

CPG good governance toolkit (Executive summary)

The Gafsa Phosphates Company (CPG) is Tunisia's State Mining Enterprise. It contributed to about 4% of the national GDP during the periods of high production before the 2011 Revolution. Today, it is strongly constrained by the weight of the social and environmental considerations. The company was negatively affected by post-revolutionary economic and social pressures, resulting in the halving of its marketable phosphate production and significantly affecting its financials and market share. CPG is the object of the occasional or periodic attention of the supervisory institutions in order to ensure the effectiveness of its management and the equitable distribution of income generated by its activities. The new constitutional values have reinforced the principles of transparency and accountability, ending decades of informational opacity in the mining sector.

This report presents the Governance and Performance System of CPG and evaluates it according to [NRGI-recommended](#) principles of good governance practices as applied to extractive companies and to the recommendations of the Integrity and Governance Guide for Public Enterprises Tunisian drafted by IACE (Arab Institute of the Heads of Enterprises). Much of the information was gathered from a literature review of various GCP publications available to the public and, to a lesser extent, from a questionnaire specifically designed for this project and administered to CPG officials.

The analysis of CPG's governance system highlights several legal, organizational and governance limitations. For instance, the SOE shares an Administration Council, general management and a sales department with the Tunisian Chemical Group (GCT), a chemical company belonging to the same Group GC-GCT. The joint management of these two entities makes it difficult to define and delineate the responsibilities of their heads. Very little information is provided by the SOE to evaluate its economic performance, be it information on the terms of mining rights, or financial and budgetary information. CPG's financial statements have never been made public although their publication is required by law. This lack of transparency is accentuated by the Mining Decree of 1953 and the Mining Code, which

do not stipulate the publication of the terms of contracts concluded for the research and extraction of phosphates in Tunisia.¹

The work of oversight mechanisms also suffers from lack of transparency given the lack of public information on the composition and functioning of the Board of Directors and the committees attached to it. Information on the work and reports of internal and external auditors is also very limited. Additionally, there are several questions about the management and governance practices of CPG's subsidiaries, which were created for the most part with the sole objective of appeasing a tense post-revolutionary social climate.

The diagnosis of the CPG governance system allowed the authors to propose a number of recommendations to improve current practices. In particular, it is recommended to strengthen **the culture of good governance** within CPG by raising awareness and training staff at all levels on the matter. It is recommended, in this context, to create a governance unit whose objective is to promote transparency, good governance and the fight against corruption.

It is also recommended that the CPG **reinforces the role of the Board of Directors** by appointing to it independent directors, local government and civil society. These measures will strengthen governance by cementing the strategic and supervisory role of the board, whose entire range of responsibilities and responsibilities could be clarified in a code (or charter) dedicated to this purpose.

The CPG is also called upon to **strengthen accountability by improving its reporting practices**. It is therefore desirable to publish various budgetary and financial information on CPG's website or the Open Data portal. It is also essential to report on tax and non-tax revenue, quasi-fiscal activities and transfers to the State.

The CPG should also **improve the governance of its subsidiaries** by introducing appropriate control and reporting systems that would ensure the effective management of these entities and verify their compliance with the parent company's profitability and competitiveness objectives.

All of these recommendations would be perfectly conceivable in the context of **active program contracts² within CPG and its subsidiaries**, which will contain the social objectives, expected performance and strategic plans for optimizing the management of resources.

¹ Since the time of writing, CPG has published mining contracts on a government open data website <http://opendata.interieur.gov.tn/fr/>. The contracts are also being annotated on resourcecontracts.com

² The State sets the overall objectives for public bodies under contract-programs. They are a strategic tool that governs the state's relations with the organizations under its supervisory authority. It defines, in particular, the strategic orientations of the organization and the public service obligations incumbent upon it and the procedures for their implementation.