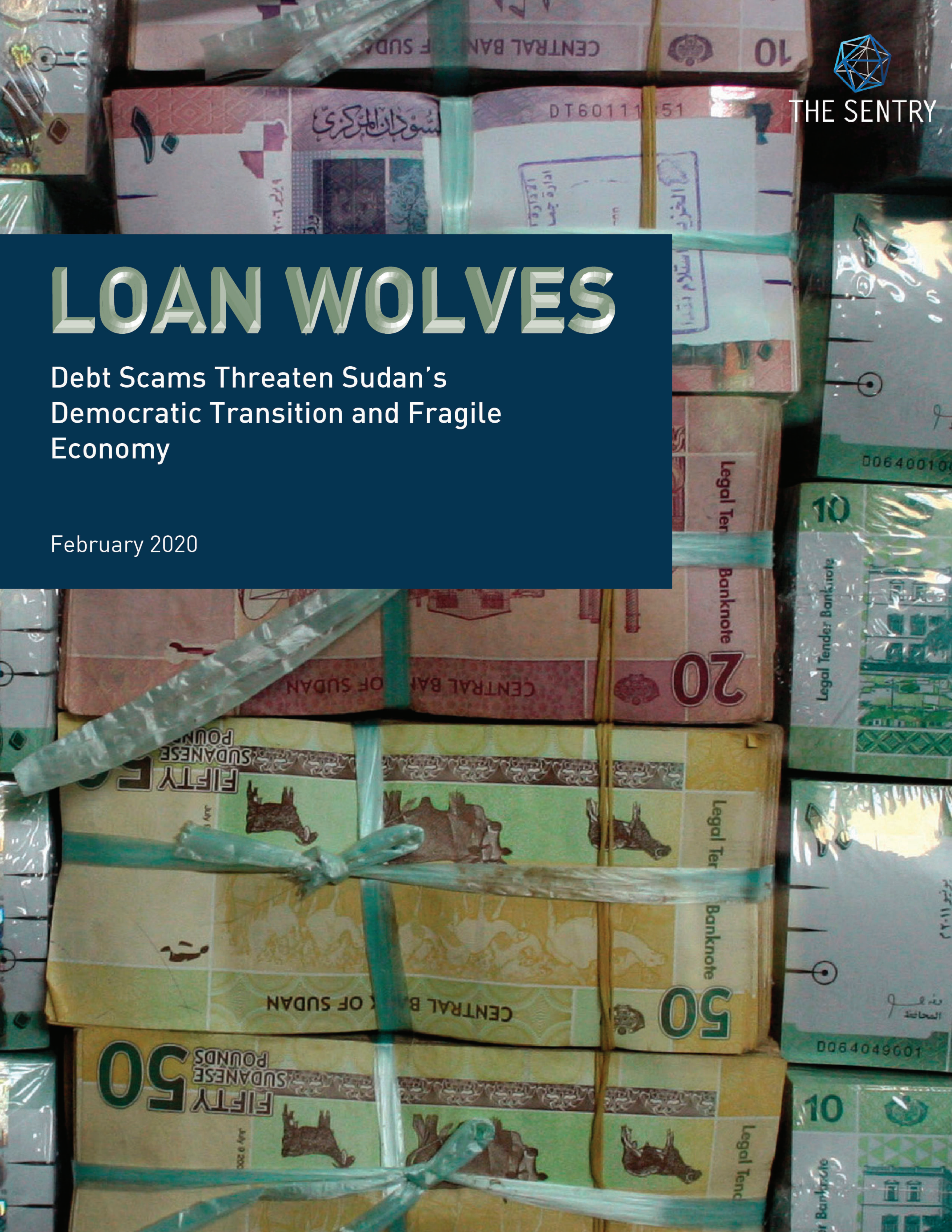
THE SENTRY



LOAN WOLVES

Debt Scams Threaten Sudan's Democratic Transition and Fragile Economy

February 2020

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Executive Summary

Using his connections to Sudan's kleptocratic regime, the adopted son of former Sudanese President Omar al-Bashir established a business that secured multiple contracts to import fertilizers, refined petroleum products, and other essential consumer commodities at seemingly inflated prices. These deals, financed using lines of credit extended to the country by the Eastern and Southern African Trade and Development Bank (TDB), allegedly diverted much-needed assistance while burdening the country with massive debt.

The Sentry's investigation reveals that Badr Overseas Group, initially established only by Ayman Al-Mamoun and another regime insider, appears to have used Gulf middlemen and links to Sudan's government elite to secure contracts funded from the country's revolving lines of credit with the TDB between 2012 and 2018. The suspected scheme likely helped push Sudan's debt to the regional bank to $728 million by the end of 2016, a liability greater than that of any of the other member countries of the TDB, the multilateral financial institution of the Common Market of Eastern and Southern Africa (COMESA).[1] TDB executives ultimately froze the lending arrangement.

This case study offers a cautionary tale as the international community works to help rebuild Sudan's economy following the fall of the Bashir regime. Only economic and diplomatic pressure from the international community can stem Sudan's deep-seated corruption that has benefited elite insiders, including military and civilian officials, at the expense of the vast majority of its citizens. The country's current military leaders and the new civilian government must therefore expose corrupt actors and hold them accountable while implementing strict measures to limit their influence.

Key recommendations

The Sentry is making the following key recommendations in the wake of its investigation. The full text of The Sentry's recommendations appears at the end of this report.

Government of Sudan:

- Establish a robust and fully independent anticorruption commission by an act of parliament.
- Task an independent panel to investigate and prosecute corrupt actors, focusing on how politically exposed persons (PEPs) and their companies may skim high profit margins from government loans and contracts.
- Establish an asset recovery commission to return the proceeds of corruption to the treasury.
- Conduct a thorough reform of all laws governing public procurement, public tenders, and financial oversight institutions, such as the reformed anticorruption commission and the auditor general's chamber. Ensure the independence of the special corruption prosecution office and the anticorruption special court.

Foreign governments and international financial institutions (IFIs):

- Allocate resources to implement anticorruption reforms prioritized by the government.
- Incentivize the new government with debt relief upon the satisfactory implementation of such reforms.
- Make international development and reconstruction assistance contingent upon the introduction of anticorruption and transparency standards, the formation of independent anticorruption and transparency institutions, and decisive, demonstrable government action to end economic corruption.
- Apply network sanctions as appropriate against former and current corrupt officials and businesses.
- Assist the government in recovering international assets acquired under the Bashir regime by PEPs and their businesses.
- Issue advisories to financial institutions to warn against the risks of money laundering associated with PEPs involved in major corruption cases.

Banks and other financial institutions:

- Work with branches and correspondent banks in the region to make them aware of identified risks and concerns and to ensure that legitimate Sudanese businesses receive facilities and financial services in line with the banks' risk appetite and policies while protecting the integrity of the global financial system against illicit finance.
- Take measures to identify the Sudanese banking population, focusing on accounts held or beneficially owned by Sudanese PEPs or public officials, including senior members of the military, members of their families, and their business associates. Identify the broader international networks and any related suspicious activity through a comprehensive assessment and take immediate action, as appropriate.
- Report illicit financial activities to relevant regulatory and law enforcement bodies.
- Train relevant staff to identify red flags for money laundering. In particular, train those working in trade finance or commodities trading with Sudan or with countries that trade with Sudan and have a focus on oil, mining, and commodities export industries.

High Stakes*

Months after a popular uprising forced Bashir out of power in Sudan, a stable governing alternative for the country of 40 million people is slowly coming into its own. Although the political agreement between civilian leaders of the uprising and the military has received much international praise, civil society actors have cautioned that the deal could once again concentrate power in the hands of the few, marginalizing the masses who pushed for change.

The stakes are high. Foreign currency reserves, already at record lows, show no sign of replenishment, with the Central Bank of Sudan taking in only $500 million of a promised $3 billion cash and in-kind infusion from Saudi Arabia and the United Arab Emirates (UAE).[2, 3] Talks aimed at forming a transitional government have been slow and contentious, raising fears that corrupt officials bent on reviving the *status quo ante* are aiming to fill the power vacuum, aggravating an economic meltdown that could further destabilize the country. Bashir-era actors reported to be deeply corrupt, like Badr Overseas Group, are believed to still be active in looting public resources. Sudan's powerful business sector is controlled by security forces with a dismal record of war crimes, crimes against humanity, and genocide, as independently documented by the United Nations and leading international human rights organizations.[4, 5] The brute violence of actors seeking a return to the kleptocratic ways of the former government can be confronted in equally public and direct ways. In one example, mass protests in July 2019 forced the Transitional Military Council (TMC) back to the negotiating table after it conducted a military-style assault on protesters, killing scores and reportedly carrying out many more rapes and forced disappearances.[6] Exposing corrupt actors enjoying support from the ruling class will help avert economic disasters while facilitating a viable political agreement.

> Bashir-era actors reported to be deeply corrupt, like Badr Overseas Group, are believed to still be active in looting public resources.

Badr Overseas Group belongs to a group of companies suspected to have amassed fortunes for the regime's elites, enablers, and facilitators while contributing to the crushing poverty and underdevelopment experienced by the broader Sudanese population.[7] Several mutually reinforcing mechanisms enabled this systematic looting of Sudan's national wealth. The Bashir regime, which oversaw the entrenchment of systemic looting, widespread impunity, political repression, and state violence, gave unbridled monopolies to the ruling party and the Islamist movement. The defense and security agencies—namely the Sudan Armed Forces (SAF), the National Intelligence and Security Services (NISS), the National Police, and the Rapid

* This report and its findings are based on extensive interviews, documentary research, and financial forensic analysis undertaken by The Sentry. As indicated herein, some sources spoke to The Sentry under the condition that their names would not be revealed out of concern for their safety or other potential retaliatory action. The Sentry established the authoritativeness and credibility of information derived from interviews with such individuals through independent sources, expert commentary, financial data, documentation, press reports, and other information. The Sentry endeavored to contact the persons and entities discussed in this report and afford them an opportunity to comment and provide further information. In most cases, these persons and entities did not respond to The Sentry's requests. Responses received have been included in the analysis and are otherwise reflected in the report itself. To distinguish comments received by The Sentry through this response process from other publicly available statements made by these entities, the report notes which statements were received in response to questions posed by The Sentry.

Support Forces (RSF)—developed vast business empires and still enjoy exemptions from government taxes and other dues, undercutting the private sector. In addition, they were empowered to keep part of their revenues off budget, using them to extend significant benefits to senior officials and to feed into the regime's patronage systems. These officials maintained their own private companies and received preferential treatment in bidding for government contracts while their political connections allowed them to stash abroad the proceeds of their exports.

One of the most lucrative practices for regime insiders throughout the three-decade rule of deposed president Bashir was to have their companies serve as intermediaries to supply strategic commodities to Sudan with financing through state loans from the TDB or from Gulf countries such as Kuwait, Qatar, Saudi Arabia, or the United Arab Emirates. Exorbitant markups and high financing charges allowed insiders to line their pockets, inevitably inflating the costs of essential goods like fuel, wheat, medicine, and fertilizers while reducing quantities delivered to the recipient government agency for public distribution.[8] These widespread and officially tolerated corrupt practices aggravated the severe shortages in essential consumer commodities that Sudan has experienced since 2013. At the same time, according to a source familiar with the case, the Central Bank of Sudan repeatedly defaulted on repaying installments withdrawn under the largest lines of trade financing. The accumulation of past due payments reportedly led the TDB to suspend the financing.[9] As the shortages worsened, lenders refused to renew their lines of credit and loans, and an already dire economic crisis became unmanageable. Eventually, the country's ballooning debt and repeated defaults brought the national economy to a standstill, fueling the popular uprising that led to Bashir's fall. Absent the introduction by the government of stringent policies and regulations to combat economic corruption in the public and private sectors, these parasitic businesses are likely to remerge even stronger from their initial retreat to the shadows during the first few months following the fall of Bashir.

Preferential Trade Area Bank's lines of credit

In 2012, the Preferential Trade Area Bank (PTA), the predecessor to the TDB, approved a €200 million (equivalent to $260 million at the 2012 annual average exchange rate of $1.3 to €1) strategic import facility for Sudan's Ministry of Finance to import oil products, for which it issued multiple letters of credit.[10] The PTA also issued and refinanced letters of credit worth €140 ($182 million) million for the Agricultural Bank of Sudan (ABS) to supply and import fertilizers.[11] In all these financing facilities and credit lines, the PTA approved up to the ceiling of the particular instrument. In the normal course of business, the government selects (or designates) the supplier and the PTA disburses installments to the supplier from the approved ceiling one consignment at a time. The government guarantees the repayment of withdrawn amounts at the 360-day maturity date for each drawdown, as required under the terms of the instrument and the government's Irrevocable Reimbursement Undertaking submitted for its approval.

Senior government officials directed a €60 ($78 million) million line of PTA financing in 2012 to a private company that was not a party to the bank's agreement, according to documents reviewed by The Sentry.[12] The arrangement became a test case for a much larger scheme for regime insiders: using a $918 million line of trade financing approved by the PTA in 2013 (and accounting for 26% of the bank's total approved lines of financing for that year)[13] to seek profits from the import of white petroleum products and other commodities.[14] This practice occurred in the wake of a worsening economic crisis following the 2011 independence of South

Sudan. The partition meant that Sudan lost 75% of its oil production and half of its foreign revenue—an economic blow made more devastating by the country's lack of significant foreign currency reserves. Leading political figures had failed to buttress Sudan's cash reserves during the windfall years of dollar-denominated oil revenues. Instead, the regime squandered an estimated $110 billion in oil earnings, as well as the loans and investments that these earnings attracted between 1999 and 2011.[15, 16]

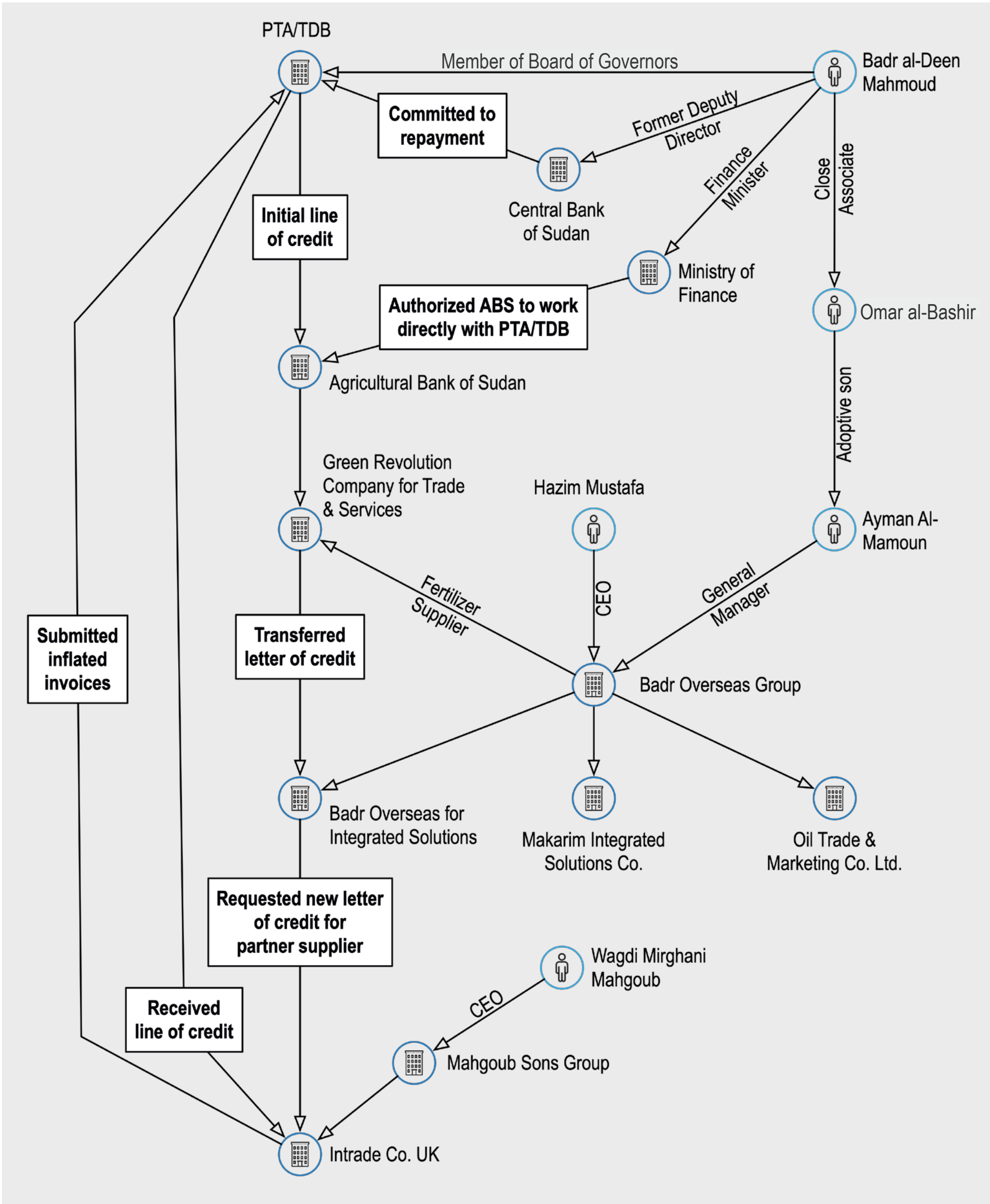
Besides turning to its Gulf donors to obtain cash deposits and easy loans, the Sudanese government also used other sources to make up for the central bank's severe shortage of foreign currency. Regional development banks were a good resource, as they were among the only lenders left willing to do business with the government. International correspondent banks largely fled the country after the United States designated Sudan a state sponsor of terrorism in 1993. With its regional remit and a credit guarantee from the Jeddah-based Islamic Development Bank (IDB) and other financial institutions, the PTA had little incentive to turn down the Sudanese government's bailout request, which came barely a year after South Sudan's independence, in 2012.

The PTA's standard agreement terms required the government to repay amounts withdrawn from the revolving credit line within 360 days. As long as such repayments remained in good standing, the credit line would remain open and renewable at the lender's discretion. Four years into the plan, Sudan had accumulated a crushing $728 million debt, according to the PTA's own financial statements, to which Badr Overseas Group contributed substantially, according to sources with direct knowledge of the situation who spoke to The Sentry on condition of anonymity.[17]

Taking credit: How Badr engineered a scam

According to media reports and two sources familiar with this issue, Bashir's adopted son Ayman Al-Mamoun and his business associate Hazim Mustafa lacked business training and capital when they began their lucrative deals. Nearly all of their wealth was obtained through marked-up strategic commodity imports financed by the PTA, according to these sources. However, government and business documents reviewed by The Sentry and corroborated by three sources close to the two men show that they played a key role in structuring the larger financing facility for oil imports approved in 2013, apparently fashioning it to suit their own profit-making designs. The son of a retired Sudanese general close to Bashir, Mamoun was reportedly born in the United Arab Emirates in 1979. When Mamoun's father, Al-Mamoun Hassan Mahgoub, died in 2001, then-president Bashir declared at the general's funeral that he would adopt his son. Mamoun managed to parlay his links with the president into a highly profitable business venture, established just after his thirtieth birthday.[18]

Badr Overseas Group billed itself as an import-export concern, formed in 2010 by Mamoun and Mustafa.[19] At the time, Mustafa had a small printing house and moonlighted as a broker in a used car auction in Khartoum. Mustafa had founded Makarim International Company for import and export activities, although there is little evidence, based on local news reporting, that the firm landed any significant deals.[20] Badr Overseas Group has a negligible online and social media presence; however, its website lists three subsidiaries: Badr Overseas for Integrated Solutions, Makarim for Integrated Solution, and Oil Trade & Marketing Co. Ltd.[21]



The Scheme to Defraud TDB Financing

Ayman Al-Mamoun established Badr Overseas Group, which secured contracts financed through Eastern and Southern African Trade and Development Bank (TDB) lines of credit extended to Sudan.

In 2012, Mamoun and Mustafa met a trader familiar with the fertilizer market and formed plans to use financing from the regional development bank to facilitate large shipments. At the time, the PTA had already frozen all loans to Sudan's private sector, citing two outstanding debts of $13 million and of $8 million. The latter debt was reportedly owed by the original owner of the Al-Shifa pharmaceutical factory, which the United States bombed in August 1998 in retaliation for the attacks on US embassies in Nairobi and Dar es-Salaam.[22] Using Mamoun's political connections, the duo eventually created a mechanism to pay a part of the outstanding loans to the PTA, which totaled around $20 million at the time. Al-Shifa's original owner allegedly used the land where the factory once stood and the production machinery as collateral for the $8 million PTA project loan on which he defaulted, according to an official with direct knowledge on the matter. According to another source with direct knowledge of the affair, Mustafa partnered with Wagdi Mirghani Mahgoub, chief executive of the Mahgoub Sons Group (MSG) business empire, to purchase the plot from a businessman who had bought the factory from its original owner. The terms of the sale, ostensibly to build an edible oils factory at the site, are unclear. However, the sale helped the PTA recover a debt it deemed uncollectable due to the total destruction of the collateral and the borrower's alleged disposal of the property without revealing the liability on it to the new owner.[23] As a result, Sudan once again qualified for new financing from the regional bank, for which Mamoun and his business partners were first in line, according to sources familiar with the case.[24]

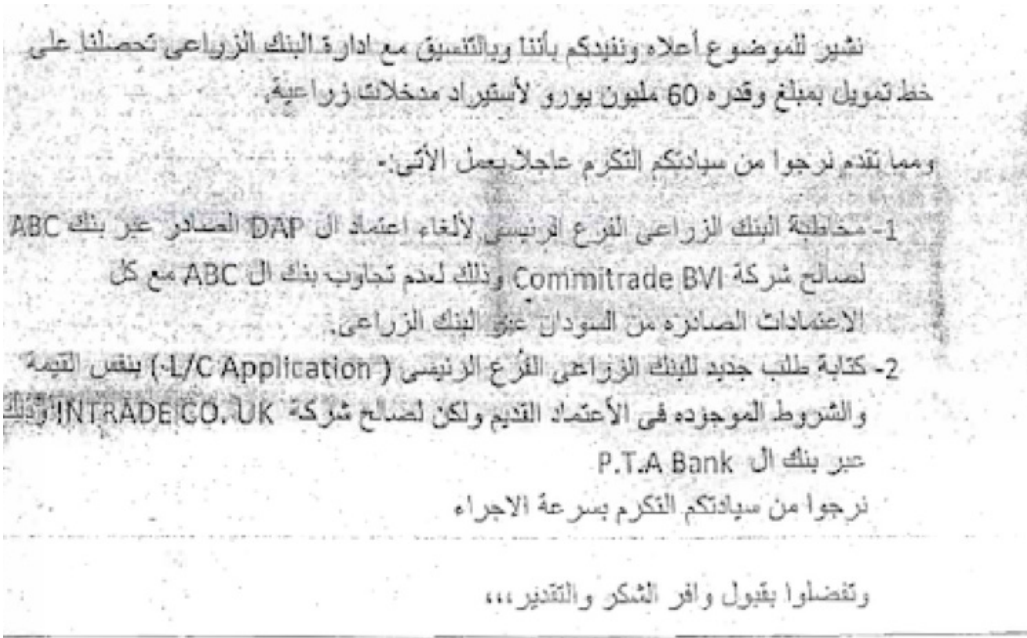
Strategic commodity import facility for fertilizers

In a letter dated July 13, 2012, a copy of which was reviewed by The Sentry, the PTA informed the ABS that it had approved a €60 million ($78 million at the 2012 exchange rate) "strategic commodity import facility" to finance the purchase of agricultural fertilizers.[25] Additional documentation pertaining to this facility reviewed by The Sentry showed that then-ABS general manager Awad Osman Mohamed and his deputy at the time, Salah Hassan Ahmed, had both approved, on June 28, 2012, the draft terms that identify the borrower as the ABS and the lender as the PTA in order to execute the facility as legally required under these same terms.[26]

A day after the ABS receipt of the PTA's credit approval, on July 14, 2012, Mohamed wrote to Sudan's undersecretary of finance requesting the ministry's approval for the ABS to execute the agreement. The ABS, Mohamed explained, would act as borrower per the agreement's terms. He reminded the undersecretary that the central bank had committed to repay the PTA in due course. Before dispatching this formal approval request, Mohamed oversaw upfront ABS payments to the PTA two days before, on July 12, of €600,000 ($780,000) and €300,000 ($390,000)—representing 1% and 0.5% of the total value of the facility and letter of credit fees, respectively—per the facility agreement, prior to the first drawdowns.[27]

Documents reviewed by the Sentry show that the importer listed in the PTA agreement—Green Revolution Company for Trade & Services Ltd. (GRC)—a subsidiary of the ABS, conceded its controlling role to an unlisted private company. The Sentry found no evidence of a public tender preceding this last-minute change, as mandated by Sudanese law.[28] The transfer was approved just three days after the facility entered into force, allowing no reasonable time for competitive bids to be made for supplying GRC and the ABS with the commodities. The private company set to take over the fertilizer deal was Badr Overseas for Integrated Solutions, owned by Mamoun and Mustafa, according to local media reporting, documentation reviewed by The Sentry, and multiple testimonies of persons with direct knowledge of the case.[29]

Badr Overseas for Integrated Solutions was launched around the time the deal was inked, according to persons with direct knowledge of the PTA transaction. In accounts reviewed by The Sentry and published in the local media, sources revealed that Mamoun and Mustafa partnered with Mahgoub, the CEO of MSG, to supply imports via Intrade Co. UK, an MSG subsidiary registered in the United Kingdom. In a letter dated July 17, 2012, three days after the PTA gave its final approval for the credit facility, Mamoun identified himself as general director of Badr Overseas for Integrated Solutions and informed GRC that his company had obtained a €60 million ($78 million) line of credit to import agricultural products "in coordination with the management of the ABS." The letter instructed GRC to cancel a previous letter of credit in favor of the firm Commitrade BVI to supply the goods. Mamoun instructed GRC to request a new letter of credit from the ABS's main branch for the benefit of Intrade Co. UK.[30]


نشير للموضوع أعلاه ونفيدكم بأننا وبالتنسيق مع ادارة البنك الزراعي تحصلنا على
خط تمويل بمبلغ وقدره 60 مليون يورو لأستيراد مدخلات زراعية.
ومما تقدم نرجوا من سيادتكم التكرم عاجلا بعمل الأتي:-
1- مخاطبة البنك الزراعي الفرع الرئيسي لألغاء اعتماد ال DAP الصادر عبر بنك ABC
لصالح شركة Commitrade BVI وذلك لعدم تجاوب بنك ال ABC مع كل
الاعتمادات الصادره من السودان عبر البنك الزراعي.
2- كتابة طلب جديد للبنك الزراعي الفرع الرئيسي (L/C Application) بنفس القيمة
والشروط الموجوده في الأعتماد القديم ولكن لصالح شركة INTRADE CO. UK وذلك
عبر بنك ال P.T.A Bank
نرجوا من سيادتكم التكرم بسرعة الاجراء
وتفضلوا بقبول وافر الشكر والتقدير،،،

Letter dated July 17, 2012 in which Mamoun informs Green Revolution Company for Trade & Services that his company, Badr Overseas for Integrated Solutions, has obtained a €60 million line of credit to import agricultural products "in coordination with the management of the ABS." Photo: The Sentry.[49]

Translated section of Mamoun's letter to the Green Revolution Company of the Agricultural Bank of Sudan, dated July 17, 2012.

"In reference to the aforementioned subject, we would like to inform you that we, in coordination with the management of the Agricultural Bank of Sudan (ABS), have obtained a €60 million line of credit to import agricultural products.
In light of the above, we request that you urgently undertake the following:

1-Address the main branch of the ABS to revoke the letter of credit issued by the ABC Bank (NT: Arab Banking Corporation) for Commitrade BVI Co. due the ABC's failure to honor all of the letters of credit issued by ABS.

2-Submit a new application to the ABS's main branch (L/C Application) for the same amount and with the same conditions stated in the older letter of credit, but in favor of Intrade Co. UK through PTA Bank.

We appeal for your prompt action in this matter."

The Sentry has reviewed documentation that reveals apparent over-invoicing in two separate fertilizer shipment transactions. An €11.2 million Intrade Co. invoice dated November 3, 2012 lists a unit price of €512.98 per metric ton (MT) to deliver a shipment of 21,850 MT of imported urea fertilizer. Another Intrade Co. invoice for €10 million dated November 24, 2012 covers the supply of 19,493 MT of urea from Qatar, at the same rate for delivery to Sudan. Eastern and Southern African Trade and Development Bank is listed as the consignee for both shipments, with notification due to the Agricultural Bank of Sudan and the Green Revolution Company for Trade and Services Ltd.[31] However, the price of a metric ton of urea fertilizer in the international market was €291.90 in November 2012, according to the online data portal IndexMundi. Intrade Co. UK's €512.98 charge to the ABS for these two shipments was thus 75.7% higher than the prevailing prices of urea fertilizer on the international market.[32]

In sharp contrast, documents reviewed by The Sentry show that another partially government-owned company, White Nile Sugar Company, had received a consignment of 15,000 MT of urea imported from Saudi Arabia for a unit price of 1,987.5 Saudi Riyals per MT, or €402.586 per MT—some 20% less than the amount invoiced by Intrade Co—around the same period.[33, 34] Yet even that price was still highly inflated compared to the international average of €288.94/MT in December 2012.[35] In inquiring further about this transaction, a source knowledgeable about the sector explained to The Sentry that it was normal for suppliers in the region at the time to charge higher prices for purchases of small quantities of urea, as in the case of the 15,000 MT purchased by the White Nile Sugar Company. However, the source explained that the 75.7% increase on the international price that Intrade Co. UK Ltd. invoiced for its two November 2012 deliveries to GRC was, in the source's opinion, still much higher than could be justified by the cost of freight, insurance, and prevailing margins of profit.

The Bigger Prize: Sudan's Revolving Credit Line

By 2013, Sudan had turned over a new leaf in its relationship with the PTA. With its earlier arrears now fully repaid to the bank, Sudan positioned itself for a larger line of credit that extended well beyond fertilizers to include other essential commodities. The prospect fit within the development bank's mandate and addressed the Sudanese government's increasingly steep budgetary shortfalls. The PTA initially approved a revolving line of credit with an unprecedented ceiling of $918 million, including $706 million allocated for processed oil product imports.[36] Because Sudan was under strict US trade and financial sanctions at the time, lines of credit to Sudan were extended in euros, even when the initial approvals were in US dollars. Sudan's then-finance minister Badr Aldeen Mahmoud Abbas instructed the state finance minister to designate Badr Overseas as the supplier of the goods in a letter to the PTA, according to sources with first-hand knowledge of the reported events.

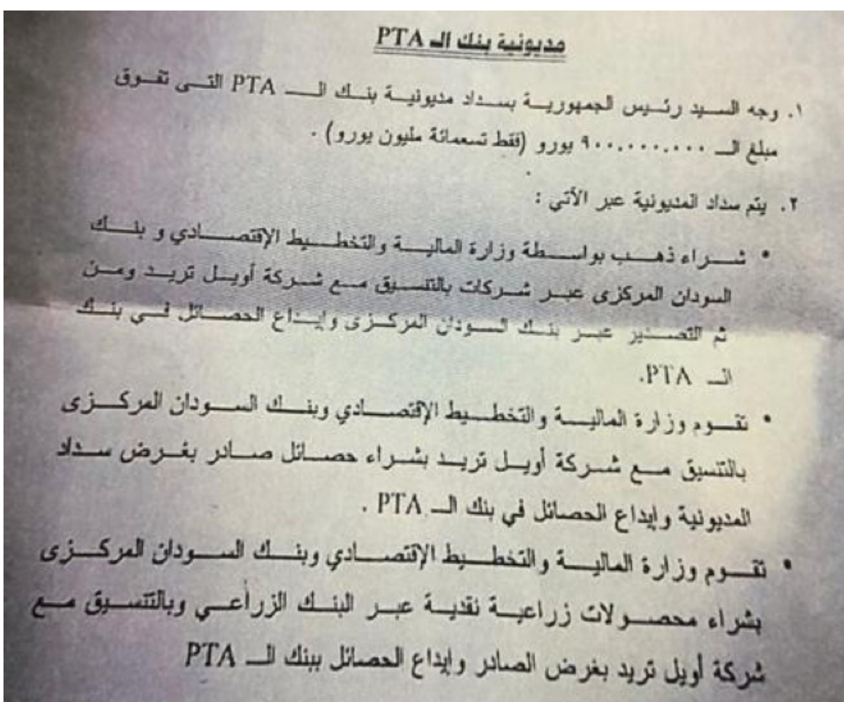
Under the agreement for the first trade financing facility, a copy of which The Sentry reviewed, the execution of the facility required the central bank to issue a letter of credit in favor of the PTA, supported by an Irrevocable Reimbursement Undertaking (IRU) for payment on a cost and freight basis, repayable within 360 days. The PTA, in turn, was due to issue a letter of credit for the supplier through a corresponding bank upon submission of satisfactory documentation and the cost of the consignment at Port Sudan. The government was to assume responsibility for the sale of strategic commodities to the public—namely, petroleum products and agricultural inputs—and deposit the proceeds in relevant government accounts. At the same time, the government was due to ensure that the maturing letters of credit would be paid on time to the PTA. If there was evidence upon review that Sudan was keeping good on its commitments under the agreement, the PTA could renew the facility at its discretion.

Badr Overseas' involvement quickly hiked the cost of procuring the much-needed commodities, forcing the government to fall behind on repayments, according to sources familiar with the case. On November 30, 2014, Mamoun wrote to the oil minister about a meeting they had with Abbas and the central bank governor on the same day to determine how to regain access to the TDB revolving credit lines after Sudan had exceeded the €1.1 billion ($1.43 billion) ceiling in order to import strategic commodities such as wheat, fertilizers, and oil products. Mamoun referenced a decision reached in the meeting to add 2.75% to the cost of financing the letters of credit to import oil and gas. The letter concluded: "As such, please adjust this cost effective immediately by including this cost in order for us to continue the importation."[37] As illustrated by this exchange, authorities at the highest level of authority in the Bashir government likely knew about and condoned mechanisms used for increasing the profit margins of Mamoun's companies and associates. These tactics consisted mainly of over-invoicing and charging financing commissions at higher rates than the prevailing percentages for similar transactions. A businessman familiar with these practices informed The Sentry that over-invoicing and inflating the costs of financing allowed unscrupulous importers to collect profit margins of up to 30% of the prices of the commodities they delivered to Sudanese public corporations such as the ABS and the Sudan National Petroleum Corporation.

Despite several PTA collection attempts—beginning in 2017, just after the bank renamed itself the TDB—Sudan's outstanding balance remains unpaid. By December 31, 2016, the debt had reached the equivalent of $728.26 million. This amount, according to a TDB audit report examined by The Sentry, represented 21.81% of its gross loan portfolio, of which the lion's share consisted of $696.09 million in short-term trade finance. The remainder consisted of project finance exposures.[38] The audit report also states that the TDB had taken insurance against political risk exposure in Sudan for $201.11 million, underwritten by a syndicate of reinsurers that included Lloyds of London.[39]

In August 2017, TDB president and CEO Adamassu Tadesse visited Sudan with a technical team to press Sudanese authorities to repay the outstanding debt. Through its meetings with senior officials, the TDB delegation learned that former finance minister Abbas had kept the Ministry of Finance in the dark about the commitments and directives he made to the TDB on behalf of the government, according to Sudanese senior officials who participated in these meetings. Bashir hosted Tadesse, who briefed him on the bank's programs in Sudan.[40]

Even as they scrambled to find the means to repay enough arrears to regain access to the TDB facility following Tadesse's visit, Sudanese authorities sought to find a role for Badr Overseas in the transactions needed for the repayments. In a letter dated September 14, 2017 reviewed by The Sentry, the presidential affairs minister communicated to the Finance Ministry the president's directives to purchase agricultural products through the ABS and to acquire gold through the Central Bank of Sudan. The transactions were to take place through unnamed companies for export by the ABS and the Central Bank, and the revenue from such exports, the letter instructed, was to be used to pay down the outstanding TDB balance. The minister indicated that these purchases should take place "in coordination with the Oil Trade Company," a reference to the Oil Trade and Marketing Co., a subsidiary of Badr Overseas Group. The letter from the presidency stated that Sudan's outstanding debt to the bank stood, at the time, at €900 million (approximately $1 billion at the 2017 annualized exchange rate), a figure that is at odds with the bank's own publicly available reports and financial statements.[41]



مديونية بنك الـ PTA

١. وجه السيد رئيس الجمهورية بسداد مديونية بنك الـ PTA التي تفوق مبلغ الـ ٩٠٠.٠٠٠.٠٠٠ يورو (فقط تسعمائة مليون يورو) .

٢. يتم سداد المديونية عبر الآتي :

- شراء ذهب بواسطة وزارة المالية والتخطيط الإقتصادي و بنك السودان المركزى عبر شركات بالتنسيق مع شركة أويل تريد ومن ثم التصدير عبر بنك السودان المركزى وإيداع الحصائل في بنك الـ PTA.
- تقوم وزارة المالية والتخطيط الإقتصادي وبنك السودان المركزى بالتنسيق مع شركة أويل تريد بشراء حصائل صادر بغرض سداد المديونية وإيداع الحصائل في بنك الـ PTA .
- تقوم وزارة المالية والتخطيط الإقتصادي وبنك السودان المركزى بشراء محصولات زراعية نقدية عبر البنك الزراعي وبالتنسيق مع شركة أويل تريد بغرض الصادر وإيداع الحصائل ببنك الـ PTA

Letter from the Sudanese presidential office to the Finance Ministry in which then-state minister for presidential affairs Fadul Abdalla Fadul states that Sudan still owed €900 million to the TDB. Photo: The Sentry.

The Debt Owed to PTA Bank

Translated section of the letter from the Sudanese presidential office to the Finance Ministry on page 14.

1. The president of the republic has issued a directive to repay the debt owed to PTA Bank exceeding €900 million (only nine hundred million euros).
2. The repayment shall be made as follows:

- *Purchase of gold by the Ministry of Finance and Economic Planning and the Central Bank of Sudan through companies in coordination with Oil Trade Company and to export the gold through the Central Bank of Sudan. Revenue from the sale should be deposited in PTA Bank.*
- *Purchase of export revenue by the Ministry of Finance and Economic Planning and the Central Bank of Sudan in coordination with Oil Trade Company for the purpose of repaying the debt. Revenue from this purchase should be deposited in PTA Bank.*
- *Purchase of agricultural cash products by the Ministry of Finance and Economic Planning and the Central Bank of Sudan in coordination with Oil Trade Company for exportation and to deposit revenue from the exports in PTA Bank.*

With the presidency aggressively pushing for its continued involvement, Badr Overseas continued to supply fertilizers to the ABS and its subsidiary GRC well into the last quarter of 2018. At the time, Mustafa singlehandedly led Badr Overseas, since Mamoun was imprisoned in the United Arab Emirates in June 2018. The Sentry examined an invoice from Badr Overseas to the ABS for a shipment of 33,170 MT of urea fertilizer to Port Sudan in 2018 for AED 45.6 million (about $12.4 million). Oil Trade and Marketing Company Ltd., a subsidiary of Badr Overseas based in the British Virgin Islands, invoiced another company owned by the Sudanese government on September 28, 2018 for AED 24.9 million to supply 13,750 MT of diammonium phosphate (DAP) fertilizer. [42] Shipments of goods are quoted in the manufacturer's currency and then converted to dollars or euros in the supplier's invoices for repayment to the TDB.

Increasing scrutiny

Several of the individuals and entities involved in the TDB saga have come under growing scrutiny. Intrade UK is facing serious questions about the role it played as partner of Badr Overseas Group in the supply of fertilizers for the ABS under the 2012 €60 million financing facility. An investigative article by Al-Tayar newspaper on May 2, 2019 examined the ABS's alleged role in helping Badr Overseas skim lines of financing.[43] The ABS published a paid announcement a day later in multiple newspapers rejecting the claims and threatening Al-Tayar with legal consequences.[44] However, the bank's assertions are at odds with the agreement for the €60 million facility, which designates the ABS and its fully owned subsidiary Green Revolution Company as recipients. The paid statement asserted that the PTA had approved the financing for Badr Overseas as borrower. Documents reviewed by The Sentry confirm that the ABS was the borrower under the terms of the agreement, which do not make any reference to or assign any role for Badr Overseas.

On June 5, 2018, the UAE's Federal Court of Appeals condemned Mamoun to life in prison after finding him guilty of espionage and recruiting bank officials to obtain access to the accounts and property records of a former Sudanese business partner turned rival.[45] Mamoun pleaded guilty at the trial, according to the accounts of people who monitored the trial. They also confirmed to The Sentry reports that the target of the breach was Bashir's longtime cabinet director, General Taha Osman Alhussein.[46] The incident provided further evidence of corruption's reach in the heart of Sudan's presidency. While Mamoun serves his term, his longtime business partner and Badr Overseas general manager Mustafa has continued to supply government and semi-public corporations in Sudan with essential commodities while collecting large profits, as the two aforementioned recent transactions indicate.

Conclusion

Beyond Badr Overseas Group and its owners, various other actors have used their political connections to divert significant portions of trade and development loans meant to ease Sudan's economic woes. These corrupt schemes allowed insiders to mismanage the economy for their personal benefit, sending it into a tailspin. Bashir scrambled to contain the crisis, appointing three new cabinets in rapid succession in May 2017, September 2018, and February 2019. A handful of officials, their relatives, and business associates reap much higher profit margins than the regional and international norm by serving as intermediaries in government transactions, according to Salah Abdalla, the deposed director of Sudan's repressive National Intelligence and Security Services (NISS), who is known as Salah Gosh.[47] Gosh, who is under US travel sanctions, told reporters in December 2018 that he knew about the systemic use of intermediaries because he was himself a member of that exclusive club. He was alluding to a period from 2009-2012 when he entered the business world after Bashir sacked him and connections to government officials were his only capital.[48] His admission highlights the need to better understand how Badr Overseas Group develops schemes in order to ultimately stem the diversion of public funds in a post-Bashir Sudan.

Although the nefarious activities of Badr Overseas Group have now been exposed, the institutions and individuals that enabled its rise remain largely intact. These corrupt transactions cost Sudan precious resources and further undercut its reputation among potential lenders. Some of the chief protagonists from these schemes are jockeying for power today. Halting such corrupt practices will improve the prospects for sustainable economic development and democratic progress.

Recommendations

I. Recommendations for the Sudanese government

- **Establish an anticorruption commission.** The government should establish, by an act of parliament, a robust anticorruption commission with required operational independence, including an independent budget and independent selection of commissioners. The commission should be empowered with full investigative and prosecutorial powers and should include representatives of the Auditor General's Chamber and other relevant law enforcement bodies. The commission should examine the role of companies owned by politically exposed persons (PEPs), to include the role of Badr Overseas Group, in potential loan skimming, lines of trade financing, and development financing extended to the government by the international donor community.

- **Investigate foreign-held assets.** Sudanese law enforcement and the recently established Committee to Dismantle the Salvation Regime should engage with international counterparts to investigate whether assets held in foreign jurisdictions were illicitly obtained.

- **Empower domestic institutions.** The government should bolster the Financial Information Unit (FIU) and law enforcement bodies with anti-money laundering provisions and with the appropriate resources and independence to fulfill their missions. The FIU should be empowered to take cases to prosecutors for trial in the court system.

- **Invite international institutions to conduct risk reviews.** The government should invite the World Bank and the United Nations Economic Commission for Africa to conduct a joint review of corruption and governance risks in Sudan while guaranteeing full and unhindered access to relevant records from the government and public corporations. The team's recommendations should be promptly implemented.

- **Pursue legal reforms.** The government should pursue comprehensive and thorough legal reforms to strengthen laws governing:
    - Business registration and taxation, government procurement, contracting laws, and the management and decommission of government transportation such as vehicle fleets
    - The use of mandatory public tenders for the importation of strategic commodities and public infrastructure projects
    - Financial oversight institutions, including the National Audit Chamber, the National Anti-Corruption Commission, the Ombudsman Institution in the Transitional Legislative Council, the Fiscal and Financial Allocation and Monitoring Commission, and the Grievances Chamber
    - The prosecutorial office of corruption cases and the specialized corruption court
    - The public disclosure of assets held by those assuming public office, as well as the assets of their immediate family members, at the beginning and end of their tenure

- **Create a transparent budget process.** The government should communicate to localities the budgetary allocations for essential services and development investments meant for their communities.

- **Allow public access to government records.** The government should make government records available to the public. It should provide freedom of information guarantees and grant legal protections for the media and the public's right to access government financial records.

- **Revise the National Register of Companies.** The government should thoroughly revise the National Register of Companies and make its records publicly available.

II. Recommendations for foreign governments and international financial institutions (IFIs):

- **Provide diplomatic and technical support for reforms.** The African Union, European Union and its member states, Gulf states, United Kingdom, United States, and IFIs including the African Development Bank, International Monetary Fund, and World Bank should allocate diplomatic and technical resources to implement reforms in key areas identified by the civilian Transitional Cabinet, in particular those highlighted above.

- **Provide financial assistance contingent on reforms.** International financial assistance should be contingent upon the introduction of anticorruption standards that ensure that financing packages, official development aid, and private investments go to their intended targets and are safeguarded against misuse by corrupt officials.

- **Incentivize progress with debt relief.** Incentivize the new government with debt relief upon satisfactory progress in implementing credible anticorruption and transparency measures and building appropriate, empowered institutions for that purpose as outlined above.

- **Designate corrupt networks for sanctions**. The United States, United Kingdom, and Canada should designate for sanctions current and former government officials and their networks involved in corruption and human rights abuses, such as diverting loans and lines of financing to Sudan for their personal gain and that of their business associates and facilitators. Jurisdictions that are currently unable to issue sanctions against current or former Sudanese government officials and their associates for corruption, such as the European Union, should quickly move to enact legal mechanisms enabling such measures.

- **Prioritize asset recovery**. The US Department of Justice and the FBI's Kleptocracy Asset Recovery Initiative should prioritize investigations into the suspected laundering of corruption proceeds by PEPs in Sudan. British law enforcement authorities, including the National Crime Agency and Serious Fraud Office, should use legal tools to investigate the suspected laundering of proceeds from corruption by Sudanese PEPs and should seek to recover assets based in the United Kingdom and freeze associated accounts. Beyond the United Kingdom and the United States, law enforcement authorities worldwide should investigate and identify assets and accounts acquired unlawfully by Sudanese PEPs. These authorities should freeze and seize any such assets before returning them to Sudan transparently.

- **Raise the alarm on money laundering risks while highlighting progress**. The US Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) should issue an advisory warning financial institutions about the money laundering risks associated with Sudanese PEPs potentially engaged in significant acts of corruption and with the sale of gold from Sudan. British authorities should consider using similar advisory notices to warn financial institutions based in the United Kingdom of the movement of corrupt Sudanese money. Such an advisory should also highlight areas of progress in Sudan to avoid broader de-risking.

III. Recommendations for banks and the financial community:

- **Establish measures to prevent financial crime**. While developing business opportunities in Sudan, banks and other financial institutions should build risk indicators into their global policies to guard against risks associated with capital flight, upstream money laundering, sanctions, and corruption. Measures should include the following:
    - **Engage with respondent banks and international banking partners.** Banks and other financial institutions should work with their branches and correspondent banks in the region to make them aware of identified risks and concerns and to ensure that legitimate Sudanese businesses receive facilities and financial services in line with the banks' risk appetites and policies while protecting the integrity of the global financial system against illicit finance. Financial institutions should also cooperate with their banking partners in Kuwait, Qatar, and the UAE to lower the risk that their systems and controls indirectly expose them to processing potentially illicit funds originating from Sudan.
    - **Conduct enhanced due diligence and transaction monitoring.** Financial institutions should take measures to identify their Sudanese banking population, focusing on accounts held or beneficially owned by Sudanese PEPs or public officials, including senior members of the military, members of their families, and their business associates. Banks should consider carrying out a comprehensive assessment to identify the broader international networks of these persons and any suspicious activity within these networks, and they should take immediate action as appropriate. Financial institutions should use existing suspicious activity investigation and reporting mechanisms to provide information regarding potential international networks connected to Sudanese illicit financial activity to relevant regulatory bodies and law enforcement agencies where permitted by law.
    - **Provide staff training and increase awareness.** In order to help them identify red flags for money laundering, financial institutions should train relevant staff, particularly those working in trade finance or commodities trading with Sudan or countries that trade with Sudan and have a focus on oil, mining, and commodities export industries. This training would enhance the institutions' ability to detect and disrupt suspicious and potentially illicit activity such as money laundering, sanctions evasion, misappropriation of state assets, human rights violations, and other forms of corruption and financial crimes. The US government should provide guidance to financial institutions in an ongoing manner in order to assist with these efforts, including through convening meetings with key banks active in Sudan and the region.

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