Public Enterprises in Tunisia

An Economic and Financial Assessment of Eleven Enterprises and Reform Options in Light of International Experience

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Abstract

Public enterprises have played a central role in Tunisia's economy since independence, particularly in the energy, water, transport, telecommunications, banking, and extractive sectors. This study examines public enterprise reform in Tunisia from an economic perspective, focusing on evidence rather than ideology. It first reviews the origins and objectives of Tunisia's public enterprise model. It then analyses the financial and operational performance of eleven public enterprises across different sectors. Finally, it compares Tunisia's experience with those of France, Morocco, Italy, and Norway, while drawing on the broader economic literature and reform experiences from Eastern Europe, Chile, the United Kingdom, and Italy.

The paper offers a financial and operational diagnosis of the Société Tunisienne de l'Électricité et du Gaz (STEG), the Société Nationale d'Exploitation et de Distribution des Eaux (SONEDE), the Office National de l'Assainissement (ONAS), the Société Tunisienne des Industries de Raffinage (STIR), the Société Nationale de Distribution des Pétroles ("Agil"), Tunisair, the Société Nationale des Chemins de Fer Tunisiens (SNCFT), the Société Tunisienne de Navigation (CTN), the Compagnie des Phosphates de Gafsa (CPG), and the Groupe Chimique Tunisien, drawing on the Ministry of Finance's report on public enterprises, on World Bank analyses, and on investigative journalism. The findings show that the aggregate net losses of loss-making enterprises reached approximately TND 4.27 billion in 2022 alone, driven principally by administered prices that fail to cover real costs, delayed investment, and weak governance independence, rather than by weak demand.

The paper concludes that the debate should move beyond the traditional dichotomy between "privatization" and "retaining public ownership," toward a sector-by-sector assessment grounded in economic evidence and international comparison, aimed at identifying the reform option best suited to the Tunisian context, whether restructuring, strengthening competition, public–private partnership, or privatization.

Keywords

Public Enterprises, Tunisia, Privatization; SOEs, Public Utilities, Economic Reform, Governance, Public Finance

Contents

In politics as in economics, we have spent decades, in Tunisia as across the Arab world, approaching ideas and proposals, confronting challenges and questions, and engaging with the world through ready-made ideological templates, each according to his own outlook and frame of reference. In my view, this has been one of the principal reasons for our relative decline and others' relative advance, and for our distance from the renaissance that occupied writers and thinkers for decades. This approach has cost us a value that has become one of the most important determinants of national success today: pragmatism, doing what circumstances and the public interest require rather than what ideological inclination dictates, and judging decisions by their results and their effects rather than by the intellectual background from which they proceed.

In my view, we have carried this same difficulty into the management of the state and into our handling of files that have today become urgent and can no longer be deferred, foremost among them the file of public enterprises, which we must now confront with full courage and around which we must pose the right questions. **Is it time to privatize some of them?** And **is it possible to restructure others while preserving state ownership?**

This paper is a serious attempt to understand this file and to reconsider it in light of facts and international experience. Here it must be stressed that we will not adopt a particular position; rather, we will try to present the various experiences and compare them with the Tunisian case. Today, more than ever, we need candor, and we need to set aside the red lines and taboos that have blocked every attempt at reform. All too often, the continuation of public subsidies or the preservation of public ownership is viewed as a socialist or left-wing choice and is rejected on that ideological classification alone. Conversely, privatization has come to be associated in many people's minds with economic liberalism and with the dictates of international financial institutions, and is thus sometimes rejected for the same reason, before its actual results or the conditions for its success are even discussed. These perceptions are not without a grain of truth, given the historical and political contexts in which they arose; but relying on them alone does not help us grasp the complexity of the issue. We therefore believe this file deserves a calmer discussion, freed from slogans and preconceptions, that starts from facts, experience, and outcomes rather than from ideological classification alone.

We therefore seek in this paper to put the reform of public enterprises back on the table for discussion, by assessing the various reform options in light of the economics literature and international experience, in an effort to understand the conditions under which such reforms are capable of improving economic performance and the quality of public services.

The idea for this paper had been on my mind for some time, but I had not found the motivation to begin writing it. However, the recent controversy stirred by the power outages in Tunisia in July 2026, together with my recent article on the Société Tunisienne de l'Électricité et du Gaz, prompted me to stop postponing it and to start writing.

The first theme deals with the history of public enterprises in Tunisia, their number, their objectives, and the transformations they have undergone, comparing them with their counterparts in a number of other countries. **The second theme** then discusses their present financial situation, the quality of the services they provide, and how their performance has evolved over past decades. **The third theme**, the paper's central theme, attempts to understand international experiences of public enterprises and their reform through scholarly papers and academic studies rather than opinion pieces or ideological arguments, with a view to reaching an objective assessment of those experiences. **The fourth theme** is then devoted to drawing the policy lesson from these experiences and attempting to apply it to the Tunisian case, before we close with a general conclusion.

1 Public Enterprises in Tunisia: Origins, Objectives, and Evolution

1.1 The Economic Model of the Independence-Era State

Since independence, the Tunisian national state adopted an economic model built on expanding the state's role in economic activity as investor, producer, and direct provider of basic services. This orientation emerged in the context of building the institutions of the modern state, of "Tunisifying" sectors that had been under foreign administration or foreign capital,[1] and of addressing the weakness of domestic private initiative at that stage. The objective was to secure economic sovereignty, to universalize access to basic services, to accelerate development, and to achieve balance among the regions, all of which conferred on the state a pivotal role in steering the economy.

Within this framework, the early years of independence saw the creation of a large number of public enterprises, or the restructuring of existing ones, to take charge of strategic sectors. In the energy sector, the Société Tunisienne de l'Électricité et du Gaz (STEG) was established by Decree No. 8 of 1962 of 3 April 1962,[2] bringing under a single authority the generation, transmission, and distribution of electricity and gas, which had previously been divided among several concession companies; the primary objective was to universalize the electrification of the country and to connect the various regions to the national grid.

In the water sector, the Société Nationale d'Exploitation et de Distribution des Eaux (SONEDE) was created in 1968[3] to take charge of producing, conveying, and distributing drinking water across the entire national territory, as part of a policy aimed at universalizing access to safe drinking water and improving public health. The Office National de l'Assainissement (ONAS) was likewise created in 1974[4] to develop sanitation networks and treat used water, in response to the urban and demographic expansion the country was experiencing.

In the transport sector, the state continued to strengthen its presence in strategic enterprises. Although Tunisair was founded on 21 October 1948 during the Protectorate period, it underwent, after independence, a gradual "Tunisification" of its capital and management, before becoming, in 1958, a **national** company under state control, evolving into the national carrier that accompanied Tunisia's opening to the world and supported the tourism sector.

In the rail-transport sector, the Société Nationale des Chemins de Fer Tunisiens (SNCFT) was created[5] in 1956 to take over operation of the rail network previously run by colonial-era companies, while urban transport later saw the creation of the Société des Transports de Tunis (TRANSTU) in its current form in 2003, resulting from the merger of several previously existing entities, after urban transport services had been provided by various public companies since independence.

The state also moved to establish public enterprises in the productive and industrial sectors. The Société Tunisienne des Industries de Raffinage (STIR) was founded in 1961[6] to secure domestic oil refining and reduce dependence on foreign supply, while the Compagnie des Phosphates de Gafsa (CPG), whose origins date back to 1897, continued its activity under state supervision after independence as one of the pillars

[1] Al-Hedi Al-Taymoumi, *Tunisie bourguibienne, 1956–1987*, Dar Mohamed Ali, 2024 edition. The book examines in detail the construction of the national state, its economic choices, the cooperative (collectivist) experiment, and the return to a market economy.

[2] Republic of Tunisia, Decree No. 8 of 1962, of 3 April 1962, on the creation of the Société Tunisienne de l'Électricité et du Gaz, *Journal officiel de la République tunisienne*, No. 17, 3 April 1962.

[3] Law No. 22 of 1968, of 2 July 1968, on the creation of the Société Nationale d'Exploitation et de Distribution des Eaux (SONEDE), *Journal officiel de la République tunisienne.*

[4] Law No. 73 of 1974, of 3 August 1974, on the creation of the Office National de l'Assainissement (ONAS), *Journal officiel de la République tunisienne.*

[5] Law No. 59 of 1956 on the creation of the Société Nationale des Chemins de Fer Tunisiens, *Journal officiel de la République tunisienne.*

[6] Law establishing the Société Nationale de Distribution des Pétroles (SNDP), *Journal officiel de la République tunisienne.*

of the national economy and a major source of foreign currency.

This orientation was not confined to industrial sectors and basic services; it also extended to trade, agriculture, and finance. The state supported the role of the Office des Céréales, the Office National de l'Huile, and a number of production and marketing boards, while also strengthening its presence in the banking sector through public banks, with a view to financing national investment and steering economic development according to state priorities.

This trajectory reflects the nature of the economic model adopted by the independence-era state, which assigned public enterprises a role that went beyond commercial profitability to encompass the implementation of public policy, the provision of basic services, the guarantee of economic and social security, and the leadership of the development process at a time when the private sector remained limited. This model succeeded in achieving major gains in electrification, education, health, and infrastructure, but it also led to a gradual expansion of the public sector's size, which would later raise challenges related to governance, efficiency, and financial sustainability.

Over time, another difficulty emerged: some public enterprises and boards no longer confined themselves to their original role of guaranteeing food security or regulating markets, but in certain sectors came to exercise monopolistic powers that limited the development of competition and private initiative. A case in point is the Office des Céréales and the Office National de l'Huile, to which the legal framework granted broad powers over the purchase, marketing, or export of certain products, a factor that several studies have identified as contributing to limiting the entry of new economic actors, particularly small producers and exporters, and to weakening market dynamism. This issue has been examined in a number of academic works and reports issued by specialized organizations, among them the **Association for the Fight Against Rent-Seeking Economy in Tunisia (ALERT)**, whose experts have repeatedly called for a review of the legal framework governing a number of public boards so as to strike a balance between strategic-security requirements and the strengthening of competition; World Bank reports[7] have likewise concluded that removing legal privileges and monopolies is one of the fundamental conditions for developing the private sector and improving the efficiency of the Tunisian economy.

1.2 The Landscape of Public Enterprises in Tunisia

The preceding section did not cover every public enterprise created by the Tunisian state since independence; it merely reviewed the most prominent and oldest of them, insofar as they reflect the philosophy of the economic model on which the national state was built. Today, public enterprises and establishments have become a broad system comprising more than one hundred entities active across various economic and social sectors, and falling under the supervision of a large number of ministries. This section draws on the **Report on Public Enterprises**[8] issued by the Ministry of Finance and appended to the 2025 Finance Bill, as the most recent official reference providing financial and analytical data on the main public enterprises in Tunisia.

The public enterprises covered by the report are distributed across several ministries as follows:

Ministry of Finance

- Tobacco and Matches Agency (Wakalat al-Tabgh wa-l-Waqid)
- Société Tunisienne de Loterie (SNL)
- Office National des Postes (La Poste Tunisienne)
- Société Tunisienne de Banque (STB)
- Banque Nationale Agricole (BNA)
- Banque de l'Habitat (BH)
- Société Tunisienne de Garantie

[7]World Bank, *The Unfinished Revolution: Bringing Opportunity, Good Jobs and Greater Wealth to All Tunisians*, Washington, DC, 2014, see in particular chapters 2 and 3 on legal privileges and monopoly.

[8]Report on public enterprises, Appendix No. 9 to the 2025 Finance Bill.

- Tunis Re (reinsurance company)

Ministry of Transport

- Tunisair
- Tunisair Handling
- Société de l'Avitaillement (fuel-supply company)
- Office de l'Aviation Civile et des Aéroports (OACA)
- Société Tunisienne de Navigation (CTN)
- Société Nationale des Chemins de Fer Tunisiens (SNCFT)
- Société des Transports de Tunis (TRANSTU)

Ministry of Industry, Mines and Energy

- Société Tunisienne de Forage
- Société Nationale de Distribution des Pétroles ("Agil")
- Société Tunisienne de l'Électricité et du Gaz (STEG)
- Société Tunisienne des Industries de Raffinage (STIR)
- Compagnie des Phosphates de Gafsa (CPG)
- Groupe Chimique Tunisien
- Société du Pipeline Trans-Saharien
- Entreprise Tunisienne d'Activités Pétrolières (ETAP)
- Société Tunisienne des Pipe-lines
- Agence Nationale pour la Maîtrise de l'Énergie

Ministry of Agriculture, Water Resources and Fisheries

- Société Nationale d'Exploitation et de Distribution des Eaux (SONEDE)
- Office des Céréales
- Office des Terres Domaniales
- Office National de l'Huile
- Office d'Élevage et de Pâturages

Ministry of Equipment and Housing

- Société de Promotion des Logements Sociaux
- Agence Foncière de l'Habitat
- Agence de Réhabilitation et de Rénovation Urbaine

Ministry of the Environment

- Office National de l'Assainissement (ONAS)

Ministry of Communication Technologies

- Tunisie Telecom

Ministry of Trade and Export Development

- Office Tunisien du Commerce

Ministry of Health

- Pharmacie Centrale de Tunisie

This distribution illustrates the breadth of state intervention in the economy: public enterprises are not confined to industrial or commercial companies but also include banks and insurance companies, economic boards, and bodies responsible for managing infrastructure, energy, transport, water, health, telecommunications, and other vital sectors. This diversity likewise reflects the multiplicity of roles the state plays, ranging from the direct production of goods and services, to the management of basic utilities, to support for food security, the provision of financial services, and the pursuit of economic and social development objectives.

Since this paper is concerned primarily with the reform of public enterprises, it focuses on those with a direct economic and service-delivery activity, the category that has received the greatest attention in the economics literature and in international reform experience. Accordingly, the study will deal specifically with:

1. Société Tunisienne de l'Électricité et du Gaz (STEG)
2. Société Nationale d'Exploitation et de Distribution des Eaux (SONEDE)
3. Société Tunisienne des Industries de Raffinage (STIR)
4. Tunisair
5. Société Nationale des Chemins de Fer Tunisiens (SNCFT)
6. Société des Transports de Tunis (TRANSTU)
7. Société Tunisienne de Navigation (CTN)
8. Société Nationale de Distribution des Pétroles ("Agil")
9. Office National de l'Assainissement (ONAS)
10. Compagnie des Phosphates de Gafsa (CPG)

To this list must be added the **Groupe Chimique Tunisien**, which represents a special case among public enterprises: the challenges it faces are not confined to financial or production difficulties but are also bound up with the environmental impact of its industrial activities, particularly in the Gabès region, one of the areas most affected by industrial pollution in Tunisia. The reform of this enterprise therefore cannot be limited to improving governance or restructuring operations; it also requires a broad program of investment in pollution reduction, industrial-waste treatment, and the modernization of production methods so as to bring them into line with contemporary environmental standards. For this reason, any discussion of the future of the Groupe Chimique must weigh the preservation of its economic role against addressing the environmental cost the region has borne for decades.

As for the public boards and agencies, such as the Office des Céréales, the Office National de l'Huile, and the development and investment agencies, they perform functions that are primarily regulatory, supervisory, or interventionist in nature, differing from the nature of commercial companies. The issues associated with them therefore relate chiefly to governance, the legal framework, mechanisms of market intervention, and public-administration reform. Although important academic and policy contributions have addressed the reform of these entities, discussing them falls outside the scope of this paper, which is confined to commercial enterprises that provide direct public services and that constitute the focus of the economics literature on privatization and public-enterprise reform.

The Tunisian state also owns three public banking institutions, the Société Tunisienne de Banque, the Banque Nationale Agricole, and the Banque de l'Habitat, which form an important part of the public financial sector. Some studies and experts have called for examining the possibility of consolidating them into a single public banking pole to improve efficiency, reduce costs, and strengthen governance. This question, however, pertains primarily to the reform of the banking and financial sector, a specialized field with its own literature and its own set of issues. This paper will therefore not address that topic in detail, both because its scope is confined to public enterprises with direct economic and service-delivery activity, and because there are researchers and experts in financial economics and banking more qualified than the present author to address these questions.

1.3 Situating the Tunisian Model in Light of International Experience

The sheer size of the public sector in Tunisia might suggest that this model is an exception relative to market economies, but international experience shows the opposite. Most countries, whether advanced or emerging, retain public enterprises in strategic sectors, particularly energy, water, transport, and infrastructure. The real difference among countries lies not in the mere existence of public enterprises as such, but in the scale of state intervention, the nature of the tasks assigned to these enterprises, and the level of governance and competition within these sectors.[9]

1.3.1 France

France offers a prominent example of the continuing economic role of the state within an advanced market economy. According to the Agence des Participations de l'État, the French state wholly or partly owns a number of enterprises operating in sectors it considers strategic, such as energy, transport, postal services, and airport infrastructure, with the degree of its involvement varying by sector.[10]

In the electricity sector, Électricité de France (EDF) is the closest counterpart to the Société Tunisienne de l'Électricité et du Gaz; the French state fully renationalized EDF in 2023, becoming the owner of 100 percent of its capital. The sector nonetheless differs from the Tunisian model, since generation, transmission, and distribution have been unbundled and electricity retail has been opened to competition, while transmission and distribution networks remain under legally separate companies subject to state and energy-regulator oversight.[11]

In transport, the state still wholly owns SNCF for rail and RATP for urban transport, retains an approximately 20 percent stake in Air France-KLM, and holds a majority of the capital of Aéroports de Paris, which operates the main airports. These sectors, however, have undergone extensive regulatory reforms that introduced competition into the operation of certain services while preserving public ownership of infrastructure and of strategic enterprises.[12]

In the other sectors this study addresses, the French experience diverges from the Tunisian case. There is no national public company holding a monopoly over oil refining or fuel distribution comparable to STIR and Agil; the private sector, and TotalEnergies in particular, dominates these activities.

In sanitation, there is no national body equivalent to ONAS: municipalities and local authorities bear responsibility for this service, while in many cases its operation is entrusted to private companies such as Veolia and Suez under concession or management contracts, with public authorities retaining ownership of the networks and infrastructure.[13]

1.3.2 Morocco

Although Morocco has adopted broad economic-reform programs since the 1980s, it has preserved state ownership of enterprises operating in strategic sectors, gradually introducing the private sector into certain activities without relinquishing state control over core infrastructure.

In the electricity sector, the **Office National de l'Électricité et de l'Eau Potable (ONEE)** still holds a monopoly over transmission on the national grid and acts as the principal purchaser of electricity. However, **Law No. 13.09 on renewable energies**, issued in 2010, allowed private producers to build renewable-energy generation plants and to sell their output within the regulated legal framework. A prominent example is the **Noor Ouarzazate Solar Complex**, developed by the Moroccan Agency for Sustainable Energy (MASEN) in partnership with private investors and international financing institutions, while ONEE purchases part of the electricity generated and transmits it via the national grid. The state thus retained its monopoly over transmission while opening part of generation to private investment.[14]

In the phosphate sector, the **Office Chérifien des Phosphates (OCP)** is the direct counterpart of the Compagnie des Phosphates de Gafsa and the Groupe Chimique Tunisien. OCP remains wholly owned by

[9] OECD, *OECD Guidelines on Corporate Governance of State-Owned Enterprises*, Paris: OECD Publishing, 2024.
[10] Agence des Participations de l'État, *Rapport annuel 2024–2025*.
[11] EDF, *Universal Registration Document 2024*; Commission de régulation de l'énergie (CRE), *Le marché français de l'électricité*.
[12] OECD, *OECD Economic Surveys: France 2024*.
[13] OECD, *Managing Water Supply and Sanitation in France*; Cour des comptes, *Les services publics d'eau et d'assainissement*; Veolia, *Universal Registration Document 2024*.
[14] OECD, *Energy Policies Beyond IEA Countries: Morocco*, 2019.

the Moroccan state, yet it operates as a joint-stock company under commercial rules, and it has expanded into the production of higher-value-added fertilizers and chemical products rather than confining itself to exporting raw phosphate, financing part of its investment through international bond markets without opening its capital to the private sector.[15]

In air transport, **Royal Air Maroc** remains under public control: the Moroccan state owns 55.15 percent of the company's capital, while the **Fonds Hassan II pour le Développement Économique et Social**, itself a public fund, owns 44.52 percent, leaving private shareholders with no more than 0.33 percent of the capital.[16]

1.3.3 Italy

Italy represents a model that combines a market economy with the continued presence of the state in a number of strategic enterprises, through the Ministry of Economy and Finance, which retains influential stakes in energy, transport, and postal companies. The Italian model combines commercial management and stock-exchange listing with state retention of control over strategic decisions.[17]

In the energy sector, **Enel** is the closest counterpart to the Société Tunisienne de l'Électricité et du Gaz; the Italian Ministry of Economy and Finance owns around 23.6 percent of the company's capital, with the remaining shares traded on the stock exchange. The Italian electricity market was gradually opened to competition following the 1999 **Bersani Decree**, which unbundled generation, transmission, distribution, and retail sale. **Terna**, in which the state owns roughly 29.9 percent of the capital via **Cassa Depositi e Prestiti**, manages the national electricity transmission grid, while consumers can now choose among several electricity suppliers, with the state continuing to control strategic infrastructure.[18]

In the oil sector, **ENI** is the closest counterpart to STIR and the Entreprise Tunisienne d'Activités Pétrolières; the Italian state directly and indirectly owns around 30 percent of the company's capital. ENI conducts exploration, production, refining, and distribution both within and outside Italy, while simultaneously being subject to market rules as a listed company.[19]

In rail transport, the **Ferrovie dello Stato Italiane** group remains wholly state-owned, and includes **Trenitalia**, the principal train operator. The market, however, saw the entry of a private operator, **Italo (NTV)**, in 2012, which competes with Trenitalia in high-speed rail services, while the national rail network remains under the management of **Rete Ferroviaria Italiana (RFI)**, part of the public group. This model shows that competition was introduced at the level of service operation without privatizing the enterprise or the infrastructure.[20]

1.3.4 Norway

Norway was selected for this comparison because it represents a distinctive model combining an advanced market economy, a social-democratic system, and successful management of natural resources, alongside the continuing role of the state as principal owner of a number of strategic companies. This model is of particular relevance to Tunisia, itself a country endowed with natural resources and with public enterprises in the energy and extractive-industries sectors, making the Norwegian experience a useful reference when considering how to reform these enterprises and improve their governance, without implying that it could be transplanted wholesale into the Tunisian context.

The Norwegian government affirms that the purpose of public ownership is not to manage economic activity directly, but to safeguard national interests, ensure the sustainable exploitation of natural resources, and

[15] Ministry of Economy and Finance of the Kingdom of Morocco, *Établissements et Entreprises Publics*.
[16] Royal Air Maroc, *Capital et actionnariat*, 2025.
[17] OECD, *OECD Economic Surveys: Italy 2024*.
[18] Legislative Decree No. 79/1999 (Bersani Decree); Terna, *Annual Report 2024*.
[19] Italian Ministry of Economy and Finance, *Shareholdings Portfolio*; ENI, *Annual Report 2024*.
[20] Ferrovie dello Stato Italiane, *Integrated Report 2024*; European Commission, *Rail Market Monitoring Report*, 2024.

secure a long-term return for society.[21]

In the energy sector, the state owns around 67 percent of **Equinor**, the closest counterpart to the Entreprise Tunisienne d'Activités Pétrolières and one of the largest oil and gas companies in Europe. The state also wholly owns **Statkraft**, Europe's largest hydropower producer, which offers a model close to the Société Tunisienne de l'Électricité et du Gaz in terms of its role in electricity generation, while operating under commercial rules and competing in European markets.[22]

In the fertilizer and chemical-industry sector, the state retains around 36 percent of **Yara International**, one of the world's largest fertilizer producers, originally established from the industrial activities of Norsk Hydro. This model illustrates the value of preserving a state role in industries linked to natural resources while benefiting from commercial management and openness to international markets, offering a useful point of comparison with the Groupe Chimique Tunisien.[23]

1.3.5 Summary of the International Comparison

This comparison shows that **Tunisia is not an exception** with respect to the existence of public enterprises in the energy, water, and transport sectors; if anything, its position is closer to that of countries that still retain a substantial public portfolio. What distinguishes international experiences, however, is not the number or size of public enterprises, but the nature of the relationship between the state and the market, the limits of state intervention, the level of governance, and the degree of competition within each sector.[24]

Reducing the debate to the dichotomy of **"privatization"** versus **"retaining public ownership"** therefore does not reflect the reality of international experience, nor the conclusions of the economics literature. That literature shows that privatization is not an end in itself, just as public ownership is not an end in itself; both are merely instruments among a broader set of economic-policy tools, whose usefulness varies with the sector, the nature of the service, the institutional framework, and the state's objectives. Any serious discussion of the future of public enterprises should therefore free itself from preconceptions and ideological slogans, and instead start from a grasp of comparative experience, an assessment of each sector's economic characteristics, and an identification of the role that maximizes social welfare.

Proceeding from this approach, this paper will not begin by answering the question: **should public enterprises be privatized or not?** It will instead begin with the more important question: **what is the current state of these enterprises?** Before discussing any reform option, it is essential to assess their financial position, the quality of the services they provide, the extent of their operational efficiency, and the degree to which their performance meets international standards. The second theme is therefore devoted to analyzing the state of public enterprises in Tunisia through financial, operational, and service-quality indicators, on the premise that diagnosing the current reality is the necessary first step before discussing any reform policy.

2 Diagnosing the Current State of Public Enterprises in Tunisia

2.1 Public Enterprises and Competition

Before turning to the financial and operational situation of each enterprise individually, it is necessary to pause on one of the most important structural issues characterizing the Tunisian economy: the relationship between public enterprises and competition. The issue is not confined to the financial results of these

[21] Norwegian Ministry of Trade, Industry and Fisheries, *The State's Direct Ownership Report 2024*.
[22] Equinor, *Annual Report 2024*; Statkraft, *Annual Report 2024*.
[23] Yara International, *Annual Report 2024*; Norwegian Ministry of Trade, Industry and Fisheries, *State Ownership Report 2024*.
[24] OECD, *OECD Guidelines on Corporate Governance of State-Owned Enterprises*, OECD Publishing, 2024.

enterprises; it also concerns the legal and regulatory framework within which they operate, a framework that confers on a number of them monopoly or quasi-monopoly positions and limits the entry of new competitors into the markets.

In this context, the Organisation for Economic Co-operation and Development (OECD), in its 2022 economic report on Tunisia, notes that public enterprises and the barriers imposed on competition are among the principal reasons for the weak dynamism of the Tunisian economy. This is attributable to the existence of sectors still reserved for public enterprises, in addition to licensing regimes and tariff and non-tariff barriers that constrain competition, investment, and productivity. The organization considers that deep reform of public enterprises should be among the priorities of economic reform in Tunisia.[25]

The report further notes that a number of public enterprises enjoy considerable market power and easier access to financing and public guarantees, while their economic performance remains weak, prompting the state to inject additional capital and provide growing guarantees to finance their debt, itself a growing burden on public finances. The organization also recommends reforming the governance of these enterprises, adopting merit-based appointments, and establishing a central body to manage state shareholdings, with clearly defined limits on its involvement in economic activity.

The diagnosis presented by the **Livre Bleu**, issued by the **ECON4Tunisia** initiative, does not differ substantially from this assessment, even though it proceeds from an internal reform perspective. It considers that the problem does not lie in the existence of public enterprises as such, but in the absence of governance, the lack of clarity regarding the economic and social objectives assigned to them, the absence of a transparent system for compensating them for tasks of a social nature, and the intrusion of political considerations into pricing and appointments. The Livre Bleu argues that these factors have produced a vicious circle built on prices that fail to cover costs, an inflated headcount, weak investment, declining service quality, and a growing need for state intervention to rescue these enterprises.[26]

These observations carry particular weight for this paper, because they push us to widen the analytical lens. The question is not merely whether a given public enterprise makes a profit or a loss; it also encompasses **whether the legal framework within which it operates achieves the best balance among the public interest, service quality, competition, and the efficient use of resources**. On this basis, the following sections turn to assessing the situation of the public enterprises covered by this study, enterprise by enterprise, drawing on indicators of financial performance, service quality, and governance, before discussing possible reform options in light of the economics literature and international experience.

2.2 Société Tunisienne de l'Électricité et du Gaz (STEG)

The company's most recent financial statements reveal that its financial position remains fragile, despite its continuing to fulfill its role as the sole supplier of electricity and gas in Tunisia. The company still faces substantial financial pressure resulting from the rising cost of natural-gas purchases, debt-service burdens, the accumulation of receivables, and the continued sale of electricity and gas at prices that do not reflect the true cost of production.

The 2025 report on public enterprises shows that the company recorded a **net loss of TND 381.2 million**, despite achieving a **positive operating result of TND 142.7 million**, reflecting the impact of non-operating charges on the final result. **Staff costs** reached **TND 615.7 million**, while its **debt to the state** stood at **TND 26.8 million** as of the end of 2023.[27]

The World Bank confirms that one of the principal causes of this financial imbalance lies in pricing policy: the applied tariff covers only about **60 percent of the true cost of electricity supply**, meaning

[25] OECD, *OECD Economic Surveys: Tunisia 2022*, Chapter 1, "State-owned enterprises and barriers to competition limit business dynamism."

[26] Elyes Jouini et al., *Livre Bleu: Sauver l'économie pour réussir la transition démocratique*, Proposition n° 8: *Accélérer la réforme des entreprises publiques.*

[27] Ministry of Finance, *Report on Public Enterprises*, Appendix No. 9 to the 2025 Finance Bill.

the company continuously bears a substantial financial gap, partly offset by state subsidies or through the accumulation of debt and receivables. The World Bank further notes that improving the company's financial position requires reforming the subsidy system, reducing its receivables from the state, improving bill collection, and raising operational efficiency while curbing electricity losses.

Although the company has continued to invest in maintaining and modernizing its networks, the generation crisis has become one of the most prominent challenges facing the electricity system. Since the early 2000s, the company had relied on periodically adding new generation capacity to keep pace with growing demand, but the **most recent** large power plant to enter service was **the Rades C plant in 2019**. Since then, no major new thermal generation plant has come online, while some older units have been retired at the end of their technical life, resulting in a shrinking safety margin within the national grid amid continued rising demand for electricity. This has become one of the most important challenges facing energy-supply security in Tunisia, alongside heavy reliance on imported natural gas for electricity generation.

At the governance level, the company, like most Tunisian public enterprises, does not enjoy full autonomy in strategic decision-making. The state, through the supervisory authority, sets the tariff for the sale of electricity and gas, oversees appointments to senior positions, and influences recruitment and investment policy, while the company bears the financial consequences of these choices. The World Bank considers that this overlap between the state's role as owner, regulator, and price-setter weakens management accountability and constrains the enterprise's autonomy; it has accordingly recommended establishing an independent regulator for the electricity sector, strengthening the independence of the board of directors, adopting a multi-year financial model, and publishing financial statements in accordance with **IFRS** standards, with the separation of the electricity and gas activities.[28]

The company has also been the subject of a number of investigative reports. In an investigation published by **Inkyfada** in July 2026 on the electricity-outage crisis, the outlet argued that the crisis was neither transient nor merely linked to rising temperatures, but rather the result of years of accumulated underinvestment, delays in completing new generation projects, and growing pressure on the electricity grid, in addition to governance- and financing-related imbalances. The investigation also noted that the recourse to load shedding and periodic outages reflects a shrinking generation margin relative to demand during peak periods, calling for structural reforms that go beyond ad hoc solutions.[29]

In general, the Société Tunisienne de l'Électricité et du Gaz does not suffer from weak demand for its services; on the contrary, demand for electricity is rising continuously. Rather, the continuation of a pricing system that does not cover costs, heavy reliance on natural gas, delayed investment in new generation capacity, and limited governance autonomy have all combined to weaken its financial balance and impose growing challenges on the sustainability of this public utility.

The foregoing indicators reveal that the crisis facing the company is no longer confined to its financial imbalances but is increasingly reflected in service quality and the reliability of electricity supply. Although the company continues to ensure near-universal access to electricity, limited investment in generation and network capacity, together with its deteriorating financial position, have narrowed the safety margin within the electricity system, manifesting in repeated supply disruptions and outages, particularly during peak-consumption periods. The OECD has noted that delayed investment in generation capacity, alongside limited competition, has become one of the most prominent challenges facing Tunisia's electricity sector.[30]

It therefore appears that the problem the company faces does not lie in weak demand for its services, but in its limited capacity to keep pace with that demand within a financial and regulatory model that has reached its limits. Reforming the company therefore requires more than addressing its financial losses; it also requires revisiting the governance system, reforming pricing policy, and accelerating investment in

[28] World Bank, *Program Appraisal Document for a Proposed Loan to the Société Tunisienne de l'Électricité et du Gaz (STEG) under the Tunisia Energy Reliability, Efficiency and Governance Program (TEREG)*, April 2025.
[29] Inkyfada, *Crise des coupures d'électricité en Tunisie: le délestage, symptôme d'une crise plus profonde*, 20 July 2026.
[30] *Op. cit.*

generation and network capacity, so as to ensure the sustainability of the public utility and improve the quality of services provided to citizens.

2.3 Société Nationale d'Exploitation et de Distribution des Eaux (SONEDE)

Unlike the Société Tunisienne de l'Électricité et du Gaz discussed above, in studying the Société Nationale d'Exploitation et de Distribution des Eaux, as well as a number of other public enterprises, we encountered difficulty obtaining recent, publicly available financial statements and annual reports. We were unable to locate audited, up-to-date financial data allowing a detailed financial assessment based on standard accounting indicators such as profitability, liquidity, solvency, and debt trends. The absence of such documents raises a transparency and governance concern, as it limits the ability of researchers, the general public, and even oversight bodies to assess the financial performance of these enterprises independently and objectively.

This section therefore relies primarily on the **Report on Public Enterprises** appended to the 2025 Finance Bill, as the most recent official document issued by the Ministry of Finance, alongside World Bank reports and press reports. It should be noted that the Ministry of Finance itself confirms that this report relies mainly on the final financial statements for 2022, resorting in a number of cases to estimated or provisional data for 2023 because final financial statements were unavailable for a large number of public enterprises at the time the report was prepared, reflecting the persistent problem of publishing financial data within the statutory deadlines.[31]

Various international reports indicate that the difficulties facing the company are not conjunctural but reflect a structural imbalance that has accumulated over years. The World Bank has confirmed that the company lost its financial equilibrium as far back as 2007, owing to tariffs failing to keep pace with rising production costs, rising energy costs, growing network water losses, and delays in implementing the investments needed to renew infrastructure.[32]

This conclusion is consistent with the official indicators in the Ministry of Finance's report. The company recorded a **net loss of TND 21.1 million** in 2022, despite achieving a **positive operating result of TND 12.9 million**. Its **debt to the state** reached **TND 61.3 million** as of the end of 2023, reflecting the company's continued reliance on external resources and financing to meet its financial obligations.

It thus appears that the principal problem does not lie in weak demand for the company's services, but in the incapacity of its current financial model to fund the investment needed to sustain the public utility. Reforming the company therefore requires more than addressing its financial deficit; it also requires reforming the governance system, improving the collection of receivables, reducing water losses, and revisiting pricing policy so as to balance financial sustainability with the protection of low-income groups, while accelerating investment in network renewal and strengthening water-supply security.

In terms of service quality, recent years have seen an increase in recurring water cuts, particularly during summer peak periods, owing both to limited water resources and to delays in network renewal and investment. The rising share of non-revenue water, resulting from leaks and technical faults, likewise adds to the enterprise's financial pressures and reduces its capacity to invest.

Recent documents indicate that the sector faces mounting challenges. Mobilization of surface-water resources has reached around **95 percent** of its potential capacity, while exploitation of groundwater has reached around **133 percent** of its sustainable level, reflecting the considerable pressure on the country's water resources. Around **23 percent** of drinking water is lost within distribution networks before reaching the consumer, owing to leaks and inefficient networks. During drought periods, the company is no longer able to meet demand in full, forcing it to resort to cuts and water rationing in a number of areas. The World Bank warns that, should present conditions continue without reform, a quarter of demand for water

[31] Ministry of Finance, *Report on Public Enterprises*, Appendix No. 9 to the 2025 Finance Bill.
[32] World Bank and SONEDE, *Étude sur l'équilibre financier de la SONEDE*, diagnostic report, November 2015.

in Tunisia could remain unmet by 2050, with direct repercussions for economic growth, food security, and quality of life.[33]

Documentation for the **RESEau** program confirms that addressing these challenges requires modernizing infrastructure, renewing aging networks, installing smart meters, strengthening leak-detection systems, and improving customer-relationship management, alongside governance reform and strengthening the enterprise's financial sustainability. The company's crisis is thus not confined to a shortage of water resources; it also reflects accumulated institutional and financial imbalances that make reform a precondition for sustaining a vital service that touches the country's economic and social security.[34]

These financial difficulties are directly linked to pricing policy. According to the World Bank, the tariff charged for water sales does not reflect the true cost of production, conveyance, and distribution, particularly given rising energy, maintenance, and investment costs and the growing impact of climate change and water scarcity. As a result, the enterprise's own revenues have become insufficient to cover its operating and investment needs, forcing it to rely increasingly on state support and external borrowing to finance its major projects, particularly seawater-desalination projects and securing water supply in the most vulnerable areas. The World Bank has also recommended establishing a clearer and more transparent mechanism for gradually adjusting the tariff, so as to ensure the enterprise's sustainability while preserving the social dimension for low-income groups.

In general, the enterprise's crisis is not confined to the financial dimension; it reflects an interplay of weak governance, an inadequate tariff, delayed investment, and mounting pressures stemming from water scarcity and climate change. The absence of up-to-date, published financial reports remains one of the most striking features of this situation, since it deprives decision-makers and researchers of essential tools for assessing the enterprise's performance and measuring the effectiveness of the reforms implemented, making the strengthening of financial transparency and the regular publication of financial statements and annual reports an integral part of any future reform of the sector.

2.4 Office National de l'Assainissement (ONAS)

The Office National de l'Assainissement (ONAS) is one of the most important public enterprises in Tunisia, as it is responsible for collecting and treating wastewater, operating treatment plants, curbing pollution, and protecting water resources.

The financial statements indicate a relative improvement in ONAS's financial position: it recorded a **positive net result of TND 2.0 million** in 2022, and also achieved a **positive operating result of TND 20.3 million**. However, its **debt to the state** reached **TND 252.0 million** as of the end of 2023, placing it among the public enterprises with a high level of debt to the state and reflecting its continued reliance on public financing to cover part of its obligations.[35]

Ongoing investment programs also reflect the scale of the financing gap facing the sector. In 2023, the World Bank approved a support program running through 2033, at a total cost of **EUR 543.08 million**, of which **EUR 113.6 million** is financed by the World Bank and **EUR 429.48 million** by the Tunisian state. The program aims to rehabilitate treatment plants, renew sanitation networks, improve the operational efficiency of facilities, and strengthen the enterprise's governance and financial sustainability.

These figures show that ONAS, despite continuing to deliver an essential public service, does not possess sufficient own resources to finance the necessary investments, obliging it to rely continuously on public and external financing to sustain service continuity.

The sanitation sector has, by contrast, seen notable improvement over past decades in terms of the expansion of sanitation networks and the growing number of treatment plants, though service quality

[33] World Bank, *Water Security and Resilience Project (P511719)*, 2025.
[34] Ministry of Agriculture, *Programme RESEau, Plan de Mobilisation des Parties Prenantes*, January 2026.
[35] Ministry of Finance, *Report on Public Enterprises*, Appendix No. 9 to the 2025 Finance Bill.

still faces challenges linked to aging infrastructure and rising operating and maintenance costs. World Bank documents indicate that a number of treatment plants and collection networks are now in need of rehabilitation, and that improving the quality of wastewater treatment and raising the operational efficiency of facilities are among the reform priorities for coming years.[36]

Within this framework, the reform program focuses on improving the operation of treatment plants, expanding connections to sanitation networks, improving the quality of treated water, and raising the efficiency of asset management, alongside developing ONAS's capacity to manage public–private partnership contracts. These reforms aim to improve the quality of services provided to citizens, curb pollution, and encourage the reuse of treated water, thereby contributing to the protection of water resources and the long-term sustainability of the sector.[37]

2.5 Société Tunisienne des Industries de Raffinage (STIR)

The Société Tunisienne des Industries de Raffinage (STIR) operates Tunisia's sole oil refinery, playing a pivotal role in refining crude oil domestically and helping secure the supply of petroleum products. Although its activity represents only a single link in the energy-supply chain, its performance has direct repercussions for energy security and for the cost of fuel subsidies.

The financial indicators for STIR reveal a deteriorating financial position: it recorded an **operating loss of TND 1,641.8 million** and closed 2022 with a **net loss of TND 1,902.9 million**, reflecting the difficulties facing its core activity and their effect on the enterprise's bottom line. Its **debt to the state** reached **TND 101.2 million** as of the end of 2023, confirming the continued fragility of its financial position. The report also highlights the enterprise's close and continuing dependence on public finances, as it has benefited from state financial transfers and guarantees to finance its activity and ensure continuity of fuel supply, making it one of the public enterprises with the greatest impact on public-finance balances.

These findings are consistent with the World Bank's analysis, which considers that the fuel-subsidy system has come to impose considerable financial pressure on the company, since it imports oil and petroleum products at world prices and then sells them at prices below cost, while the state is not always able to reimburse it within appropriate timeframes, leading to an accumulation of deficits, rising debt, and reduced capacity to invest.

In general, these indicators show that STIR no longer performs the role for which it was created, namely, securing a significant share of the country's needs for refined petroleum products. According to the World Bank, the Tunisian economy has come to rely on international markets for around **90 percent of its hydrocarbon needs**: imported petroleum products account directly for **68 percent** of national consumption, while imported crude oil refined domestically by STIR accounts for only around **22 percent**, and domestically produced and refined oil does not exceed **10 percent** of total consumption. This trend reflects the declining contribution of the national refinery to securing the domestic market, owing to declining national oil production, rising domestic demand, aging refinery equipment, and the financial pressures that have curtailed its capacity to invest and modernize. The principal challenge is therefore no longer merely improving the company's financial results, but also redefining its role within a national energy-security strategy that ensures the sustainability of hydrocarbon supply amid growing reliance on imports.[38]

2.6 Société Nationale de Distribution des Pétroles ("Agil")

The Société Nationale de Distribution des Pétroles, "Agil," is responsible for a significant share of the supply of hydrocarbons to the Tunisian market through its network of service stations, in addition to

[36] World Bank, *Tunisia Sanitation PPP Support Project (P180962)*, Project Appraisal Document, 2023; *Audit Report for the Year Ended 31 December 2024*, 2025.
[37] World Bank, *Tunisia Sanitation PPP Support Project (P180962)*, Project Appraisal Document, 2023; *Audit Report for the Year Ended 31 December 2024*, 2025.
[38] World Bank, *Tunisia Economic Monitor: Reforming Energy Subsidies for a More Sustainable Tunisia*, Spring 2023.

its activity in storing and distributing petroleum products. Unlike a number of public enterprises that carry accumulated financial losses, official indicators do not show the company facing comparable financial imbalances. It recorded a **positive net result of TND 46.1 million** in 2022, and also achieved a **positive operating result of TND 36.0 million**. **Operating revenue** reached **TND 2,732 million**, against **operating expenses of TND 2,696 million**, while **staff costs** reached **TND 63.7 million**. Its **debt to the state** reached **TND 168.6 million** as of the end of 2023, reflecting the company's preservation of its financial balance despite the challenges facing the energy sector.

At the level of service quality, although no periodic official indicators exist to measure customer satisfaction, the performance of the Agil station network has repeatedly drawn criticism in the media and on social networks, particularly when compared with its private-sector counterparts (Shell, Total, Oil Libya). The most prominent criticisms center on the aging of a number of stations, poor maintenance and cleanliness at some of them, and malfunctioning fuel pumps. In recent years, recurring complaints have also emerged regarding the lack of ancillary services that private distribution networks now offer more widely, such as rest areas, digital services, and faster checkout. This disparity in service quality appears to be linked not to fuel availability as such, but to the level of investment in modernizing the station network and improving the customer experience.

It is worth noting that the company's relatively stronger financial position, compared with a number of other public enterprises, can also be explained by the nature of its economic activity. The company neither produces nor refines hydrocarbons; its role is essentially confined to distributing petroleum products through its station network. It purchases hydrocarbons from STIR or from approved suppliers, then distributes them to the final consumer according to regulated commercial margins. It therefore does not bear, to the same degree, the burdens associated with fuel subsidies borne by enterprises such as STIR or the Société Tunisienne de l'Électricité et du Gaz, which sell their products or services at prices below their economic cost pending state reimbursement, leading to an accumulation of receivables and mounting pressure on their liquidity. In Agil's case, the nature of its commercial-activity model makes its direct exposure to these imbalances lower, which explains its ability to achieve positive financial results despite the difficult conditions facing the energy sector.

In general, the principal challenge facing the company does not appear to be its financial position, but rather preserving its competitiveness and improving service quality in a market witnessing growing expansion by private distribution companies. Any future reform should therefore focus on modernizing the station network, improving maintenance, digitizing services, and standardizing quality across different points of sale, so as to strengthen consumer trust and raise the quality of the public utility.

2.7 Tunisair

Tunisair is among the public enterprises most present in public debate and in the media, as the national air carrier and the face representing Tunisia to the world. In recent years the company has been subject to growing criticism over recurring flight delays and cancellations, a shrinking fleet, an inflated headcount relative to the scale of activity, and accumulated financial losses that have affected its competitiveness. An investigative report published by **Al-Katiba** indicates that the number of aircraft in operation fell from **30 aircraft in 2006** to only around **12 aircraft in 2025**, while the share of company-owned aircraft declined and reliance on leased aircraft increased, reflecting the operational and investment difficulties facing the enterprise. The investigation also links this decline to poor governance, delayed disclosure of financial statements, and weak investment in fleet renewal, factors that have had a direct effect on flight regularity and the quality of services provided to passengers.[39]

The 2022 financial statements reveal continued financial deterioration: the company recorded a **net loss of TND 282.7 million**, and its equity was **negative TND 1.76 billion**, while total liabilities rose

[39] Rahma Al-Baahi, *Al-Khoutout al-Tounisiya: Iflas Mali wa-Sou' Houkma Yuwajahan bil-Tadlil wa-Istidamat al-Azma* (Tunisair: Financial Insolvency and Poor Governance Confronted with Denial and Persisting Crisis), Al-Katiba, 26 February 2025.

to **TND 4.48 billion** against assets not exceeding **TND 2.72 billion**, reflecting a severe imbalance in the company's financial structure. The statutory auditor also flagged material uncertainty regarding the company's ability to continue operating without continued state support and debt restructuring.

These findings are broadly consistent with the **Report on Public Enterprises** appended to the 2025 Finance Bill, which shows that Tunisair is among the public enterprises incurring the heaviest losses. It recorded an **operating loss of TND 125.7 million**, and closed 2022 with a **net loss of TND 176.3 million**,[40] reflecting the continuing difficulties facing the company's operating activity and its bottom line. **Staff costs** reached **TND 234.9 million**, while its **debt to the state** reached **TND 232.4 million** as of the end of 2023, confirming the continued financial pressure facing the company.

The crisis is no longer confined to financial indicators; it is now directly reflected in service quality. The shrinking fleet and the growing number of aircraft grounded for maintenance have led to recurring disruptions in the flight schedule and rising rates of delay and cancellation, particularly during peak seasons. Company data indicates that it has repeatedly had to lease aircraft from other companies to sustain continuity of operations, contributing to rising operating costs.

2.8 Société Tunisienne de Navigation (CTN)

The Société Tunisienne de Navigation (CTN) handles the bulk of scheduled maritime passenger transport between Tunisia and Europe, in addition to its freight-transport activity, making it one of the public enterprises of strategic importance for foreign trade and for connecting the Tunisian diaspora abroad. In recent years the company has seen a gradual improvement in its financial results following a difficult period linked primarily to the fallout from the Covid-19 pandemic and rising operating costs.

The financial indicators show a **positive operating result of TND 22.3 million**, and the company closed 2022 with a **positive net result of TND 11.5 million**, reflecting its capacity to generate a surplus from its operating activity. **Staff costs** reached **TND 70.0 million**.

Despite this improvement, the financial relationship between the company and the state persists: the company's **debt to the state** reached around **TND 1.6 million in 2023**, reflecting the continuation of certain financial obligations, albeit limited compared with a number of other public enterprises.

At the level of service quality, the company remains the subject of repeated criticism from passengers, particularly during the summer peak season, owing to flight delays,[41] long waiting times at ports, weak communication with customers when travel disruptions occur, and complaints regarding the quality of certain on-board services.

In general, the Société Tunisienne de Navigation appears less fragile than a number of the larger public enterprises, having managed to maintain positive financial results in recent years; nonetheless, preserving this balance remains contingent on continued fleet modernization, improved service quality, and enhanced competitiveness in the maritime passenger- and freight-transport market.

2.9 Société Nationale des Chemins de Fer Tunisiens (SNCFT)

The Société Nationale des Chemins de Fer Tunisiens faces a difficult financial and operational situation: it recorded an **operating loss of TND 142.5 million** in 2022, and closed the year with a **net loss of TND 199.8 million**, while **staff costs** reached **TND 135.5 million**, and its **debt to the state** reached **TND 50.3 million** as of the end of 2023. The company's difficulties are not confined to its financial position; they extend to its financing model and its role as a public utility, since passenger tariffs are set on social grounds and do not reflect the true cost of the service, requiring the state to compensate

[40] Note that this net-loss figure, drawn from the Ministry of Finance's report on public enterprises, differs from the figure of TND 282.7 million cited above from the company's own 2022 financial statements; the source document does not reconcile the discrepancy. See the discussion of this inconsistency in the accompanying academic review.

[41] Translator's note: the original text reads "téchir" (delay) applied generically to "trips"; the source likely intends sailing delays rather than flight delays, given the maritime context.

the company under public-service operating agreements. The company's annual report confirms that state compensation for these obligations reached around **TND 40.8 million** in 2022, covering the operation of suburban lines and low-density routes.

The annual report also highlights structural challenges facing the enterprise: **an aging fleet, deteriorating infrastructure, a shortage of traction equipment and rolling stock, and difficulty sourcing spare parts**, factors with a direct impact on service quality. The company has acknowledged that aging equipment and infrastructure difficulties resulted in the **cancellation of 2,004 trains during 2022**, in addition to the disruption of a number of freight-transport services owing to equipment shortages and the poor condition of certain lines.

The effects of these imbalances are not confined to financial indicators but are directly reflected in the quality of services provided to citizens. Rail transport in Tunisia has become synonymous with chronic delay, slow journeys, repeated trip cancellations, technical breakdowns, overcrowding, and aging rolling stock and locomotives, alongside the deterioration of many stations and infrastructure. A striking example is the Tunis–Gabès line, which typically takes **more than 13 hours** owing to recurring breakdowns and stoppages, far exceeding the time one would expect to cover the distance (under four hours by car), and which has drawn widespread criticism in the media and public opinion. Several investigative reports, including those published by the **Al-Katiba** platform, have documented that this deterioration no longer represents isolated incidents but is the cumulative result of years of underinvestment in fleet renewal, weak maintenance, aging equipment, and infrastructure failing to keep pace with modern transport needs.

2.10 Société des Transports de Tunis (TRANSTU)

The Société des Transports de Tunis is the principal operator of urban public transport services in Greater Tunis, providing passenger transport via the bus network, the light rail (metro léger), and the Tunis–La Marsa (TGM) rail line, thereby playing a pivotal role in ensuring the daily mobility of hundreds of thousands of citizens. Recent years, however, have seen a marked decline in service quality, manifested in recurring breakdowns, delayed trips, overcrowding, and low fleet availability, with adverse effects on the regularity of the public utility and recurring criticism from citizens and public authorities alike.

The 2022 financial statements indicate that the company still faces a difficult financial situation: **operating revenue** reached **TND 196.2 million** against **operating expenses of TND 398.7 million**, resulting in an **operating loss of TND 202.5 million**. The company also recorded a **negative net result of TND 226.5 million**, while **staff costs** reached **TND 293.1 million**, and its **debt to the state** reached around **TND 1.51 billion**.

This deteriorating financial position has directly affected the quality of services provided: the company now suffers from an aging fleet, recurring breakdowns, poor maintenance, irregular trips, and overcrowding, undermining the reliability of public transport. At the same time, transport fares remain extremely low relative to the true cost of the service, a regular ticket costs no more than 500 millimes, a level that does not allow the company to cover a significant share of its operating costs. The situation is further aggravated by weak revenue collection, owing to limited enforcement, widespread fare evasion, and the closure of a number of ticket windows at certain stations, depriving the company of additional resources. This underscores the need to revisit the pricing system and collection mechanisms, alongside improved governance and fleet renewal, so as to ensure the enterprise's sustainability and service quality without undermining its social role.

2.11 Compagnie des Phosphates de Gafsa (CPG)

The Compagnie des Phosphates de Gafsa is one of Tunisia's most important strategic public enterprises, given the role the phosphate sector plays in supporting exports, generating foreign currency, and supplying the Groupe Chimique Tunisien. In 2022 the company recorded a **positive operating result of TND 691.1 million**, and closed the year with a **positive net result of TND 445.0 million**;

operating revenue reached **TND 1,388.6 million** against **TND 697.5 million** in operating expenses. **Staff costs** reached **TND 331.0 million**, while its **debt to the state** reached **TND 290.0 million**. These indicators reflect an improvement in the company's financial position relative to a number of other public enterprises, but they do not signal a return to its historical performance levels or the full utilization of its production potential.

Despite this financial improvement, the Compagnie des Phosphates de Gafsa remains far from the production level on which the state is counting to revive the national economy. Commercial phosphate production did not exceed around **2.9 million tonnes** in 2022, well below the announced target of **4.5 million tonnes**, and still far from pre-2011 levels, which exceeded **8 million tonnes annually**.

The limitations of this performance become still clearer when compared with Morocco, which has succeeded in turning its phosphate sector into a major driver of economic growth through the **OCP** Group. In 2023, Morocco's phosphate production reached around **39 million tonnes**, compared with around **3.6 million tonnes** for Tunisia according to international statistics, while OCP's production capacity is nearing **48 million tonnes annually**, roughly five times the design capacity of the Compagnie des Phosphates de Gafsa. This substantial gap reflects differences in governance, investment, and the ability to maintain production levels, despite Tunisia's holding the world's third-largest phosphate reserves.

2.12 Groupe Chimique Tunisien

The Groupe Chimique Tunisien represents the essential industrial link in the phosphate-valorization chain, converting extracted phosphate into phosphoric acid and chemical fertilizers destined for the domestic market and for export. **Operating revenue** in 2022 reached around **TND 3,179.3 million** against **TND 2,915.4 million** in operating expenses, yielding a **positive operating result of TND 263.9 million**; however, the **net result did not exceed TND 63.1 million**, a limited outcome relative to the scale of the group's industrial activity. **Staff costs** reached **TND 337.0 million**, while its **debt to the state** reached **TND 181.3 million**. These indicators show that the group achieves relative financial balance, yet its ultimate profitability remains modest given its strategic standing within the national economy.

Assessing the group's performance cannot be confined to its financial results, however; it must also take account of the environmental and health cost of its activity, particularly in the governorate of Gabès, which hosts one of its largest industrial complexes. For decades, Gabès has been the subject of numerous scientific studies and national and international reports documenting elevated levels of air, soil, and marine-environment pollution resulting from industrial activity, particularly industrial gas emissions and the disposal of phosphogypsum waste. Recent studies confirm the continued pollution of the Gulf of Gabès with heavy metals and fine particulates, with recorded health and environmental risks requiring urgent action.

On the health front, reports issued by the United Nations system in Tunisia[42] and field studies indicate that the residents of Gabès consistently express concern over the elevated prevalence of respiratory diseases, certain cancers, and other health complications in the areas surrounding the industrial zone, with industrial pollution considered one of the main factors explaining these concerns. An environmental audit commissioned by the Groupe Chimique itself concluded that residents and workers alike agree on the severity of the current environmental situation, and that the group is the primary source of pollution in the area, requiring urgent measures to curb emissions and treat industrial waste.

In light of these facts, the performance of the Groupe Chimique Tunisien raises a fundamental question about the balance between costs and benefits: while the **net result did not exceed TND 63.1 million** in 2022, the state and society bear a substantial environmental and health cost, reflected in the deterioration of the Gulf of Gabès ecosystem, the decline of maritime and agricultural activity, and mounting pressure on the health system. This raises questions about the sustainability of the current industrial model

[42] United Nations Tunisia, *Enquête sur la cohésion sociale à Gabès*, 2024.

and about the need to reconcile the requirements of economic development with residents' right to a healthy environment, through investment in less-polluting production technologies and the safe disposal of phosphogypsum waste.

2.13 Summary: The Hemorrhage of Public Enterprises and Reform Options

The 2022 financial indicators for Tunisian public enterprises reveal structural imbalances that go beyond the isolated financial results of individual enterprises, raising the broader question of the sustainability of the current model for managing the public economic sector. Although a number of enterprises, such as the **Compagnie des Phosphates de Gafsa**, the **Entreprise Tunisienne d'Activités Pétrolières**, the **Office de l'Aviation Civile et des Aéroports**, and the **Groupe Chimique Tunisien**, achieved positive net results, a substantial share of strategic public enterprises continue to record accumulated losses that weigh on public finances and constrain the state's ability to direct resources toward investment and basic services.

These imbalances are clearly reflected in the enterprises examined in this paper. The **Société Tunisienne des Industries de Raffinage** recorded a net loss of **TND 1,902.9 million**, followed by the **Office des Céréales** with losses of **TND 701.4 million**, the **Office Tunisien du Commerce** (**TND 424 million**), the **Société Tunisienne de l'Électricité et du Gaz** (**TND 381.2 million**), the **Société des Transports de Tunis** (**TND 226.5 million**), the **Société Nationale des Chemins de Fer Tunisiens** (**TND 199.8 million**), and **Tunisair** (**TND 176.3 million**), in addition to the losses of the **Société Nationale d'Exploitation et de Distribution des Eaux** (**TND 21.1 million**).

Table 1 consolidates the key financial indicators presented throughout this section for ease of reference.

Table 1: Financial Indicators of Selected Tunisian Public Enterprises, FY2022 (TND million)

Enterprise	Operating result	Net result	Staff costs	Debt to state (end-2023)
STEG	+142.7	−381.2	615.7	26.8
SONEDE	+12.9	−21.1	227.3	61.3
STIR	−1,641.8	−1,902.9	40.3	101.2
Tunisair	−125.7	−176.3	234.9	232.4
SNCFT	−142.5	−199.8	135.5	50.3
TRANSTU	−202.5	−226.5	293.1	1,509.3
CTN	+22.3	+11.5	70.0	1.6
SNDP (Agil)	+36.0	+46.1	63.7	168.6
ONAS	+20.3	+2.0	109.5	252.0
CPG	+691.1	+445.0	331.0	290.0
GCT	+263.9	+63.1	337.0	181.3

Source: Ministry of Finance, *Report on Public Enterprises*, 2022. Operating result refers to operating profit (loss), net result to profit (loss) after tax, staff costs correspond to personnel expenses, and debt to the state refers to outstanding liabilities owed to the central government at the end of 2023.

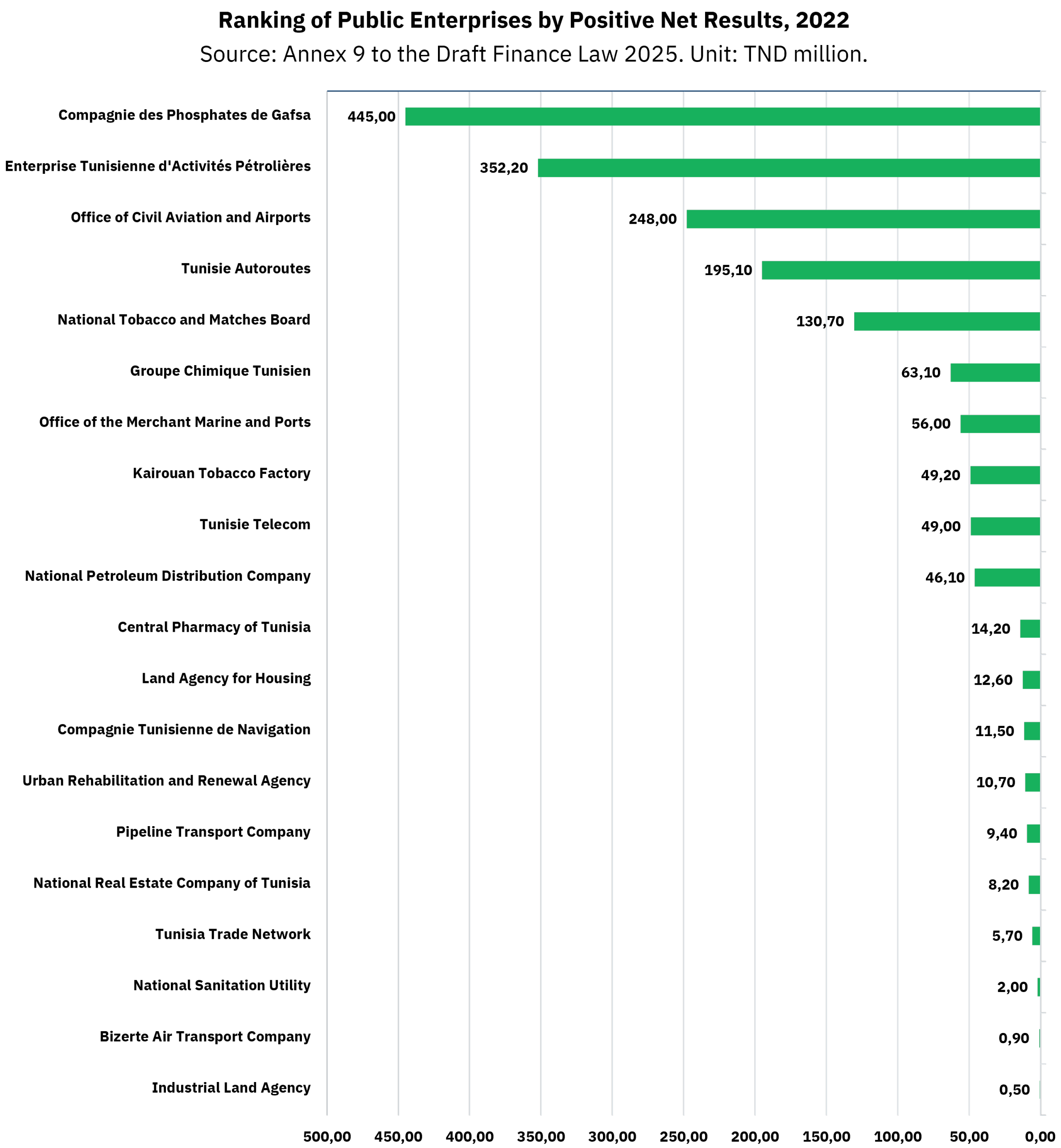

Figure 1: Public enterprises with positive net results in 2022 (TND million).

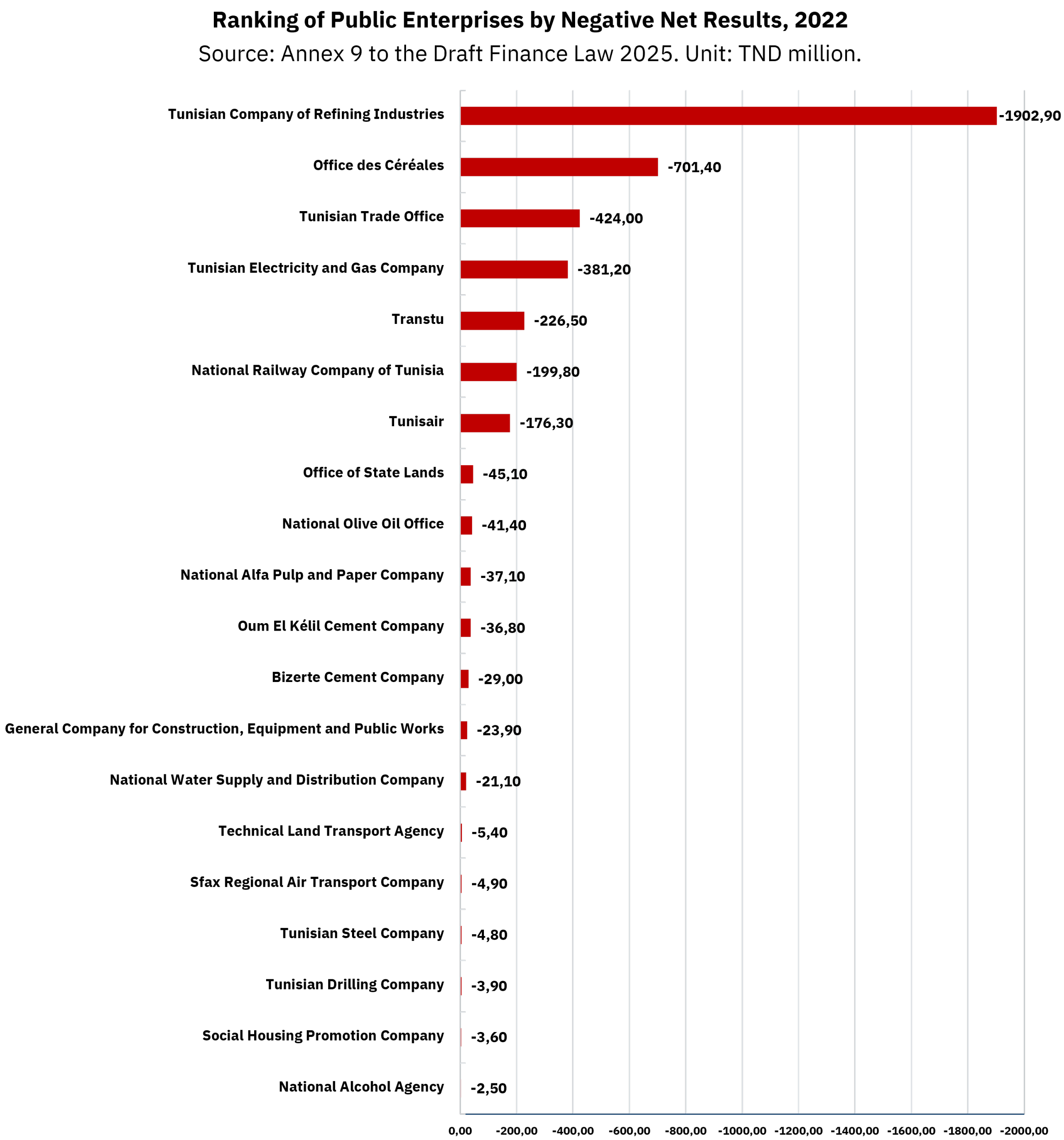

Figure 2: Public enterprises with negative net results in 2022 (TND million).

The aggregate net losses of Tunisian public enterprises reached around **TND 4.27 billion** in 2022 alone, representing a substantial drain on public finances and a continuous depletion of resources that could otherwise have been directed toward investment in infrastructure, education, and health, or toward reducing the budget deficit. It should also be noted that these financial statements are the most recent officially published data, dating to 2022; the current situation is likely more severe still, given the continuation of structural imbalances and the absence of substantive reform in subsequent years, meaning the true cost of this hemorrhage today probably exceeds the figures presented in this paper.

At the same time, some enterprises achieved positive results, most notably the **Compagnie des Phosphates de Gafsa** (**TND 445 million**), the **Groupe Chimique Tunisien** (**TND 63.1 million**), the **Société Nationale de Distribution des Pétroles** (**TND 46.1 million**), the **Société Tunisienne de**

Navigation (**TND 11.5 million**), and the **Office National de l'Assainissement** (**TND 2 million**). Assessing the performance of these enterprises, however, should not be reduced to their contribution to offsetting the public sector's overall losses, since profitable enterprises are not supposed to finance the losses of others; rather, they should perform their natural role of creating wealth, generating value added, promoting investment, and contributing to financing the state budget. The continued drain on public resources to cover the losses of struggling enterprises limits the capacity of the profitable enterprises themselves to play this developmental role.

These losses are not attributable solely to weak governance or limited productivity; they also reflect the continuation of an economic model built on **administered pricing that fails to cover the true cost of services** in a number of public utilities, particularly in the electricity, water, and transport sectors. These enterprises bear the burden of providing services at subsidized prices for social reasons, while the state frequently fails to settle their receivables within appropriate timeframes, leading to deteriorating liquidity, rising debt, and reduced capacity to invest, maintain, and renew equipment. This has directly affected service quality, through recurring electricity and water cuts, deteriorating air, rail, and urban transport services, and aging infrastructure, with adverse effects on quality of life and on the competitiveness of the national economy.

These findings confirm that the continuation of the present situation is no longer sustainable, and that reforming the public-enterprise sector has become a financial, economic, and social necessity. Reform should not be limited to injecting additional financing or rescheduling debt; it must encompass **restructuring public enterprises, reforming the subsidy system so that its cost is directed straight to intended beneficiaries rather than being borne by the enterprises, improving governance, and establishing clear contractual arrangements between the state and enterprises entrusted with public-service tasks**. Such reforms could help curb chronic losses and turn a number of enterprises into entities capable of achieving financial balance and investing in the development of their services.

From a public-finance perspective, eliminating the annual losses of public enterprises and turning them into financially balanced entities would save the state approximately **five billion dinars a year**[43] through reduced transfers, less recapitalization, and lower costs for guarantees and public financing, a significant fiscal margin that could be redirected toward public investment or toward reducing the budget deficit. Achieving this goal requires moving beyond piecemeal reforms toward a comprehensive review of the state's role in economic activity, including examining the options of **restructuring, opening certain sectors to competition, establishing partnerships with the private sector, or resorting to privatization in cases where experience shows it achieves greater efficiency while preserving service quality**. The final theme of this paper is devoted to analyzing these options through a review of a number of international experiences in public-enterprise reform and privatization programs, and to drawing the lessons that can be applied to the Tunisian case.

In this context, this paper does not seek to adopt a position for or against any particular reform option; rather, it aims to provide an objective diagnosis of the current state of public enterprises in Tunisia, before reviewing the various alternatives that numerous countries have adopted to reform their public enterprises, including restructuring, private-sector partnerships, opening to competition, and privatization, highlighting the merits and limits of each option and leaving it to the reader to assess its suitability for the Tunisian case.

[43]The author's own estimate, based on a counterfactual simulation assuming the elimination of public enterprises' current losses and the achievement of a minimum level of operating profit, consistent with the normal objective of any economic enterprise. This estimate remains conservative, as it does not assume high levels of profitability or exceptional performance improvements, but is confined to reaching financial equilibrium and moderate profits.

3 International Experiences in Public-Enterprise Reform and Privatization: Lessons Learned

3.1 What Does the Economics Literature Say About Privatization?

The privatization of public enterprises has attracted extensive attention in the economics literature since the 1980s, with hundreds of studies and reports issued by universities and international organizations, foremost among them the World Bank and the OECD. This literature has examined the effects of privatization on productive efficiency, profitability, investment, service quality, public finances, competition, and capital markets, while stressing that outcomes vary by sector and by the institutional framework within which the reform is carried out, rather than by the mere transfer of ownership from the state to the private sector.

The paper **"From State to Market: A Survey of Empirical Studies on Privatization,"** prepared by William L. Megginson and Jeffry M. Netter in 1999, is among the most influential reference studies in the economics literature on privatization. Its importance lies not in taking a position for or against privatization, but in systematically compiling the findings of empirical studies published through the end of the 1990s, with a view to distilling what the empirical evidence says about the effects of privatization programs across countries. The authors wrote the paper from a policymaker's perspective, that is, starting from the questions governments confront when considering adopting a privatization program, rather than from a theoretical or ideological standpoint.[44]

The paper builds its analysis around six central questions:

1. The extent to which privatization programs have contributed to shrinking the state's role in the economy.
2. The reasons that led governments to relinquish ownership of public enterprises, and whether practical alternatives to privatization existed.
3. Whether privatization actually improves enterprises' operational and financial performance.
4. How governments choose privatization methods and sequence their implementation.
5. How public enterprises are priced and how buyers are selected.
6. The returns investors earn after purchasing shares in privatized enterprises.

To answer the question of whether privatization improves enterprise performance, the paper reviews the leading empirical studies published through 1998, most notably those of **Megginson, Nash & van Randenborgh (1994)**, **Boubakri & Cosset (1998)**, and **D'Souza & Megginson (1998)**, which together covered **204 privatized enterprises** in developed and developing countries. The results show a fairly consistent pattern across the studies: the average profit margin (net income to sales) rose from **8.4 percent** before privatization to **12.4 percent** afterward, while labor productivity, measured as real sales per employee, improved markedly; investment as a share of sales rose from **12.3 percent** to **18.7 percent**; real sales increased following privatization; and debt levels declined relative to the period of public ownership. Between **63 and 72 percent** of enterprises saw improved profitability, and **80 to 88 percent** recorded improved operating efficiency after privatization.

The paper also presents more detailed illustrative studies. The **Boubakri & Cosset (1998)** study covered **79 enterprises** across **21 developing countries** and **32 economic sectors** over **1980–1992**, finding statistically significant increases in real sales, operating efficiency, profitability, investment, dividend payouts, and employment, alongside a decline in debt; indeed, it found the magnitude of improvement to be larger than that reported in earlier studies. The **D'Souza & Megginson (1998)** study, covering **78 enterprises** from **25 developed and developing countries**, found a clear improvement in productivity, profitability, and efficiency, together with a decline in debt, although the increase in investment was not statistically significant, while employment declined in a number of cases, particularly in sectors undergoing

[44] William L. Megginson and Jeffry M. Netter, *From State to Market: A Survey of Empirical Studies on Privatization*, Working Paper, Fondazione Eni Enrico Mattei (FEEM), Nota di Lavoro No. 1.1999, 1999.

restructuring. The **Dewenter & Malatesta (1998)** study, which analyzed **63 large enterprises** privatized between **1981 and 1994**, found a significant rise in profitability and a decline in debt and labor intensity, and confirmed that private enterprises outperform public enterprises over the long run.

The paper does not confine itself to enterprise performance; it also examines the effect of privatization on investors. In a study covering **264 public share offerings of privatized enterprises** across **36 countries** over **1981–1997**, the average first-year return reached **31.7 percent**, compared with only **12.7 percent** for the domestic market index, a gap of roughly **19 percentage points**, with excess returns persisting over three- and five-year horizons, which the authors interpreted as evidence that markets received privatization programs favorably in most cases.

In another reference, the World Bank report **"Privatization: The Lessons of Experience"** offers a practical perspective on privatization programs, drawing on the experience of several countries during the 1980s and early 1990s. The report does not proceed from the premise that privatization is an end in itself, but treats it as a tool of economic reform capable of producing positive results if implemented within an appropriate institutional and regulatory framework. It emphasizes that the success of privatization does not hinge merely on the transfer of ownership to the private sector, but on the presence of competition, market liberalization, and effective regulatory frameworks, and on improving the investment climate, because transferring a monopoly from the public to the private sector does not necessarily improve efficiency or service quality. The report also stresses the need to define the objectives of a privatization program from the outset, whether related to improving economic efficiency, easing the burden on public finances, broadening private-sector participation, or developing capital markets, while choosing a sale method suited to the nature of the enterprise and the local market. Successful experiences, the report finds, were those that combined restructuring enterprises before sale, preparing an appropriate legal and regulatory environment, and ensuring transparency in the conduct of privatization operations, so as to strengthen the confidence of investors and the public.[45]

The report **"Public Enterprise Reform: The Lessons of Experience"** addresses the reform of public enterprises from a broader perspective than privatization alone, arguing that improving these enterprises' performance begins with defining the state's role and objectives and reforming the institutional framework within which they operate. The report emphasizes that weak public-enterprise performance is not attributable to public ownership alone, but to the multiplicity of objectives assigned to these enterprises, repeated government interventions, weak accountability, the absence of competition, and an unclear relationship between the state and enterprise management. It therefore proposes a graduated reform program that begins with reforming the economic environment and strengthening competition, then precisely defining the tasks of public enterprises, granting them greater managerial autonomy in exchange for clear performance indicators, improving governance and accountability systems, before resorting to privatization when it is the most suitable option. The report considers privatization to be only one component of public-sector reform, not a substitute for governance reform or improved management, and holds that its choice should follow an assessment of the enterprise's objectives, the nature of its activity, and the private sector's capacity to perform it efficiently. It also stresses that the sequencing of reforms is a decisive factor, and that the success of reform programs depends more on continuity and political commitment than on the speed of sale transactions.[46]

In a report from another organization, the OECD focuses on assessing the outcomes of privatization programs in member countries, noting that most empirical studies support the existence of a notable improvement in the profitability, productivity, and operating efficiency of privatized enterprises, particularly when they operate in competitive markets, while market liberalization accelerates the convergence of their performance with that of private enterprises. The report finds that privatization has also contributed to developing capital markets in many countries, whether by broadening the investor base or increasing the

[45] World Bank, *Privatization: The Lessons of Experience*, Washington, DC: The World Bank, 1992.

[46] Mary Shirley and John Nellis, *Public Enterprise Reform: The Lessons of Experience*, Washington, DC: The World Bank, 1991.

size of financial markets, and that it has helped achieve fiscal objectives by reducing public deficits and debt and providing additional revenue for governments, while noting that the evidence on its macroeconomic effects remains limited and does not allow a definitive causal relationship to be established. Conversely, the report notes that restructuring and privatization may lead to declining employment, particularly in sectors suffering from excess production capacity, while these effects are smaller in sectors experiencing growing demand, such as telecommunications. It also stresses that there is no single optimal method for implementing privatization, and that successful experiences shared clear political commitment, well-defined objectives, transparency in implementation, and effective communication with stakeholders.[47]

In another paper, **"Privatisation of Public Utilities: The OECD Experience,"** the organization addresses the privatization of infrastructure utilities such as electricity, gas, telecommunications, and transport, showing that these sectors came to represent the bulk of privatization operations in OECD countries during the 1990s. The paper attributes this shift to the declining justification for public monopoly, the weak performance of many public utilities, rising investment needs, alongside constraints on public finances and technological developments that allowed competition to be introduced into certain activities. The paper finds that the available evidence points to improved performance, productivity, and profitability after privatization, but that these results depend heavily on the market structure that emerges post-privatization and on the existence of genuine competition or an independent regulator where the activity is a natural monopoly. It also confirms that separating commercial from regulatory functions is one of the most important conditions for successful infrastructure reform, and that improved consumer welfare does not result from the transfer of ownership alone, but from the regulatory framework governing the market after reform.[48]

The literature reviewed by the World Bank and the OECD, together with the empirical studies compiled by Megginson and Netter, therefore converge on the conclusion that privatization is not an end in itself but a tool for public-sector reform. This literature also converges in noting that the improvement in enterprise performance following privatization is linked to the presence of competition, the clarity of the regulatory framework, improved governance, and transparency of implementation, while outcomes vary with the sector, the institutional environment, and the objectives of the reform. Evaluating privatization programs should not, therefore, rest on one's stance toward public versus private ownership, but on each option's capacity to improve economic efficiency and service quality and to achieve public-policy objectives, with due regard for the specificities of each sector and each country.

3.2 Chile's Experience in Electricity-Sector Privatization

Chile's experience is among the most prominent international cases of electricity-sector reform, as it was the first country to implement a comprehensive sectoral reform in the modern era, beginning in 1982, making it a leading reference in the economics literature on public-utility reform. Michael Pollitt, in his paper "Electricity Reform in Chile: Lessons for Developing Countries," considers this experience one of the most successful electricity-reform episodes among developing countries, which is why it was later used as a model that guided a number of other countries, particularly in Latin America.[49]

The report shows that the reform's success was not the result of privatization alone, but followed the preparation of a set of institutional and regulatory conditions. The sale was preceded by the dismantling of the public enterprise's vertical monopoly into generation, transmission, and distribution activities, the establishment of a new legal framework under the 1982 Electricity Law, and the creation of a regulatory body to oversee the sector, alongside opening generation to competition while retaining regulation of natural-monopoly activities, particularly transmission and distribution. The report also confirms that the stability of the legal framework, the protection of property rights, and the clarity of regulatory rules

[47] OECD, *Privatising State-Owned Enterprises: An Overview of Policies and Practices in OECD Countries*, Paris: OECD, 2003.

[48] Stilpon Nestor and Ladan Mahboobi, *Privatisation of Public Utilities: The OECD Experience*, OECD, 1999.

[49] Michael G. Pollitt, *Electricity Reform in Chile: Lessons for Developing Countries*, World Bank Policy Research Working Paper No. 3220, Washington, DC: The World Bank, 2004.

were among the most important factors that encouraged private investment and gave long-term investors confidence.

As for outcomes, the report describes the experience as "very successful." Installed capacity in the main electricity system rose from **2,713 MW in 1982** to **6,991 MW in 2004**, while average real electricity prices fell by around **30 percent** between 1992 and 2002, alongside a marked improvement in companies' financial performance and rising labor productivity: worker productivity at **Endesa** rose from **6.3** to **35 GWh per worker** between 1991 and 2003, and at **Chilectra** from **1.4** to **14.1 GWh per worker** between 1987 and 2003. Rural household electrification rose from **38 percent** to **86 percent** between 1982 and 2002, and distribution losses fell from **10.2 percent** to **6.2 percent**, alongside improved service quality. The report notes, however, that the experience also revealed certain shortcomings, most notably the persistence of market power among some companies and the need to further develop transmission and distribution regulation, confirming that the success of privatization remains contingent on the continued development of the regulatory framework, not merely on the transfer of ownership to the private sector.

3.3 Central and Eastern Europe's Experience in Energy-Sector Privatization

This section addresses electricity-sector reform in three Eastern European countries, **Hungary, Poland, and Ukraine**, which underwent transformations concurrent with the transition from a centrally planned to a market economy during the 1990s. It compares the reform paths of these countries in terms of sectoral restructuring, the establishment of regulatory frameworks, and the opening of the sector to private investment, highlighting the differing pace of privatization and sequencing of reforms across countries. Since a separate subsection is devoted to the Hungarian experience, considered the most advanced in terms of privatization, this section confines itself to distilling the key features of the Polish and Ukrainian experiences.

Poland chose a gradual approach, preferring to restructure the sector and establish an independent transmission company and convert electricity enterprises into joint-stock companies before proceeding to privatization, on the premise that the sale of enterprises should represent the final stage of reform. **Ukraine**, by contrast, pursued faster reform: it unbundled generation, transmission, and distribution, created a competitive electricity market and an independent regulator, and began a gradual program to privatize generation and distribution companies; however, weak fiscal discipline and rising arrears in electricity-bill payments limited the effectiveness of these reforms and delayed the attraction of strategic investors.

Both experiences confirm that the success of energy-sector privatization does not hinge on the speed of the transfer of ownership to the private sector, but on the availability of a clear legal and regulatory framework, the restructuring of enterprises before sale, the achievement of financial stability, and the existence of a market capable of operating according to competitive rules. They also show that privatization is not the starting point of reform, but comes within an integrated path aimed at improving sector efficiency and ensuring its sustainability.

3.4 Hungary's Experience in Electricity-Sector Privatization

Hungary was among the first Central and Eastern European countries to embark on the restructuring and privatization of its electricity sector following the transition to a market economy, beginning its reform process in the early 1990s, which included reorganizing the sector, unbundling its activities, and then opening the door to foreign investors. A study devoted to the Hungarian experience finds that the primary motivation for reform was not solely improving sector efficiency, but also addressing the public-finance deficit, modernizing infrastructure, and adapting to the requirements of integration into the European market. It also confirms that privatization came within an integrated institutional-reform program, and was not a step separate from the rest of the economic reforms.[50]

The study finds that the success of the first reform phase was linked to several conditions, most notably restructuring companies before sale, enacting a new electricity law in 1994 that clearly defined the responsibilities of the various actors, adopting a regulatory system for electricity pricing, establishing a specialized regulatory body, and organizing the privatization process according to competitive rules that limited ownership concentration. The government also took care to retain a so-called **"golden share"** to ensure its involvement in strategic decisions, while keeping the transmission network under the control of the public company **MVM**.

The study indicates that reform produced a tangible improvement in operational efficiency: the availability of private generation plants rose by around **10 percent**, equivalent to adding between **400 and 500 MW** of generation capacity, while companies that had been loss-making before reform became profitable after the adoption of the new pricing system and improved management. At the same time, electricity prices rose relative to their pre-privatization level as a result of eliminating subsidies and bringing prices closer to their true cost, while competition remained limited owing to the continuation of long-term contracts and MVM's retained monopoly over transmission and wholesale sale. The study concludes that the most important lesson is that privatization alone is not sufficient to achieve a competitive market; it must be preceded or accompanied by a clear regulatory environment, price reform, and the gradual completion of market liberalization.

3.5 OECD Countries' Experience in Aviation-Sector Privatization

The air-transport sector in a large number of OECD countries has undergone extensive reforms since the late 1970s, involving market liberalization, the removal of regulatory restrictions, and the opening of the sector to competition, alongside the privatization of a number of national airlines. The organization's report finds that the goal of these reforms was not merely the transfer of ownership to the private sector, but the creation of a more competitive market allowing new entrants, improving service efficiency, and enhancing consumer welfare.

The organization's report[51] confirms that reform's success was linked to a set of conditions, most notably liberalizing market entry, easing restrictions contained in air-transport agreements, ensuring fair competition rules, and developing the legal and regulatory framework in tandem with reform. The organization notes that market liberalization initially led to the entry of a large number of new companies, before the market later underwent a phase of consolidation and restructuring, which also contributed to the emergence of low-cost carriers and the development of more efficient business models.

As for outcomes, the report concludes that liberalizing the aviation sector led to lower ticket prices, increased demand for air transport, and improved air connectivity between cities and countries, with positive repercussions for trade, tourism, and economic growth. The report notes, for example, that air-transport prices in the United States became around **30 percent** lower than they would otherwise have been had the previous regulatory system continued, while the number of flights within the European Union nearly doubled between **1992 and 2002**, with real prices falling to less than half their 1992 level. The organization concludes that the lesson to be drawn is that privatization and market liberalization achieve the best results when combined with a regulatory framework that ensures fair competition and prevents monopolistic practices, rather than being confined to a change in company ownership.

[50] Radmilo V. Pesic and Diana Urge-Vorsatz, *Lessons from the Restructuring of the Hungarian Electricity Industry*, in *Deregulation of the Utility Industry and Role of Energy Services Companies (ESCOs)*, 2000.

[51] International Transport Forum (ITF), *Liberalisation of Air Transport*, OECD Publishing, Paris, 2019.

3.6 Western European Countries' Experience in Electricity-Sector Privatization

Experience with electricity-sector reform in Europe, particularly in countries that transitioned from a centrally planned to a market economy, shows that privatization was not a uniform policy, but came within a broader process of liberalizing electricity markets and restructuring the sector. A comparative study[52] finds that European countries followed different models depending on their institutional circumstances: privatization was not always associated with the outright sale of public enterprises, but in some cases involved reorganizing companies, unbundling generation, transmission, and distribution activities, and gradually opening the market to competition while retaining state ownership of certain strategic enterprises.

The study confirms that the reforms that achieved better results were those preceded by clear institutional preparation, including separating competitive from monopolistic activities, establishing independent regulatory bodies, ensuring non-discriminatory access to transmission networks, alongside the gradual opening of markets to competition. It also finds that countries did not follow a single reform sequence: in some cases privatization preceded market liberalization, and in others market liberalization came first without the state relinquishing ownership, indicating that the success of reform is less about a specific sequence than about the existence of an effective and stable regulatory framework.

The study concludes that the European experience does not offer a single model of privatization, but confirms that reform outcomes depend on each country's particular circumstances. In the United Kingdom, privatization was accompanied by extensive market liberalization; Sweden retained state ownership of the dominant company, **Vattenfall**, despite liberalizing the market; France moved toward partial privatization while the state retained control of **EDF**; while in Germany, privatization motives were often linked more to fiscal pressure on local governments than to a purely economic choice. The most important lesson is that improving electricity-sector performance does not necessarily require the state's withdrawal from ownership, but rather requires a competitive market, an independent regulatory framework, and clear governance defining the roles of the state and the private sector.

3.7 The United Kingdom's Experience in Aviation-Sector Privatization

The privatization of **British Airways** is among the most prominent experiences of aviation-sector reform, examined in a study[53] that analyzes the effect of the company's transition from public to private ownership on competition and performance efficiency, rather than confining itself to comparing its financial results. The researchers show that privatization was accompanied by a shift in the company's objectives toward profit maximization, by a restructuring of management, and by strengthened incentives for executive management, which made it possible to assess the reform's effect on the entire market rather than on the company alone.

The study clarifies that the reform's success was not the result of privatization alone, but was preceded by a restructuring process led by **Lord King** that lasted nearly three years before the company was offered for sale in 1987. Privatization was also accompanied by regulatory reforms and changes to management incentive schemes, including the introduction of share-grant programs for executive management, with management compensation linked to company performance, although the study did not record substantial changes in board structure or in the structure of large-scale ownership.

As for results, the study finds that the privatization of **British Airways** led to increased efficiency and strengthened competitiveness. Ticket prices on routes served by the company fell by **14.3 percent** relative to benchmark routes, while competing American carriers suffered a cumulative decline in market value of around **7.7 percent** following the privatization announcements, which the researchers attribute to markets

[52] Matthias Heddenhausen, *Privatisations in Europe's Liberalised Electricity Markets, The Cases of the United Kingdom, Sweden, Germany, and France*, Research Unit EU Integration, German Institute for International and Security Affairs (SWP), December 2007.

[53] Catherine Eckel, Doug Eckel, and Vijay Singal, *Privatization and Efficiency: Industry Effects of the Sale of British Airways*, *Journal of Financial Economics*, Vol. 43, No. 2, 1997, pp. 275–298.

anticipating the emergence of a more efficient and more aggressive competitor. The study concludes that privatization delivers positive results when preceded by genuine restructuring, and when the transfer of ownership is accompanied by managerial and institutional reforms that strengthen operational efficiency, rather than by the mere sale of the enterprise to the private sector.

3.8 Italy's Experience in Aviation-Sector Privatization

A study by Elisabetta Bergamini and co-authors[54] examines the case of **Alitalia** within the context of the liberalization of the European air-transport market and the gradual move toward privatization. It shows that the company faced repeated financial crises from the late 1990s onward, amid continued state intervention through recapitalization and loans, before the Italian government moved toward a privatization program following the tightening of European Union rules limiting the scope for state aid. The study aims to explain the reasons for the company's declining performance during this period, rather than to evaluate the privatization process as such.

The study's findings show that the company's productivity rose by around **17 percent** between **1992 and 1997**, benefiting from growing demand and increased competition following the liberalization of the European market; however, this improvement did not continue, as the company's productivity slowed after 1997 as a result of unsuccessful strategic decisions, including the establishment of a second operating hub at **Milan Malpensa**, the failed merger with **KLM** in 2000, and delayed entry into international alliances relative to its competitors. The company was also unable to match its expansion with a corresponding increase in efficiency, leading to rising operating costs and a declining market share in both domestic and international markets.

The study concludes that privatization alone is not sufficient to rescue a company suffering structural and strategic imbalances. Success requires a clear economic model, the ability to control costs, and an expansion strategy suited to an open, competitive environment. The study therefore finds that Alitalia's difficulties were not the result of privatization as such, but rather of its weak adaptation to the requirements of the liberalized European market and of delays in implementing the necessary structural reforms.

4 Lessons Learned and Governance Standards for Public Enterprises

The economics literature and the international experiences reviewed above show that the success of public-enterprise reform is not linked to privatization as such, but to the quality of the institutional and governance framework that precedes and accompanies it. The experiences of the United Kingdom and Italy, together with the recommendations of the World Bank and the OECD, show that privatization is merely one tool among the tools of reform, while improved governance, strengthened transparency, clearly defined responsibilities, and more efficient management remain the decisive factors in improving the economic performance of public enterprises.[55]

These experiences converge on a set of common principles that should be adopted in reforming public enterprises, most importantly: establishing a clear rationale for the continuation of state ownership of each enterprise; separating the state's role as owner from its role as market regulator; granting enterprises operational autonomy while subjecting them to results-based accountability; adopting independent boards of directors appointed on the basis of competence and experience rather than political considerations; imposing the highest standards of transparency and financial disclosure; establishing effective systems for risk management, internal control, and independent external audit; ensuring a level playing field

[54] Elisabetta Bergamini, Simone Gitto, and Paolo Mancuso, *Restructuring the Alitalia Business Model*, *Journal of Air Transport Management*, Vol. 16, No. 1, 2010, pp. 16–19.

[55] OECD, *OECD Guidelines on Corporate Governance of State-Owned Enterprises 2024*, OECD Publishing, Paris, 2024.

between public enterprises and the private sector; and refraining from using public enterprises as a means of granting unwarranted privileges or subsidies that distort competition.

On this basis, the reform of public enterprises in Tunisia should not be reduced to the traditional debate between retaining public ownership or resorting to privatization; it must begin, first, with reforming the governance system in line with international standards. This requires preparing a clear state-ownership policy that defines each enterprise's objectives and its economic and social role, establishing a professional central body to exercise the ownership function, and instituting a system of periodic performance evaluation based on measurable quantitative indicators, while strengthening the independence of boards of directors and linking the accountability of executive managers to the achievement of financial and operational targets, and publishing financial and non-financial reports regularly in accordance with international disclosure standards. Any restructuring, capital opening, or partial privatization should form part of a comprehensive institutional-reform strategy, not merely an ad hoc financial measure aimed at addressing short-term deficits.

The most important policy lesson drawn from international experience is thus that the success of public-enterprise reform depends fundamentally on **building a modern, transparent governance system founded on competence and accountability**, allowing these enterprises to be transformed into instruments that support economic growth and improve the quality of public services, whether they remain wholly state-owned or part of their capital is opened to the private sector.

Conclusion

This paper has sought to help open a calm, scholarly discussion on the future of public enterprises in Tunisia, free of preconceptions or ideological positions for or against any particular option. The aim was not to defend a given choice, but to diagnose the current reality of these enterprises, to review the conclusions of the economics literature, and to analyze the most prominent international experiences, in order to understand the conditions that make reform successful and the lessons that can be applied to the Tunisian case.

The study has shown that reforming public enterprises is not a decision taken all at once, but a gradual process built on precise diagnosis, restructuring, improved governance, and strengthened transparency, followed by the selection of the tool best suited to each enterprise individually, whether reorganization, capital opening, private-sector partnership, or partial or full privatization where appropriate. International experience has also shown that the success of these options is not tied to their nature as such, but to the existence of strong institutions, independent regulatory bodies, competent boards of directors, and clear mechanisms of accountability and monitoring.

In this context, transparency emerges as the starting point for any serious reform. This study encountered genuine difficulty obtaining up-to-date financial data for a number of public enterprises, and was forced to rely on data dating back to 2022, which limits the precision of the diagnosis and weakens the quality of public debate. The regular publication of financial statements, annual reports, and performance indicators has therefore become an essential condition for accountability, and for enabling researchers, policymakers, and the public to assess the state of these enterprises on an objective basis.

Finally, Tunisia today appears to need to move beyond slogans and ideological alignments, and to proceed from a single question: **what serves the public interest?** The goal is neither to preserve public ownership for its own sake, nor to resort to privatization as an end in itself, but to build enterprises capable of delivering quality public services, at prices that account for citizens' purchasing power while also reflecting the true economic cost of production, thereby ensuring the sustainability of these enterprises and preventing them from becoming a permanent burden on public finances. International experience confirms that this goal is not out of reach; it can be achieved wherever there is political will, sound governance, and decisions grounded in economic evidence rather than in circumstantial or ideological considerations.

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