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An 'Arab Spring' for Corporatization? Tunisia's National Electricity Company (STEG)

by

Ali Bennasr and Eric Verdeil[1]

The Tunisian revolution of January 2011 saw the ousting of long-time President Zine El Abidine Ben Ali, and the launch of a wider social movement toward anti-authoritarianism in the region. Much has been written about this so-called Arab Spring and the effects it may have on the future of Tunisia, but little has been said about its impact on large publicly-owned service providers such as the *Société Tunisienne de l'Électricité et du Gaz* (STEG).

STEG has been an independently managed public company since its creation in 1962, and has been enormously successful in extending electricity and gas throughout Tunisia. With more than 99% coverage in rural and urban areas, STEG has the highest level of electricity provision in Africa, and is a notable example of the ability of the public sector to offer reliable and affordable electricity services. Despite pressures to privatize, STEG management and union leaders have largely resisted this trend, managing to keep the company in public hands.

But as with other corporatized service entities around the world, STEG has not been immune from neoliberal trends, such as the introduction of market-based performance indicators, cost-reflexive pricing and private sector outsourcing (see Chapter One, this volume, for an extended discussion of these tendencies within corporatization). Nor has STEG managed to stave off privatization entirely, as evidence by the introduction of an independent power producer in the 1990s.

Much of STEG's 'success' also comes from its authoritarian roots and Jacobinist management culture.[2] From the 1950s onwards, successive Tunisian governments have dictated investment strategies for electricity provision with little consultation or debate about the character of power generation or its long-term roll-out plans. Whether for purposes of improving people's lives, boosting economic output, currying political favour, or some combination thereof, the Tunisian state has made electricity

[1] The authors would like to thank Samir Kebaili of the University of Sfax for assistance with data collection.

[2] Jacobinism refers, in the French political culture, to a centralized power organization, with state institutions concentrating most of the power.

delivery a priority for the country and has done so using a publicly-owned and publicly-operated utility.

Post-revolutionary Tunisia presents STEG with some remarkable new challenges, however, not least of which will be its ability to democratize itself and work out new governance relationships with the state. STEG’s status as a ‘public’ agency may also be in question, as neoliberal actors (internal and external) put pressure on the state to privatize and/or introduce stronger market-based operating principles in the electricity sector.

How these political dynamics will play out in a highly fluid national and regional context remains to be seen. What is clear is that STEG offers fascinating insights not only into the Tunisian revolution, but into the complex nature of corporatization and its ability to adapt (or not) to a more democratized regime.

This chapter provides a brief history of STEG, and reviews the company’s main strengths and weaknesses as a public electricity provider over the past four decades. We summarize the current political transition in the country and its effects on STEG to date, followed by a discussion of (possible) future trajectories for corporatized electricity provision in Tunisia. Our analysis draws on our own extensive research on the electricity sector in the region over the past decade, combined with recent interviews with senior STEG managers, union leaders and regular union members since the January 2011 revolution, as well as representatives of the Department of Industry, funders and international organizations with projects linked to STEG, such as the European Union and the French Development Agency (AFD).

History of STEG

On the eve of independence in 1956, the distribution and production of electricity in Tunisia was in the hands of eight private companies. These companies provided electrical power to an estimated 100,000 urban residents. Total installed power was 100 MW, most of which was provided by the thermal plant of La Goulette (Tunis) and three smaller hydraulic units in the north of the country. The major cities of the centre and south of the country were supplied by diesel generators from dealers with their own distribution and production networks as well as their own tariff systems. This arrangement did not allow for any interregional connection. The provision of electricity was limited to a few hours in the day and to the big cities. It situation was similar for gas, which powered 25,000 customers located in the central part of the capital city.

After Independence, the government established a committee called the Tunisian Company of Electricity and Transport (1958) to oversee the operation of these companies. Four years later they were nationalized and the monopoly over production and distribution entrusted to STEG, a public industrial and commercial utility with legal and financial autonomy. It is currently under the supervision of the Department of Industry.

Tunisian political leaders have always considered electricity to be strategic economically, socially and politically, and set themselves the objective of universal access to all groups and geographical areas (STEG 2009, 30). Electricity has been seen as a touchstone of national development and improved living standards. The fact that this objective has garnered political support from across the country is telling in a context where politics has long been rife with regionalism and ethnic cleavages. In other words, STEG has played a major unifying role in Tunisia and helped to give the post-independence state a national presence.

Three major stages can be identified in the development of STEG. The first corresponds to large investments in the transmission network in the 1960s to connect cities and new industries to a national grid, as well as a standardization of voltage. The second stage, starting in the late 1970s, saw an expansion of electricity to rural areas, initially in agglomerated villages and towns of more than 100 households, and later in the 1990s to sparsely populated areas.

The third phase, since 2000, has been characterized by a slowdown in the connection of new users to the electricity grid and a shift toward gas distribution after large natural gas fields were discovered in the country. The extension of the gas network is now part of a strategy to reduce energy dependency on petroleum from neighbouring countries and to promote the use of this cheaper and more efficient energy source. STEG has prioritized gas distribution to cities with energy-intensive companies.

In 2012, on its 50th anniversary, STEG could be commended for having raised the urban rate of electrification from 21% to 99.5 %, and rural electrification from 6% to 99%. Installed power had reached 3,473 MW in 2010 (from 100 MW in 1962), and STEG now has 30 times more subscribers (3,150,000) than when it began (STEG 2011).

Although the company still holds a monopoly over the transmission and distribution of electricity, production has long been shared with other actors. Already in the 1960s, 12% of electricity produced came from surpluses that industry generated for its own use and sold to STEG – initially a response to STEG’s capacity shortfalls. Today this represents 8% of electricity produced.

Faced with growing energy demand and pressure from foreign actors to privatize, the Tunisian government also conceded a share of production in 1994 to the Carthage Power Company (CPC), which operates as an independent power producer on a 'build, own and operate' basis[3]. CPC provides 25% of the commercial electrical production in the country, on terms that are largely favourable to the private company because STEG commits to providing the gas required for generation and to buy all of the electricity it produces. However, according to the 2011 report of the National Auditor (Cour des Comptes 2011), CPC electricity production has fallen short of what is stipulated by the contract, forcing STEG to operate simple-cycle gas units which are very inefficient, contributing to a loss of over 38 million Tunisian dinar (TND) (approximately 19 million Euros). To make matters worse, the company has not settled for non-compliance with its production commitment, estimated at 14 million TND (Cour des comptes, 2011).

In general, however, STEG has managed to avoid the privatization thrust that affected other parts of the Tunisian economy with the introduction of structural adjustment programmes in the mid-1980s, and the same is true of other large public service companies such as SONEDE (drinking water), ONAS (sanitation) and urban transportation.

Contractualization = Corporatization

During our research for this paper, Tunisian interviewees were generally surprised by the use of the term 'corporatization'; a word which is absent from the vocabulary of reforms in the country. The term that is used is 'contractualization', which refers to a series of contracts signed between a public agency and the state but which nonetheless parallel the definition of corporatization used in this book – i.e. the creation of arm's length publicly-owned and -operated agencies that are financially and managerially ringfenced from the state.

According to Ben Letaeif (1998) the introduction of contracts between the state and public enterprises began in the 1970s and picked up rapidly from 1987 onwards. STEG's contractualization is based on internal targets set for different STEG branches, and external contracts with the state. Jointly defined objectives encourage the autonomy of each branch, with control mechanisms in the form of performance indicators geared towards overall development plan targets.

More importantly, Ben Letaief (1998, 393) argues that contractualization has been used as a way of "inserting public companies into the logic of the market, and alignment of their management with private enterprises that are excessively focused on financial and commercial aspects." In the contract between the state and STEG

[3] Equity in CPC was initially composed of Public Sector Enterprise Group Global from the USA (35%), Marubeni Corporation from Japan (32.5%) and Sithe Energies (based in New York but dependent on Vivendi in France, 32.5%). Source: http://business.highbeam.com/3882/article-1g1-60822964/tunisia-1st-ipp-rades. Today, its shareholders are BTU ventures and Marubeni (http://www.carthagepower.com.tn/actionnaires.php, accessed 24 April, 2012).

for the period covering 1992-1996, for example, objectives assigned to "serving the public" remain vague, with "the search for financial balance…considered a priority objective" (contract 92-96, art. A VI Financial Strategy). The establishment of a policy of cost recovery "making the customer bear the economic cost incurred to the company" is particularly noteworthy, as is "the progressive elimination of preferential rates whose prices are not justified economically" (art. VII-1.1).

According to Ben Letaief (1998, 413), contractualization represents "the state as shareholder", but it has not been seen as a precursor to privatization, as has been the case with corporatization in other countries. In what follows, we analyze the contractualization of STEG and evaluate its performance as a public service provider. Some indicators point to a neoliberal bias, some reveal the organization's authoritarian roots, while others suggest a deep commitment to a broader public good. This seemingly paradoxical combination of values is not easy to explain, but this is the complex reality of corporatization in Tunisia. Understanding it may help sustain and expand progressive public electricity delivery in the country in the future.

Assessing STEG's performance

Access to Electricity

Access to electricity can be seen as a measure of social equity, particularly in geographical terms. Electricity grids often reflect structural inequalities on a national scale between urban and rural areas, and within cities. From this point of view, STEG has an excellent track record, with close to universal electricity access in cities and a connection rate of 99% in the countryside.

Connection of informal urban settlements has also been a strong focus for STEG. Since the 1970s, a strategy for slums has been part of a focus on restoration of older districts and neighbourhoods undertaken by the Agency of Urban Rehabilitation and Renovation (ARRU). STEG has taken part by rehabilitating old distribution networks to connect these households (e.g. Bab Souika-Halfaouine, the old city of Tunis) or by constructing new networks.

Pricing

Social equity can also be assessed in terms of the price of electricity. It is important here to distinguish between connection costs and electricity pricing. Before 2005, connection was billed to the subscriber at a price depending on installed power and distance to the nearest outlet, which was calculated by the number of poles needed to reach the newly connected building. As such it penalized low-consumption, remote households. To remedy this situation, STEG asked people who applied to split connection costs (although some households would still wait for a better-off neighbour to cover the costs of the initial connection before they subscribed).

From 2005, a flat rate pricing was put in place, helping subscribers in peri-urban and dispersed rural areas. However, officials with the STEG union have argued that this system effectively subsidizes developers in urban areas and does not translate into reduced costs for consumers. Indirectly, this new pricing scheme has also encouraged the development of informal settlements near the network, since informal dwellers can share the cost of connections and the state cannot deny them access despite their 'illegal' situation.

The issue of electricity pricing has also been the subject of intense debate in Tunisia. In 2005, a block tariff was introduced for low voltage consumers (65% of domestic subscribers) in an effort to subsidize the poorest households – a model similar to that of the country's water sector. In practice, there are now three levels of pricing based on the amount of electricity used (less than 50kWh, 50-300 kWh, and greater than 300 kWh). Some of these gains are cancelled out by a municipal tax that penalizes small consumers, but an international comparative study based on 2009 rates found STEG's pricing of domestic subscribers to be relatively progressive (General Secretariat UPDEA 2009). It is also interesting to note that electricity pricing appears more equitable than that of water in Tunisia, which is proportionately more expensive in rural areas and for small consumers (Sahtout 2010; Touzi, Barraqué and Treyer 2010).

On the other hand, one area that has drawn complaints is tariff increases. STEG's contract with the government requires tariffs to be cost reflexive – a policy called "vérité des prix" (truth of the price) in French – in an attempt to limit budget deficits. From 2000 to 2010, price increases took place up to twice a year, averaging 5% annually at the same time as consumption has been growing (2% more per subscriber on average) (STEG 2011).[4] The fact that STEG also invoices consumers for the (unpopular) fees for public television channels does not help matters (Turki 2011, 181).

Trade union delegates say that STEG's pricing policy is not progressive enough, arguing that pricing for the upper block of consumption is insufficient, suggesting that industry should pay more.[5] It is also worth noting that subscribers unable to pay their bills receive tough treatment from STEG. After two unpaid bills, and if the amount is higher than 30 TND, an order of disconnection (*coupon de coupure*) is issued. To be reconnected customers must pay the full amount of the bill plus a reconnection fee of 17.70 TND – although in practice local party representatives can deal with this on a

4 Our own calculation according to data from STEG 2011. The rise in consumption comes from the fact that more than 95% of Tunisian households now own a television, against 87% in 1984; 92% own refrigerators (against 49.6%), 57.5% own a washing machine (against 10%) and 14.6% now own an air conditioner (against 0.9%) (STEG household survey, 2009, summary tables provided by STEG for our survey).

5 Interview with STEG's union officials, December 2011.

case by case basis. It is unclear whether the contractualization policy has made enforcement of such rules stricter. Since the revolution, non-payment has grown so sharply (see below) that the government temporarily issued more flexible rules to recover payments without disconnecting.

Participation in decision making

Public consultation is not formalized at STEG but it has taken three forms. First, STEG's board of directors[6] includes union representatives who participate in decision making. On two occasions, the union has threatened to go on strike over partial privatization projects and sub-contracting (to collect unpaid bills and to ink a second concession for a thermal power plant), which led the management of the company to abandon those projects.[7]

Second, although consumer participation is not formal practice, a sales management representative at STEG claims that his department regularly conducts large consumer satisfaction surveys. In addition, customer offices receive complaints and the company's website offers a forum to voice concerns with the service. There also exists a convention with the Organization of Consumers but it was associated with the ruling party under former-President Ben Ali, and was not in a position to act as an effective electricity watchdog.

STEG has therefore opened various channels for communication with end users but this has been done essentially in the spirit of a commercial relationship. STEG has not provided opportunities for deeper citizen engagement in shaping the utility's long-term objectives. Instead, citizen engagement has been ad hoc and highly dependent on the whims and objectives of the ruling party (Chabbi 1999; Legros 2005). Since the end of Ben Ali's regime, consultation is undergoing transformation but it is too early to assess what the outcomes will be.

Relationships with private companies represent STEG's third mode of interaction, with client companies surveyed to measure satisfaction with the service. Large commercial customers in particular are asked to assess their needs and make suggestions for service improvement**.** In the post-revolutionary context, media have uncovered privileges of certain companies close to the regime (e.g. cement plants), and investigations are ongoing.[8] STEG has procedural safeguards against

[6] Composed of nine representatives from various government departments (energy, agriculture, etc.), a state controller, two staff representatives (often from the union) and two members at large.

[7] Interviews with representatives of the union of STEG in December 2011.

[8] Source : interview with the union's delegates, December 2011. Several stories about embezzlement involving relatives of former President Ben Ali in STEG projects have been leaked in the press (African Manager 2012; Tiwinoo 2011).

patronage, but these will also have to be reviewed in light of the political developments of the 'Arab Spring'.

Quality of service

Service quality is a major concern of STEG's and is integrated in its policy of contractualization. Indicators relate to the quality of the electricity service as well as STEG's service to subscribers. The latter is based on customer complaints and comments received via a call centre and website. As for technical performance, data show that the number of incidents per 100 km of network has decreased from 2.55 in 2000 to 1.75 in 2010 (largely caused by exogenous factors such as lightning, birds, etc), although indicators vary significantly from one district to another. Major incidents such as the blackout of 2002 – which interrupted the broadcasting of the World Cup football final – have not been repeated.

Another indicator measures time required to deal with troubleshooting. According to STEG data, time needed varies from one to two hours on average in urban districts, with the best troubleshooting times being 38 minutes (although delays of more than five hours have been recorded in more remote districts). STEG also measures the performance of its distribution network and the satisfaction of its customers by looking at the number of complaints per 10,000 subscribers, which has been in sharp decline and stands roughly at 70, in line with international standards.[9]

STEG estimates that connection delays vary from one week to a month. Data show a degradation of the service between 2002 and 2010 as the connection time increased in some districts: from 17 days up to one month in the north of Tunis; from 10 to 39 days in the north of Sousse; from 12 to 28 days in Kairouan; etc[10]. It appears that this extension of waiting periods is linked to the strong demand in some areas (suburbs of major cities, tourist areas), technical connection problems, and insufficient equipment, some of which has to be imported. In this regard, the National Auditor has criticized STEG on several occasions when it lacked spare parts because of bad planning (Cour des Comptes, 2011).

Financial efficiency

STEG's supervisory authorities (Directorate of Energy, Department of Industry and Mining Resources) monitor its financial efficiency closely, as do donors and funding agencies. Two major objectives are assigned to the company (Tunisian Republic 2010, 13):

- Take appropriate measures to enable the company to achieve positive financial results and to self-finance the investment programs of the sector;

[9] STEG, Department of Audit (Contrôle de gestion), data nicely computed at our request, march 2012.

[10] Idem.

- Take the necessary measures to enable the company to reach the required levels of financial ratios and to attract external funding.

Among the main demands is optimization of fuel consumption, which accounts for roughly 75% of the cost of electricity production for STEG. Thus, the company has been transitioning to technologies of combined cycle power plants, which are more efficient. This change has not come as fast as expected however. The 2011 report of the National Auditors pointed out several problems in this regard. While STEG planned to establish two simple-cycle units in Ghannouch (Gabes) and in Sousse starting in 2005, major delays raised costs significantly and blocked the transition to cleaner energy. At the Ghannouch plant works were delayed until 2011, while dead-end negotiations with private partners forced STEG to sign contracts for the establishment of two gas units even though gas consumption would amount to double the energy needed to operate simple cycle units, thereby defeating the optimization purpose. Delays have also been recorded with regard to wind turbine installation due to opposition from expropriated landowners (Cour des Comptes 2011).

More recently, fuel price hikes have prompted STEG to request tariff adjustments from the government. Indeed, under the terms of the contract the state has to compensate for the gap between the cost of production and the selling price by earmarking operating subsidies for the public utility. But despite such subsidies STEG experienced recurring deficits in 2007, 2008, 2010 and 2011. STEG is now forced to look for sources of energy with more stable prices, such as nuclear power, which may be installed by 2023[11], and renewable energies, which are already being developed. In both cases, production costs would appear to be higher than current costs to STEG, thanks to gas subsidies from the state.

Despite these concerns, STEG is recognized by international donors as rigorous in its management and control of debt. State guarantees for STEG also allow it to access sovereign borrowing rates. Its principal lenders are the European Investment Bank, the Arab Fund for Development, the African Development Bank, and the French Development Agency, often in the form of co-financing.

Despite a generally positive assessment of the financial management of STEG, funders do point to some shortcomings in the internal financial information system that make it difficult to analyze performance by sector (gas and electricity) or by

[11] The nuclear project is still being assessed, despite the recent Japan nuclear disaster. Since the revolution, a debate has been underway in the press: see for instance Sghaïer, Malak. 2011 march 26, « Le nucléaire est il encore une alternative attrayante pour la Tunisie? » La Presse de Tunisie,. http://www.lapresse.tn/25032011/25464/le-nucleaire-est-il-encore-une-alternative-attrayante-pour-la-tunisie.html. And « La question énergétique en Tunisie », Blog de l'association Cahiers de la Liberté, 28/8/2011, < http://cahiersdelaliberte.org/blog/?p=293 > (consultation le 21 décembre 2011)

branch.[12] Funders are also pushing for greater correspondence between costs and prices, and are concerned with the suspension of the tariff adjustment policy that came with the revolution (more on this below).

Accountability

There are no clear laws in Tunisia defining the type of data that public utilities must provide or the form of public consultation they should offer. The public can access information on STEG's activities (including from its website), and its contract requires the publication of annual reports, including its financial situation (costs, profits and losses), but much of this data is in summary format requiring strong technical and accounting skills to understand, and internet access is not widespread in the country. STEG is no different than other major Tunisian public companies in this regard, however.

Quality of workplace

As of 2010, STEG employed approximately 9,200 employees, which was set to expand to 12,000 by the end of 2012, making it one of the largest Tunisian companies, public or private. Before 2011 there had been a slight decrease in the number of employees, even though production and demand were increasing.

The profile of employees has changed in recent years as well, with more staff having qualifications for the "maîtrise"[13] level (currently at about 56%), reflecting the increasing need for qualified personnel. A significant decline in the number of lower-skill employees, on the other hand, reflects a process of outsourcing of certain tasks (e.g. security, cleaning). There are still very few women employed (14.3%, much lower than the national employment average of 25% for 2011) and they mostly occupy administrative positions (STEG 2011).

Employment in STEG promises good pay in comparison to other sectors in Tunisia, and good job security. Remuneration is set by a salary scale and raises are based on seniority and collective agreements. In 2007-2010, the annual salary increases were between 5-7.5% while inflation stood at 3-4% (STEG 2011). There exists a system of performance bonus which represents a maximum of two months' salary. It is unclear when it was introduced and how it is actually assigned.

There are also professional development opportunities in the form of training, benefiting some 4,500 staff in 2010, and STEG offers social benefits such as medical

[12] Interviews with several funders representatives, Tunis, September 2011. The National Auditor also recognizes such shortcomings (Cour des Comptes 2011).

[13] The workforce is divided in three categories : workers, "maîtrise" (supervisory staff) and executives.

coverage and free electricity (10,000 kWh per year for executives and 5,400 kWh per year for other workers, which is set to be raised[14]).

After the Revolution

The 2011 Tunisian revolution has forced radical changes on STEG. The new government and the Tunisian population are demanding more transparency, challenging the company's technocratic model of operation. In some cases, mistrust has led to refusals of payment. More broadly, in a context of requests for greater social justice and redistribution, Tunisian public companies, including STEG, are being asked by the state to contribute more to progressive change, breaking with the rigours of the past. These changes raise questions about the sustainability of the autocratic and heavily subsidized growth model that has characterized STEG until now.

Financial turmoil and new charges

Even before the revolution, STEG was facing increasing non-payment of bills, but this has risen dramatically since January 2011. In the first month following the revolution, an estimated 25% of users were refusing to pay.[15] Despite a gradual regularization of the situation, unpaid sums amounted to 304 million TND in 2011 (compared to 160 million TND in 2010) accounting for 12% of revenues (Kapitalis 2011; STEG 2012).

According to one STEG official, 44% of unpaid sums are from households (Kapitalis 2011). STEG's trade union, however, blames other state actors for losses, arguing that unpaid bills from municipalities account for 63% of lost revenue, against just 15% for households.[16] It has also become evident in the post-revolutionary era that favours were granted to the members of the ruling clan, including the Presidency[17]. This information – partly true and partly exaggerated – has fed into public mistrust of STEG. Conversely, there is also a fear from some commentators that warn of a possible deterioration in the performance of the company, in a scenario "à la Libanaise" where power would no longer be available at all times (Moalla-Fetini 2011).

Whatever the reasons, unpaid bills have weakened the company's financial position, particularly in light of rising production costs due to global fuel price hikes. There has

[14] Interview with several STEG's representatives, September 23, 2011. Such quantities oversize by large the average consumption.

[15] Interviews with STEG's high ranking executives, April and September 2011.

[16] Interview with the delegates of the union of the company, 22/12/2011.

[17] See African Manager 2011 ; Tiwinoo 2012.

also been no tariff increase since July 2010.[18] Government has granted STEG heavy subsidies to compensate for both unpaid sums and rising production costs but these do not completely cover the deficit nor guarantee future sustainability.

Regardless, the general public continues to ask for lower electricity rates. In this context, both the electricity union and management have indicated that they would like to eliminate the invoice's flat taxes to help consumers better understand the actual real price of electricity. A general price rise appears excluded for the moment.

The revolution has also introduced significant changes in human resource management policy at STEG. In an effort to fight unemployment, the new government has tasked all public companies with hiring new graduates. According to figures from September 2011, 700 new recruitments had been completed at STEG after the change in government, especially in executive positions. In addition, employees previously involved in sub-contracting are being reinstated as STEG employees. This process is on-going and aims to create 1200 administrative jobs for young graduates at middle and senior levels, and some 2000 lower-skilled positions such as cleaners and security guards. It is anticipated that total staff levels will reach some 15,000 people by the end of 2013, but it is unclear how the new payroll and parallel reduction in subcontracting will affect the budget.

Evolution of political attitudes toward STEG

A second major question raised by the new political context is that of a possible change in the government's position with regard to the public status of STEG. According to some analysts this is not a concern, with the Tunisian revolution seen as a reaction against neoliberal policies imposed by international institutions (Hibou 2011). Most company executives[19] seem opposed to privatization, with one senior official noting that, in the short term at least, "government will not let the bird go before knowing how to control it because after that you cannot catch it".[20] The STEG union reaffirmed its opposition to privatization in its union assembly in March 2012, and an anti-privatization stance has also been taken up by the General Union of Tunisian Workers (UGTT), which emerged as a major political force in the social struggles of 2011.

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[18] A 2% increase for residential consumers and 8% for commercial and industrial ones has been implemented in September 2012 (Business News, 2012).

[19] Out of 10 senior executives we met for interviews, none seemed to back the idea of privatization. Only a high ranking executive at the General Directorate of Energy mentioned the usefulness of privatization although he noted that the current experience with CPP in Rades was not fully convincing.

[20] Abdelmoumen Ferchichi, Director of Electricity, Gas and Energy Efficiency, General Directorate of Energy, Ministry of Industry and Technology (formerly Industry and Commerce), interview, 22/12/2011.

However, some observers argue that if the current government does not develop an explicit position on public versus private ownership of public utilities, there is a chance that Islamists and reformist parties might not be hostile to liberalization policies. In August 2012, following power cuts which disrupted water supply in several regions and indirectly caused one casualty in a hospital lacking alternative power, the Prime Minister made harsh comments about the management of STEG. It fuelled a controversy between the union and the government about its alleged will to privatize the utility (Colonna Waleski 2012; Espace Manager 2012; Tunisie Numérique 2012). Furthermore, aid conditionality could force a change in management style for public companies, particularly if the deficit continues to grow.

One area where privatization is *de facto* on the agenda is with renewables. STEG had to accept the decision of the Ministry of Industry and Commerce to create a renewable energy subsidiary (STEG-ER) in May 2010, of which it only owns a 35% share, while the other shareholders are private industrial companies, consulting firms and banks. STEG-ER can study, build and operate wind farms or solar plants and is responsible for the implementation of the Tunisian solar plan, beginning with the planned construction, with the assistance of the Japanese government, of a concentrated solar plant in the Tunisian south (El Borma). Furthermore, a 2009 law on energy management authorizes and encourages the self-production of electricity from renewable energy by industrials, and requires STEG to buy back their surplus[21]. However, no such project has been implemented to date, due to flaws in the regulation's design and lack of financial incentives according to representatives of the National Agency for Energy Management and from the GIZ.[22] In 2012, new measures were under study to ease the implementation of renewable project, including small Independent Power Producers.

As a result, energy diversification has involved the liberalization of the electricity sector and the emergence of private actors competing with STEG. On-going projects such as the Desertec Project and the Mediterranean Solar Plan reinforce pressures in this direction (Moisseron 2010). The upcoming construction of new power plants (thermal or wind turbines) and a high-voltage power line from Cap Bon to Italy, to supply the Italian market, will require STEG to adjust over the longer term as well – even if negotiations are currently at a standstill.

Toward more decentralized and participatory governance?

STEG, as with all public Tunisian companies, is characterized by centralized technocratic management. As mentioned previously, users have no role in decisions on major developments in the company. But with the revolution came renewed pressure for transparency, and investigations into a number of scandals and cases of

[21] Bylaw 2009-2273 on the 28th of September 2009 on the tariff of transporting and buying electricity.

[22] Interviews in Tunis, 6-7 December 2012.

bad management. The public debate around the new constitution also featured arguments in favour of greater decentralization, particularly regarding policy planning and regional development. But to date these requests have not been addressed by the members of the Constituent Assembly. In sum, no concrete proposals addressing the sectorial management of public utilities have been issued and are not set to be on the agenda for some time.

Reflections and Lessons Learned

Since its creation, STEG has operated as an autonomous public company. Since the early 1990s, the relations between STEG and the state were defined by a contractual agreement that incorporated some measures associated with corporatization, particularly by emphasizing demands of cost reduction and financial efficiency. This policy has been accompanied by the privatization of certain activities, most importantly electricity generation.

Overall, STEG's performance is satisfactory, particular in a regional context. STEG has managed to meet set objectives, most notably the near universalization of access, including poor urban neighbourhoods and rural areas. STEG has also managed to meet growing energy demand of households and industry, and was able to secure international funding at an affordable rate thanks to its solid financial management and state backing**.** Electricity tariffs have remained relatively cheap, responding to social development needs and making the country more attractive for industry. Finally, lacking local fossil fuels and with rising global fuel prices, Tunisia has put in place a policy to control energy consumption and to diversify toward renewable energies. The fact that the Tunisian revolution has not generated widespread demands for improved access to infrastructure, and in particular to electricity and gas, points to STEG's overall good performance**.**

Three main factors may explain the utility's success. First, there exists a relatively strong public ethos in Tunisian service utilities, despite the fact that companies such as STEG have been pursuing efficiency through new management techniques such as greater flexibility and financial autonomy of branches. A culture of technological innovation has enabled them to cope with the challenges of extending the network across the territory and improving energy efficiency. Importantly, these management changes have been made without just blindly replicating logics from the private sector (individualization of remuneration, performance incentives for executives, etc). The contractualization policy has helped STEG meet its financial objectives and allowed the identification of performance indicators that it can use to justify subsidies for the development of certain technologies or unprofitable investments (such as the electrification of rural areas).

To be quoted as : Bennasr, A. & Verdeil, É., 2014. An 'Arab Spring' for Corporatization? Tunisia's National Electricity Company (STEG). In D. MacDonald, ed. *Rethinking Corporatization: Public Utilities in the Global South*. London/New York: Zed Books Ltd, p. 88-106.

Second, contractractualization has preserved the economic and social development objectives of the company. Staff are proud to belong to a company dedicated to social progress. To be sure, STEG has not been immune to vested interest groups close to the former regime (some corrupt, some more noble, such as implementing presidential programs in poor urban or rural areas thereby contributing to legitimizing the dictatorial regime of Ben Ali) but at least the company seems to have offered resistance to privatization projects and sub-contracting that would have directly benefitted Ben Ali's clan, as happened in other economic sectors in the country (Hibou 2006).

Third, STEG's overarching objective was initially to foster national integration and social cohesion in the name of development. The state gave STEG the means of achieving its objectives, particularly for network development programs in the informal rural and urban areas, as well as through very substantial subsidies on the price of gas and on tariffs. By making the electricity tariff a major political issue, the state shielded STEG from criticism on that front.

The strict financial management policy followed by STEG until 2011 had, however, resulted in a significant casualization of employment for groups of less qualified workers that are now sub-contracted. This situation has led to a sharp polarization within the workforce. But the situation has now changed, with STEG having agreed to regularize the situation of contractual workers and sub-contractors by integrating them within the company at the request of the post-revolutionary government. It is yet to be seen how this process will unfold and whether it will impact on the efficiency of the company.

What is more problematic is the continuing heavy reliance on direct and indirect subsidies from the state, which has increased further due to spiking fuel prices and problems with non-payment of bills since the revolution. To date, the state's plan to alter its policy of subsidizing electricity is to push towards more renewable energies. Pressures from international financial institutions could radicalize that trend via private sector participation. Debates also continue regarding the best ways to target social pricing, with the risk of fuelling tensions among socio-economic groups, as has been the case with pricing policies in the water sector (Touzi, Barraqué et Treyer. 2010).

Tunisian citizens tend to overlook the technical performance behind STEG's historical success, and are quick to point to its mistakes. One challenge therefore is to raise public awareness of the conditions that make possible fair and equal electricity services. In a context where these conditions are rapidly changing, STEG will have to involve citizens in redefining these objectives.

To be quoted as : Bennasr, A. & Verdeil, É., 2014. An ‘Arab Spring’ for Corporatization? Tunisia’s National Electricity Company (STEG). In D. MacDonald, ed. *Rethinking Corporatization: Public Utilities in the Global South*. London/New York: Zed Books Ltd, p. 88-106.

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