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PUBLIC DEBT, PRIVATE PROFITS:

FINANCING AN UNJUST ENERGY TRANSITION IN TUNISIA

Tunisia is experiencing a major energy crisis. A net energy importer since 2001, it has seen its energy self-sufficiency rate plummet from 81 per cent in 2010 to just 41 per cent in 2024. The energy trade deficit accounts for nearly 56 per cent of its overall trade deficit, with substantial energy imports depleting foreign exchange reserves and fuelling the depreciation of the dinar. At the same time, its energy demand continues to grow, with forecasts showing that, between now and 2030, demand for electricity in Tunisia is expected to increase at an average annual rate of 3.2 per cent compared to 2019. It is against this background that Tunisia has committed to reducing its carbon intensity by 45 per cent by 2030 compared to the level in 2010.

Constrained by public debt exceeding 80 per cent of GDP and a chronic budget deficit, Tunisia has seen its public investment capacity plummet to the ground. Multilateral development banks (MDBs) have become indispensable, accounting for 61 per cent of Tunisia's external debt and constituting a major source of financing for the energy transition. Between 2015 and 2023, more than US$2.5 billion was invested in the energy sector by MDBs – mainly the World Bank, the EBRD and the EIB[1].

The situation is nonetheless alarming. Despite these sizeable investments, renewable energies only account for three per cent of Tunisia's electricity mix. More worrying still is the fundamentally questionable approach favoured by MDBs: systematic privatisation, concessions to foreign companies, the sidelining of the public sector. Far from promoting a just energy transition, this pathway threatens jobs, weakens energy sovereignty and rehashes neoliberal policies that have already failed.

This study, commissioned by the International Trade Union Confederation, analyses the impact of MDBs in the Tunisian energy sector. Its aim is twofold: to inform trade unionists, so that they can develop an effective strategy, and call on MDBs to rethink their approach. This report demonstrates that MDBs are replicating the failed neoliberal policies of the 1990s in Tunisia, under the guise of green transition this time round. This 'green structural adjustment' privatises profits, socialises debt, and betrays all promise of climate justice. In light of this sham, we are calling for the creation of a public, democratic and fair alternative that increases the country's energy sovereignty.

[1] EBRD: European Bank for Reconstruction and Development; EIB: European Investment Bank

A. MAP OF INVESTMENTS

Between 2015 and 2023, over $2.5 billion was invested in Tunisia's energy sector by MDBs, mainly through EBRD and EIB, as well as the World Bank, African Development Bank and International Finance Corporation. More than a quarter of this funding targeted the STEG, the public company in charge of electricity and gas infrastructure.

These investments have been focused on two clear components of the MDBs' strategy: the restructuring of the STEG and the ELMED project. The first is aimed at limiting the role of the public company and encouraging private-sector production, while the second perpetuates the country's energy dependence, under the guise of regional integration. Together, they exemplify a green extractivism model at the service of foreign interests.

The EBRD, the institution most active in financing renewable energy in Tunisia, perfectly embodies this approach. Its portfolio reveals a clear strategy: systematic privatisation, concessions to foreign companies, sidelining of the public sector. Analysis of its investments provides a clear understanding of the MDBs' overall rationale.

1. PRIVATISATION POLICIES TARGETING THE STEG

The STEG is in the grip of an alarming structural crisis. The state-owned company has a chronic financial deficit, due in part to the state's failure to reimburse the subsidies granted by the STEG, the loss of preferential pricing for the purchase of gas from the Tunisian Petroleum Activities Company (ETAP), and energy losses on its grid.

The STEG has resorted to imports to avoid power cuts amid the growing demand for energy and the lack of investment in developing national capacity, which has contributed to its over-indebtedness. In 2022, the STEG's estimated debt ratio was 110 per cent.

In 2020, the EBRD invested €300 million in the financial stabilisation and strengthening of the STEG, based on a restructuring strategy aimed at limiting its activities to energy supply and distribution, excluding it from production, and systematically privatising renewable energies. Another focus of the EBRD has been the financing of small private solar power plants (10-100 MW) developed exclusively by foreign investors:

Projet	Capacity	Operator	Nationality	EBRD financing	Date
SCATEC Tozeur	50 MW	SCATEC/Toyota	Norway/Japan	15 M€	2022
SCATEC Sidi Bouzid Mezzouna	50 MW	SCATEC/Toyota	Norway/Japan	15 M€	2022
Qair Feriana A	10 MW	Qair International	France	3,9 M€	2024
Qair Feriana B	10 MW	Qair International	France	3,9 M€	2024
SCATEC Sidi Bouzid R2	100 MW	SCATEC/Toyota	Norway/Japan	32 M€	2025

These projects operate under long-term concession agreements. Tunisia is financing its transition through public debt via MDBs, while the economic benefits are privatised and outsourced. Foreign companies are exploiting Tunisia's solar resources, the STEG is buying the electricity produced, and the profits are leaving the country.

At the same time, MDBs are imposing financial restructuring on the STEG by eliminating tariff subsidies and reducing the public company's expenditure, which often implies a reduction in the wage bill. The result is a double penalty: workers lose their jobs and citizens pay more for energy.

2. THE ELMED PROJECT: NEW ENERGY DEPENDENCY

The ELMED project illustrates the gap between the MDBs' rhetoric and the reality of their interventions. It involves a 200 km high-voltage direct current submarine cable connecting Tunisia and Italy, with a capacity of 600 MW. The project, with a total cost of €211 million, is co-financed by the EBRD (€45 million), the World Bank, the EIB, Germany's KfW and the European Union. It is scheduled to be operational by 2028.

The MDBs present ELMED as a project for the 'integration and cross-border exchange' of renewable electricity. According to this pitch, ELMED should secure Tunisia's short-term supply (with imports possible in the event of peak demand) and, in the long term, provide an outlet for exporting Tunisia's surplus renewable electricity to Italy and Europe.

The figures, however, contradict this narrative. How can a country that imports more than two-thirds of its energy needs and struggles to meet local demand possibly export electricity? IRENA[2] forecasts for 2040 reveal the true direction of the flows: Tunisian exports to Italy are estimated at 649 GWh, compared to Tunisian imports from Italy of 3,496 GWh. The ratio is 1 to 5.

ELMED is therefore not a mutual exchange project but a project for imports from Italy. It enables Italy to secure an outlet for its surplus electricity while creating a new source of energy dependency for Tunisia. Tunisia is taking on debt to finance infrastructure that will mainly serve Italian and European interests.

This lack of strategic alignment is reflected across the board in the policy of exploiting resources for the energy transition. Green hydrogen is a telling example. Tunisia's national strategy, part financed by the EBRD and the EIB, aims to export 6.3 million tonnes to the EU by 2050. Developed without a participatory approach, the strategy disregards the impacts of the necessary desalination on coastal communities, the land and the marine ecosystem. Tunisian resources are being mobilised to fuel Europe's energy transition.

[2] International Renewable Energy Agency

B. THE DEAD-END MDB PATHWAY: THE NEED FOR A PUBLIC ALTERNATIVE

The approach taken by the MDBs in Tunisia presents a fundamental contradiction: while claiming to finance the energy transition, their strategic choices – systematic privatisation, exclusion of the public sector, liberalisation – are producing the exact opposite of the results expected. This is no accident: it is the product of an ideological approach that puts the market before the public interest, disregarding the lessons of the past and the realities on the ground in Tunisia.

1. STATEMENT OF FAILURE: PITIFUL RESULTS AND INADEQUATE FUNDING

Despite the $2.5 billion invested between 2015 and 2023, renewable energies account for just three per cent of Tunisia's electricity mix, compared with 18.2 per cent in Morocco. The 2020 target in terms of renewable energy capacity was missed (1,084 MW achieved against a target of 1,225 MW) and Tunisia's energy transition readiness score remains low (42.6 per cent in 2024).

While the MDBs present privatisation as the driver for transition, this approach is not attracting the capital promised. Foreign direct investment in energy is falling, going from 970 million dinars in 2015 (41 per cent of total FDI) to 479 million in 2023 (20 per cent of the total). The climate financing allocated to Tunisia remains woefully inadequate: US$2.3 billion pledged, that is, less than 20 per cent of the US$11.6 billion required according to its NDCs[3]. These amounts are modest compared to the neighbouring countries in the MENA region. Tunisia is also struggling to access multilateral climate funds (GEF, GCF, CIF), which offer concessional terms.

2. ENERGY EXPANSION SERVING FOREIGN INTERESTS

Given the slow pace of renewable energy development and the growth in 'energy expansion', we are seeing simultaneous increases in all forms of energy, with no real reduction in fossil fuels. MDBs are not genuinely financing the energy transition; they are driving a neoliberal restructuring of the sector to benefit foreign interests, under the guise of a green transition.

Limited employment prospects

MDB energy projects do not create sustainable jobs, as they do nothing to develop local value chains. The SCATEC projects (50 MW) financed by the EBRD, for example, only create 300 temporary construction jobs. Economic modelling studies show that the job losses in public units will far exceed the expected job growth in the private renewable energy sector.

This job destruction is taking place without any form of safety net or professional integration programme. Training provision remains inadequate (14 per cent of young people are in vocational training, compared with an OECD average of 44 per cent). The lack of reskilling programmes or social protection mechanisms to support workers in the transition undermines the prospect of a just transition.

Tunisian actors excluded and profits captured by foreign companies

The model promoted by the MDBs systematically excludes Tunisian actors. Not one out of the five solar projects financed by the EBRD involves Tunisian companies as the primary operators. All have been entrusted to private foreign producers under concession agreements. There is no technical justification for this exclusion: the STEG has demonstrated its expertise with the wind power projects in Tozeur. It is a reflection, rather, of an ideological choice made by the MDBs at the

[3] Nationally determined contributions: national climate commitments defined by the states themselves under the Paris Agreement. Tunisia updated its targets in 2021.

expense of public capacity development. As a result, MDBs finance projects that neither transfer technology nor expertise. Tunisia is financing its energy transition through public debt, but the economic benefits – profits, skilled jobs, technology transfer – are captured by foreign companies. This approach perpetuates technological and economic dependence, undermining the development of a national industrial sector.

3. THE RETURN OF FREE-MARKET RECIPES

MDBs' current climate policies are a rehash of the liberalisation and privatisation (L&P) measures promoted in the electricity sector in the 1990s and 2000s. Back then, it was argued that restructuring public enterprises would lead to greater efficiency and private sector growth. Experience has shown the contrary, including in Tunisia, where L&P led to massive job losses, poorer working conditions, and an end to the social contract[4].

Today, MDBs are applying exactly the same logic under the 'energy transition' label, by privatising green projects, granting concessions to foreign companies, weakening the public sector, and restructuring the STEG. What was previously presented as 'economic modernisation' is now being sold as a 'green transition'.

4. THE NEED FOR A PUBLIC ALTERNATIVE

With the failure of the privatisation model, the urgent need for a public alternative is increasingly clear. The lessons from Europe confirm this: even within the EU, the limited successes in renewable energy development have been achieved through government support and non-market agreements, not through liberalisation mechanisms.

Rather than repeating failed liberalisation measures under a new green label, urgent action is needed to develop a public, democratic and socially responsible approach that draws on the STEG's expertise and builds its capacity to develop and implement renewable energy projects. This approach must place energy sovereignty, decent employment and social dialogue at the heart of the transition. It must build on the STEG's achievements, develop a national industrial value chain, create decent, sustainable jobs, and ensure that workers are involved as stakeholders in strategic decision-making[5].

4 Structural adjustment programmes in 1986 and 1995.

5 Ben Ammar, I. (2022). (rep.). Towards a just energy transition in Tunisia. Retrieved 2025, from https://www.tni.org/files/2023-01/energy_democracy_tunisia_web.pdf.

C. RECOMMENDATIONS

MDBs are replicating the logic of structural adjustment in Tunisia with a 'green' label, granting concessions to foreign companies and sidelining the public sector. This approach is threatening the viability of the STEG, heightening energy insecurity and undermining any prospect of a just transition. An alternative is both possible and necessary. It rests on the following principles:

1. PLACE SOCIAL DIALOGUE AT THE CENTRE OF FINANCING STRATEGIES

The energy transition requires stronger governance and transparency, as well as the promotion of responsible energy citizenship. Social dialogue must be placed at the heart of this process. MDBs must make their financing conditional on respect for this fundamental principle. MDBs can also support the creation of tripartite mechanisms such as a National Council for a Just Transition and regional social dialogue platforms.

2. SHIFT THE FOCUS ONTO ENERGY SOVEREIGNTY IN TUNISIA

The approach taken by MDBs should be in line with national strategies, including the NDCs and energy strategies, and should finance the development of national institutional capacities. The energy transition should promote industrial development through technology transfer and the development of a green value chain in Tunisia. Regional integration is also essential, to reduce inequalities and ensure local benefits (local employment, reinvestment).

3. ADOPT A TRIPARTITE PPP APPROACH LED BY THE STEG

Given the energy and economic challenges facing Tunisia, the structural model best suited to the context would be a public-private partnership led by the STEG, with a clearly defined role for the private sector. This PPP would bring together the STEG, the Tunisian private sector and local banks, as well as foreign independent power producers with a strong commitment to technology transfer and reinvestment. This type of arrangement requires detailed social dialogue involving all the stakeholders.

4. GUARANTEE SOCIAL PROTECTION AND DECENT WORK IN ALL PROJECTS

To ensure a just and inclusive energy transition that protects workers while developing the skills needed for the transition to succeed, the approach taken by MDBs must incorporate the following priorities:

- The creation of financing mechanisms to support workers affected by the transition (retraining allowances, unemployment benefits, compensation).
- The systematic inclusion of binding social clauses that guarantee decent work in all the projects financed and promote the development of sustainable jobs throughout the value chain (local production of equipment, maintenance, component manufacturing).
- The introduction of green skills training plans, including on-the-job training, reskilling and upskilling.
- The development of a sector-specific collective agreement for green industries.

5. MAKE ENERGY EFFICIENCY A CORNERSTONE OF THE TRANSITION

The public pathway approach must prioritise energy efficiency throughout the value chain, considering it a key component of public policy development and the energy transition itself.

6. SPEED UP ACCESS TO MULTILATERAL CLIMATE FUNDS

Strengthen institutional, technical and financial capacities to speed up the accreditation of Tunisian institutions with the Green Climate Fund (GCF), prioritise access to concessional financing, and develop an effective knowledge management strategy within the national financial system.

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