

## **Critical Analysis of Corporate Social Responsibility and Its Impact on Economic Growth and Development in The Kurdistan Region of Iraq**

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DOI: 10.23918/ICABEP2019p39

### **Abstract**

With the booming oil sector economy post-2006, the Kurdistan Region of Iraq (KR-I) become home for many gas and petroleum companies competing for the exploitation of one of the oil-richest regions in the Middle East. While the booming and expanding gas and petroleum industries have relatively boosted the economic life in KR-I it did little to mitigate the tremendous environmental effects left behind. Corporate social responsibility (CSR) is by all means a new concept in the Kurdistan Region with the Kurdistan Regional Government (KRG) having little interest or expertise in this area, at least at the initial stage of operational gas and petroleum industries. The key question of this study is how the expanding gas and petroleum industries in the KR-I have been dealing with CSR? How much, if any, the gas and petroleum industries contributed to the economic development in the Kurdistan Region? Undoubtedly, these questions are crucial and life-saving for the emerging economy and the fragile political and administrative structures of KR-I. If well managed, KRG can make a great deal out of CSR activities of the expanding gas and petroleum industries.

To answer these questions, the study has utilized a number of qualitative and semi-quantitative methods to examine the impact of gas and petroleum industries on KR-I's environment and their impact on the economic growth in the Region. Attempt has been made to get unbiased and balanced insight from all major stakeholders in this critical issue. The study aims to provide a critical analysis of the abovementioned questions and issues with some elementary comparative insight from geographically different contexts.

**Keywords:** Corporate Social Responsibility, Kurdistan Region, oil and gas companies, Iraq

### Introduction

#### **Background of the research**

The aim of the research is to evaluate the state of corporate social responsibility in the KR-I. The region, which is part of the federal Iraqi state (figure 1) and has considerable power over the management of its own natural resources including oil and gas, has exhibited considerable economic growth in the last decade or so fuelled by foreign investments and developments in the oil and gas sector in the country (Graeber, 2014). The research seeks to evaluate the application of corporate social responsibility initiatives by the oil and gas firms operating in the KR-I with the assessment based on theory and practice. The focus of the research is therefore on the subject of corporate social responsibility and the extent that this has been applied in the Kurdistan region by the oil and gas firms which have benefitted significantly from the operations of oil production in the region.

For the most part, corporate social responsibility has been a focus of management agendas and among corporations in recent years (Lindgreen & Swaen, 2010, P. 1). The thinking in relation to corporate social responsibility has evolved from a high level ideology into a practical theory applied by many corporations as part of their role and contribution in the development of society and communities (Lichtenstein, Drumwright & Braig, 2004). While the concept of corporate social responsibility remains in the introductory and evolutionary stages, there are distinct paths that are being developed in relation to corporate social responsibility which are a macro level approach and a micro level assessment (Lee, 2008).

In some ways, there is difficulty in defining corporate social responsibility as the definitions and meanings of the term and concept are changing, contested and still shifting (Cheney, Roper & May, 2007). Nevertheless, it is important to have agreement as to the definition of corporate social

responsibility to present the scope that this research covers. One definition is provided by Anderson (1989, p.7) who presented corporate social responsibility as “taking actions that are socially responsible and which are corporate investments that will result in a long-run corporate profit and not a corporate expense.” The definition provided by Anderson can be argued to be both incorrect and correct. On one hand, it would seem immoral for corporates to take socially responsible actions only when these result into positive impact on the financial performance of companies and, as Anderson (Ibid) stated, would turn into long-run corporate profit. On the other hand, this would seem logical in that it would be irresponsible for corporates to take actions that would not lead to positive benefits as this would be against the objectives of management in generating positive shareholder value for the shareholders and owners of the corporations. This would thus be a definition that is truthful and practical. When one thinks about it, the actions of corporations in relation to corporate social responsibility would indeed be likely to lead to some indirect positive benefit with the communities knowing about the actions taken by the corporations.

Wan-Jan (2006) attempts to provide a working definition of corporate social responsibility and highlights similar issues in that while there are arguments supporting the view that corporate social responsibility should be actions taken by firms without expectations of being ‘rewarded’, there is an opposing camp arguing the point that corporate social responsibility should not lead to actions by firms that do not lead to any benefits for the corporation as this would be against corporate objectives. In any case, the second definition is that provided by the World Business Council for Sustainable Development (WBCSD) which has the following as a definition for corporate social responsibility (CSR): “business commitment to contribute to sustainable economic development, working with their employees, their families, the local community and society at large to improve their quality of life” (Wan-Jan, 2006, p.182). The approach in the definition provided by WBCSD does not highlight the need for the corporation to benefit from the actions as the focus is on the other stakeholders that are impacted by the actions of the corporation in the socially responsible activities executed. The impact on the corporation is implicit in this definition in that the corporation would need to remain viable and take sustainable actions in order to remain responsible to the shareholders and owners of the corporation. This is the missing stakeholder in the definition of the WBCSD and highlights the weakness in the acceptance of this definition.

While corporate social responsibility seems to have taken off in terms of the adoption of the concept by companies in order to further their contribution to societies and communities, a research gap seems to be in the assessment of the appropriateness of the corporate social responsibility activities provided by these firms to the communities in which the firms are impacting or are located in for their operations. Musa et al (2013), in a study of corporate social responsibility in Nigerian oil and gas industry, noted the focus of most corporate social responsibility studies on the multinational enterprises with minimal focus on other stakeholders including the local communities and the inter-linkages between the multinational enterprises and the local communities. Likewise, Frynas (2009) lamented the lack of focus on understanding if the corporate social responsibility actions taken by multinational enterprises are commensurate to the unfavourable impacts resulting for the local communities and the large value and benefits achieved by the multinational enterprises in the operations in the local communities and international markets.

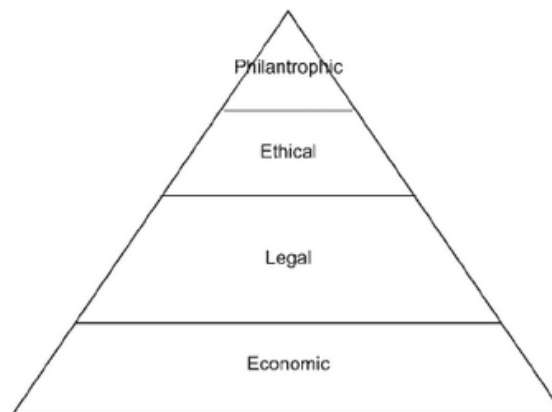
In studying issues of CSR in the KR-I, another equally important point that should be given due attention is the issue of CSR in developing countries. Despite the rapid economic growth that the Kurdistan region has experienced in recent years (Invest in Group, 2013), there are still some essential development gaps which would result in classifying the region within the category of developing countries. It has been noted that ‘developing countries present a distinctive set of CSR agenda challenges which are collectively quite different to those faced in the developed world’ (Visser, 2008, p. 474). Therefore, the approach adopted in this study will be reflected upon by the CSR literature with focus on the developing countries context.

There are different CSR approaches that have been presented as frameworks in academic studies. There is the Pyramid of CSR developed by Carroll as an improvement on his initial Social Responsibility Categories model (Wan-Jan, 2006). The pyramid highlights the different elements that Carroll considered as critical for corporations to include in their CSR activities which have as components the following: philanthropic; ethical; legal; and, economic (Wan-Jan, 2006). This is depicted in figure 2.



Figure 3: KR-I map. Source: OGIB research team, 2013

Figure 4: Pyramid of Social Responsibility by Carroll

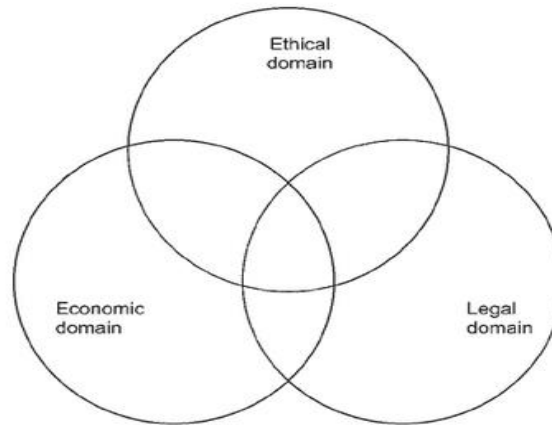


Source: Wan-Jan (2006, p.180)

In Carroll's pyramid to define the CSR approach of corporations, the philanthropic activities for CSR should not be pursued if the other three elements of economic, legal and ethical are not fulfilled. A related but different CSR approach was developed by Schwartz & Carroll (2003) which built on the previous work on the Social Responsibility Categories and the Pyramid of CSR approaches to define the Three-domain model of CSR. This model

incorporates three key elements – ethical domain, legal domain and economic domain – with the key difference being the overlap between the three elements and the elimination of the philanthropic element as the authors believed that the actions on these three elements would lead already to the corporate social responsibility initiatives of companies (Schwartz & Carroll, 2003). This is depicted in figure 3.

Figure 5: Three-domain Model of CSR



Source: Wan-Jan (2006, p.180)

This research will focus on the aspects of the appropriateness of the level of corporate social responsibility initiatives taken on by the multinational enterprises as this is a research gap from the review of related studies that I have undertaken. In addition, the research will also focus on the Kurdistan region and the impacts of corporate social responsibility activities taken on by multinational enterprises in the region. This is also a research gap as I was not able to identify any specific researches and academic studies focusing on corporate social responsibility in the Kurdistan region in Iraq. In order to narrow the scope further, the research will focus on the oil and gas industry firms operating in the Kurdistan region.

### Research questions

The key research questions that the research will seek to address in this project based on my understanding of the current research gaps are the following:

What are the levels and extent of corporate social responsibility initiatives taken on by the oil and gas industry firms in the KR-I? This research question is focused on understanding the current level of corporate social responsibility actions taken on by the oil and gas industry for the local communities in the Kurdistan region.

How appropriate is the level of corporate social responsibility initiatives and contribution provided by the oil and gas firms in the KR-I for the local communities? This research question is focused on assessing the current level of corporate social responsibility actions of the oil and gas industry firms in terms of appropriateness for the value achieved by the oil and gas firms, and the unfavourable impacts resulting in the local communities from the operations of the oil and gas firms.

Assuming that the level of corporate social responsibility contribution of the oil and gas firms are not commensurate, what are the recommendations proposed in order to develop a framework that is agreeable and provides an appropriate level of corporate social responsibility initiatives and contribution from the oil and gas industry firms to the local communities in the Kurdistan region? This research question is focused on the actions for

the future in order to have a more equitable result from the operations of the oil and gas industry firms in the local communities in the Kurdistan region in Iraq.

These are the three main research questions that I would seek to address in the execution of the research on corporate social responsibility activities of oil and gas industry firms in the KRI.

### **1.3 Research aims and objectives**

The main aim of the research is to provide a critical analysis of corporate social responsibility and its impact on economic growth and development in the KR-I. The focus of the research is on the oil and gas industry companies operating in the Kurdistan region.

The objectives of the research are as follows:

To identify the levels and extent of corporate social responsibility initiatives taken on by the oil and gas industry firms in the KR-I.

To critically analyse the advantages and disadvantages of the presence of oil and gas firms in the local communities

To develop a framework that provides an appropriate level of CSR initiatives and contribution from the oil and gas industry firms to the local communities in the Kurdistan region

Theoretical framework

Corporate Social Responsibility: the concept

The key areas that this section covers are the concept of corporate social responsibility, and the application of corporate social responsibility in oil and gas firms in particular and more specifically in the Kurdistan region. The chapter presents related literature that have focused on these areas with the research providing a review and critique of the academic literature discussed.

There were a couple of definitions for corporate social responsibility that were presented in the previous chapter. Instead of presenting further definitions, this section will focus on understanding the concept of corporate social responsibility and the issues related to understanding this concept. Niekerk (2013) presents an idea that CSR activities of corporation are either peripheral or embedded with peripheral activities linked to the support provided by companies to employees who, for example, may take time off to do volunteering work for a community while embedded activities are those linked to the operations of companies such as when companies work with suppliers in improving the supply chain linkages which can impact energy efficiency. While this is an interesting view, this does not take into account the actual CSR activities taken by companies such as in supporting community developments and activities. The embedded activities provided as an example by Niekerk (Ibid) are not typical activities that would actually be considered as CSR activities in the current view and definition of CSR. Nevertheless, an important argument presented by Niekerk (2013) is that CSR activities would tend to lead to positive benefits and outcomes for companies.

The history of the CSR movement is acknowledged to have started with the introduction of the social responsibilities of businessmen by Howard Bowen in 1953 who indicated the “obligations of businessmen to pursue those policies, to make those decisions, or follow those lines of action which are desirable in terms of the objectives and values of society” (Murphy & Schlegelmilch, 2013, p.1807). It can be seen that the starting point of CSR has evolved considerably as the initial view revolved around morality of business in terms of an obligation to society. The current CSR concept incorporates, aside from morality, ethical considerations, legal ramifications and environmental obligations. Murphy & Schlegelmilch (2013) argue that most businesses have recognised the role and importance of CSR but still require a business case in the implementation of CSR. This is

arguably the right approach as the incorporation of the business case ensures that the CSR actions of companies are still consistent with the company objectives and also the responsibilities of management in their actions on behalf of the shareholders of companies. The discussions show that there are differing views on corporate social responsibility and that different and contrasting views lead to a difficulty in the assessment of the proper and effective approach in corporate social responsibility actions of companies when there is no consensus on the proper CSR approach for companies.

While CSR actions would seem to be understood by businesses with CSR activities taken across a varying spectrum, there is agreement that a proper definition has not been developed and that there are different statements that have been developed to represent CSR (Aadaeze, 2009). The work of Aadaeze (2009, pp.614-615) presents four main types of CSR theories which are the following:

instrumental theories incorporating economic goals of companies through the social initiatives

political theories involving corporate power and the responsible use of this power by companies

integrative theories advocating the requirement of companies to manage social demands on the companies

ethical theories promoting morality and rightness of the social actions of companies

Each of the theories provides a rationale for the pursuit of companies of CSR activities.

One of the key areas of discussion in terms of the concept of CSR which has been impacting the development of CSR since its inception is the impact on the behaviour of the companies. The evolution of the concept of CSR has shifted from the analysis of macro level social effects resulting from the CSR activities of companies to organisational-level analysis focusing on the implications on the processes and performance of companies (Moura-Leite & Padgett, 2011). A major development in the CSR evolution is the increasing importance of CSR for companies with CSR being integrated into strategic considerations given the impact of CSR on company performance in the market (Moura-Leite & Padgett, 2011). The shift in the recognition of CSR impact on company performance for CSR to be included in strategic considerations highlights the changes in how management and stakeholders view CSR. The work of Moura-Leite & Padgett (2011) introduces the discussion on how CSR has evolved and moved into the forefront in the strategic considerations of companies. While Moura-Leite & Padgett (2011) discuss the changes in theoretical perspective for CSR, there is minimal discussion of examples to present how CSR has evolved. The study would have been more valuable if the theoretical discussions were complemented by practical examples of real-life companies and their experiences in CSR activities. In a period where there is minimal consensus and there is a lack of agreement on corporate social responsibility aside from that it is a requirement and increasing in importance in the corporate environment, the inclusion of practical examples to support theoretical discussions would be a valuable approach and method in forming agreement across the diverse views in corporate social responsibility.

Corporate Social Responsibility of oil and gas firms

Oil and gas firms execute CSR activities similar to other companies and, from the perspective of many in the public, should actually execute far more CSR initiatives given the impacts the oil and gas firms can have on communities in which these oil and gas firms operate in. A key consideration, in particular, is how the operations of oil and gas firms result in considerable environmental and social implications with issues such as pollution and community relations (Raufflet, Barin Cruz & Bres, 2014). There is significant expectation on oil and gas firms to execute CSR activities that oil and gas firms have developed 'regulatory scripts' which are practices that have been defined by groups of companies such as the oil and gas firms to address international frameworks and standards (Ibid). The increased expectation on firms from extractive industries which are the oil and gas industry together with the mining industry has led to the development of a hybrid regulatory regime that is effectively a framework that defines the requirements in terms of CSR activities for these extractive industries (Ibid). While Raufflet, Barin Cruz & Bres (2014) present the regulatory

consideration of the CSR activities of oil and gas firms, there is no discussion on the morality of this approach and the requirement for these firms as opposed to other firms in the corporate environment and their contribution to the communities in which these firms from other industries operate in. While the unfavourable impacts from these other firms may not be as harmful as the extractive industries, a relevant discussion of the appropriate contribution from companies in terms of their impact on the environment has not been established and provided.

The institutional expectations resulting from the hybrid regulatory regime for the extractive industries is presented in figure 4. The list presented is extensive and provides a comprehensive guide in determining the extent of CSR commitment that the oil and gas firms including the mining firms show in their corporate actions. The study of Raufflet, Barin Cruz & Bres (bid) presented a number of firms from extractive industries with an evaluation of the CSR commitment of the firms through the use of the CSR institutional expectations list. Aside from the institutional expectations list, the guidance provides a description of how the particular items on the list are expected to be met by the firms in the extractive industries in order to have a proper assessment of the CSR activities of the firms. The development of the list is a favourable result from the initiatives in the extractives industries to ensure the contribution from companies in these industries in relation to corporate social responsibility. However, care should be taken that this does not become a checklist of activities to show to the corporate environment and the public that the extractive industries are taken action as this would not amount to more than public relations. There has to be proper actions and impact resulting from this approach if it is indeed an approach that can be more beneficial for communities and place the responsibility of the actions on the companies in the extractive industries.

A positive result from the work of Raufflet, Barin Cruz & Bres (2014) is that practical and actual examples are provided to show how the hybrid regulatory regime works in the corporate social responsibility space with the details included in the study. However, an unfavourable implication resulting from the detail provided is the seemingly more descriptive approach taken in presenting the execution of the hybrid regulatory regime instead of having a discussion and presentation of the analysis of the authors in relation to the impact of the hybrid regulatory regime and how this could be implemented across the oil and gas industry, and other extractive industries, more extensively, and also how this could be applied to other industries in general in terms of the learning from this approach. This would have enhanced the work and positioned it to provide greater contribution to the discussion of corporate social responsibility and how companies should be managing their activities to deliver corporate social responsibility actions that would have significant impact on the local communities in which these companies are operating in.

Figure 6: CSR Institutional Expectations

Area	CSR institutional expectations in the MOG industries
Ethics and governance	1. Articulated vision and values consistently diffused throughout all documents and communication
	2. Committees
	3. Business ethics (includes whistle-blowing, the management of complaints, and crisis management)
	4. CSR disclosure (CSR report, website) per site
	5. CSR disclosure (CSR report, website) at company level
	6. Taking into account the precautionary principle
	7. Responsible production and consumption: criteria and CSR programs in purchasing contracts and subcontracting
	8. Relations with governments
Environment	9. Environmental protection: management and reduction of raw materials and waste
	10. Energy management
	11. CO <sub>2</sub> emission reduction and climate change
	12. Water management (consumption and gray-water management)
	13. Respect of ecosystem support capacities: local impacts and biodiversity
	14. Transportation management in and around sites
	15. Taking into account the polluter pays principle: site remediation after operation, leaks, and spills
Community relations	16. Participation and engagement with communities at every stage of the project (exploration, development, operation, closure)
	17. Human rights policy
	18. Subsidiarity
	19. Access to knowledge
	20. Protection of cultural heritage
	21. Contribution to local economic development (employment, purchase of local goods and services)
	22. Benefit sharing with the community: compensation (relocation, pollution) and other forms of support
	23. Health and quality of life (health and safety of surrounding communities)
	24. Health, quality of life, and safety of employees
	25. Prevention and accident information
Social, health, and safety issues	26. Skills development, training employees in community relationship building
	27. Respect for labor rights and labor relations
	28. Working conditions
	29. Social equity and solidarity

Source: Raufflet, Barin Cruz & Bres (2014, p.261)

The study of Jędrzej (2010) presented various initiatives taken by oil and gas companies in respect of corporate social responsibility. The study highlighted that the execution of CSR activities by the oil and gas firms is not enough to address CSR ideals and objectives as systemic constraints in relation to societal governance limit the positive benefits from the CSR activities of oil and gas firms (Jędrzej, 2010). In particular, the revenue transparency is the main governance challenge impacting the delivery of CSR initiatives and benefits to local communities. The lack of revenue transparency is preventing the full consideration of the CSR activities taken by the oil and gas firms to benefit the communities in which the oil and gas firms are operating in. While Jędrzej (Ibid) highlights the limitations and constraints to develop a relevant approach that incorporates the governance challenge of revenue transparency, there are no suggestions on how the limitation could be addressed and what alternative actions can be taken to ensure that there is greater revenue transparency in the relation to the activities of the oil and gas companies.

#### CSR in oil and gas firms in the Kurdistan Region

There are significant expectations on corporate social responsibility of oil and gas firms in the Kurdistan region and its impact on the communities in the region. Hopkins (2008) stated that CSR could have been utilised in order to prevent the Iraqi war. This would seem farfetched and highly unlikely but the belief in the power of CSR is an indication of the extent of influence that CSR activities could have on society and the resolution of issues. In the Kurdistan region, the perspective is that the oil and gas firms have not taken proactive actions to execute CSR activities independently and in collaboration with other oil and gas firms in the region (The Review Kurdistan, 2014). CSR activities “underpin a company’s commitment to the host country, and aligns corporate strategic goals to regional economic development and environmental sustainability” and for this to be effective, a suggestion is for “a coordinated CSR framework, supplemented by best practice standards that would incite companies to participate in broader and more impactful CSR initiatives” (Ibid). This is a gap in the situation and also a gap in the research with minimal academic studies having been conducted to evaluate the corporate social responsibility actions taken by oil and gas firms in the Kurdistan region.

#### Research philosophy and methods

The research was conducted using the interpretivist research philosophy. In this research philosophy, there is a recognition of the interpretations and observations of various stakeholders involved in the situation and event which impacts the resulting understanding and view of the situation (Bryman & Bell, 2011). Various academic studies have utilised an interpretivist research philosophy in developing an understanding of specific situations with the involvement of other stakeholders to provide observations (Yeadon-Lee, 2013). The research design involved a mixed methods approach with the use of a quantitative research approach and a qualitative research approach. The use of a mixed methods approach is increasingly utilised in research to provide for a robust approach that leverages the advantages of both a quantitative research approach and a qualitative research approach (Saunders, Lewis & Thornhill, 2012. P. 133).

#### Sources of data and information

There were several sources of data and information that were utilised for the research. These include the following: company data and submissions; press articles; and interviews with different stakeholders. Each of these data and information sources is discussed further below.

#### Company Data and Submissions

The research utilised company data and submissions, where available, in order to understand the level of corporate social responsibility actions and initiatives taken by the multinational oil and gas industry firms. This was taken from publicly available data provided by the oil



and gas firms their public disclosures and in information presented in their corporate websites. These form part of the understanding of the level and extent of corporate social responsibility initiatives and contribution that are provided by the oil and gas firms for the local communities in the Kurdistan region.

### **Press Articles**

The research also utilised press articles and news reports that provided further information on the corporate social responsibility actions taken by the multinational oil and gas firms. In addition, the research also utilised these to partly understand the current views and sentiments of the local communities on the role and support provided by the oil and gas firms to the local communities. In analysing the contribution from this source, thematic analysis was utilised by the researcher to form insights and key themes from the data and information.

### **Interviews with Different Stakeholders**

The research involved in-depth interviews of different stakeholders including representatives of the multinational oil and gas firms, non-profit organisations operating in the local communities, and local residents who are affected by productions and activities of oil and gas companies. These perspectives provided context on the current situation particularly in relation to the corporate social activities taken on the oil and gas firms, and the impact that these corporate social responsibility activities have on the local communities. To widen the scope of stakeholders, the researcher made attempts to interview representatives from the Kurdistan Regional Government, especially from the Ministry of Natural Resources. Unfortunately, the attempts were not successful.

### **Official government data**

The research also made use of accessible data and documents from the KRG government especially the official website of the Ministry of Natural Resources. These data and content have aided in both the qualitative and quantitative approaches of data analysis.

### **Sampling technique**

Given the time constraint in the conduct of the study, a convenience sampling technique was utilised in the identification of the primary research respondents, i.e. the interviewees for the interviews. The main drawback of the convenience sampling technique is the issue related to the inability to generalise from the research undertaken (Saunders, Lewis & Thornhill, 2012, p. 236-54). However, as the study focused on understanding the situation, there is acceptability in the use of a convenience sampling technique. In addition, the convenience sampling technique enables the ease of identification of respondents (Ibid, p. 254). This was helpful in ensuring that the researcher was able to complete the research within the defined time frame. A convenience sampling approach in the context of a corporate social responsibility study has been executed with Wang (2009) using this sampling technique in identifying primary research respondents of college students in the assessment of corporate social responsibility practices of credit card issuers.

### **Data analysis**

The quantitative data retrieved from different sources was utilised in forming the context of the study and in establishing the comparative analysis of the level and extent of the social responsibility actions and contribution of the oil and gas firms with the level of benefits achieved by the firms and the unfavourable impacts on the local communities. The comparative analysis was undertaken through the use of descriptive analysis. The approach of the use of comparative analysis in a study for corporate social responsibility was utilised by Metaxas & Tsavdaridou (2014) to compare green corporate social responsibility practices

among European companies. The three-domain model of CSR was used as the approach in which the data was measured against.

For the qualitative data and information resulting from the interviews, the results were analysed using thematic analysis by identifying the key themes that resulted from the interviews with the different stakeholders. This approach enabled the research to form the key insights from the interviews which were then complemented by the results of the quantitative analysis. The use of thematic analysis in the assessment of interviews conducted has been executed in corporate social responsibility related studies such as that of Itotenaan, Samy & Bampton (2014) who interviewed policy makers and implementers, and developed critical insights from the thematic analysis conducted. The research used the results of the quantitative research approach and the qualitative research approach in order to have a complementary set of results to understand the situation and form the findings from the analyses conducted.

### **Research ethics**

The research strictly followed common academic ethical guidelines in the conduct of the research particularly as the study involved primary research and included the participation of primary research respondents. The data collection required interaction of the researcher with the primary research respondents with the execution of the interviews for the research. As part of the submission of this research proposal, the researcher completed a medium / High risk ethics submission online (see appendix A)

The research took extensive care in the execution of the research, and ensured the health and safety of primary research participants. In particular, given the situation around the Kurdistan region at the time of the research, the researcher took extra precautions to ensure that the safety of the primary research respondents was extensively considered in the execution of the primary research for the study. In addition, the researcher followed the principles of research ethics in terms of confidentiality, anonymity, informed consent and voluntary participation. In terms of confidentiality, the results of the research are not shared with any individual that is not linked with the research. For anonymity, the research does not link any of the responses of the primary research respondents with any of the responses and also does not specifically name each of the respondents in the interviews or the discussions. For informed consent, each of the primary research respondents were provided relevant details of the research and also given the objectives of the study and the role of the interviews in the research. Finally, for voluntary participation, the research was undertaken with the primary research respondents included only with their voluntary participation as the respondents were not forced to participate in the primary research conducted.

### **Findings**

Qualitative research results

There are three main sources of content for the qualitative research undertaken for the study. These are from company data and submissions, press articles and from the primary research which refers to the interviews with different stakeholders in the Kurdistan region in relation to oil and gas activity. The structure of the section goes through each of the different sources of content for discussion.

#### **Company Data and Submissions**

The companies included in this discussion are Marathon Oil Company, Oryx Petroleum Company and Western Zagros Company. These three oil and gas companies have specific mentions of Kurdistan region or are specifically operating in the Kurdistan region.

These three oil and gas firms seem to be committed to corporate social responsibility with the companies having specific sections in their reports on the actions that the companies are taking and the vision and goals with the corporate social responsibility of these companies. Marathon Oil Company seems to consider the local communities considerably with their vision and plans indicating this. Western Zagros similarly engages the local communities to collaborate and work together for a fruitful partnership. Oryx Petroleum positions itself as an organisation that has strong corporate governance, corporate integrity and social responsibility. The details of the activities and positions of each of these three companies are presented in figure 4. The details show the positive messages that the companies have provided for the public and the investors of these oil and gas companies in relation to the corporate social responsibility actions taken by the companies.

Figure 5: Corporate Social Responsibility Messages of the Oil and Gas Companies

Oil and Gas Company	Corporate Social Responsibility Messages
Marathon Oil Company	Marathon Oil recognizes that operating in communities and countries is a privilege. We manage our business in a way that promotes social, environmental and economic benefits for our stakeholders. We believe that our efforts to build a competitive workforce, enhance health and wellbeing, and protect the environment benefit both Marathon Oil and the communities where we operate.
Western Zagros Company	Our corporate social responsibility initiatives are based on engagement with the community members in the areas impacted by our business. The Company continues to focus on five key corporate social responsibility initiatives in the PSC Lands of Kurdistan, namely: local employment, water supply, education, health care and youth recreation. We believe that our presence has a positive impact on the local community, assisting to promote sustainable development and an improving quality of life.
Oryx Petroleum Company	Oryx Petroleum believes that host country populations should derive benefit from the development of their country’s petroleum resources. Oryx Petroleum’s belief that it has a critical role in helping deliver this benefit to host country populations forms the basis of its philosophy regarding social responsibility. Following its social responsibility philosophy, Oryx Petroleum seeks to directly provide benefits to host country populations by employing local citizens and using local services while also promoting and funding local infrastructure projects, education programs, and disaster relief efforts in its areas of activity.

Source: Marathon Oil Company (2014); Western Zagros Company (2014);  
 Oryx Petroleum Company (2014)

The company data and submissions provide for the external positioning of these oil and gas companies in relation to the corporate social responsibility demands of the public. Each of the oil and gas companies has stated that this is a focus and that the companies are taking

action to provide contribution to the local communities as well as work with the local communities in the development and uplift of the communities. These are consistent with the findings from the literature review in that companies are increasingly investing in corporate social responsibility activities.



Figure 6: site of Oryx Oil Company in Hawler (Erbil), Kurdistan region. Source: Upstreamonline.com (2013)

### **Press Articles**

There are limited press articles related to corporate social responsibility actions of oil and gas companies in the Kurdistan region. Those which were identified are discussed on this section. Many of the links that result from a search go back to the corporate social responsibility web pages of oil and gas companies, and their external messages for the public. However, one press article, in particular, highlights the growing discontent of the local population against oil companies given the significant unfavourable impact on the environment and the local communities, and the lack of actions from the oil and gas companies and the compensation to the people in these local communities (Awene, 2014). The key issues highlighted by the article from the independent Kurdish paper Awene (2014) are presented in figure 5.

- Oil companies inflict a great damage to the environment, agricultural lands, orchards and roads of the surrounding villages to the oil fields without compensating anybody; as a result, this has led to public discomfort and protest against these companies.
- Discharges from these companies is thrown into agricultural lands.
- These companies employ very few local people to work at their companies; those who are employed work at least six days a week and are forced to work 12 to 13 hours a day.
- There is no one who monitors these companies and no censor is put on them; these companies work as they wish and have occupied thousands of people's lands.

Figure 7: Key Issues from Awene (2014) Press Article. Source: Awene.com (2014) (my own translation)

The press article highlights the growing discontent between the local population and the oil and gas companies. The oil and gas companies are hardly taking action to manage the expectations of the local communities and are not even providing relevant contribution to the local communities for these oil and gas companies to be appreciated by the local communities. It is as if the oil and gas companies consider themselves above reproach and do not need to take any further actions to endear the oil and gas companies to the local communities.

### **Ministry of Natural Resources**

Although the researcher was unable to conduct personal interviews with any government representative from the Ministry of natural Resources (MNR) of the Kurdistan Regional Government, some detailed, but limited information and data were obtainable from the MNR's official website. The MNR's CSR policy and vision can be extracted from the (community support relationships) section of the website. The MNR's approach to CSR as related to oil and gas firms has been outlined as:

Every oil and gas company active in the Kurdistan Region is encouraged to engage in community support activities. The Kurdistan Regional Government and Ministry of Natural Resources encourage an open forum to discuss the ways in which private enterprise can work together with the government, for the good of the citizens of the Kurdistan Region. By assimilating the UN Global Compact into the oil and gas law, the Kurdistan Region has ensured that local development and corporate social responsibility remain at the forefront of the sustainable development of the region's energy resources. (MNR-KRG, 2013)

According to the MNR, the CSR activities of oil and gas companies are performed in two ways. First, through payments to a programme called 'Capacity Building', which in turn paid at two stages, first, upon signing the KRG's product-sharing contract with the MNR and second, after the companies start to generate profit from their production. Second, 'many companies have their own self-funded CSR projects' (Ibid), through which they contribute to the local communities. The MNR provides some figures indicative of oil and gas companies self-funded projects up to the preparation of the report in August 2013 (figure 7).

Figure 8: oil and gas companies' self-funded project contribution. Source:

MNR-KRG, 2013a

## BREAKDOWN OF EXPENDITURE ON COMMUNITY SUPPORT PROJECTS

Stage	Number of CSPs	Total expenditure
Completed	357	\$37,138,165
Ongoing	45	\$37,803,823
Planned	48	\$24,803,000
<b>Grand total</b>	<b>450</b>	<b>\$99,744,988</b>

### Interviews with Different Stakeholders

For the interviews with different stakeholders, there are two main groups which the researcher was able to include for the interviews. These two groups were the local residents and the oil and gas companies with the researcher being able to identify and talk to representatives from the oil and gas companies for their corporate social responsibility activities. There were four interviews conducted for each of the groups hence there were four local residents and four company CSR representatives from the oil and gas companies. The discussion in this sub-section is further sub-divided into the interview results from these two groups with each group discussion following the structure of the questions provided to the interviewees during the interview sessions. The interview questions for each of the two groups are included in the appendix.

### Oil and Gas Company Representatives

There were four interviews for the oil and gas company representatives for their CSR activities. The companies included in the interviews were the following: (1) Marathon Oil Company; Oryx Petroleum Company; Repsol Company; and, Western Zagros Company. The interview discussion is resented in a consolidated manner with the responses not specifically linked to each of the representatives following the research ethics approach taken in this study.



Figure 9: site of Western Zagros Oil Company in Sarqala area, Germian, Kurdistan region. Source: official Western Zagros Company website

*Q1: is there an environmental management system at your company?*

All the four companies included in the research have an environmental system established and being utilised in the company. The representatives mentioned that there are special regulations that the oil and gas companies need to adhere to hence the establishment of the environmental management systems.

While it is a positive sign that the oil and gas companies have environmental management systems established in the companies, it is unfortunate that the CSR representatives view this as having been established because of the special regulations that the oil and gas companies are under and therefore requires the oil and gas companies to have these environmental management systems in place. One of the representatives did not mention this and instead mentioned that the oil and gas company has an established environmental management system and has strict environmental policies being followed and executed by the firm. This should be the proper stance in that the environmental management system, while it is a requirement based on special regulations impacting the oil and gas firms, should be in place because this is the right approach for corporate social responsibility.

*Q2: has your company set up a fixed percentage of its profits to community contributions?*

Only one of the oil and gas companies included in the research may possibly have this in place. However, the respondent is not aware of the actual percentage and indicated this as the response. The other oil and gas companies do not have anything specific and defined linked to the profitability of the oil and gas companies to provide contribution to the local communities.

It is unfortunate that the oil and gas companies do not see the need to link the contribution to the local communities to the profitability of the oil and gas companies as this would seem to make logical sense. If the oil and gas companies are able to generate significant profitability from their operations related to the local communities then it would seem fair and equitable that the local communities also receive a larger share of the benefits. However, this is not the case as the companies do not necessarily have in place a specific link to the profitability of the oil and gas companies. It is likely that the contribution of the oil and gas companies to the local communities may actually decrease as a percentage of the profits generated by the oil and gas companies as these firms become more profitable. This could be the case even if the absolute contributions actually increase as the increase may not be proportionate to the increase in profitability of the oil and gas firms in the Kurdistan region

*Q3: what have you done in terms of promoting human rights?*

There are different actions that the oil and gas companies are taking in relation to the promotion of human rights. Two of the companies are promoting human rights through workshops held for employees. The two other oil and gas companies seem more proactive with one company having a department specifically established to manage human development while the other oil and gas company responded with human rights in relation to employees having proper level of salaries, development programmers and the provision of insurance for the employees.

The responses provided by the oil and gas companies indicate the focus of the firms in relation to human rights promotion and protection. For example, the two companies holding workshops are viewing human rights of the local communities and how the employees of the companies should be acting in relation to the local communities. This is favorable although the conduct of workshops for this objective would seem to be relatively minimal in approach and impact and would seem to be more a compliance feature of the companies than anything else. However, the other oil and gas companies viewed the promotion of human rights as human rights for their employees which would indicate implicitly that it would also view the local communities with greater care. Indeed, the activities presented by these companies in the promotion of human rights for their employees are much more involved and extensive than the workshops indicated by the other oil and gas companies.

*Q4: has your company given a fixed compensation to the local people who their land has been affected as the result of your company's activities?*

The oil and gas companies indicated that fixed compensation has been set based on the guidelines by the Ministry of Natural Resources. One of the oil and gas companies mentioned that payment has not been provided in full to the people given that no oil has been found in the properties of the people.



Figure 10: site of Marathon Oil Company at Atrush, Duhok, Kurdistan Region-Iraq. Source: Sulaymany Chambers Of Commerce & Industry (2013)

On one the hand, this seems to be fair in that the oil and gas companies are following the guidelines of the Ministry of Natural Resources and are providing compensation to the people impacted with the loss of land because of the operations of the oil and gas firms. On the other hand, it can be questioned whether the compensation that the Ministry of Natural Resources has provided is adequate for the people given the actual value of the land where oil could actually be situated. This is not necessarily the fault of the oil and gas firms if the compensation is not adequate based on the guidelines provided by the Ministry of Natural Resources. However, oil and gas firms should also be considerate in that if the guidelines do not provide commensurate compensation then the oil and gas companies should act above and beyond the compensation provided by the guidelines. The action of one of the oil and gas companies which has not paid the compensation fully is not acceptable and should be admonished as the people would have provided access to the properties already and these people should be fully compensated for that access.

*Q5: what is the percentage of local people in your workforce?*

The oil and gas companies indicated high rates of employment of the local work force with foreigners only utilised for expertise needed in the companies. One oil and gas company indicated a local work force that was 82% of the total work force in the company.

This is a positive development in that the local work force is being utilised by the oil and gas companies. The issues, however, are in ensuring that the local work force is provided appropriate levels of pay and also in providing similar development opportunities as the foreign workers in the oil and gas companies. If the local work force are not provided for adequately in terms of compensation then this is not acceptable as this would be the oil and gas companies taking advantage of the situation in the Kurdistan region and pay at low levels in order to generate even higher profits from the operations in the region.

*Q6: does your company have any procedure for assessing the impact of your activities on the surrounding land and water?*

All of the oil and gas companies execute the environmental impact assessment prior to any activities undertaken in the region. This is an increasingly international requirement, and this provides a



comprehensive review of the environmental impact of the activities of the oil and gas firms for specific projects to be executed.

The execution of the environmental impact assessment ensures that the oil and gas firms are considering the environmental impacts resulting from the proposed activities in the region. It is important that the environmental impact assessment reports are properly considered so that any detrimental impacts are properly addressed before further work is commenced in the projects with the results not based on taking the options with the least impact on the environment, but which may impact the environment significantly anyway.

*Q7: does your company have any record of the amount of emissions produced as the result of its activities?*

Three of the four oil and gas companies included in the research indicated that there is monitoring of the emissions of the companies to ensure that these are within proper levels and are tracked against the environmental impact assessment reports conducted prior to the execution of the projects. The fourth oil and gas company did not have any record of the emissions produced as a result of the activities of the company.

As responsible companies, the oil and gas companies should regularly track and monitor their emissions given the impact that emissions can have on the environment. It is unfortunate that one of the oil and gas companies included in the research does not do this action. This is an indication that there may be other oil and gas companies which do not take this action which is not a favourable assessment of the oil and gas industry and the companies in the Kurdistan region.

*Q8: how your company deals with people's complaints? Do you have a designated section to deal with these issues?*

All of the oil and gas companies have assigned departments which deal with people's complaints. For some, these are linked with the corporate social responsibility of the companies. For others, these are linked with the human resources department. One of the oil and gas companies indicated that the company worked with the mayor and the local clergy in dealing with the complaints of the people.

It is fortunate that all of the oil and gas companies have specific departments which deal with the complaints of the people against the oil and gas companies. This indicates that, at the very least, there are departments or people within the oil and gas companies that the local population could go to or contact in order to make complaints against the oil and gas companies. However, the real challenge would be the actions of the oil and gas companies as the complaints are against the companies. The approach taken by one of the oil and gas companies would seem to be a fair approach in that it involves the mayor and the local clergy. This would ensure that there is an independent party that could provide another viewpoint to the complaint provided by the people against the oil and gas company.

*Q9: what is the average monthly salary of your ordinary employees?*

The oil and gas companies provided values to the monthly salaries of the ordinary employees of the companies. The range has a significant variation with the monthly salary as low as US\$600 to US\$1,200 for one of the companies depending on the contract to as much as US\$3,800 for one of the other companies.

The wide disparity in the monthly salary provided by the oil and gas companies indicates the differences in how the companies view the local work force with some of the companies providing greater value through the higher salaries give to the employees. The variation could be an indication of how the oil and gas companies treat the local population in terms of compensation and also in terms of the contribution provided to the local communities.

*Q10: has your company contributed in improving the local infrastructure and how?*

The responses of the oil and gas companies ranged from providing training and workshops for capacity building to developing roads and bridges for the local communities. One oil and gas company indicated that the contribution of the company was the development of the facilities to access the oil and gas even though there has been no success in terms of generating oil and gas from the actions executed by the companies.

The responses provided by the oil and gas companies again provide an indication of the disparity in how the oil and gas companies view their role and contribution to the local communities. While some oil and gas companies exert effort and invest in infrastructure, other oil and gas companies only invest in these where needed for access or where these facilities are actually used as part of the operations of the oil and gas companies. In these cases then the contribution of the oil and gas companies are minimal as these would not be related to corporate social responsibility as these are instead part of the oil and gas activities of the companies.

#### Local Residents

There were four local residents that the researcher was able to interview for the study. A summary of the responses and the analysis of the researcher are presented below. As with the responses of the oil and gas representatives, the responses are not linked to any of the local residents in particular to ensure anonymity of the primary research respondents.



Figure 11: local residents at in Bamo Valley (al-Sulaymaniah), Kurdistan region-Iraq demonstrating against the Russian Gazprom which is operating in the region. The slogan reads (No to the distraction of the beautiful nature and the clean environment of Kurdistan). Photo by journalist Rebin Fatah. Source: (Rebin Fatah, 2014)

*Q1: have you been given compensation (if your land has been affected) by the concerned company? Is it satisfactory?*

Three of the local residents have been offered compensation but the local residents have not accepted these as the local residents feel that the compensation, even if within the Ministry of Natural Resources guidelines, are not commensurate to the value of the land that the oil and gas companies have utilised and have impacted. One of the local residents has not been offered compensation yet for the land affected by the operations of the oil and gas company.

As indicated in the discussion for the interviews with the company representatives, the guidelines provided by the Ministry of Natural Resources may not necessarily be commensurate to the value of the land. The local residents have confirmed this and hence this has led to a situation where compensation has been offered but the local residents have not accepted the compensation yet because the compensation is inadequate from their point of view. One of the local residents has not even been offered compensation and this situation needs to be addressed.

*Q2: have you been given employment opportunity by the concerned company? As far as you know how many locals are working with the concerned company?*

None of the local residents have been given work in the oil and gas companies. Some have been offered potential opportunities but only at later stages when more work has commenced.

The responses of the local residents are contradictory to the responses provided by the oil and gas companies which indicated that many of their work force come from the local communities. However, this does not seem to be the case with none of the local residents interviewed as being offered and also based on the responses provided in that not many from the local communities are employed by the oil and gas companies even if many of the people in the local communities have education and are qualified.

*Q3: are you affected by the company's production activities and how?*

The impact on the local residents have been varied. Some have already been affected with land lost for agriculture and the operations of the oil and gas companies leading to environmental issues such as air and water pollution. Some have not been impacted as the oil and gas companies have not started operating in their area yet. Some residents feel positive in that the entry of the oil and gas companies would provide work for the local population.

The impact has been different for the local residents. As some have not started in their areas yet, there is little to conclude from the impact and some are actually looking forward to the entry because of the opportunities that the entry of the oil and gas companies could bring. However, this view may change once the oil and gas companies have started their operations and as the local population see the environmental impact and also experience the work opportunities, or lack thereof, provided by the oil and gas companies. Clearly, there will be significant impact on the people and the local communities as a result of the operations of the oil and gas companies.

*Q4: have you ever complained against the company as the result of their production activities? Has your complaint been responded to?*

The local residents have complained about various activities of the oil and gas companies. Most of the oil and gas companies have not properly responded other than to indicate that the complaints will be reviewed. One oil and gas company did not work with the local community and only considered the complaints posed when these were raised to the Ministry of Natural Resources.

The actions and responses taken by the oil and gas companies are not acceptable as the oil and gas companies are effectively stalling and taking their time in responding to the complaints of the local communities and the local people. In one instance, the oil and gas company only considered the complaints when the Ministry of Natural Resources was included in the complaints and made aware of the situation. This should not be the approach taken by the oil and gas companies as the local communities have a right to complain given the impact on their land and activities.

*Q5: have you been given compensation as the result of negative impact of the company's production activities?*

The local residents have not been provided compensation yet as a result of the negative impact of the production activities of the oil and gas companies. People have not complained yet although one local resident indicated that some oil and gas companies have offered very little in compensation because of the negative impact on the local communities resulting from the production activities of the oil and gas companies.

The current situation in relation to compensation for the negative impact of the production activities of the oil and gas companies shows the potential conflicts that could result and which could lead to an escalation of the situation. These should be addressed by the oil and gas companies as soon as possible. The local communities already feel that there have not been enough contribution from the oil and gas companies and the lack of action in relation to compensation because of the negative impact only worsens the situation further.

*Q6: has the company contributed to your community through improving infrastructure, services and other areas?*

The oil and gas companies have not provided much infrastructure for the local communities One local resident mentioned that there has been a school built but the other local residents have indicated that nothing has been provided contributed or added by the oil and gas companies.

The results for this question show the lack of contribution that the oil and gas companies are providing to the local communities. While the responses from the oil and gas companies indicated that various infrastructure and services have been provided and developed, this is not the case from the point of view of the local residents. Indeed, as mentioned in the discussion in the previous section, some of the infrastructure and services alluded to by the oil and gas companies are not the right contribution to be considered as these are part of the operations of the oil and gas companies.

*Q7: are you aware of your individual and community rights with the concerned company?*

The responses of the respondents have been varied with some indicating that they are aware as they have been provided details of their rights. However, other local residents indicated that there has been no information provided on what their rights are for the community and the individuals. Some of the local residents have resorted to identifying these rights through research and determining what these are.

The lack of information provided to the local community and the individuals seems as if this is taken as an advantage by the oil and gas companies which have the resource to be able to understand all the rights of stakeholders and have the capacity to withhold these when this is to the advantage of the oil and gas companies. This situation is also a testament to the failure of the Ministry of Natural Resources in the region to properly educate the local communities and the local population as the Ministry of Natural Resources should be representing the people of the Kurdistan region particularly in discussions versus the larger and properly resourced oil and gas companies.

*Q8: how your individual and community conditions have been affected since the establishment of the concerned company in your area?*

The local residents have responded that there has been significant impact on the individual and community conditions since the establishment of the oil and gas companies, and since activities have commenced. This may not be the same case for all where activities have not impacted the residents yet. Some have complained but have not received responses while other remain hopeful of positive results from the activities of the oil and gas companies.

The responses of the local residents indicate that the current situation is not necessarily untenable as while the impact experienced may be negative, the local residents feel that more contribution from the oil and gas companies can lead to a positive development with the local communities benefitting more and the local individuals also receiving opportunities from the presence of the oil and gas companies. However, this highlights that there is a difference in perception as the oil and gas companies are not necessarily addressing the issues that the local residents have raised as complaints have not been acted on. This means that the local residents may eventually lose patience and also the hope that positive results could lead from the oil and gas companies' activities in the local communities.

Quantitative research results

The sources of content for the quantitative research component of the research are company data and submissions and the records from the Ministry of Natural Resources (MNR). There is minimal information on the value of investments made by oil and gas companies on the activities that could be considered as part of corporate social responsibility. From the companies included in this research, the companies which have provided some information are Oryx Petroleum Company and Western Zagros Company. The details of the quantitative contributions of these oil and gas companies are provided in figure 11. As for the records from the MNR, although detailed figures are provided, they only cover up to the year 2012. The oil and gas company contributions to the Capacity-Building programme is shown in figure 12.

Figure 12: Quantitative Contributions of Oil and Gas Companies

Oil and Gas Company	Quantitative Contribution of Oil and Gas Company
Western Zagros Company	<p>Local employment: 342 full-time local national employees in Kurdistan</p> <p>Training: over 250 participants from the Kurdistan Region which will help to strengthen local regulatory capacity over time</p> <p>Water supply: Western Zagros drilled water wells in 19 villages and repaired eight more wells, and also dug sumps, pits and irrigation channels in 42 rural communities; constructed a six kilometre (3.7 mile) pipeline to the Kurdamir village, installed a water storage and distribution system for the village, and replaced and repaired the aging water plant’s generator and pumping systems</p>
Oryx Petroleum Company	<p>Oryx Petroleum and AOG contributed \$40 million and \$5 million, respectively, in 2013 to directly help fund the construction of a children’s hospital in Erbil, in the Kurdistan Region; as part of the commitment, Oryx Petroleum has nominated two trustee directors to the board of the hospital’s foundation, independently established as a U.K. registered charity, to provide assistance and oversight during the construction of the hospital and the commencement of the hospital’s operations</p> <p>Also in 2013, Oryx Petroleum made a donation to the Addax &amp; Oryx Foundation in the amount of \$500,000; Addax &amp; Oryx Foundation is an independent foundation registered in Switzerland and principally funded by AOG which aims to fight the root causes of poverty in Africa and the Middle East by supporting projects in the areas of health, education, the environment and community development</p>

Source: Western Zagros Company (2014); Oryx Petroleum Company (2014)

The quantitative details presented in this section form only a small part of the overall contributions of the oil and gas companies as only two companies have been included in this section based on limited publicly available information that could be accessed in relation to

the corporate social responsibility actions of the oil and gas companies. On the other hand, it could be argued that the reason there is minimal information is that the oil and gas companies may actually indeed have limited investments made on infrastructure and services to support the corporate social responsibility activities of the oil and gas companies.

However, it should be noted that even with the limited self-funded CSR contributions from the oil and gas companies, the mandatory contribution under the Capacity Building umbrella, which is termed ‘company bonuses’ by MNR should make a great contribution to the economy and infrastructure of the areas directly affected by the operations of these companies and the whole country. Arguably, the facts on the ground tell a different story, which is indicative of the minimal impact of the large revenue attracted from these companies on the living and economic conditions of the local residents. One plausible conclusion that can be arrived at to this point is the problem of corruption. In fact, the issue of oil and gas revenues has been one of the most popular ones on the political and economic level ever since oil and gas resources were exploited in the Kurdistan region. Especially, the issue of oil and gas company bonuses has been the main topic of corruption since 2011 local elections. The volume of oil and gas company bonuses it has been reported has reached \$12 billion up to date, which is still a major source of dispute over the transparency in the way the MNR has been managing it (Rauf, 2014). Arguably, the issue is also a major CSR issue in the Kurdistan region.

Figure 13: funds received by the MNR from major oil and gas companies under the Capacity Building programme and the allocation to community projects. Source: MNR-KRG, 2013b

PSC Capacity Building Bonus and related income received				\$3.37 billion
Allocation of funds to projects				
No.	Description	Spent	Committed	Spent + Committed
1	Various projects in Sulaimaniyah, Erbil and Duhok	\$723.6m	\$62m	\$785.6m
2	Halabja special projects	0	\$200m	\$200m
3	Garmian special projects	\$220m	\$160m	\$380m
4	Duhok Airport	0	\$80m	\$80m
5	Sinjar projects	0	\$40m	\$40m
6	MOF fuel and support	\$405m	\$270m	\$675m
7	MOI other related security projects	\$141m	\$50m	\$191m
8	MNR cap. building & infrastructure projects	\$42.3m	\$164m	\$206m
9	Infrastructure projects with other ministries	\$28.5m	\$30m	\$58.5m
10	Education and higher education	\$316.5m	\$20m	\$336.5m
11	Social projects	\$21m	0	\$21m
12	Syrian refugees	\$10m	0	\$10m
13	Anfal projects	\$162m	\$125m	\$287m
14	Council of Ministers small projects	\$27.5m	0	\$27m
	<b>Total</b>	<b>\$2.098 billion</b>	<b>\$1.2 billion</b>	<b>\$3.3 billion</b>
	<b>Balance to be allocated</b>			<b>\$72 million</b>

Key themes from findings and analysis

There are several key themes that have resulted from the findings and analyses discussed in this section. These key themes are the following:

The KRG generates considerable revenue from the oil and gas companies operating in the country. The revenue is extracted from the companies through the systematic Capacity Development programme, which is directly administrated by the MNR. While the revenue is extracted on mandatory basis for the purpose of CSR issues, the minimal effect of the revenue on the real lives of the most affected people and the whole region poses a major problem for the government and the concerned oil and gas companies in the region.

The local communities feel that the oil and gas companies are not providing enough contribution to the economic and social development of the local communities

The local communities feel that the oil and gas companies are not providing enough value to the use and access of the land of the local individuals given the significant value generated from the land by the oil and gas companies

There is a divergence in the views of the oil and gas companies versus the views of the local communities across the following issues: providing compensation for local communities; providing work opportunities in the oil and gas companies; addressing complaints of local communities; and, educating local communities about the rights of individuals and communities.

There are various other themes, but these are the key ones that are important to note in order for these themes to be focused on and addressed by the stakeholders in the oil and gas industry.

#### Conclusions

There are various conclusions resulting from the conduct of the research. These are from the literature review and also from the results of the secondary and primary research on corporate social responsibility in the Kurdistan region by the oil and gas companies. The main conclusions are as follows:

Corporate social responsibility is an increasingly important requirement from companies by the general public and the market with firms in extractive industries such as the oil and gas industry expected to do more for the local communities

Companies are expected to contribute to the development, economically and socially, of the local communities given the significant value generated by the oil and gas companies from the local communities

There is a divergence in the views of the oil and gas companies versus the views of the local communities across the following issues: providing compensation for local communities; providing work opportunities in the oil and gas companies; addressing complaints of local communities; and, educating local communities about the rights of individuals and communities

Oil and gas companies in the Kurdistan region have environmental management systems established but these are developed because of the regulatory requirements on the oil and gas companies. In general, the oil and gas companies seem to be taking only the required minimal actions that are needed in order to continue to operate in the region without any regard for taking actions that are more than necessary such as, for example, higher compensation for the local individuals

The role of the KRG and especially, the concerned MNR in managing CSR issues with the operating companies in the Kurdistan region is questionable and exposes the whole oil and

gas sector in the region to serious problems. The current state of affairs would also hinder sustainable economic and social development in the Kurdistan region in the long term.

### **Recommendations**

Based on the issues that have been identified and presented as the conclusions from the discussion in the research, there are several recommendations that are presented in order for there to be a better alignment between the oil and gas companies, and the local communities. These recommendations are the following:

Oil and gas companies should consider fair and equitable actions in relation to contribution to the local communities. This means providing just compensation for the access and use of lands to the local communities and not only provide the minimum indicated by the Ministry of Natural Resources.

Oil and gas companies should allow fixed percentage of profitability to the contribution for the local communities. This would increase the contribution to the local communities as the oil and gas companies increase their profits from the operations in the local communities.

The Ministry of Natural Resources should provide relevant education for the local communities so that all individuals understand the implications of having the oil and gas companies in the Kurdistan region. This would be across the community and individual rights, and also the actions to take for complaints and just compensation for the communities.

The Ministry of Natural Resources should define the minimum requirements that oil and gas companies should provide. This should be for the contribution that the oil and gas companies provide to the local communities, the employment of the local work force in oil and gas companies, the level of compensation including work hours of the local work force in oil and gas companies, and actions required from oil and gas companies to address complaints of the local communities.

The Ministry of Natural Resources should define a framework for the collaboration of the oil and gas companies in delivering a sustainable and equitable contribution from oil and gas industry proceeds. The collaboration should also involve the local communities so that relevant projects and activities are executed by the oil and gas companies for the corporate social responsibility activities.

The oil and gas companies should immediately address key issues where these are unfavourable to the local communities and individuals. The examples for these include the failure of oil and gas companies to at least provide an offer of compensation to all local individuals impacted and the failure of the oil and gas companies to provide for complete compensation for those local individuals who have decided to accept the compensation offered to them by the oil and gas companies.

The MNR should endeavour to become more transparent in the management of revenues extracted from the oil and gas companies in the name of CSR contributions. It should also work hard on fighting corruption and clearing its own reputation.

The Ministry of Natural resources should be more positive towards issues of CSR. The first and most important step is to become more approachable to researchers and the media and to work in order to lift the common taboo on oil-related information held by them.

These are the key recommendations that would address most of the main issues in the current situation. These would also ensure that oil and gas companies are providing relevant and equitable corporate social responsibility activities for the Kurdistan region.



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