This was also highlighted in an environment audit report prepared by the Office of the Auditor General of Uganda (OAG, 2014) where it highlighted that the existing waste management regulations do not cater for oil and gas activities. Further still, NEMA is said to have inadequate capacity to deal with the unusual environmental challenges posed by oil and gas activities. Consequently, cap 153 of the National Environment Act is under review so as to provide for the oil and gas activities (MEMD, SEA draft report, pp 38, 2013).

Notably, Production Sharing Agreements (PSAs) also include environment related clauses which the oil companies are supposed to abide by. However, as argued by Kizza et al., (2011) the PSAs have a controversial stabilization clause which

requires that the oil companies are compensated by the Ugandan government in case of any change in the law that has an impact on a company's profits. This clause can be interpreted to mean that the Ugandan government cannot ask for environmental safeguards or cleanups in case of an oil spill for example as the company's profits will be reduced. This exposes the country to risks of environmental damage.

5.3.5.1 Disclosure and Accountability

Norway is among the countries at the forefront of environmental disclosures. This is attributed to the various measures that the country has taken to promote and encourage petroleum companies to publish environmental information. For instance, the Norwegian petroleum Directorate, the climate and Pollution Agency and the Norwegian Oil and Gas established a joint data base (Environmental Web) where they publish information relating to emissions to the air as well as discharges to the sea from oil and gas activities. This website is accessed by all operators on the Norwegian continental shelf since they discharge their data directly into the database. Additionally, Norway publishes environment information from petroleum activities on its website "Statistics Norway" which is readily available and freely accessible to the public. On the other hand, Uganda does not have any data base similar to that of Norway. The Petroleum companies submit their environmental information to PEPD and NEMA directly and thus the disclosure to the public is at the discretion of these two institutions. Nonetheless, environmental disclosures are vital for the smooth operation of petroleum companies given the nature of petroleum activities. The environmental disclosures of the companies under review are given below;

Table 5: Climate and Environment disclosures of the companies under review

Section	Company	Disclosure
Climate and Environment	Statoil	Water management in Statoil, sustainable shipping strategy, biodiversity, natural gas: Low carbon energy, carbon efficiency leader, low carbon

		technologies, sustainability and oil sands, sustainable arctic operations
	BP	Environmental brief, Biodiversity and sensitive areas, the energy Challenges, alternative energy, managing our impact, environmental performance
	Detnorske	Biological diversity, seabed mapping, clean air, clean water
	Tullow Oil	Spills and waste management, environmental and social management plans, flaring and carbon emissions
	Total E&P	Climate change, greenhouse gas emissions, gas flaring, echo innovation, oil spills, discharges to water, bio diversity, site reclamation
	CNOOC	Combating climate change, energy conservation and emission reduction, ecological diversity protection, combating climate change

From the above table, it is evident that all the companies under review disclose a substantial amount of information with Statoil disclosing the greatest amount of information.

5.4 Analysis of Findings

The findings from the various CSR dimensions including local content, Health and safety, environment and disclosures as implemented by Uganda and Norway were presented in the previous section. This section presents the gaps that were identified during the presentation of the various dimensions between Uganda and Norway.

In relation to CSR guidelines, Norway has established a comprehensive document on CSR that points out the various ways companies can integrate environment

protection, human rights, and anti-corruption strategies and other issues in to their corporate activities. However, although these guidelines are generic in nature, petroleum companies are expected to comply and apply them as they carry on with their operations. The Norwegian government has also set up a consultative body on matters relating to CSR in addition to institutions, laws and regulations such as; Petro Artic supplier association, Petroleum Safety Authority, Statoil and the Norwegian Petroleum Directorate.

Despite Uganda establishing petroleum institutions, the process of making petroleum laws and regulations, unlike Norway, is still ongoing. As seen in section 1.2, the Public Finance bill was tabled for the second reading and there is need to draft regulations relating to the already enacted petroleum laws and review the existing ones to include provisions for petroleum activities. This is in addition the absence of CSR guidelines in the country.

Local content in Norway is highly regulated through laws like the 1996 Petroleum Act No. 72 referred to in section 5.3. Additionally, the petroleum companies operating in Norway provide attractive training programmes through long term collaborations with various educational institutions, educational websites among others which ensures prolonged benefits for the locals. They also maintain a balance between local and foreign employees with the number of Norwegian staff being more as illustrated in section 5.3.2. Further still, the companies operating in Norway have established programs that support local supplier development in addition to organizing trainings.

Although Uganda has had petroleum operations for just 8 years, the companies operating there are greatly involved in local content initiatives. They support education through scholarships and trainings, procuring from local suppliers, employing locals among others, just like those in Norway. In fact, their staff localization rates are quite high as per section 5.3.2. However, unlike Norway, the clauses relating to local content in the new PEDP Act are argued to be vague and confusing regarding the definition of key issues which is likely to pose a challenge for those involved in local content as well as the legal practitioners. This is illustrated in section 5.3

Regarding disclosure, Norway has taken many initiatives to promote disclosure in the petroleum industry. For instance, a legislation requiring country by country analysis for all extractive companies operating in the country was passed in December 2013 and became active on 1st January 2014. Also, in addition to the NOC being a board member of EITI, Norway publishes EITI reports which highlight government revenues from the petroleum industry on a country by country basis as well as all the payments made by the oil companies.

Meanwhile, Uganda is yet to become a member of EITI and has therefore never produced any EITI reports. Further still, the country has neither included clauses in PSAs nor enacted legislations requiring petroleum companies to perform country by country analyses and also publicly disclose their payments to government. In fact, as seen in section 5.4.1, Total E&P Uganda and CNOOC Uganda refused to publicly disclose their payments to the government of Uganda claiming that their contractual obligations with the government prevented them from disclosing such information. In addition to the above, the PSAs are still looked as confidential and are therefore kept away from the public eye.

Under health and safety, Uganda appears to be performing relatively well although Norway still beats her by far. Norway has established a Petroleum safety Authority that is charged with ensuring safe operations in the oil and gas industry yet Uganda does not have such a body. The authority has compelled companies to engage in H&S campaigns. Meanwhile, although Tullow's health and safety performance does not match up to its peers as per its 2013 CSR report, the company has taken initiatives to promote health and safety such as; formation of a new safety, sustainability and external affairs function and the establishment of a Land Transport standard to promote and ensure road safety.

In relation to the environment, the Norwegian government has implemented laws and regulations to minimize negative environmental impacts from petroleum activities such as the 1991 carbon dioxide tax, Petroleum Act, Greenhouse Gas Emission Trading Act and the Pollution Control Act among others. These have prompted environmental protection in the Norwegian petroleum sector. Further, Norway has a data base called "Environmental Web" where petroleum companies

directly publish environmental information relating to emissions and discharges to the sea. This website is accessed by all operators on the Norwegian continental shelf and the general public as well.

Meanwhile, the environmental laws and regulations of Uganda such as National environment Act, the National Environment Management Act among others do not specifically provide for the issues related to oil and gas activities such as waste management since they were established before oil was discovered. Even the PSAs are criticized with regard to environment protection clauses as per section 5.6, where it is argued that the Ugandan government cannot ask for environmental safeguards or cleanups in case of an environmental disaster like an oil spill because the PSAs protect oil companies' profits from distortion. Lastly, Uganda does not have a consolidated database where oil companies can directly report their information. The information is reported to PEPD and NEMA which makes public access hard since disclosure is at the discretion of these two bodies. They may choose to make selective disclosures to the public thereby hampering transparency.

CHAPTER SIX: CONCLUSION AND RECOMMENDATION

6.1 Summary of the Study

This study was designed to investigate the current state of CSR activities in Uganda's Oil and Gas industry, with a view of determining whether there were any lessons the country could learn from Norway. The objectives included;

1. To ascertain whether Uganda could learn from the Norwegian CSR policies and practices; and
2. To recommend ways of closing the gaps, if any, given that Uganda is an emerging oil economy.

The introduction presented the background to the study, aim and objectives, justification and finally the structure. The background emphasized good governance as an integral part of CSR which is in line with the good governance framework developed by the Chatham House. Further still, the study is divided into six chapters; the introduction, literature review, CSR in the oil and gas industry, research methodology, analysis and presentation of findings and the conclusion and recommendations respectively.

Further, a review of the relevant literature concerning the concept of CSR, its evolution, the applicable theories as well as its dimensions was done. It was revealed that CSR and its associated business practices are not new and have evolved over the years. CSR is not only divided into various dimensions; disclosure, economic development, local content, Health and safety, environment and education, but also surrounded by different views as to what constitutes the meaning, motivation, benefits and practices. However, despite the mounting attempts by academics to define CSR, there is currently no out rightly stated definition. Nonetheless, it has grown from a marginalized notion to a complex and multi-faceted concept that is increasingly the basis of today's corporate decision making

In a bid to obtain a clear understanding of the petroleum sectors in Norway and Uganda, the subsequent chapter reviewed and analysed the existing literature relating to CSR. This ignited a discussion of the CSR policies and practices in the oil

and gas industries of both countries, thus forming the basis of the analysis in chapter 5. The review revealed that oil companies are increasingly compelled to engage in CSR activities so as to maintain a good public image and to also comply with the regulations of the host communities being that CSR is highly regulated of recent. Thus, the research findings reflect a more elevated level of awareness and acceptance of CSR among companies especially in the oil and gas industry since their operations have significant impacts on the communities and environment in which they operate.

The next chapter discussed the research design, approach taken, and type of data that was used as well as the mode of its analysis and contextualized the methodology according to the aim of the study which is; to investigate the current state of corporate social responsibility in Uganda's Oil and Gas industry, with a view of determining whether there are any lessons that could be learned from Norway. The study applied the interpretivist philosophy to analyse both primary and secondary qualitative data. Furthermore, the research used a mixture of review and public domain benchmarking because they emerged the most befitting methods to achieve the objectives of the study.

Chapter five presented a discussion and an analysis of the findings on the CSR policies and practices in Norway and Uganda as earlier highlighted in chapter 3. It was found that Norway has petroleum experience of over 40 years with comprehensive and sufficient petroleum laws and regulations in addition to national CSR guidelines although they are generic in nature. Consequently, Norway is considered by many a "benchmark specimen." Meanwhile, Uganda made her first commercial discovery in 2006, so her petroleum sector is still at infancy hence limited experience. Additionally, the latter does not have official CSR guidelines. Nonetheless, the research investigated the current state of CSR practices in Uganda's oil and gas industry. The results indeed provide a noteworthy signal as it is evident that there is a lot Uganda could learn from the Norwegian CSR policies and practices in the oil and gas industry. For example, having a fully established legal and regulatory frameworks relating to CSR practices, setting up institutions to govern and monitor CSR activities such as a Petroleum Safety Authority, drafting

environmental laws and regulations specific to the petroleum industry. The study also highlighted the importance of CSR guidelines and policies in addition to efficient monitoring and control by the responsible bodies.

6.2 Conclusion

Norway's good CSR policies and practices are attributed to its vast petroleum experience since it has been in the business for over 40 years. Contrary, having made her first commercial discovery in 2006, Uganda is yet to develop CSR policies and guidelines. From the analysis and literature review, it is evident that indeed Uganda has a lot to learn from Norway with regard to policies, regulations, laws and institutional frameworks relating to CSR practices. For instance; developing CSR policies and guidelines, drafting regulations for the enacted petroleum laws, clear and specific local content clauses within the petroleum laws, obtaining membership with EITI and PWYP, drafting environment related petroleum laws and regulations and establishing a Petroleum Safety Authority. Norway has fully established petroleum laws, regulations and institutions and engaged in CSR initiatives on a large scale which has led to it being judged as a "benchmark specimen." On the other hand, Uganda is still in the process of making petroleum laws and regulations and is yet to take more initiatives that promote CSR in the oil and gas industry as illustrated in chapter 5. Therefore, Uganda should adopt the CSR policies and practices in the Norwegian petroleum sector and go further to customize them to its needs since there is no such thing as a one-size-fits-all model.

6.3 Recommendations

Given the research findings and the consequent conclusions, the following recommendations may improve CSR policies and practices in Uganda's oil and gas sector.

- a) The Ugandan government should draft CSR policies and guidelines that are specific to the oil and gas industry as this will encourage and compel petroleum companies to engage in CSR activities. This will ensure maximisation of benefits from the oil resource hence promoting development.

- b) In order to promote disclosure in the petroleum sector, the Ugandan government should join the Extractive Industries Transparency Initiative and Publish What You Pay since this will give the country more insight into the various transparency initiatives. The Access to Information Act should also be aligned to the petroleum laws and regulations.
- c) The Petroleum Exploration and Production Department of Uganda should create a data bank (preferably a website) where all petroleum companies operating in the country can publish their information as this will promote disclosure, transparency and accountability. This website should be freely accessible to the public.
- d) Since the waste management regulations were created before the oil and gas discoveries and therefore do not cater for oil and gas activities (drilling waste), NEMA should prioritize and expedite completion of the review of Uganda's legislation to incorporate oil and gas issues so as to promote better management of drilling waste.
- e) Uganda should consider establishing an authority that is charged with the responsibility of ensuring a healthy and safe working environment in the petroleum activities as well as facilities and emergency preparedness in the petroleum industry. This will ensure smooth operations with minimal interruptions.

6.4 Recommendation for further research

Further research should be carried out on how best Uganda can fast track the development of CSR policies and practices in the petroleum sector.

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