Natural Resource Governance Institute

Resource Governance Index

2021 Resource Governance Index
Tunisia

Mining

Governance of Tunisia’s phosphate mining sector has scored 50 points in the 2021 Resource Governance Index (RGI), up by four points since the 2017 RGI. Minor improvements were registered across the index’s value realization and revenue management components, but problematic governance issues persist.

- Financial interest disclosures remain inadequate, with a lack of disclosures of public officials’ assets and companies’ beneficial ownership information.
- The governance of local impacts of the mining sector scored a “poor” 33 points, with no disclosures of environmental impact assessments and environmental mitigation plans.
- The state-owned Compagnie des Phosphates de Gafsa (CPG) demonstrated “poor” governance standards, with “failing” scores for financial reporting and commodity sales disclosures.
- Sporadic social unrest due to marginalization in the phosphate-rich Gafsa region has impacted phosphate production and highlighted sector governance weaknesses.

Tunisia mining: 2021 Resource Governance Index and component scores

PERFORMANCE BANDS

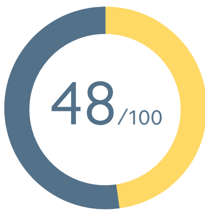
GOOD Scores over 75

SATISFACTORY Scores 60-74

WEAK Scores 45-59

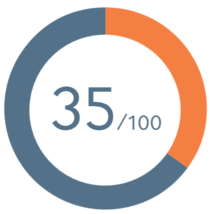
POOR Scores 30-44

FAILING Scores under 30



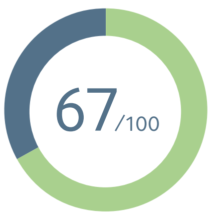
VALUE REALIZATION

Measure of the quality of governance regarding allocating extraction rights, exploration, production, environmental protection, revenue collection and state-owned enterprises



REVENUE MANAGEMENT

Measure of the quality of national budgeting, subnational resource revenue sharing and sovereign wealth funds



ENABLING ENVIRONMENT

Measure of the general quality of governance in the country

RESOURCE GOVERNANCE INDEX RESULTS SUMMARY

Governance of Tunisia's mining sector governance has stagnated since the 2017 RGI, due to a lack of governmental stability preventing reform

Tunisia boasts a relatively diversified economy, with the phosphate mining sector accounting for only approximately 2 percent of GDP and 27,000 jobs. The government is currently conducting further feasibility and exploration studies on new potential operations.

Tunisia's mining sector scored 50 points in the 2021 RGI, up four points since the 2017 assessment. Improvements were registered across the governance of licensing, but the remaining subcomponents are all placed in the weak or poor performance bands. Gaps remain in the governance of local impacts, as well as that of the state-owned enterprise (SOE) despite its prominent role in the country's phosphate mining sector.

Tunisia mining sector 2017 and 2021 Resource Governance Index scores

	2017 RGI Score	2021 RGI Score	Trend
RGI COMPOSITE SCORE	46	50	4
VALUE REALIZATION	40	48	8
Licensing	43	71	28
Taxation	59	54	-5
Local impact	25	33	8
State-owned enterprises	35	36	1
REVENUE MANAGEMENT	30	35	5
National budgeting	30	35	5
Subnational resource revenue sharing	.	.	.
Sovereign wealth funds	.	.	.
ENABLING ENVIRONMENT	67	67	0
Voice and accountability	82	81	-1
Government effectiveness	67	68	1
Regulatory quality	59	54	-5
Rule of law	79	83	4
Control of corruption	80	80	0
Political stability and absence of violence	34	33	-1
Open data	67	72	5
LAW	45	61	16
PRACTICE	36	40	4
GAP (PRACTICE LESS LAWS)	-9	-21	-12

VALUE REALIZATION

Tunisia's ability to realize value from its phosphates has improved, but is still weak

The sector's licensing demonstrates some signs of good practice, albeit with major areas for improvement. The government has disclosed phosphate reserves online, and through other portals, also regularly published information on annual production and export revenues. A centralized cadaster can be accessed through the portal of the Ministry of Industry, Energy and Mines, which includes information related to the granted licenses, including the license holder, location, coordinates and expiry dates. The government also discloses contracts signed with extractive companies, enabling the public to interrogate terms, conditions, and whether the government has secured a good deal for the country's resources. The Tunisian mining sector also scores well in post-licensing round disclosures, which indicate the winner of licensing rounds and the area allocated. The government can improve on this further by disclosing a list of all applicants who took part in the licensing process.

Financial interest disclosures remain an area of concern. While Law 46, dated 1 August 2018, mandates that public officials must disclose their assets and holdings, including interests held in extractive companies, the declaration is made only to the anticorruption agency (INLUCC) and not to the public. Public disclosures are necessary to enable the wider public to interrogate officials' assets and judge potential conflicts of interest. Regarding beneficial ownership information, while a portal exists which is meant to provide online access to information regarding ownership of all registered companies, the inaccessibility of the portal effectively means that citizens and civil society actors cannot adequately identify the real, human owners of extractive companies.

The governance of social and environmental impacts scored as the lowest subcomponent in Tunisia's 2021 RGI mining assessment. While Article 71 of the Mining Code specifies the requirement for companies to commission an environmental impact assessment, it does not specifically require the commissioning of a social impact assessment, nor the public disclosure of any assessment conducted. This is also the case with environmental mitigation plans, which, although mandatory, need not be published. Accordingly, none of these documents from the phosphate mining sector have been disclosed. The government and environmental authorities should ensure that EIAs and environmental mitigation plans are fully disclosed by companies and published by the government, in order to enable civil society organizations and citizens to understand the local cost of extractive projects.

Governance of state-owned Compagnie des phosphates de Gafsa (CPG) has stagnated since the 2017 RGI, placing firmly in the "poor" performance band. Traditionally, CPG has been opaque regarding the disclosures of financial information and does not release annual reports or consolidated financial statements despite Law 89-9 requiring it to do so. CPG does publish some information relating to commodity sales, disclosing the aggregate volume and value of production sold, but does not divulge information on the timeframes or buyers of its production. Disaggregated disclosures of commodity sales information, down to the level of each sale, are necessary for the public and civil society actors to understand where the SOE sells its phosphates, and at what price. CPG should begin disclosing this information to allow oversight actors to interrogate sales and flag instances of corruption or mismanagement. CPG has also failed to provide any public information regarding its joint ventures and subsidiaries, which is needed to assess efficiency and profitability of mining activities and financial management.

REVENUE MANAGEMENT

National budgeting remains poor

Given the absence of a mining-dedicated sovereign wealth fund or subnational resource revenue sharing mechanisms, only the index's national budgeting subcomponent was assessed in both the 2017 and 2021 RGI.

The sole improvement since the 2017 RGI was in the disclosure of resource revenues, which the government published in a report in December 2020. The government could improve governance by also publishing its estimates of projections of resource revenues, which would provide citizens with an indication of the potential profitability of the sector, as well as how much revenue could potentially be available for public expenditure.

Tunisia's mining sector still lacks a fully integrated centralized portal that discloses reserves, production and exports. While the portal of the Ministry of Industry, Energy and Mines does provide information on production, the portal should also provide details on reserves and exports revenues, in order to allow the public to holistically and easily access information about the extractive sector.

ENABLING ENVIRONMENT

With a score of 67, Tunisia's enabling environment, a measure of general governance in the country, places in the "satisfactory" band. While the country received good scores in several subcomponents, a "poor" score of 33 in the political stability and absence of violence subcomponent merits attention. The Gafsa region, home to much of the country's phosphate mining, has experienced significant protests and civil unrest, demonstrating the contentious relationship between local communities, workers and the mining sector.

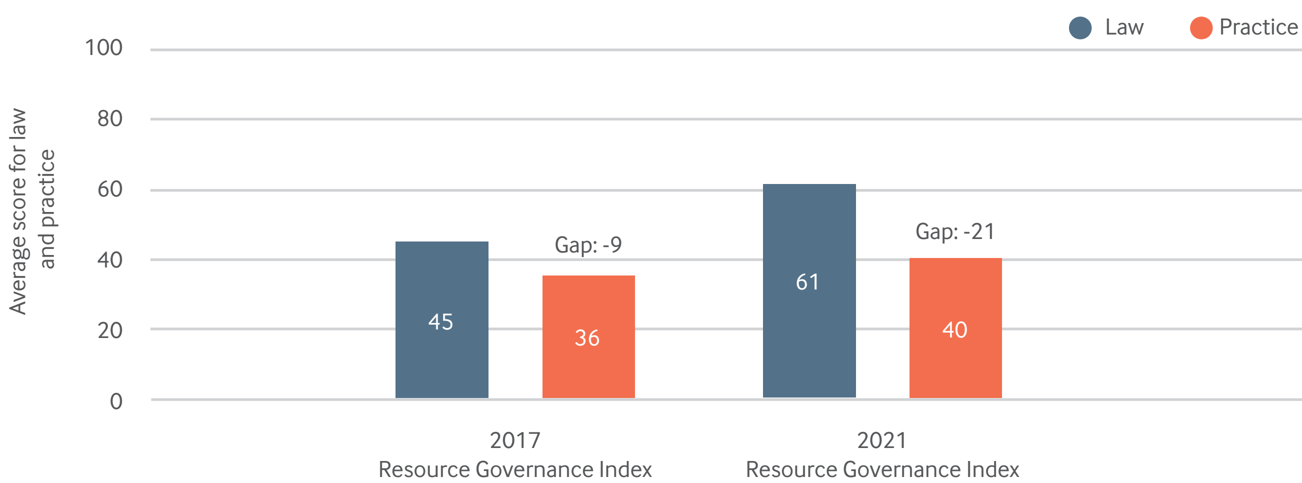
Tunisian authorities should ensure that the mining sector contributes to an equitable and sustainable development, and that governance issues are addressed, to build trust in the government's management of the sector.

LAW AND PRACTICE SCORES

Implementation gap widens, signaling lack of enforcement

Both the law and practice scores for Tunisia's mining sector increased from the 2017 RGI. The law score improved from 45 to 61 points, and the assessment of the enforcement of laws in practice increased from 36 to 40 points. However, the gap between the quality of the legal framework and its implementation in practice widened to 21 points, demonstrating that while laws are passed, they are often not followed in practice.

Evolution of the gap between law and practice in Tunisia's mining sector



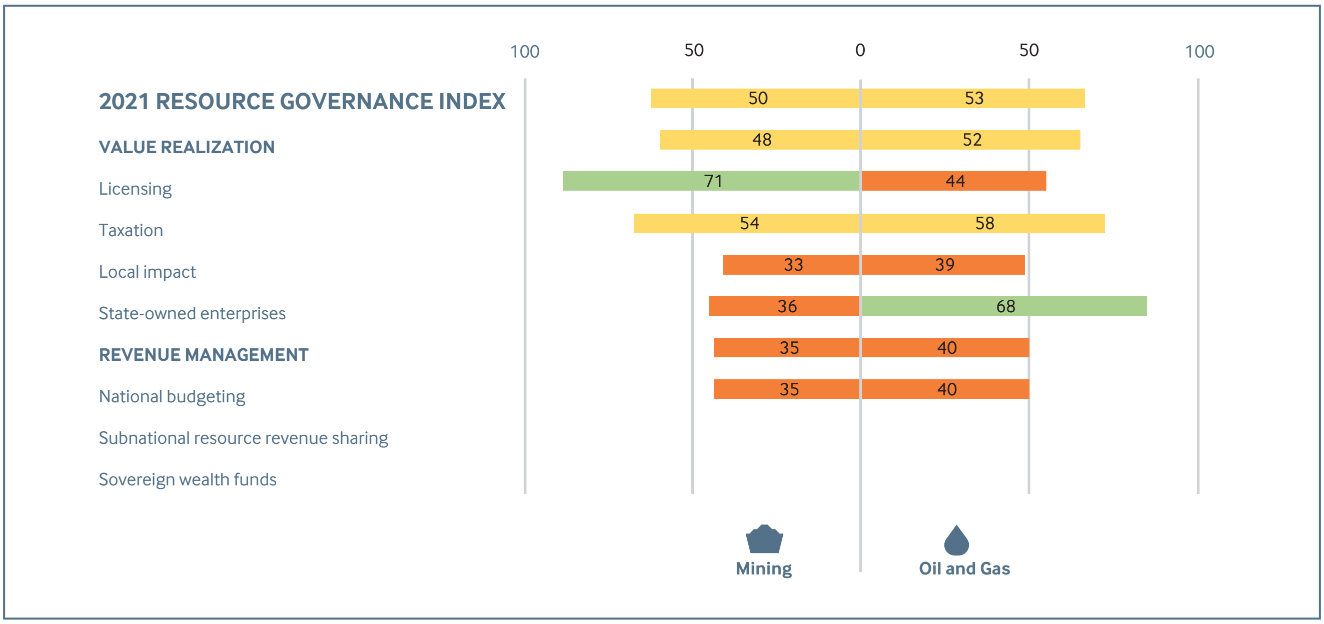
COMPARISON BETWEEN MINING AND OIL AND GAS SECTORS

Both sectors struggle with weak governance of local impacts

In addition to the mining sector, the 2021 RGI has also assessed the governance of Tunisia's oil and gas sector (presented in a separate profile). Both the phosphate mining and oil and gas sectors scored in the "weak" performance band, with a score of 50 and 53, respectively. Governance of taxation and local impacts is similar in both sectors, but key differences are found in the governance of state-owned enterprises.

While CPG, the phosphate mining company scores a "poor" 36 points, ETAP, the national oil company places in the higher end of the "satisfactory" band with 68 points. This difference stems from ETAP's more transparent governance, which includes financial reporting and disclosures of annual reports and financial statements, as well as disclosure of information about joint ventures and subsidiaries. CPG does not provide this information, nor does it have clearly defined rules around commodity sales information disclosures, which ETAP does. Although disaggregation of commodity sales data can be improved in both SOEs, the greater transparency provided by ETAP has led to its higher score in the 2021 RGI.

Comparison between Tunisia's mining and oil and gas sector in the 2021 Resource Governance Index



RECOMMENDATIONS

NRGI recommends the following course of action to improve mining governance in Tunisia:

1. **The Ministry of Industry, Energy and Mines** should update its online portal to provide information on mining reserves and export revenues.
2. **The Ministry and CPG** should improve transparency practices by publishing estimates of projections of resource revenues.
3. **The government** should advance laws requiring the public disclosure of EIAs and environmental mitigation plans to facilitate oversight actors' scrutiny of these practices.
4. **The government** should enact Article 136 of Tunisia's Constitution by implementing a subnational resource revenue sharing mechanism.
5. **The government** should implement a robust financial interest and beneficial ownership disclosure policy to enhance transparency in the sector.
6. **The government and Ministry of Finance** should prioritize accession to the Extractive Industries Transparency Initiative, and commit to standards pushing for enhance disclosures, sustainability, inclusivity and efficiency.
7. **The government** should pass legal reform to the Mining Code to make the licensing process more transparent, pushing for open contracting standards including the disclosure of contracts, and the publication of official meeting minutes of the Consultative Mining Committee and other information.

What is the Resource Governance Index?

The 2021 RGI assesses how 18 resource-rich countries govern their oil, gas and mineral wealth. The index composite score is made up of three components. Two measure key characteristics of the extractives sector – value realization and revenue management – and a third captures the broader context of governance — the enabling environment. These three overarching dimensions of governance consist of 14 subcomponents, which comprise 51 indicators, which are calculated by aggregating 136 questions.

Independent researchers, overseen by NRGI, in each of the 18 countries completed a questionnaire to gather primary data on value realization and revenue management. For the third component, the RGI draws on external data from over 20 international organizations. The assessment covers the period 2019-2020. For more information on the index and how it was constructed, review the RGI Method Paper.