

U4 Expert Answer



Overview of corruption in the telecommunications sector

Query

Could you provide an overview of corruption-related issues in the telecommunications sector, with a focus on SADC countries?

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regulations very difficult to achieve. This also means that policies and regulatory actions that have been corrupted by special interests are often difficult to identify.

Given the social and economic significance of telecommunications, corruption in the sector has significant negative effects from macro-level development to individual citizens. It ranges from petty bribery on the side of consumers to capture of regulatory authorities by special businesses or political interests.

Summary

With its high revenue generation potential, its complex technical and governance structure and its deep interrelations between public and private sector components, the recently liberalised telecommunications industry is particularly vulnerable to corruption. From an economic perspective many segments of the telecommunications sector are prone to network and scale effects and continuous technological disruption, all of which makes the establishment of competitive markets, the determination of fair prices and the setting of public interest-oriented

The licensing process is particularly prone to corruption and undue influence because of its strategic importance and complexity. Corruption is however also a problem seen in regulation, price-setting, in the supply chain as well as customer services.

Author: Sofia Wickberg, Transparency International

Reviewed by: Marie Chêne, Transparency International, tihelpdesk@transparency.org, Dieter Zinnbauer Ph.D, Transparency International

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1 Why does corruption in the telecommunications sector matter?

Revolution in the telecommunications sector

The telecommunications sector – with entities that range from cable and satellite companies, to TV and internet and telephone companies – has undergone substantial transformations in the last 30 years, both with regard to technology and regulation.

It has experienced rapid technological change, particularly with the development of computer-based services and global, interconnected computer networks (the internet), as well as the digitalisation of telecommunications (Economides 2004). This “digital revolution” has increased the interconnectivity of individuals globally: in 2013, 96% of the population worldwide had a mobile phone contract and 40% were regularly accessing the internet (International Telecommunications Union 2013). This also means that telecommunications has become an even more lucrative market, with a global revenue of US\$1.4 trillion in 2011 (OECD 2013). And it has gained even greater importance as a politically strategic tool for public discourse and mobilisation, intersecting with a broad range of basic rights from freedom of expression and information to privacy.

The telecommunications industry is rapidly expanding in Sub-Saharan Africa. Interestingly, mobile telephony accounts for almost all the growth in the African telecommunications market (KCS Country Risk 2011). With a mobile phone penetration rate of approximately 65% in 2013 (ITU 2013), analysts claim that in the last decade Africa has established itself as the fastest-growing mobile phone market in the world (KCS Country Risk 2011).

Telecommunications infrastructure expansion in the region is still lagging behind other regions and analysts are convinced that the key to Africa’s future economic growth is the improvement of the quantity and quality of the continent’s telecommunication infrastructure (Sassoulas 2012). Southern Africa is currently connected mainly through the East African Submarine System Cable (EASSy), the West African Cable System (WACS) and Seacom. It was announced in 2012 that these would be complemented by three or four new cables linking the region to Brazil and other BRIC

countries¹. Experts say that the main problem related to connectivity in Southern Africa is not the link-up to submarine cables but the poor domestic infrastructure and sometimes a state monopoly on landlines that makes it difficult for ordinary customers, especially outside of the big cities, to get connected (Allison 2013).

The technological developments in telecommunications are contributing to the sector’s changing dynamics, whereby the monopolistic structure of the sector is slowly being eliminated. Historically, the sector was managed solely by public authorities and it is now gradually becoming competitive and open to new players (OECD 2001). The will to liberalise the telecommunications sector worldwide was enshrined by the World Trade Organisation’s Fourth protocol to the General Agreement on Trade in Services, focusing on basic telecommunications, which was signed in 1997.

The liberalisation and privatisation process usually ignored corruption risks and failed to put any safeguards into place (Sutherland 2013). Telecommunications markets are now subject to intricate governance systems that imply regular engagement between corporations and government, which give rise to various opportunities for corruption (Sutherland 2011a) and will be illustrated in this paper.

In most African countries, the liberalisation and privatisation of the telecommunications industry was part of the 1990s structural adjustment packages proposed by international financial institutions. Most countries in the region, including the Southern African Development Community (SADC), have chosen the approach of managed liberalisation, rather than opening up their telecommunications market to full competition (Jakobs 2009). There is indeed a differentiated level of liberalisation in the various subsectors: the internet services and mobile telephony markets show a high level of liberalisation with 90% of the region having introduced full or partial competition. However monopoly provision of local voice call services (44% of African countries), domestic long distance (40% of African countries) and international long distance (45% of African countries) is still prevalent (Blackman, Srivastava 2011).

¹ Implementation of these projects was still yet to be completed in October 2013.

Many claim that the oligopolistic structure of the market and the political interferences in certain countries have hampered the positive effects of such reform for the people (Do-Nascimento 2005). The telecommunications sector rapidly became the subject to clientelistic politics and public revenues are too often siphoned off (Sutherland 2011b).

Description of the telecommunications industry²

In most countries in the world, the 1990s represented an era of privatisation of the national telecommunications operators, whereby a private monopoly and a public regulator was often introduced as an intermediary step. The second phase involved opening the market to new competitors, which implied the revision of the licensing framework and the adoption of new rules to regulate the competitive market. The third wave introduces full competition and increases the importance of regulation and regulatory reform to:

- create functional regulators to oversee the market competition
- prepare the incumbent operator to face competition
- allocate and manage scarce resources in a non-discriminatory way
- expand and enhance access to telecommunications services
- promote and protect consumer interests, including universal access and privacy

An effective regulator is a means to ensure good governance and compliance with existing regulations. Independence is therefore absolutely essential: financially, operationally and structurally. Moreover, an effective regulator should demonstrate other characteristics, including accountability, transparency and predictability. The most common institutional form currently adopted is the establishment of an independent regulatory authority responsible for implementing and administering the regulatory framework, leaving policymaking prerogatives to a particular ministry, thus ensuring a form of separation of powers.

² The information in this paragraph is taken from Colin Blackman and Lara Srivastava's 2011 Telecommunications Regulation Handbook.

In 2009, Africa had the highest percentage of countries with a national regulatory authority for their ICT and telecommunications sectors (91%). In the SADC sub-region, 13 out of 15 countries have set up a national telecommunications regulation authority. The regulation authority typically has a mandate to oversee telecommunications only, but a third of African countries have also set up multi-sector regulators, which also oversee postal services, information or transportation (Blackman, Srivastava 2011). The recent liberalisation of the market offers great investment opportunities for businesses whilst generating new risks of corruption. Liberalisation is still in its infancy and the regulatory environment can therefore be unstable, untested and not always independent or free from political meddling (Fricke, Visser 2005).

Consequences of corruption in the telecommunications sector

Corruption in the telecommunications industry can obstruct people's access to these sorts of services by hampering fair competition and the proper regulation of prices, consequently making the latter excessive and detached from actual costs (Sutherland 2011a). Moreover, given the level of power and influence that the industry and technology has reached, corruption in the sector can significantly contribute to the control of access to information as well as to censorship and limitation of freedoms.

As in other markets, corruption in the telecommunications sector is generally seen as distorting healthy market competition, creating barriers to trade and having a negative impact on free and fair competition (Transparency International 2009). Corruption, nepotism in decision-making and conflicts of interest can discourage competitors and prevent them from entering the market (OECD 2014). In SADC, corruption is seen as one of the main obstacles to trade in general, together with heavy and inefficient bureaucracy and customs regulations (Bertelsmann-Scott 2012).

Corruption limits access to the market to corrupt service providers, which in turn reduces the quality of services and infrastructure. When the allocation of licences is not based on objective qualitative criteria but on personal relations or bribery, telecommunications companies have fewer incentives to properly train their staff or invest in high-quality infrastructure, research and innovative development. In South Africa for example, experts report that the telecommunications

infrastructure has suffered from a lack of investment, flawed institutional arrangements and a lack of regulatory effectiveness. The country ranked 99th out of the 152 countries on the International Telecommunication Union's index in terms of affordability of telecommunications (Coetzee, Daniel, Woolfrey 2012).

Lastly, corruption in the telecommunications sector ultimately leads to a loss of revenue for the state. Corruption degrades the proper administration of the telecommunications sector and leads to a misallocation of resources, which is yet another burden on taxpayers and users of the services (Sutherland 2012). The allocation of resources to inefficient service providers results in a significant loss of fees and taxes for the public authorities (Sutherland 2013). In India's infamous 2G spectrum scam³, the state's financial loss is estimated to have been between 580 and 1,520 billion Indian rupees (US\$9.7 and 25.5 billion) (Sutherland 2011a).

2 Overview of corruption in the telecommunications sector

The large sums of money generated by licence fees, equipment contracts, purchase of state operators, mergers and acquisitions all provide incentives and opportunities for corruption (Sutherland 2013).

While there are few studies specifically focusing on the SADC region, corruption risks that have been generally identified in the telecommunications sector are relevant to the SADC region as well, especially given that corruption is a significant and widespread problem in the Southern African region. Although there is great disparity between countries, with Botswana being ranked the 30th least corrupt country in the world whilst its neighbour Zimbabwe was ranked 157 (out of 177) (Transparency International 2013). According to a study conducted in 2011 in the Democratic Republic of Congo (DRC), Malawi, Mozambique, South Africa, Zambia and Zimbabwe, 62% of the citizens surveyed thought corruption had increased in the past three years and

56% said they had paid a bribe in the last 12 months (Transparency International 2011c).

How does corruption affect the telecommunications industry?

The telecommunications industry is particularly vulnerable to corruption due to the multiple actors involved and the industry's complex governance structures that imply constant interaction between the public and private sectors with regard to the awarding of licences, monitoring and regulation, as well as import/export activities (Sutherland 2012).

Corruption in the allocation of licences and concessions⁴

The award of government licences and concessions is a sphere of government activities that is particularly vulnerable to corruption (Transparency International 2010). Corruption and bid-rigging have indeed tainted many telecommunications projects in the last decades (OECD 2014). Corruption in the allocation of licences, and in public procurement more generally, can occur at all stages of the procurement cycle – from the decision to contract, the specifications of the contract, the tendering process, evaluation and awarding, to the contract implementation and final accounting (Transparency International 2010). In the telecommunications industry, public authorities can be found limiting the number of licences given out to limit competition and favour corrupt companies, drafting the bids to fit a specific service provider, systematically allocating licences to the same bidders etc.

Corruption in the allocation of government contracts and licences appears to be a significant issue in the SADC region. 22% of the businesses that participated in the IFC/World Bank's Enterprise Survey⁵ said that they experienced bribery while operating in the Southern African region, ranging from 1% in Namibia to 60% in the Democratic Republic of the Congo (DRC). 25% had paid a bribe to secure a government contract, with the DRC being the highest risk country (75%),

³ The 2G spectrum scam was a scandal involving Indian politicians and public officials illegally undercharging telecommunications companies for frequency allocation licenses, which they would then use to create 2G spectrum subscriptions for cell phones.

⁴ For the purpose of this paper, we will not differentiate between the attribution of licences and concessions. For more information, please refer to Colin Blackman and Lara Srivastava's 2011 Telecommunications Regulation Handbook.

⁵ Please note that countries are surveyed individually over a period of several years.

followed by Angola (60%), Tanzania (40%) and Zambia (27%). Regarding the attribution of operating licences, 20% of the companies expected to pay bribes to countries in the region, with the DRC again being the highest risk country (53%), followed by Angola (39%), Madagascar (18%) and Tanzania (17%) (IFC, World Bank, no date).

In the allocation of telecommunications and spectrum licences, the successful competitor is typically selected through a competitive evaluation, such as a comparative evaluation process (sometimes referred to as a beauty contest), an auction, or a combination of the two (Blackman, Srivastava 2011). Experts confirm that, in the telecommunications sector, beauty-contest processes are more prone to corruption than pure auctions, since they are less transparent and allow for more discretion in the decision-making (OECD 2014). However auctions can create incentives for corruption as well, as the fee negotiations, the selection and the schedule can all be manipulated (Sutherland 2013).

In India, corruption and nepotism led to a dysfunctional auctioning system whereby a minister distributed 122 licences on a first-come first-served basis to operators, some of which were shell companies offering unrealistically low prices. The supreme court eventually had to cancel all 122 licences (Sutherland 2013).

Corruption of and political interference in oversight and price-setting

In contexts where the rule of law and separation of power are limited, which is the case in a number of SADC countries (World Justice Project 2014), the government can easily interfere with the decisions of the regulatory authorities in favour of a specific firm operating in the sector. As a result, the market is left without independent oversight where corruption goes unpunished (Do-Nascimento 2005).

Regulatory authorities in the telecommunications sector have a duty to protect customers and ensure the smooth functioning of the market. One of their tasks is to intervene if the prices are set too high or in an anti-competitive manner. Without adequate price regulation, dominant companies can abuse their market power and increase prices unduly, harming their customers (Blackman, Srivastava 2011). Bribing or abusively influencing the regulatory authorities undermines their function and ultimately makes telecommunications services less affordable. During the Ben Ali era in Tunisia, for example, most telecommunications companies were owned by the president's relatives and

thus allowed them to set prices without fear of regulatory intervention. As a result, consumer prices for telecommunications services in Tunisia remain to this day considerably higher than in its neighbouring countries (Washington Post 2014).

There is a risk of regulatory authorities being affected by political or industry capture. Whenever a regulatory body submits to external pressure from other government entities or companies, it jeopardises its independence as well as the integrity and objectivity of its decisions, and ultimately undermines its credibility as an institution (Blackman, Srivastava 2011).

Corruption in the supply chain

Importing technology and materials is an essential part of the telecommunications industry (for example minerals such as coltan, tungsten and tantalum) that often operates across borders.

The telecommunications industry is dependent on minerals for the manufacturing of cables as well as telecommunications devices, but it does not mine or buy minerals directly. Rather, it works with third parties in long supply chains of mining materials. This entails a risk of being involved in business with corrupt companies exploiting minerals in fragile zones (AMTA no date).

Many Southern and Central African countries are active in the extractive industry for these particular minerals, especially Zambia and the Democratic Republic of the Congo (DRC). Corruption in the region's extractive industry is widespread and conflict minerals continue to fund illegal armed troops in the DRC and neighbouring countries (Deloitte 2014).

A number of initiatives have been developed to provide telecommunications companies with guidance and assurance tools to carry out due diligence along their supply chains, such as Chain of Custody Standards, Issue(s)-based Standards or Risk Management Standards (UNU, ITU 2012). The OECD recently published a new edition of its [Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas](#).

The issue of corruption risks in the mineral supply chain, however important, goes beyond the purpose of this paper and will not be further developed here. Additional information can be found on [Global Witness website](#).

Corruption in customs authorities

Corruption in customs authorities is widespread, which poses significant problems to the import/export activities of the telecommunications sector. Approximately 15% of companies interviewed by the World Bank's Enterprise Survey said they had given gifts in order to obtain an import licence. The discretionary power of officials and their monopoly over the flow of persons and goods, combined with insufficient accountability and difficult supervision are some of the reasons explaining the incidence of corruption in customs authorities (Wickberg 2013b).

Companies might be tempted to engage in corruption to avoid customs procedures and fees. In 1999, Titan Corporation, a telecommunications firm operating in Benin, engaged in a large corruption scheme involving the then minister of culture and communications to avoid all customs duties for its imported material, among other things (Sutherland 2011b).

Inefficient administrations make the risk of corruption all the more significant. In the SADC, heavy bureaucratic burdens and slow customs operations help to create significant incentives for corruption in the telecommunications industry (SADC, GIZ 2012). Poor governance, weak institutions, and under-resourced customs authorities make many of Africa's borders porous and hard to control. Customs officials often operate in remote and geographically dispersed posts. With a lack of adequate supervision, opportunities for corruption abound (Ferreira, Engelschack and Mayville 2007). More than 30% of the respondents to Transparency International's public opinion survey in Southern Africa admitted to having paid a bribe to customs authorities, demonstrating a significant corruption risk in import/export activities (Transparency International 2011c).

Corruption in customer services

Corruption in the telecommunications sector can also occur at the level of customer services.

Telecommunications companies can obtain bribes and illegal payments from companies from other sectors who want to obtain better or exclusive services. This would then be referred to as commercial bribery (Berg 2011).

Corruption can also occur between service providers and individual service users who then need to pay more than the official price to get connected. This situation has similar results to the illegitimate price inflation

referred to above. Corruption here takes the form of extortion (Berg 2011).

What is the nature of corruption in the telecommunications sector?

Public sector corruption

Bribery, gifts and entertainment

Many companies in the telecommunications sector believe they have lost contracts due to their competitors' involvement in corruption (Transparency International 2011a).

Bribery in the sector most often takes the form of cash in bags and cases, money paid to offshore bank accounts, entertainment and gifts, facilitation payments, overseas luxury travel, medical treatment, shares in a corporation etc. (Sutherland 2011a). The risk of bribery is reinforced by the fact that only a limited number of telecommunications companies have sufficient safeguards in place, with regard to facilitation payments for example (Transparency International 2011a). As explained below, the telecommunications industry has an average ranking with regard to transparency in anti-corruption programmes, compared to other similar industries (Transparency International 2012).

Foreign bribery is a widespread issue in the telecommunications industry, due to the high level of foreign investment it generates. Some of the largest fines handed out to companies for bribing foreign governments have been paid by telecom companies: Siemens, Alcatel-Lucent and Magyar-Deutsche Telekom (Dolan 2012).

Political corruption

Corruption in the telecommunications industry can be used to buy political influence, through donations to political parties and individuals in influential positions, as well as through donations to favoured charities, for example (Sutherland 2011a).

Business people recognise that companies in the telecommunications sector often use improper contributions to high-ranking politicians or political parties to achieve influence (Transparency International 2011b). A number of big political corruption scandals involved telecommunications companies using political influence to win a contract in the roll out of mobile phone infrastructure or services (Dolan 2012). In South Africa, Telkom, a powerful and well-connected conglomerate in the telecommunications industry, has

historically had a strong influence on the shaping of industry policy, managing to maintain a dominant position after liberalisation and restrict new market entries (OECD 2014).

With the emergence of the digital age, telecommunications operators have become extremely powerful actors as the new gatekeepers of information and communication (Blackman, Srivastava 2011). The capture of the telecommunications authorities and operators for political purposes is thus an extremely important issue with regard to corruption and abuse of power in the sector, be it for patronage steering jobs to supporters (see section on nepotism) or services directed at geographical areas with political supporters. In Ethiopia for example, experts argue that state capture might be one of the most significant issues linked to network design, with the risk of favouring certain companies and geographical areas that are sympathetic to the government and party interests (Plummer 2012). Policy capture can also be used for information control and censorship. It is virtually impossible to adopt a single measure to control communication networks and information flows, the internet and phone calls without the cooperation of telecommunications operators. In many cases this is done outside of any due process. In Uganda, during the riots in 2009 and 2011, the regulatory authority forced all telecommunications operators to block all communications that had any political content or else they would risk losing their operation licence (Sekyewa 2013).

Cronyism and nepotism

Nepotism and cronyism are such widespread issues in the telecommunications sector that Ewan Sutherland uses the term “crony-capitalism” to talk about the telecommunications industry (Sutherland 2012). It refers to situations in which public officials and decision-makers place their cronies and relatives in strategic positions in oversight and regulatory bodies, or favours telecommunications companies owned by their allies and families (Sutherland 2011a).

In South Africa, former member of parliament and minister of communications Dina Pule was found guilty by the Parliament’s Ethics Committee of nepotism and of “causing improper benefits to be afforded to Mr Phosane Mngqibisa on the basis of his relationship with her” (TechCentral 2013). Similarly, investigations into the assets of Ben Ali’s extended family has found that relatives of the former Tunisian president owned many of the companies operating in the telecommunications

sector, which was protected by barriers to market entry (Washington Post 2014).

Conflict of interest

In the telecommunications sector, many decisions regarding the structure of the market and industry are made by the public sector (number of licences, regulation of prices etc.). A public official working in telecommunications might hold shares in a particular company, which he could have acquired as a bribe (Sutherland 2011a), or have a relative owning shares in a telecommunications company, or have been offered a post-employment job in a company from the sector etc. – all of which might influence his judgement.

The example of Thailand’s former prime minister Thaksin Shinawatra is illustrative of a failure to separate official and business interests in telecommunications. (Sutherland 2011a). In 2010, Thailand’s Supreme Court’s Criminal Division for Political Office Holders found Thaksin Shinawatra guilty of conflict of interest, related to the US\$2.2 billion tax-free sale of his telecommunications company, Shin Corp, to Singapore’s Temasek Holdings. US\$1.4 billion of his assets were consequently seized (StAR 2012). Similarly, Lonestar Communications, the only operator allowed on the Liberian market in the early 2000s was proven to be owned to a substantial degree by Charles Taylor and other members of the government (Sutherland 2012b).

For more information about conflict of interest in public procurement more generally, please refer to a previous answer entitled [Conflict of interest in public procurement](#).

Private corruption

Money laundering

The recent scandal involving the Swedish telecommunications company TeliaSonera in its operations in Uzbekistan provides a good example of money laundering in the sector. Swedish and Swiss prosecutors are currently investigating Gulnara Karimova, the daughter of Uzbekistan’s president, on suspicion of bribery and money laundering to allow Nordic telecom company TeliaSonera enter the Uzbek market. In 2007, US\$358 million was paid by TeliaSonera to Takilant, a Gibraltar-registered firm and front for Gulnara Karimova. Prosecutors “suspect that Gulnara Karimova, who also served as a public official during the time period relevant for the case, was the one who orchestrated, controlled, and also was the one

who primarily benefited from the procedure" (Chicago Tribune 2014).

Corporate misconduct and lack of integrity

Numerous cases of business, accounting and tax fraud within the telecommunications industry, such as transfer pricing or insider trading, have demonstrated the complexity of intra- and inter-company structures and the possibility for telecommunications firms to disguise actual revenues, costs and operations from the relevant authorities (Sutherland 2011a, KPMG 2004). Though not necessarily directly linked to corruption, such accounting fraud schemes – including fraudulent consulting, sham contracts, and fictitious invoices and contracts – demonstrate the lack of transparency of certain telecommunications firms (Shah 2012).

The 2002 Worldcom scandal, surfacing the wave of the burst of the "dotcom bubble", is one of the biggest accounting frauds that was staged in the telecommunications industry. The company had rapidly accumulated debt and used fraudulent accounting methods to disguise losses and keep their stock prices high. The scandal led to Worldcom filing for bankruptcy in 2003. The SEC estimated that the company's assets were inflated by approximately US\$11 billion (SEC 2003).

Misallocation, theft and embezzlement of company resources is another risk to be considered in the telecommunications industry, as demonstrated by the recent arrest of Chey Tae-won, the head of one of the largest South Korean conglomerates and owner of the country's biggest mobile carrier. Chey Tae-won was convicted of embezzling US\$45.6 million from the mobile phone company SK Telecom and an SK subsidiary, SK C&C, in 2008 (The New York Times 2013).

3 Overview of current anti-corruption efforts

Tools to reduce corruption in the awarding of concessions and licences

All stakeholders operating in and around the telecommunications industry have a role to play in building and maintaining a clean licensing system. This includes civil society and the media, who are important

players in terms of ensuring the laws, rules and licence conditions are properly and truthfully implemented.

To promote good governance within and proper administration of the telecommunications sector, both the supply and demand elements of corruption should be tackled. Open bidding and contracting, enhanced transparency, integrity and monitoring mechanisms and training of regulatory officials, as well as corporate integrity and incentives and deterrents for the private sector should be combined to reduce grand corruption (Transparency International 2010).

The role of the regulatory authority is absolutely crucial to ensuring good governance and integrity in the telecommunications market, particularly because public interest and a competitive market structure are difficult to determine and safeguard in a market environment that is characterised by strong network and scale effects. As described above, the regulatory authority needs to operate with sufficient levels of structural autonomy and financial independence and have integrity and accountability measures in place (Blackman, Srivastava 2011). Moreover, regulatory authorities need to have skilled and trained staff as well as deep knowledge of the market (Sutherland 2013).

For additional information about tools used to reduce corruption in public procurement more broadly, please refer to the previous answer entitled [Tools to reduce private sector engagement in grand corruption during the award of public contracts, concessions and licenses](#).

The importance of corporate transparency and integrity

Transparency of ownership structure

Many examples of corruption in the telecommunications industry point to the issue of companies' ownership and structural opacity. An important measure to improve integrity in the sector is transparency of the ownership of telecommunications operators. A large number of operators use shell companies registered in tax havens, or use nominee companies, to conceal the names of their owners (Sutherland 2013).

Experts advocate the disclosure of beneficial ownership and details of operators' corporate architectures, as well as for of a public registry of beneficial ownership. Regulatory authorities could play a significant role by requiring bidding companies to disclose their ownership

and corporate architecture, like the Danish regulators did for TeliaSonera (Sutherland 2013).

Integrity measures and training

Beside transparency measures, telecommunications companies should put in place solid anti-corruption, integrity and accountability policies. The telecommunications sector obtains quite a poor result with regard to the transparency of anti-corruption programmes in Transparency International's TRAC report (Transparency International 2012). Moreover, according to business people working in the telecommunications sector, only a very limited number of telecommunications companies have adopted measures to protect whistleblowers and prohibit facilitation payments (Transparency International 2011a).

In addition, it is important (as in all complex and corruption-prone industries) that firms invest in skilled human resources employees and training for their staff to make them aware of relevant laws and regulations as well as corruption risks and vulnerabilities.

Investigation and prosecution

International and national legal framework

The telecommunications sector has important economic and social implications and involves a significant number of state bodies. It is therefore important to ensure that states have ratified international and regional anti-corruption conventions (such as the UNCAC, the OECD convention, the African Union Convention on Preventing and Combating Corruption or the SADC Protocol against Corruption), and that they properly implement them. A solid national integrity system with strong and well-managed institutions can help prevent corruption risks, such as conflicts of interest, undue influence on political officials and civil servants etc. (Sutherland 2011a).

A strong and independent judiciary is an important tool for preventing and fighting corruption. Some of the biggest foreign bribery cases have been directed at companies with sizable interests in telecommunications (Siemens, Alcatel-Lucent, Magyar-Deutsche Telekom etc.). There have also been a number of major domestic corruption cases, such as India's 2G spectrum scandal, as well as administrative sanctions within companies (TeliaSonera's CEO had to resign after the disclosure of the alleged bribery scandal in Uzbekistan). This is a crucial aspect of reducing

corruption in a region like Southern Africa, where the independence of the judiciary is not systematically guaranteed, as indicated by the poor scores of many of the region's countries on the WJP Rule of Law Index 2014 (World Justice Project 2014).

Potential of an EITI for telecommunications

There are a number of international multi-stakeholder initiatives (such as CoST and EITI) promoting open contracting, that is, enhanced transparency and equal access to information and opportunity for participation, as a means to reduce opportunities for corrupt behaviour in the awarding of government contracts, leases and licenses (Wickberg 2013a). Experts suggest that this kind of multi-stakeholder forum and the development of common integrity standards could also benefit the telecommunications sector, as the problems related to the constant interaction between public and private actors are similar to those of other public utilities sectors (Sutherland 2012).

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