Out of Coverage

Politics, Corruption and Lack of Transparency in the Telecommunication Sector in Sudan

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Sudan Democracy First Group (SDFG) was formed as an umbrella group of leading Sudanese independent and democratic civil society and media actors to serve as a civil society and think tank that conduct indigenous research, analysis and advocacy on human rights, development, peace and democratic transformation in Sudan.

SDFG launched the Sudan Transparency Initiative (STI) Project in March 2015 to investigate, analyze, document and disseminate credible and reliable information about the scope and scale of corruption and lack of transparency in Sudan. The overarching objective of the project is to raise awareness, promote accountability and resistance and spur grassroots anti-corruption movements in Sudan. One of the components of the project is to commission expert consultants to thoroughly research and report on corruption and lack of transparency in specific key sectors. The telecommunication sector receives considerable attention and controversy both in government circles as well as the public arena. This report is an attempt to shed light on the intricate and multifaceted structure of this sector.

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Preface:
Overview: the importance and function of the telecommunication sector:
The objective and function of telecommunication is to maximize the benefits of scarce resources, especially in developing countries, by facilitating business, reducing costs and enhancing efficiency of production and service industries to make them competitive in the global markets. There are other equally important objectives such as scientific research, free media and social networking.

Telecommunications is a service sector, like education and health. It is considered one of the most important pillars of modern business and is necessary to create ample job opportunities. However, the rise of any economy depends mainly on production, i.e., sectors, companies and institutions producing goods and commodities, which constitute the bones of an economy. Services, however, make up the nerves, so to speak, keeping the structure together and providing it with necessary strength to operate efficiently. When the telecom sector overrides other productive sectors, it is considered a sign of an unhealthy economy, taking into account that services are provided locally and their primary role is to support and improve production, rather than be exported in the case of developing countries. Domestic production whose comparative advantage makes it marketable globally enables the purchase of basic goods and services such as educational, military, and medical services and simple software products.

Using the telecom sector as the primary resource for the government’s coffers by levying direct taxes on phone calls and business profits makes this sector a real burden on both the citizen and overall production costs. The value-added tax (VAT) on telecommunication services has

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Although the growth of the telecommunications sector in Sudan is indicative of increasing globalization and openness, its benefits cannot be achieved without offering consumers a fair chance to choose, be it at the level of phone calls or data service. In this respect, two opposing views present themselves. Economically, the consumer acts according to the quality and price of the service and may not care whether the provider is a national or foreign company. The government, on the other hand, focuses on increasing revenue from telecommunication services in order to meet its expenditures on development and other things. The former could be called an “economic logic” and the latter a “political logic.” A sparring between these two positions comes up at times of crisis, which requires insight from the service regulator in each country.

On the other hand, the nature of the telecommunications sector and technological devices is such that it can generate a profound knowledge of its customers: individuals, institutions and companies share dizzying details through telecommunication. This reality invites the attention of the security sector, especially state security. This reality underpins various arguments about whether the sector should be publicly or privately run.

Experiences of other countries range from absolute control of the sector by the state to a mixed system allowing private business activities with the state acting as a regulator. Other countries have turned away from regulation, in line with the laissez faire model of free markets aiming to enable markets to keep up and compete freely. Although such models can function in a healthy political system, it is wishful thinking to have them under the grip of a security state, where lack of democracy, repression and protection of corruption reign. Since Sudan has been under totalitarian military rule since 1989, talking about what the sector should ideally be is as useless as the
system is abnormal. Having said that, many conflicts and controversies in this sector are resolved by administrative political decisions rather than laws.

A fundamental point must not be blurred to the nimble reader, which that the use of words like “security” and “national” form part of a rhetoric of deliberate disinformation. We must realize that “security” is intended primarily to mean the security of the regime, rather than the security of the nation. Such expressions are meant to divert eyes looking for hotbeds of corruption. Referring to a company as being national or foreign is but a deceptive effort to consistently pass decisions in the interests of specific individuals or organizations. In other words, reducing competitive investment opportunities for others and designing them to meet the wishes of political beneficiaries. Numbers do not favor and don’t lie: a look at shareholders in companies involved in telecommunications, you cannot differentiate between a national and foreign company, given the openness in cross-border investments.

Objective:
The objective of this report is to:

- Highlight and investigate all types of corruption in the telecommunications sector, analyze its root causes and explain the practices associated with it in Sudan since the June 1989 coup.
- Clarify the extent and depth of its interaction and impact on other sectors, e.g., the financial sector, the security apparatus and political sphere. The report will investigate mismanagement and wastage of public property, uncover spying on citizens or other violations committed or condoned by the regime.
- Enlighten those who intend to invest in the telecommunications sector in Sudan about the real stakeholders and alert them to possible fate of their investments in the event of political change.
- Encourage citizens and relevant actors to uncover cases of corruption, and provide documents that enable researchers to obtain information from
reliable sources and to empower citizens to demand accountability and prosecution of corrupt officials.

Summary of the report:

- The report found that political interventions have been affecting all decisions in the telecommunications sector. Interventions by security agencies and national telecommunication authorities are designed to appear as legal and regulatory action, but the fact that changes occur whenever the politics change indicates that other interests are taking precedence.

- Companies that were not previously connected to the political system were quick to discover the importance of political connections. Hence, most managed to include politically influential figures, e.g., people close to the Sudanese president or members of his family, as members of their boards of directors and or executives. In this way, they link their interests with the interests of those who are closer to political decision makers.

- The US sanctions obviously affected the telecommunications sector by increasing the cost of obtaining American hardware and software. Although sanctions increased cost, they did not generally eliminate access, as material could be obtained either by the parent company or a third party taking the risk but of course adding additional profit proportionate to the risk of possible financial liability or prosecution.

- The voice of employees of the sector has been silenced. Their right to freedom of association and to form unions has been suppressed, which has encouraged a great deal of encroachment on the rights of workers, pushing those who work in the public sector to accept private contracts on less favorable terms.

- Corrupt networks are interconnected and able to mobilize quickly against any attempts to fight corruption.

- The cover up of corruption is, in most cases, purposeful and intentional. There are conflicts of interest in the systems that should address corruption, suggesting that there are many cases of corruption that remain undisclosed.
The financial flows in the telecommunications sector is take place mostly in the form of liquid funds (cash) and being paid in advance due to the nature of the revenue from the sale of telecom services.

This report focuses on the following most important actors in the sector:

1. The National Telecommunications Corporation (NTC), which regulates and supervises the sector, and other related bodies like the Informatics Support Fund and the Universal Service Fund.
2. Security and intelligence services and affiliated organizations.
3. Relevant legal and political actors, such as the Ministry of Telecommunications, the Presidency and the Office of the Auditor General.
4. Businesses in the telecommunications sector, telecom companies, financial entities and support companies. In particular:
   a. The Sudanese Mobile Telephone Company, Zain Sudan, (hereinafter Zain), does an excellent job in documenting its work and administrative steps in a clear and accessible manner. However, it includes the president's brother on its board.
   b. The financial reports of the Sudanese Telecommunications Company Ltd (Sudatel) are complex and make it difficult to draw out information about Sudani, its mobile and broadband company alone. This may be attributable to the fact that it has other foreign investments and other domestic ventures other than cell phones, for example satellite links (Sudasat) and wired phones (Thabit).
   c. The Mobile Telephone Networks (MTN) Sudan has the advantage of being affiliated with a well-known group in this field. However, lack of information about its ownership and who own its stocks and the influential members of its board of directors opens the door to much speculation.
   d. Canar Telecom (Canartel) sells landlines and data. Its value in the telecom market, and as a result its returns, are very low. It is, therefore,
excluded from the statistics used in this research, however its conflicts and disputes have recently had an outsized impact on the sector as a whole.

e. In a move interpreted as an admission of malfeasance in manipulation of financial reports to hide profits and evade taxes, the NTC opted to tax revenue rather than profits.

The methodology of the report:
This report used desk research to review available secondary sources and conducted interviews and otherwise communicated with those that worked in the sector previously, experts on the issue via phone, WhatsApp, and email. These sources were consulted about their roles and what they came to know about the industry, whether or not that was covered in the media. Although many experts and consultants have information about the sector, this report commits itself to professional rigor in using this information. The researchers thoroughly searched specialized websites and reliable media and dealt cautiously with information published on social media and non-specialized websites. Most of the report’s statements are derived from official sites and published financial statements, interviews or press releases. Despite the abundance of what is written about corruption in the telecommunications sector, much of it is very general and not properly documented. There is a scarcity of published professional information, and as a result, this research sought to include well-referenced information. When there was a lack of official statistics or reports about some issues, the report used a proxy scientific approach based on officially published figures to come up with credible statistical estimates about the size of embezzled funds and pervasiveness of corruption in the telecommunications sector. Where this is the case, explanations of the approach used are included.

It should be noted that many of the figures may be distorted due to the difference between the market exchange rate and the official one set by the Bank of Sudan.
Whereas all securities and official accounts use the Central Bank’s official rate as a frame of reference in their calculations, statements and other documents often refer to real market prices for comparisons. In other cases, there may be confusion as to whether a Sudanese pound figure refers to the old pounds or the new, re-valued currency. This reality produces a great deal of confusion unless there is specific confirmation of the exchange rate used in each document. This report prefers to reference the US dollar, due to its relative stability.

Since the goal of the report is to expose corruption in a systematic way, 2015 is adopted as a reference year because it is the latest year from which financial reporting is available. It also represents a year where earnings were at an average value during the period in question. To simplify matters, the report focuses on the revenue accounts of the three main mobile phone services, i.e., Zain, MTN and Sudani, excluding other parts of Sudatel, although the latter has provided landline telephone and satellite services inside Sudan, and services outside Sudan which have significant impact on the financial statements. These three companies account for 90% of the volume of commercial activity in the telecom sector. We should also point out that calculations were made on the basis of the final report of the tax office for 2015.

This report addresses corruption of individual nature as long as it exists as part of systematic corruption. The report focuses on cases of systematic corruption which involve a waste of considerable public funds and large illicit earnings.

Many of those who gave information on the subject of corruption in the sector preferred to withhold their names. Hence, the report respects their wishes to preserve their personal safety and encourage a culture that exposes corruption as much as possible.
Introduction:

Access to the telecommunications sector is not easy. In addition to paucity of publicly available official information, it is very difficult to interrogate officials who hold, or recently held, high ranking positions. This difficulty also exists in relation to investigating the role of the security sector, i.e., interventions of the security sector, and the financial élites who use their interconnected and financially corrupt telecom networks to serve their own interests. In this context, speaking about these issues is a dangerous business. If the person is an insider, speaking out can result in being sidelined financially and politically. It goes without saying that fundamental distortions have been imposed by the ruling regime based on power and money. The telecom sector represents the power of information, monitoring and spying as well as abundant financial resources moving across carriers and their affiliates. Forces of corruption are concentrated in the telecommunications sector, which produces a great deal of caution, secrecy, mystery and lack of transparency. This secrecy can cover actions ranging from the invention of ghost companies to murder. Secrecy around the financial flows and economic interests of the telecommunications sector has increased proportionally with the health of the telecommunications sector as the cost of transportation increases. In this context, the telecommunications sector becomes more profitable and attracts corruption. Secrecy is a hallmark of the sector and inherent in all that is related to it. To this extent, transparency is in clear opposition to the secrecy in the telecommunications sector. As a result, the sector seems to be a closed system, given its overlapping interests and rooted relationships. Unlike the agricultural or industrial sectors, there are a limited number of players in this sector. The narrowness of its circle is linked to the period after privatization in the mid-1990s to early 2006. There wasn’t much media coverage or independent documentation of the financial and administrative disputes in the sector. The sale of
shares of the Sudanese Mobile Telephone Company (Mobitel) to become Zain was one of the incidents characterized by lack of information.

To simplify the matter, the report uses the term “circles” to refer to influential actors and analyze internal relationships among members of the group and between group members and other circles. Through such linkages, circles provide each other funds, protection services, leverage, legal cover, business implementation contracts, and information. The web of corruption is tangled and complex.

Privatization was a turning point. Most public properties were privatized, leaving a very small percentage in government hands, and even this small percentage is further manipulated. In a nutshell, the whole sector can be divided into the following circles:

1. The administrative and technical regulation entities, which include the NTC and its affiliates such as the Informatics Support Fund and the Universal Service Fund.
2. The business and financial circle, which includes telecommunications companies, banks, supporting companies, agents, supply channels, sales outlets in the sector, as well as the government agencies related to the regulation of funds like the Bank of Sudan and taxation office.
3. The security circle, with all its technical and financial arms and branches within the telecom sector.
4. The political circle, which takes care of political decision-making relevant to the telecommunications sector.

These circles intersect each other and are intimately intertwined, for example, the security service has companies in the telecom sector providing services. Influential
members of the security services are serving in key positions in telecommunications companies. Security is present in all entities; including the NTC. They cooperate and coordinate with the Bank of Sudan and intervene in sector-related political decision-making.

Transfer of public property to members of the ruling circles at extremely cheap prices:
The telecommunications sector was privatized within a tightly orchestrated economic process with public properties transferred to members of the ruling circle immediately after the coup in accordance with the third Constitutional Decree of 1989 and the related public facilities act of 1990. Ironically, the two determining factors for privatization were efficiency of financial performance and strategic importance, which did not apply to the Sudanese National Telecommunications Authority which was effective and well-equipped. The assessment committee, a governmental committee constituted to assess which companies should be privatized, estimated the value of the real estate of National Telecommunications Authority to be $100 million dollars, and its instruments and equipment at $116 million dollars.\(^1\) Other press reports claimed the gross evaluation was $300 million,\(^2\) in addition to the NTA’s debt liable to the government estimated at $100 million dollars. The assessment completely neglected to assess the authority’s profits and future cash flows. Although the highest property assessment valuation was $400 million and the lowest was $216 million, the final sale price was only $60 million dollars. That amount was reached after hiring an American company to review the evaluation with investing partners in the sector. It’s worth mentioning that the assessment figures cited above are leaks as none of them is published on any official

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\(^1\) الخوف أن تدمر مصانع السكر كمصانع الغزل والكثاف والمدابغ والأحذية الت، Dr Ahmed Sharif Osman, 1st July 2013, http://www.hurriyatsudan.com/?p=115624
government site. The lower assessment of $216 was given in the auditor general’s report. The inaccessibility of this information shows the degree of secrecy that has disguised corruption in this sector since that date. Although a percentage of shares were owned by the government, it was still vulnerable to manipulation. Some shares were later sold to individuals at prices below market value.³
THE ADMINISTRATIVE AND TECHNICAL REGULATION CIRCLE

The National Telecommunications Corporation (NTC)

One of the duties of the NTC, according to its regulations, is to take the public interest in the field of telecommunications into account in a manner that preserves the rights of Sudan and the Sudanese. In practice, it has often departed from this duty. Through examining the work of the NTC, we find that it performs some of its tasks in a highly professional manner, whereas others were subjected to security interference and control from outside to advance objectives unrelated to its regulations and laws.

Positive aspects of the work of the NTC include:

I. Conducting academic and consulting studies and overseeing public consultations that precede draft resolutions;
II. Developing technical standards for the sector and organizing local and specialized regional seminars and workshops;
III. Reducing the costs of interconnection of call rates between companies.
IV. Conducting periodic surveys to ensure to confirm the technical specifications of coverage.

The NTC performs its technical duties of academic consulting and coordination with the International Telecommunication Union, i.e., duties that have nothing to do with investment, politics and security issues, very well.

Negative aspects of the work of the NTC include:

The downside of the NTC’s work includes mismanagement of the telecom sector, waste of public resources, cover up of corruption and protection of the perpetrators. Other negative aspects include violations of citizens’ constitutional rights, including
invasion of privacy, spying and monitoring of individuals, meeting the demands of political or security interests or influencing the financial and service market. Here are some examples:

A. Waste of public funds in the construction of telecommunications infrastructure such as fiber optic cables and peripheral terminals, towers and electricity generators without asking private telecommunications companies to share in such costs. This is due to absence of a binding policy on sharing the costs of construction of towers with specifications that allow for their use by new companies in the future or to meet evolving telecommunications technology.

B. Lack of coordination with the National Electricity Corporation (Ministry of Electricity) and the Oil Pipeline Company which already have fiber optic networks. Had such coordination occurred, the NTC could have taken advantage of existing networks and avoided the need to import new cables and the high cost of installing them on the same tracks. It is worth mentioning that these institutions, with wide geographical spread, assemble their own fiber optic networks due to the importance of communication between their branches and plants. Such installations would only require simple additions to the existing civil engineering setup, to allow the NTC to use their network. Although many of the new cables were buried underground and much of the existing structure was above ground, it is important to point out that the fiber optic cables are less likely to get damaged where they use the electricity grid rather than using the cables buried in the ground. The existing system was secure and reliable. This lack of coordination units using fiber optics has cost the treasury unnecessarily.

\textit{NTC lost the opportunity to maintain Sudatel and Canar in South Sudan due to lack of a clear policy that would have obliged companies to physically be present in all regions of Sudan before separation.}
C. The NTC lost the opportunity to maintain Sudatel and Canar in South Sudan due to lack of a clear policy that would have obliged companies to physically be present in all regions of Sudan before separation. Zain and MTN were able to leverage their physical presence to continue their telecommunications services after the separation of South Sudan.

D. Failure to manage licenses for operators and the National Electricity Corporation, which will be addressed later in this report.

E. Allowing manipulation in the selection of geographical areas to be covered by the universal access program made the whole project a political tool. The NTC reports frankly state that the president’s office indicated lists of favored areas. In this respect, we refer to the creation of the Informatics Support Fund (known later as the universal access program) under Ministerial Decree No 7 of 2003 dated 21/5/2003 as a resource to provide support for the development of telecommunications infrastructure throughout Sudan without considering economic feasibility in order to bridge the gap between cities and the countryside.

F. Failure to protect consumers or conduct public awareness raising to avoid theft and fraud done by spam via, inter alia, bogus jackpots.

G. Allowing Sudatel to manipulate the national numbering plan. The numbering plan initially differentiated fixed and mobile lines as well as between various companies. However, Sudatel has diverted numbers that should have been allocated to fixed lines to mobile phones, making numbering map in Sudan inconsistent. This impacts consumers, who are charged differentially for mobile and landline calls, but are not necessarily able to distinguish between them in the numbers they are calling. This is a striking example of how political decisions take priority over many laws and regulations in technical matters.

H. Failure to follow a clear policy with regard to stamp fees and fees for the Informatics Support Fund, which have been deducted for a long time despite the fact that there is no law regulating that. In addition, the NTC and
Informatics Support Fund have an unclear and inefficient relationship (discussed in further detail below).

I. The NTC website does not display financial reports, expenditures or final budgets.

J. Acts of extortion like making telecommunication companies pay the cost of regional political and community events organized under the auspices of the NTC.

K. The passive role played the NTC in resolving commercial disputes, especially when it comes to antitrust regulations.

L. The weak role of the NTC in promoting financial services via mobile phone in the context of limited banking coverage (discussed further below).

M. Allowing the ruling regime and security services to violate rights by eavesdropping, monitoring and service cuts (including internet cuts during the September 2013 protests), and justifying abuses through lies and misrepresentations.

N. The silence of the NTC regarding the rights of graduates who have been employed by the telecom companies under graduate training projects as temporary employee with the justification that they are being provided training, where in fact they are fully qualified to work as full time staff.

O. Doubts about the eligibility of the telecommunications tower building for data storage. The minister of telecommunications said that the existing national data in the tower’s basement are threatened by rising Blue Nile floods of 2016.4 The minister changed her statement the second day saying that are alternatives.

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P. The NTC did not provide necessary support to telecommunications companies to avoid the imposition of very high taxes on the sector nor to support them in coping with these new taxes.

Q. The NTC did not provide any financial statements in its annual report, although some data was provided.

R. Unprofessional handling by the NTC of electronic waste. The corporation should have addressed deficiencies by forcing the telecom companies to seriously commit to preservation of the environment and the health of citizens.

The Informatics Support Fund or the Universal Service Fund

The Informatics Support Fund was established under Ministerial Decree No. 7 of 2003, 21/5/2003 from the Ministry of Telecommunications. It was not approved or passed by the National Legislature Council nor have special regulations that pertain to its implementation been developed. Creating the fund in this way makes all its funds vulnerable to a phenomenon known as retainer (tajneebe), which literally means using public funds without going through the federal Ministry of Finance. Accordingly, the Informatics Support Fund has not published financial statements of its income and expenditure, although some have been leaked in the press. Therefore, the annual estimates included in Table 1 (in the annex below) is an expected annual income of $26 million, which is a very large sum given the retainer (tajneebe) policies and lack of transparency. If you examine the fund's expenses, we find that the difference between income (26 million) and expenditure is both very large and was not carried forward into the following year, which suggests that its money was used without expenditures being declared. This gives some credibility to the concerns raised about the use of its funds to facilitate the exit of the Janjaweed from the city.
of El Obied in January 2014. Estimates of the amount paid out to the militia vary between $300,000 and $1,200,000 dollar for this for this act alone.

In one corruption case documented by the testimony of the Minister of Telecommunications in relation to the Informatics Support Fund, involved a computer deal in which the specifications were manipulated, allowing officials in the ministry to embezzle approximately 4 million dollars.

Another example of manipulation of the fund’s money took place in 2008 when Zain Executive Director Khalid Elmohtadi left the company following the issuance of a warrant of arrest against him, as director of the company, by the NTC. The warrant demanded retroactive payment of US $70 million dollars to Informatics Support Fund for the years 2006 to 2008. Zain disputed this by claiming there was no law allowing them to collect money from subscribers. Their argument and position was legally sound at that time. The ministry and the NTC were forced to push the National Council to adopt a new code to for approval after a settlement was struck between Zain and Informatics Support Fund.

The telecommunications tower of the NTC:
The cost of building the tower project represents an extreme example of conflicting figures. Sudacon, which specializes in construction, initially declared that the tower would cost $30 million. However, the cost declared by the NTC at the building’s opening ceremony attended by the president, was $87 million dollars. Mohamed Elhassan Elamin, a member of the parliament, testified before the parliamentary

5 http://www.altaghyeer.info/%D8%AD%D9%85%D9%8A%D8%AF%D8%AA%D9%8A-%D9%88%D8%B3%D8%AA%D8%B9%D8%B1%D8%86-%D9%82%D9%88%D8%A7%D8%AA%D9%87-%D9%81%D9%8A-%D8%A7%D9%84%D8%A3%D8%8D-%D9%88%D8%A3%D8%AD%D9%85%D8%AF-%D9%87%D8%A7/
6 http://www.alnilin.com/111541.htm
7 http://www.sudaress.com/rayaam/3030
8 http://www.sudacon.net/2012/03/ntc-tower.html
9 http://www.sudaress.com/16651
legislation and justice committee that the “telecommunications tower was constructed with retainer ‘tajneeb’ money, and its cost was $68 million.”12

The NTC’s position towards operating licenses:
The acquisition by MTC, a Kuwaiti company, of 39% of the shares of Sudanese Mobitel previously owned by Mobile Systems touched off a regulatory scandal. Following MTC’s purchase, the senior partner in Mobitel, Sudatel, who had granted Mobitel’s phone service license throughout the previous period, demanded $125 million dollars for the service.13 Although the Kuwaiti partner disputed the legitimacy of the charge, Sudatel used its controlling interest to transfer the money to itself over MTC’s objections. MTC cried foul and attempted to bring the case before arbitration, leading to two notable outcomes. First, in a suspicious deal, all of Sudatel’s shares in Mobitel (including those that had belonged to the government of Sudan) were sold to MTC, who later branded its services as Zain. It was obvious through this that the role of the NTC and its mediation role were marginalized. According to testimony by Eltayeb Mustafa, the NTC’s director, later in 2011, huge sums were paid to complete the sale.14 Second, Sudatel had acquired its mobile phone license without paying required fees to the public treasury. In addition to that, Sudatel refused to open bids for potential new operators for an agreed upon period, in abrogation of agreements concluded with the second operator.15 It surprising to know the NTC’s records indicate that the date of issuance of Sudatel and Sudani license was 2005, despite the fact that Zain had

12 http://assayha.net/play.php?catsmkttba=8431
14 http://www.sudaress.com/sudaneseonline/4446
15 http://www.sudaress.com/sudaneseonline/4446
been operating since 1994. This suggests that Sudatel was working without a license (or having the licensing costs paid by Mobitel-Zain), as well as having Sudani’s mobile phone license free of charge.

The case of the second operator:
Sorting and awarding the tender of the second mobile operator license created a great deal of controversy regarding the conditions of the tender, its duration and the process whereby the winning bid was chosen. Among the contestants were trading groups linked to politically influential figures, and the competition was limited to three groups with links to ruling circles: Ashraf International – Jamal Alwali’s group, Diamond – of Ismail Ahmed Omer, and Bashair – Abdelbasit Hamza, via the suspicious Zawaia company (which drew a lot of reproach for its links with the president and his family). The Bashair group included Elsayid Shahir Abdelhag who was famous for a number of documented corruption cases in connection with arms trade under President Nimeiri. The tender was awarded to the Bashair group which wasn’t ready to start working and was very slow in beginning implementation of the project. Furthermore, the Bashair group was subject to a lot of internal challenges as its ownership stakes changed a lot in a short time, suggesting that they got the tender through their political connections rather than their qualifications. It was widely known that Abdelbasit Hamza, a lieutenant colonel in the security services, was connected with the issue of Usama bin Laden’s funds and Al Qaeda. Again, it seems that the deal was based on political and ideological considerations rather than real competition and the interests of citizens.

On the other hand, bidding on the second license for the fixed-line operator was granted to Canar, a coalition that included the technically and financially strong UAE

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17 Al-Midan # 2002, May 2005; [http://tell-fsad.blogspot.co.uk](http://tell-fsad.blogspot.co.uk)
Telecom. However, what increased their chances was the fact that they were part of an alliance with the armed forces’ charitable organization and the president’s brother, who was also a relative of the NTC director at the time.\textsuperscript{19} Canar later stumbled because of its long wait for a mobile phone license, eventually UAE Telecom decided to sell its Canar’s shares and pull themselves out of the Sudanese telecommunication market.

\textbf{Fiber optics and special numbering of the National Electricity Corporation (currently the Electricity Transmission Company):}

An important issue in the telecommunications sector which has not received adequate attention, is the subject of fiber optic cables which belonged to the National Electricity Corporation (NEC) that could have been used commercially.\textsuperscript{20} The same thing could have taken place with the mobile phone lines used by the staff of the NEC, whose allocation of numbers was eventually taken away in favor of MTN. As noted above, the fiber optics of the transmission network belonging to NEC is one of the most reliable in the country, and the failure to take full advantage of these led to a waste of public funds and a clear violation of the principle of participation and partnership in building and utilizing infrastructure.

\textsuperscript{19} http://tell-fsad.blogspot.co.uk
\textsuperscript{20} http://www.merowedam.gov.sd/transp-lines.html
The business and financial circle

This circle includes telecommunications companies, banks, supporting companies, agents, supply channels, sales outlets, as well as some government agencies dealing with money and its supervision and regulation such as the Central Bank of Sudan and the taxation office.

The size of circulating money annually in the sector

If we take 2015 as an example, we find that the revenue of the telecom companies (Tables 1 and 2 below) has exceeded 1.8 billion dollars. These large profits are the result of economic activities of a number of the three largest private companies operating in this sector only. This number excludes not only smaller companies in the sector, but also taxes and benefits of the employees of these companies.

Taxes

The growth of telecommunications in Sudan created an excellent opportunity for the government to increase its revenues from taxes and other fees. The tax rate on telecommunications is about 30% of the sale price (with proposals to raise it to 35%). Given the fact that the production costs exceed 50% of the sale price, this tax rate means that the government reaps greater profits than the telecommunications companies themselves, without providing services or investments commensurate with those taxes in the telecom sector.

The annual value added tax (VAT) that the telecommunications companies pay directly to the government amounts to about $560 million dollars. In addition, the profit and commercial excise taxes come to about $33 million dollars annually. There are also other taxes and fees such as the social development tax, stamps and other...
fees. Further, the government benefits from other taxes on the sector, such as taxes paid by customers on purchases and personal income taxes paid by employees in the sector.

The sector is an important source of revenue for the government. The VAT paid by telecom companies represents 30% of the total VAT received by the taxation office. Total telecom taxes represent more than 22% of total tax revenues.

To truly understand the volume of funds obtained from telecom companies and what such funds could achieve if applied to development for the benefit of the citizens, the report cites estimates made by one NGO working on development in Sudan in Annex 1.

**Conflicts and disputes among the contenders:**

Huge commercial disputes have been taking place (and continue) in the telecommunications sector. These conflicts need to be analyzed and studied. Corruption related to political interference flourishes in the sector.

**Zain-Sudatel conflict about license entitlement:**

The circumstances of the sale of Sudatel’s share in Mobitel were mysterious, uncovered only later when the director of NTC commented in 2011. Because of the importance of this case, we will discuss it in greater detail. It is critical despite the fact it is somewhat date. The conflict began in December 2004 included high level political interventions in February 2007.

Mobitel was founded in August 1996 as a partnership between Sudatel and Nile Water, owned by the well-known businessman Salah Idris. In the year 2000, Nile Water sold its shares to Sudatel and MSI. The stock
distribution was as follows: MSI held 39%, Sudatel held 61% (of which 26% was the government share). In December 2004, a dispute was underway between Sudatel and MSI about $125 million dollars related to its operating license. In March 2005, the Kuwaiti company MTC bought MSI’s 39% share in Mobitel. By February 2006, the MTC became full owner of Mobitel by buying Sudatel’s 61% share for US $1,332,000,000. From this figure, we can extrapolate that the total cost of the acquisition was around $2.2 billion dollars. In September 2007, the brand changed its name from Mobitel to Zain.

The dispute between Sudatel and MSI was a real challenge to the credibility of NTC, which proved unable to mediate and indeed the whole sector’s commitment to contracts and charters. The essence of the conflict was the infringement by Sudatel as the senior investment partner on the rights of junior partner though the transfer to company assets to them over minority objections. This action was a clear violation of the company’s statutes and regulations. We need to refer to the former NTC Director Eltayeb Mustafa, who submitted his resignation in recognition of his failure to challenge the political intervention which pushed the balance of power to favor Sudatel. However, the insistence of the junior partner on objecting to the payment, led the issue to be submitted before the United Nations Commission on International Trade Law. This development placed powerful politicians and administrators in an awkward position that was eventually resolved by negotiating to sell their shares in full to the smaller partner on attractive terms in exchange for the withdrawal of the case.

This is how the Sudanese government tends to squander public resources. To understand, let us compare the amount at which Mobitel was sold ($2.2 billion dollars), with what Zain paid in the same period to acquire similar licenses in Egypt and Saudi Arabia. By way of comparison, the Kuwaiti Zain paid $6.1 billion dollars to get a third operator license in Saudi Arabia.21 In Egypt, Zain offered a little less than

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the amount paid by the Emirates telecom which won the bid at $2.9 billion for a third operator license. In the Sudan case, we need to take into consideration what Mobitel had in terms of human resources, technical and civil capabilities and large base of subscribers, being the first telecom company in Sudan. Zain Sudan made net profits in 10 years (after acquiring Mobitel) equivalent to what it paid in buying Mobitel, not to count the significant increase in its assets’ market value.

The above records show the size of what Sudan lost in terms of current and future revenue. The way the deal was struck points to a desire to cover up of the $125 million dispute that was on its way to international arbitration, given what the NTC director and Kuwaiti parliament said about how seriousness of the case. All this information indicates a full-fledged case of corruption.

Sudatel and its Sudani branch:
Because the Sudanese government owned 26% of Sudatel, the company should have been more transparent in ensuring public access to its activities and showing due care in the use of public funds. In addition, Sudatel should have fully engaged with the NTC. However, the nature of Sudatel, and the secrecy around its development and suspicions of corruption around it, made that unrealistic. During the period when it held a monopoly in Sudan (1996 to 2004), Sudatel never publicly and transparently announced job offerings. Rather than encouraging open competition based on merit, staff was selected on the basis of loyalty to the ruling party. This attitude was not restricted only to human resources, but extended to all business processes and the choice of partners to implement business support activities.

23 http://www.sudaneseonline.com/sudaneseonline/4446
24 http://www.aljarida.com/articles/1461947034245380800/
In light of its share in Sudatel, the government should have been represented on the board of directors by the ministry of finance or its representative to defend public interests and save public money. The nature of domination by the Sudanese ruling party does not differentiate between the duties of the statesman and those of chairs of boards of directors of commercial enterprises. In a very flawed situation contrary to the most elementary rules of governance, the secretary of state of the ministry of finance, Ahmed Majzoob, is the chair of Sudatel’s board of directors. He submitted a request to extend the tax and customs exemptions for Sudatel, at the expense of public treasury, for five years from 2004 to 2009, favoring the company’s interests those of ordinary citizens.

The environment and circumstances, under which Sudani was established, reveal myopic patterns of corruption. Sudatel sold fully functional technology, relying on its ties with the Chinese companies Huawei and ZTE, which provide telecommunications equipment, to create a new competitor. Chinese companies have a reputation for pursuing a policy of development in the early stages of its work regardless of profits, in compliance with the Chinese government’s policy of opening markets in Africa. Sudatel hired ZTE and Huawei to implement a Sudanese project which began with slightly different technology used in Zain and MTN. However, in a very costly blunder during its launch, Sudatel subsequently retreated from getting the modified technology.
Intersections of interests between the telecommunications and banking sectors:

The growth of telecommunication networks in Sudan created an opportunity to offer access to financial services to areas and individuals who find it difficult to access either the traditional banking system or the current electronic banking system, which is neither sophisticated nor widespread. Although the balance feeding cards for telecommunications purposes is the value of a specific service, provided by the specific telecom company, balance exchanges between clients has become acceptable in commercial exchange between individuals. However, acceptance of the balance as a commodity has increased the price of the transfer in each exchange process, which increases the prices of the commodities being purchased through mobile banking. Accordingly, the spread of the balance transfer market and its acceptability as a substitute for cash is a logical consequence of the weakness of banking services. Due to the dominance of the telecom companies, their geographic coverage and clientele base, commercial banks are looking forward to developing partnerships with telecommunications companies to create financial services via mobile phones without the need to use other networks in the commercial exchange.

The government agency entrusted with organizing and legislating laws to govern such financial deals is the Central Bank. Instead, the Central Bank came into conflict with telecommunications companies on how to provide Mobile Banking services, including regarding the rates that could be charged for such services. The Central Bank insisted on introducing a third party, Electronic Banking Services Co. Ltd (EBS), to act as an intermediary for collecting profits, on the condition that a portion would go to the Central Bank.
intermediary for collecting profits, on the condition that a portion would go to the Central Bank. But Zain rejected this formula, acknowledging only the regulatory, and not an operational, role of the Central Bank. Bear in mind that the EBS was a partnership involving the Central Bank, Sudatel et al., which made Zain hesitant to trust it, arguing that it faced a conflict of interest. Concerns were also voiced about maintaining the confidentiality of clients’ data and information, and the need to ensure that competitors would not have access to client data. The NTC remained incapable of mediating between Zain and the Central Bank, although an agreement was later achieved through direct negotiations between the parties.26

Providing financial services to citizens via mobile phones, away from the traditional banking system, is a challenge for the security apparatus as it prefers that cash flows via the banking system, where it has mechanisms to track transaction.

Currency exchange and transfer of funds into telecommunications services’ balance:

A person’s telecommunications balance has become a substitute for cash, especially in areas outside the coverage of banks. It is an accepted as a mode of commercial and commodity exchange, and some people rely on it entirely in their financial transfers, despite the large commissions charged. This led to many cases of corruption and manipulation of funds due to the lack of clear regulations that should have been in place. In 2011, the Central Bank announced a policy of changing the currency in circulation prior to South Sudan secession, deciding on a set of procedures that obligated people to deposit their money in bank accounts and identified certain ceilings for amounts withdrawn. These resolutions were a great challenge to those outside the banking system and those who live far from areas where the banks are functioning. Most people bought balance charging cards to get rid of their old currency. This procedure was very effective especially for those in

Southern Sudan and peripheral areas. However, this phenomenon was widespread even around the national capital, signaling that a number of people prefer the mobile system even where they have access to banks.

The secession of the South created an opportunity for Zain and MTN to achieve significant financial successes for their shareholders. The two companies financed huge operations in South Sudan due to the size of the revenue accumulated in the form of liquid funds and bank accounts, and the difficulty of transferring it outside Sudan to foreign shareholders due to Central Bank regulations. Both companies financed huge telecom projects in the South, relying on domestic markets to purchase their equipment as well as benefiting from used and outdated equipment. Furthermore, they were able to make use of the already qualified and experienced workforce in the telecom sector in the North to establish adequate mobile networks in South Sudan. The whole operation provided massive profits for these telecom companies because they did not have to wait for the injection of foreign currency for South Sudan to build its telecommunication networks. Zain and MTN used such processes and operations to repay some of their profits to the parent company by building a whole new unit in a new country.

Another kind of corruption in the telecommunications sector has taken place through the creation of shell companies controlled by the security apparatus. These companies are sub-contracted by the telecommunications companies to provide operational support to the telecommunications companies, essentially outsourcing these operations to the second company. This, however, is done through a process which is neither competitive or transparent, with the acquiescence of influential authorities in the telecommunication sector. In general, employees of these subcontractors tend to make less than those in the main telecommunications sector, allowing additional profits to be accumulated for the security sector. This was done, for example, when the Hawatif company was established, relying on employees and workers who had been laid off by Zain, including skilled workers in the technical sector. It was unfortunate that the NTC did nothing to counter such practices.
The security circle in the telecom sector:

In this section, the report showcases all the security circle’s technical and financial arms, companies, and its subsidiaries and branches within the institutions and companies of the telecom sector.

The security apparatus:

There are actually two arms to the security apparatus. One is well-known and the other is clandestine, named the popular security apparatus. Popular security personnel normally work among civilians and in ordinary posts, at the same time belonging to the security services. An example which demonstrates the close relationship between the telecom sector and the security is that the director of Sudatel, which used to monopolize the telecommunications sector, was the chief of the popular security apparatus. Popular security is very active in the currency exchange sector. The regular security apparatus has a presence in the sector as well, having its officers physically present in the telecommunications companies and through eavesdropping, surveillance and access to subscribers’ data. Both wings of security rely on funds from the telecom companies to finance their activities, including through security companies that operate to support and backup operations for telecommunications companies such as the Gasr El Lolo Company (the Pearl Palace).

The impact of the security apparatus on all telecommunications-related undertakings goes beyond the usual activities such as tracking, wiretapping and eavesdropping.

Security apparatus has a presence in the telecommunication sector, having its officers physically present in the telecommunications companies and through eavesdropping, surveillance and access to subscribers’ data.
on and monitoring people. The impact extends to include the good cover that the telecommunications companies provide to most secret government operations and their financing, inside or outside Sudan. The impact also includes taking advantage of modern technologies to monitor and identify places to provide military intelligence information, e.g., it is found that there's a direct correlation between the timing of aerial raids and bombardment in conflict zones and deliberate cuts in telecommunications services at certain hours as reported by civilians in these areas. Some people say that the interruption of communication services in hours immediately after midnight is linked by most citizens in these regions to government air strikes that usually take place in the early morning hours. Whether this happens due to connivance of telecom companies or out of their submission to the security apparatus, the correlation between service cuts and air raids is evident. Another example of the telecommunications companies’ involvement in military and intelligence actions was the broadcast by the Sudanese Army of a recorded conversation of a Southern military commander to demonstrate the involvement of the Sudan People’s Liberation Army (SPLA) in the attack on the Heglig region in 2012. That incident caused major security problems for Zain later in South Sudan, and the company managed to survive its impact only by taking advantage of and exploiting various intersections of interests. This incident has been politically and commercially exploited by Vivacell at the expense of Zain. The latter has extensions in Sudan which are accused of jeopardizing national security in South Sudan by exposing it to

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28 https://citizenlab.org/2014/02/mapping-hacking-teams-untraceable-spyware  
29://acir.yale.edu/pdf/YaleLowensteinSudanReport.pdf  
30 http://www.sudaresse.com/alintibaha/13918 نشر في الانتباهة يوم 20 - 04 - 2012 ; https://www.youtube.com/watch?v=7il4R0gtXhY  
31 https://www.youtube.com/watch?v=CT0dhENPNzA
hacking.\textsuperscript{32} Ironically, in less than two years, Zain in South Sudan benefited from its political connections when it acquired an approval from the authorities in South Sudan to conduct an evacuation of foreign personnel in addition to its employees in a tense atmosphere as a result of a coup attempt in Juba. The evacuation news broke in many newspapers on Thursday morning of December 19, 2013.\textsuperscript{33} The evacuation of Zain employees and others associated with the commander of the operation achieved many goals, including silencing the Kuwaiti parliamentarian who spoke of Zain’s plane.\textsuperscript{34} These patterns and incidents show that security forces exploit their influence on the telecommunications sector.

On the technical side, telecommunications companies may be forced to carry out wiretaps and monitoring through their technical crews because they bow to the possibility of legal intervention, which is designed to enable the judiciary to use telecommunications to pursue justice. However, this has been systematically abused by the security apparatus which accesses a large amount of information and gains the possibility of the monitoring of any phone number and recording conversations. This allows the judiciary to access the data of subscribers and possibly track and otherwise monitor them, in spite of standards adopted by the European Commission regarding specifications of telecommunication devices. Such specifications later became binding for producers of telecom devices after the events of September 11. Subsequent legislation and obligations have expanded the possibilities for the government to access this data with judicial approval. A statement made by a dissident Sudanese security service agent in November 2013 to an Arabic TV channel after the protests of September 2013 gave evidence of such practices. He clearly described how the Sudanese security apparatus is tapping phone calls and tracking individuals,\textsuperscript{35} despite claims made in the national legislative council that an order

\textsuperscript{32} https://www.youtube.com/watch?v=CtOdHENPnZA
\textsuperscript{33} http://www.mugrn.net/ar/11272
\textsuperscript{34} http://www.aljarida.com/articles/1461947034245380800/
\textsuperscript{35} https://www.alarabiya.net/ar/programs/special-interview/2013/11/11/%D9%85%D9%82%D8%A7%D8%A8%D9%84%D8%A9-%D8%AE%D8%A7%D8%B5%D8%A9-%D9%85%D8%A8%D8%A7%D8%B1%D9%83-
making wiretaps illegal was passed on 11 May 2014. It is worth mentioning that the “Electronic Jihad” unit in the Sudanese security apparatus handles spyware and breakthroughs in telecommunications and electronics generally.\textsuperscript{36} In addition, internet cafés in Khartoum are never safe from regular raids.\textsuperscript{37} According to leaks from an Italian company that provided technical support and training to the Sudanese security services, it was subjected to investigations by United Nations experts due to its dealings with the Sudanese government. However, the company stated in its submissions that its product is not a weapon, hence is not included in the prohibitions.\textsuperscript{38}

In this regard, there's a lot of talk and information about Erickson’s, the Sweden-based producers of telecommunications equipment. We could not definitively verify the claim that equipment provided by Erickson's has electronic tracking capabilities in contravention of applicable laws in Sweden. If found to be involved in illegal operations that may possibly victimize individuals, Erickson would encounter huge problems. Such commercial activity could be considered support for a totalitarian regime with a history of serious human rights abuses. However, if there is suspicion that this software has other uses, peremptory statements can become misleading,
e.g., the claim that such software and systems are used for purposes of rescue, emergency, traffic and ambulance. In a similar way, the Zain website once stated that Zain had donated a unit to help in police rescue operations (999), in addition to training 55 traffic police for launching a project of the telecommunications room (777).  

Technically, the local positioning system (LPS) relies on radio signals to specific wireless device, so having a radio station or wi-fi signal in itself is not a crime, because it is considered a vital pillar of the work of such systems. Hence, telecommunications companies can use radio towers to locate any device with high accuracy. When using the two systems together, i.e., the eavesdropping system and the tracking and LPS system, anyone carrying a mobile phone device is completely exposed to monitoring and tracking in a way which clearly violates their freedoms and privacy.

To help create an atmosphere of caution and distrust among employees, the security apparatus often leaks information or rumors that there are spies on the staff of telecommunications companies, specifically within the technical section and to a lesser degree in other departments. It is normal to find an employee who will proudly say that he is a security agent, while others distance themselves from the charge, aware of its ugliness. It goes without saying that all appointments in the telecommunications sector must pass through a security screening in order to take up their posts.

Each telecom company has a full team led by a security officer to manage, and coordinate on, all security matters. Such a team enjoys privileges and exclusive powers to access information. The security team and its officer also directly supervise the Hadaf Company for Guards and Security, a security apparatus company and which enjoys preferential treatment from telecommunications clients such as large advances. It is worth mentioning that the Hadaf Company has contracts with telecommunications companies in deals worth six times the salaries of their

employees and is sometimes hired by the national security and intelligence services, which takes a large share and pays the recruits poorly. In addition to Hadaf, there are other companies affiliated with the security services who receive preferential treatment in contracts with the telecom companies, especially in maintenance and technical support, such as Gasr El Lolo (Pearl Palace).

A blatant example of security interventions in the telecommunications sector, was the death of Abdel Karim Hussein Eltoom alJaaly, a Mobitel security officer who died in his office on 17 November 2005. The incident raised many questions. While the company briefly stated that Abdel Karim was wounded during a routine cleaning of his personal weapon, many suspected that the issue was bigger than that. According to Fathi Eldaw’s book, "Bayeet Alankaboot" (The Cobweb), “the following day there were different views among the media about how to deal with the news. The official news agency (SUNA) resolved to report that all evidence and initial investigations indicated that it was an apparent suicide.”\(^{40}\) The author of Alankaboot cites three possible explanations on pages 183-186.\(^{41}\) A brief overview of all three is presented, without suggesting that any is more accurate, because they highlight the political and security interferences in telecommunications:

First, as Abdel Karim was in charge of security in Mobitel, he would necessarily have been privy to a great deal of information by monitoring the flow of conversations. He may have heard something he shouldn’t have, which is a threat to influentially powerful individuals; or he may have seen serious party secrets. Hence, it may have become inevitable to get rid of him.
Second, some people considered Abdel Karim a spy for Al Turabi’s Popular Congress Party following the big split in the ruling party (known in Arabic as \textit{mufasala}) ... And in that context, some circles suggest that the deceased might have recorded serious statements for Salah Gosh or Ali Osman or both. It is likely that such statements may have had to do with intelligence or were related to power issues and behind the scenes political conflicts.

Third, there is a materially loaded scenario which says that the deceased was given five billion Sudanese pounds to hold. When asked to return it, he sort of slackened or refused, that is why he was liquidated.

There are practices committed by the security apparatus amounting to criminal offences against telecommunications companies by making international phone calls look like local phone calls by faking local numbers. Then, the security apparatus has taken advantage of the price difference since the international telecommunications companies pay for every incoming minute to Sudan (in dollars), which is far more than the price paid locally in weak Sudanese pounds. If any other entity had done such a thing, it would have found itself facing serious charges. Such illegal phenomena are monopolized by the security apparatus and which exploits these opportunities with impunity. Sudanese security has been using these corrupt practices against telecommunications companies to finance its foreign operations.

\textbf{The Vision Valley Company:}

The report refers to the Vision Valley Company as an example of companies that provide support services for telecommunications companies and commit illegal acts, especially in the field of espionage.\textsuperscript{42} Vision Valley installed equipment and spy devices that have been used against activists and advocates in Sudan through their web addresses on the company’s website between December 2011 and January 2014. There is evidence that the security apparatus was involved in the operation

\textsuperscript{42} https://citizenlab.org/2014/02/mapping-hacking-teams-untraceable-spyware
because the Sonde (Misbar) software was used to spy on computers and smartphones. Vision Valley surrounds itself with a thick wall of secrecy and almost nothing is known about it except its address Dubai and a series of its commercial partnerships. The only time its name came up was after the operational failure of the White Nile sugar factory due to its strategic relations with Kenana Engineering & Technical Services (KETS).43

The Political Circle: The entities responsible for political decision-making related to the telecommunication services

Political entities:
Most of the individuals in the telecommunication sector interviewed for this report agreed that political entities in the government are the ultimate players in resolving issues related to the sector. Telecom companies came to recognize this reality long ago and dealt with it as businesses naturally deal with dangerous forces. Companies seduce influential political players and fight desperately to keep individuals close to the president in leading positions in their organizations, particularly through direct family relationships. Each company includes one or two family members of president.

National Telecommunications Corporation (NTC) and politics:
There is no doubt that the government uses the NTC to achieve its objectives, especially its security ones. The clearest example of this was shutting down public access to internet services during the events of September 2013. The NTC didn’t give the whole truth in its statement to the media, claiming that the interruption was caused by demonstrators attacking Canar’s engineering hardware. The incidents which occurred next to the building of Canar did do limited damage, but if that was the source of the problem it fails to explain why internet services alone were cut. Having the rest of the services running, such as regular calls and SMS, indicates that the NTC was lying. The telecommunications engineering services, in general, do not depend on a single site to provide the same service. There is always a backup path, working in the event of any malfunction in the first track, whatever the cause.

44 https://www.alarabiya.net/ar/arab-and-world/sudan/2013/09/26/%D8%B9%D9%88%D8%AF%D8%A9-%D8%AE%D8%AF%D9%85%D8%A9-%D8%A7%D9%84%D8%A7%D9%86%D8%AA%D8%B1%D9%86%D8%AA-%D8%AA%D8%AF%D8%B1%D9%8A%D8%AC%D9%8A%D8%A7-%D9%81%D9%8A-%D8%A7%D9%84%D8%B3%D9%88%D8%AF%D8%A7%D9%86.html; http://www.sudaress.com/alnilin/70728
Therefore, the reasoning offered by the NTC was technically inconsistent, leading international press and numerous specialized agencies to posit that it was instead politically motivated.45

Zain and politics:
In 2006, in the context of financial and legal disputes between Zain and Sudatel, Saad Al Barrak, the executive director of the Zain group demanded clear investment rules and policies in press briefings.46 To continue doing business in Sudan, Zain realized the importance of having political influence, especially when the NTC issued a warrant of arrest for its executive director; as well as through its long-running conflict with Sudatel, which was resolved through political interventions. Zain started immediately to look for influential political figures personally close to the president and well connected to the centers of decision-making to fill the positions of delegated member and chief executive officer. The choice came down to Sudan’s former UN representative, the famous security officer who participated in transporting Ethiopian Jews (the Falasha) back in 1985. He was able to establish strong relationships with the CIA and other governments in the Horn of Africa.47 Before his appointment to the Zain position, he was returned by a presidential decree to the armed forces and was promoted to the rank of lieutenant general, and then transferred, by another presidential decree issued on the same day, to retirement.48 Such promotion has great significance in the military: whoever attains the rank of lieutenant general will stay connected with the military even after retirement and will continue to enjoy the benefits and privileges of the military all his life, including personal guards. Zain has gone further in strengthening its position

46 مقالات صحفية عادل الباز. اتصل ولا تتحدث سلسلة مقالات صحيفية http://tell-fsad.blogspot.co.uk/2010/03/blog-post.html
47 http://www.marefa.org/%D8%A7%D9%84%D9%81%D8%A7%D8%AA%D8%AD_%D8%B9%D8%B1%D9%88%D8%A9
48 https://www.alrakoba.net/news-action-show-id-219058.htm
among political circles by appointing a former governor of the Bank of Sudan as a member of its board of directors. It later added a former president of the national assembly, and the president’s brother, to its board of directors in a tacit recognition of the importance of political rapprochement with the president personally. Recently, the delegated Managing Director of Zain Sudan spoke a lot about attempts by the government to intervene in funds set aside by telecommunication companies for corporate social responsibility activities. Particularly he spoke of attempts by the government to intervene in the social responsibility funds retained by Zain. Companies count on social responsibility funds to build relationships with political figures by supporting those who have the ability to give back. Such exchanged services may extend to include the Universal Access Funds and the choice of targeted service areas that specific political entities want.

Sudatel and politics:
It is important to refer here to the strong symbiosis between Sudatel and political circles, security services and the military in Sudan. We can refer to the book “Story of Two Cities”, authored by Dr. Mansour Khalid for more detailed information, including names of persons who took care of financing the military industrialization from Sudatel funds. Part of that was the central role of the engineer Imad Eddin Hussein, who had headed the secret popular security forces at the same time as serving as general director of Sudatel. Things were marred by charges of corruption that took place during Hussein’s era, the largest of which were: bribes which accompanied the Mobitel deal, sale of internal shares belonging to Larry Com which was owned by individuals on the board of directors, in addition to other excesses with less financial value. The close relationship between Sudatel and the popular security services, which hides many of its funding sources through currency exchange shops. This is a well-known scheme in laundering money or converting it

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49 https://www.alrakoba.net/news-action-show-id-64144.htm
50 Ibid.
51 (السودان، أهوال الحرب .. وطموحات السلام رائعة، حكايتي. د. منصور خالد (دار تراث، القاهرة، 2003)
to hard currency: It is a mutually beneficial system facilitated by strengthening of the relationship between the global money exchange business and the local telecommunications company. Global exchange offices take care of accumulating funds outside Sudan for the telecom companies or those hiding behind them (the security apparatus or the popular security), while the telecom companies provide local currency liquidity, not an easy task given the large cash flows of telecom companies have.

It is interesting to know that Sudatel, given its experience in Sudan, has used the same approach in dealing with the political class elsewhere in Africa; in Mauritania and Senegal.52

MTN and politics:
Having explained above the circumstances of Bashair Company winning the bid for a second mobile phone operator, it suffices to say that that tender was won by the group headed by Abdel Basset Hamza, who is known in political and financial circles as the financial manager of the president’s family.

http://www.entalfa.info/index.php/econemie/3047-agenceecofin
Conclusion:

In addition to the points mentioned in the summary, it is important to clarify the following:

- The ultimate conclusion of this report is that it is not possible to fight corruption in the telecommunications sector in isolation from the pursuit of overall change and political reform. The focus must be on achieving political change.

- Those pursuing political change must come with a plan to ensure that people will get their rights in the event of a substantial change the political system, while reassuring investors in the telecommunications sector that greater fairness will follow.

- In order to garner a full and comprehensive disclosure of the volume of corruption in the telecommunications sector, would probably require accepting testimonies from persons or entities as crown witnesses to obtain details, including the volume of funds involved.

Is reintroducing the government as an investor the way out?

Some have denounced the government for letting go of the telecommunications companies as income (not profit) generators. However, a serious look at the matter suggests that ownership of the firms, in and of itself, may not be as important as many economists claim. Given the rates for phone calls, the collapse of the local currency, and the fixed-rate policy for telecom calls, telecommunications companies are almost running a loss. Or, metaphorically, they regurgitate from their hump or under little profit margin compared with the huge revenues amassed to the government in the form of direct taxes. In addition to corporate taxes, which is adopted as a percentage of revenues rather than profits to prevent tax evasion (table 2). The point here is corruption and corrupt practices in the management of the telecommunications sector and in the way the sector was privatized, not in the structure of the sector, or the fact that it is private.
The most important telecommunications companies in Sudan:

- Sudanese Telecommunications Company Ltd (Sudatel)
- Nile Waters Investment Company
- The Sudanese Mobile Telephone Company (Mobitel)
- Mobile Systems International (MSI)
- Mobile Telecommunications Company (MTC)
- The Sudanese Mobile Telephone Company (Zain SD)
- Mobile Telephone Networks (MTN)
- Canar Telecommunications
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13- http://www.sudaress.com/smc/16651
15- https://www.altaghyeer.info/%D8%AD%D9%85%D9%8A%D8%AF%D8%AA%D9%8A-%D9%8A%D8%B3%D8%AA%D8%B9%D8%B1%D8%B6-%D9%82%D9%88%D8%A7%D8%AA%D9%87-%D9%81%D9%8A-%D8%A7%D9%84%D8%A3%D8%8A%D9%8A%D8%B6-%D9%88%D8%A3%D8%AD%D9%85%D8%AF-%D9%87%D8%A7/
17- http://www.sudaress.com/sudaneonline/4446
22- http://www.marefa.org/%D8%A7%D9%84%D9%81%D8%A7%D8%AA%D8%AD_%D8%B9%D8%B1%D9%88%D8%A9
24- http://www.sudaress.com/alintibaha/13918
25- https://www.youtube.com/watch?v=7l4R0gtXhY
26- https://www.youtube.com/watch?v=CtOdHENPNzA
27- https://www.alarabiya.net/ar/programs/special-interview/2013/11/11/%D9%85%D9%82%D8%A7%D8%A8%D9%84%D8%A9
Reports Used:

59- Zain 2015 Annual Report
60- Sudatel 2015 Annual Report
61- MTN 2015 Annual Report
62- Annual Performance Report, Sudan Taxation Chamber 2015

Khalid Hassan Elbeely. 2015. Sudan Privatization Program: Putting the Cart before the Horse.

https://thejournalofbusiness.org/index.php/site/article/viewFile/692/500
### Table 1

#### Telecom Contribution in Tax collected 2015 in Sudan

<table>
<thead>
<tr>
<th></th>
<th>Rev inc VAT</th>
<th>VAT 30%</th>
<th>Revenues</th>
<th>Cost of sales</th>
<th>profit mrgn</th>
<th>Op cost</th>
<th>EBID-TA</th>
<th>IDA 43.4 - 46%</th>
<th>Rev T 2.5%</th>
<th>Profit</th>
<th>REV SH</th>
<th>PROFIT SH</th>
<th>PRFT/REV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zain</td>
<td>1024</td>
<td>307</td>
<td>717</td>
<td>106</td>
<td>351</td>
<td>240</td>
<td>311</td>
<td>130</td>
<td>18</td>
<td>163</td>
<td>55%</td>
<td>57%</td>
<td>23%</td>
</tr>
<tr>
<td>Sudani</td>
<td>479</td>
<td>144</td>
<td>322</td>
<td></td>
<td></td>
<td></td>
<td>174</td>
<td>68</td>
<td>8</td>
<td>78</td>
<td>26%</td>
<td>27%</td>
<td>23%</td>
</tr>
<tr>
<td>MTN</td>
<td>359</td>
<td>108</td>
<td>252</td>
<td>163</td>
<td></td>
<td></td>
<td>88</td>
<td>38</td>
<td>6</td>
<td>44</td>
<td>19%</td>
<td>15%</td>
<td>17%</td>
</tr>
<tr>
<td>Total</td>
<td>1862</td>
<td>559</td>
<td>1304</td>
<td></td>
<td></td>
<td></td>
<td>236</td>
<td>53</td>
<td>33</td>
<td>285</td>
<td>100%</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

**Total Sector VAT for 2015** 559
**Total Sector Revenue tax 2015** 33
**Total Sector Tax in 2015** 591

### Table 2

#### Telecom Contribution in Tax collected 2015 in Sudan

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Actual Collection in 1000X</th>
<th>Actual Collection in $</th>
<th>Telecom Contribution</th>
<th>Telecom %</th>
</tr>
</thead>
<tbody>
<tr>
<td>VAT (Local Transactions)</td>
<td>5778.00</td>
<td>902.81</td>
<td>558.68</td>
<td>62%</td>
</tr>
<tr>
<td>VAT (Imports)</td>
<td>6566.00</td>
<td>1025.94</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Total of Indirect Taxes</td>
<td>12344.00</td>
<td>1928.75</td>
<td>558.68</td>
<td>29%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Actual Collection in 1000X</th>
<th>Actual Collection in $</th>
<th>Telecom Contribution</th>
<th>Telecom %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Profit Tax</td>
<td>2329.00</td>
<td>363.91</td>
<td>33.00</td>
<td>9%</td>
</tr>
<tr>
<td>Others</td>
<td>2170.00</td>
<td>339.06</td>
<td>0.00</td>
<td>0%</td>
</tr>
<tr>
<td>Total Direct Tax</td>
<td>4499.00</td>
<td>702.97</td>
<td>32.59</td>
<td>5%</td>
</tr>
</tbody>
</table>

**Total Tax 2015** 16843.00 2631.72 591.27 22%