Natural Resource Governance Institute

Resource Governance Index

2021 Resource Governance Index
Tunisia

Oil and Gas

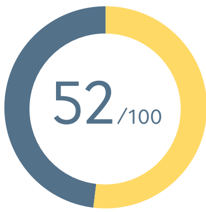
Governance of Tunisia's oil and gas sector has scored 53 points in the 2021 Resource Governance Index (RGI), down by three points since the 2017 RGI. While the index's revenue management and enabling environment stagnated, this decrease is driven by an eight-point deterioration in Tunisia's ability to realize value from its oil and gas sector.

- Licensing scored "poor" due to a lack of disclosures regarding companies' beneficial ownership and public officials' financial interest information.
- The governance of environmental and social impacts scored "poor" due to a lack of environmental impact assessments and mitigation plan disclosures.
- State-owned enterprise ETAP demonstrated "satisfactory" governance standards, but areas of improvement remain, especially in the disclosure of commodity sales information.
- Issues related to Tunisia's political instability hamper the chances of improvement of oil and gas governance.

Tunisia oil and gas: 2021 Resource Governance Index and component scores

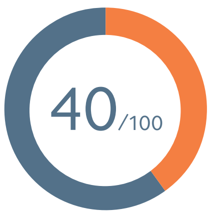
PERFORMANCE BANDS

GOOD Scores over 75
SATISFACTORY Scores 60-74
WEAK Scores 45-59
POOR Scores 30-44
FAILING Scores under 30



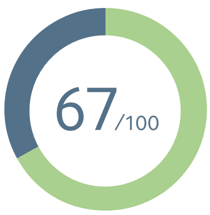
VALUE REALIZATION

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 oil and gas sector has stagnated since the 2017 RGI as a lack of governmental stability prevents reform

Compared to its regional neighbors, Tunisia has traditionally been a relatively minor oil and gas producer, producing about 40,000 barrels per day and hosting only one small refinery in Bizerte. Crude and refined oil accounted for less than 5 percent of Tunisia's total merchandise exports in 2019. The sector has recently faced a potential exodus of international oil companies operating in Tunisia, including Shell, ENI and OMV, who are looking to sell their assets, citing issues such as long-term political instability as one of the key variables.

Tunisia's oil and gas sector scored 53 points in the 2021 RGI, down by three points since the 2017 assessment. While the index's revenue management and enabling environment stagnated since the 2017 RGI, the value realization component deteriorated by 8 points, due to decreases across the licensing, taxation and local impact subcomponents.

Tunisia's oil and gas sector 2017 and 2021 Resource Governance Index scores

	2017 RGI Score	2021 RGI Score	Trend
RGI COMPOSITE SCORE	56	53	-3
VALUE REALIZATION	60	52	-8
Licensing	48	44	-4
Taxation	80	58	-22
Local impact	46	39	-7
State-owned enterprises	66	68	2
REVENUE MANAGEMENT	40	40	0
National budgeting	40	40	0
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	59	60	1
PRACTICE	57	46	-11
GAP (PRACTICE LESS LAWS)	-2	-14	-12

VALUE REALIZATION

Tunisia's ability to realize value from its oil and gas sector has deteriorated

The sector's licensing deteriorated since the 2017 RGI, although positive areas do exist. The government discloses winners and the areas allocated in licensing rounds through the Official Gazette. The government also discloses contracts signed with oil and gas companies, enabling the public to interrogate details of the agreement and whether the government has secured a good deal for the country's oil and gas resources.

Financial interest rules and 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 and oversight actors to interrogate officials' assets and judge potential conflicts of interest. Regarding beneficial ownership information, while a portal exists that is meant to provide online access to information regarding ownership of all registered companies, the inaccessibility of the portal means that citizens and civil society actors cannot adequately identify the real, human owners of extractive companies.

Regarding taxation, there are no laws that mandate public disclosure of payments made by oil and gas companies to the government. While the Right to Access Information Law was passed in March 2016, which allows parties to access this data, this process is not fully accessible and does not therefore ensure full transparency of payments data. While Article 20 of the Government Accounting Code mandates that the tax authority is periodically audited by an external body, no evidence shows this audit taking place in the assessment period.

The governance of environmental and social impacts scored a "poor" 39 points. The Hydrocarbon Code specifies in article 59.2 that the license holder must commission an environmental impact assessment, but there are no rules requiring public disclosure. This also applies to environmental mitigation assessments, which although mandatory, need not be published. This lack of disclosures means that the public and civil society organizations are unable to interrogate the impact of the oil and gas sector on Tunisia's seas, coastline, biodiversity and economy. While many environmental impact assessments also include a social impact assessment (SIA), there is no specific provision in the Hydrocarbon Code mandating the commissioning of an SIA. The Tunisian government should pass laws or an amendment requiring extractive companies to commission SIAs and mandating their public disclosure to ensure key stakeholders understand the impact of the extractive sector on local populations and livelihoods. This is pertinent, as the Hydrocarbon Code does not define resettlement procedures when oil and gas projects interfere with access to or use of land.

Governance of state-owned ETAP scored 68 points, the highest score received across the value realization and revenue management components in Tunisia's oil and gas assessment. ETAP has in place a "good" legal framework, which establishes clear rules on the disclosure of revenues transferred to the government, financial reporting and commodity sales. The law score for the SOE in the 2021 RGI was 92, showing that firm governance rules are in place. ETAP has disclosed revenues transferred to the Tunisian government in its 2019 Financial Report, and its financial statement was audited by an external body as per the legal requirements. The SOE has also published its annual report, balance sheet and income statement, with the only important item missing being the cash flow statement.

However areas for improvement remain. While ETAP has disclosed some commodity sales information, including the volume and value of oil sold, these were only aggregate amounts, and did not include details of the buyers or date of sale. ETAP should begin disclosing information down to the level of each individual sale and should provide information on the buyers, value, volume and date of each transaction. This information is important as disaggregation and public disclosure allows civil society actors and key stakeholders to get a more holistic understanding of exact revenues and to ensure that no revenue is lost or that sales do not happen for political reasons.

REVENUE MANAGEMENT

National budgeting remains poor

Given the absence of a 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 national budgeting subcomponent scored 40 points, placing it in the poor performance band, just as in the 2017 RGI.

The Tunisian government has published both its budget and fiscal expenditure in the period of assessment. Tunisian authorities have also disclosed both the revenues derived from the oil sector, as well as the future projections of incomes, allowing the public to get an understanding of the money derived from the sector, and what might contribute to public expenditure in the future.

Tunisia's oil 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 export revenues to allow the public to holistically and easily access information about the oil sector, its economic contributions and future potential.

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.

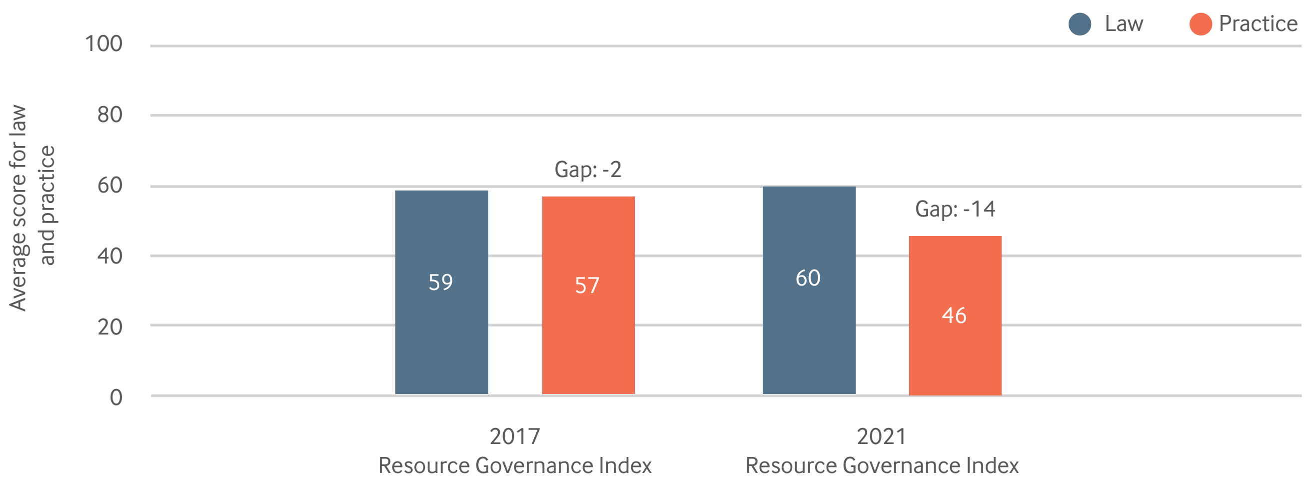
Tunisia's tumultuous political situation and social unrest in resource-producing regions over the last decade has also impacted the oil and gas sector, with international oil companies Shell and Eni seeking to sell their Tunisian assets due to continuing political uncertainty and frustration with the political environment.

LAW AND PRACTICE SCORES

Gap between legal framework and enforcement widens

The implementation gap, the difference between law and practice scores obtained in the 2021 RGI widened to -14 points, up from -2 points in the 2017 RGI. This was driven by an 11-point deterioration in the practice score since the last assessment. The largest gaps are found in the local impact subcomponent and in the governance of ETAP, which has a robust legal framework, but does not adequately disclose commodity sales information as encoded in its rules.

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



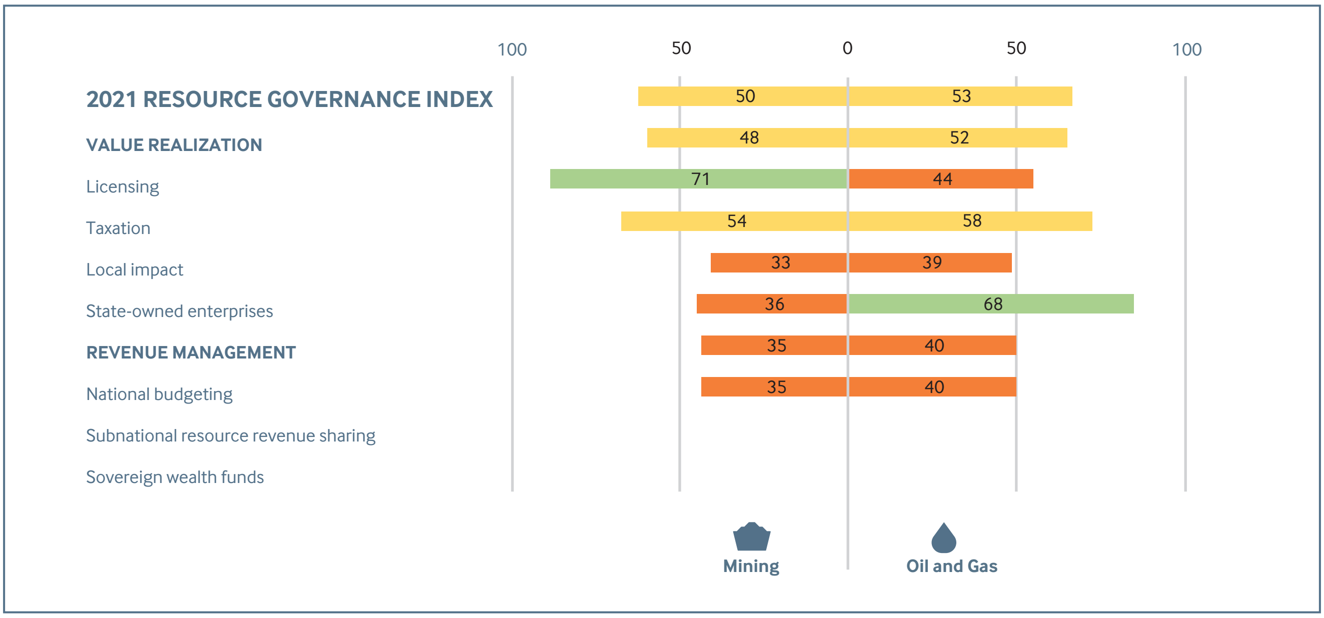
COMPARISON BETWEEN THE MINING AND OIL AND GAS SECTORS

Both sectors struggle with weak governance of local impacts

In addition to the oil and gas sector, the 2021 RGI has also assessed the governance of Tunisia's mining 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 oil and gas governance in Tunisia:

1. **The Tunisian government** should pass laws or amendments to the hydrocarbon code requiring the disclosure of contracts, biding lists, EIAs and environmental mitigation plans, and the commissioning and disclosure of SIAs by extractive companies. Open contracting principles could inspire the government in its licensing reform process.
2. **ETAP** should improve its disclosures to include information on the buyers, value, volume and date of each transaction to offer civil society actors a better understanding of oil and gas revenues.
3. **The Ministry of Industry, Energy and Mines** should revamp its online portal to include details on reserves and exports revenues.
4. **The government** should implement a robust financial interest and beneficial ownership disclosure policy to enhance transparency in the sector.
5. **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.

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.

Natural Resource Governance Institute

The Natural Resource Governance Institute, an independent, non-profit organization, helps people to realize the benefits of their countries' oil, gas and mineral wealth through applied research, and innovative approaches to capacity development, technical advice and advocacy.

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