

A CONVERSATION WITH DR MO IBRAHIM

The Mo Ibrahim Foundation dispenses the largest annual prize in the world, giving US\$5 million to former African heads of state who have shown exceptional leadership. Dr Ibrahim is a Sudanese born British entrepreneur who created the Foundation in 2006. The company he founded, Celtel International, has brought the benefits of mobile communications to 15 African countries, covering more than a third of the continent's population. The telecommunications engineer gave a talk about his work at The Royal Academy of Engineering's International Lecture in November 2008. The following day, he talked to Academy Fellow Sir Alan Rudge for *Ingenia* magazine. Sir Alan is a former Chief Executive and President of Celtel International.



SIR ALAN RUDGE:

I would like to put a few questions to you and get your take on a number of issues which might interest engineers and potential engineers. How do you think that your background as an engineer has influenced your work as a businessman and what factors do you think have underpinned your success?

DR MO IBRAHIM:

I did not set out to become a businessman. In fact I think it has helped a lot that I am an engineer and not a trained businessman. I have not learnt theoretical business practices from school; instead I have learnt on the job. I find that much safer, because then when I don't know something I can ask, clarify and find out.

The problem that I found later, much later on, was that many managers don't know, but they are too shy to say that they don't know. That is a problem. When I first started out I was an ignorant businessman, but I knew I was ignorant, I could not read the balance sheet, I could not read the business plan, but I made sure that I listened and learned, and that ensured our success. I think a bit of humility always helps.

AR: Can I just say that, knowing you as well as I do, Mo, you're always going to be modest about answering a question like this. We have worked together for a good many years and I find that the engineering basis of the way you approach things is based on logic. You look right through to see the bones of a system, if you like, whatever that may be, and what you don't know, you don't mind asking. I think that's an engineering approach.

An engineer goes into a confused situation, looks at some facts, then puts together a model. You have done that over and over again with businesses. You put them together and see that "there's a prospect here". Others don't see that because they are looking at the fluff and not the bones. I think that you have that insight.

You were a very good engineer and I think that comes through in many of the ways

that you have behaved since. You also happen to be a very good entrepreneur, and that means a man who calculates a risk and then runs with it. That is the kind of man I think you are. You look at a risk and when things get tough inside that risk, you don't lose heart. This is a gift which very few people have.

MI: I believe also it is very important to pick up good people. We need to have good people and also make them partners in our business. All our people are partners in all our businesses, and they are the best people. They just need the light!

AR: I will go to another question, because that was a rather personal one. Why do you think your experience of doing business in Africa, in particular, has been so much more successful than most pundits would have led us to expect? When we started this business, there was a lot of negativism about Africa, and indeed about telecoms soon afterwards. Bringing the two together didn't make it easy. Why do you think you've managed to be so successful?

MI: I think there was a very clear market there. I just couldn't believe why other people and companies could not see it. There is very little fixed communication on most of the continent and yet we have vast

distances where communication is so essential. Africa was not as bad a business proposition as it was perceived.

I talked last night at the lecture about the problem with the media images presented from Africa. When the media only has a very short space of time with a bulletin that is 15 minutes long and they have just one minute for Africa, they just don't have time to go through it all. They'll often show just Darfur and Zimbabwe and then they change the subject! But there are 50 other African countries which are doing fine and we don't hear about them. There is a gap and, when there is a gap between perception and reality, there is always good business.

Persuading the banks that there is an opportunity, well



Sir Alan Rudge interviewed Dr Mo Ibrahim at the Ibrahim Foundation's London HQ



Photographs courtesy of Barry Weekes

that is another problem but we started getting operating licences country by country. I think the first one was Uganda, then Zambia. By the time we finished, we had 15 countries, all in sub-Saharan Africa ...

AR: ... and each of those had to be backed by a network build and a network investment with the latest technology. We weren't buying old technology – we were buying the latest and best technology – and the capital implications of that were severe. We had to have cash or credit to get into these businesses and that was the big challenge that you faced.

Do you think Africa is still a good place for business investment in the current economic climate, Mo? Things are pretty desperate in the west!

MI: I guess nobody knows what a good investment is in any country now. We have had a financial tsunami that has created problems for

everybody. To some extent, Africa is protected. For example, we don't have a mortgage industry in Africa. If you are a professional in Ghana, for example a dentist or a university professor, and you want to buy your apartment, you had better bring along \$100,000 cash. There are no mortgage products. In Africa there is very little like that. If you are in America and you are unemployed, they may give you \$120,000. But if you are a dentist in Ghana, then sorry, no, we don't have a mortgage for you!

I'll give you another instance, and that is with our company. The maximum debt our company managed to reach was in January or February 2005, when we needed to sign a deal, and that was \$190 million. Two months later, we sold the company for \$3.4 billion! That raises a question. You look at the balance sheets of Vodafone or Orange or anybody, and see how much debt those companies carry against how much valuation they have, or how much profit or how

much earnings. To persuade the banks to provide loans we had to mortgage all of our operations, plus the cash we had in the bank – about \$40 million – to get this \$190 million debt. That is a terrible situation to find yourself in when you know that the company is worth so much more.

AR: In the UK or in the west, almost anywhere, you, as management, would have been criticised for having an inefficient balance sheet. I mean, they would want you to have a substantially greater debt.

MI: I remember being told that we were selling the family silver, because we had to sell equity to raise money, because we could not risk debt. That way we achieved a much better return for our shareholders by erasing the debt.

AR: And, of course, substantial sums were required to create the infrastructure for the business – no easy matter in Africa.

MI: That was very delicate and I'll tell you why: it is much tougher. We build networks everywhere in Europe and in well-developed countries and if I wanted to develop a network in the UK, no problem. Of course, I would need to find somewhere to put towers or roofs to put my aerials on, a cabin to put my equipment in, etc. Then I would phone BT, the biggest operator, the local guys and say: "I want so much bandwidth for these stations to connect all the pieces together". So you ask the local fixed operators, and you lease this, and it is very cheap.

However, if I go to do this in the Congo or somewhere else, there is no fixed operator. So I have to build all this backbone myself. We had to build microwave links right across the country in many instances because there was no way of linking our stations together without building the infrastructure.

We have to do everything, we have to build the backbone ourselves, instead of using part

of somebody else's system. In addition we often had to build the roads to get to the places where we wanted to put up the networks!

AR: We also had to build networks in countries that were at war. In Sierra Leone, for example, we were actually building the network there – the first network constructed there – and our manager would disappear out of one door when the rebels were charging in the other end of a building! The interesting thing was, they didn't destroy our equipment and the reason for that is that everybody was dependent on it in the end, so be they rebels or government, they needed to use the infrastructure.

Mo, what do you see as the real key to economic development in Africa? For example, how do you prioritise the importance of the theme, which you have taken up, of good governance, against external aid and charitable activity, or business development. How would you

prioritise those in terms of their importance to a developing Africa?

MI: I think each of them has a role today. I imagine by aid you mean relief aid. Relief aid is meant to ease and we need to ease that pain, there is no question about it. It is very admirable. But it is really by making investments in the country and good use of these investments, and creating the climate to enable this investment to be made in the first place – that is what is important.

These two things go hand in hand. Without investment, there is no good job creation, there is no wealth creation, then we go back into the same downward spiral again. What is important now is to create that climate for investment. Good governance and transparency are crucial for this.

AR: That is particularly true in the kind of business that Celtel is engaged in. One of our big

problems was having a platform, a fair playing field upon which to base the investment. If you are going to put a lot of expensive equipment into a country, then you had better understand the rules, know about the taxation and know about how the government is likely to act. Once your equipment is in there, you have made an investment, and you're stuck with it. If they want to turn the tables on you at that point and tax you unfairly or put huge charges on you bringing equipment into the country, let alone anything else, then you don't have a business. Your business stops there.

MI: All our investment, our infrastructure, is in the country. We are not like a mining company which is going in, picking up diamonds or coal or cobalt or whatever, and taking it out of the country. We are taking nothing out of the country. We put this infrastructure in the country and that's it. We are so much in.

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AR: And now we come to perhaps your most creative activity – the Foundation. Nobody on earth, short of Mo Ibrahim, would have come up with this idea, its extraordinary goals and intentions; I am quite convinced about that. But Mo, how do you respond to the criticism that you certainly had at the beginning, that good governance shouldn’t be rewarded with a large monetary prize?

MI: Good governance and good leadership, and remember we are talking about exceptional leadership, I think that that should be recognised. As human beings, we should show recognition. Alan, you are Sir Alan Rudge – why the ‘Sir’? It was given to you in recognition of things that you did for this community. Here, they rewarded you by knighting you. Every society has its own way and method of rewarding those bright people who do exceptional things. Whatever you did workwise, you were

paid for, Alan. You were a senior teacher, a senior executive in BT, that was your job, but it doesn’t follow that if you have excelled in your job, that we shouldn’t recognise that and reward it. The monetary aspect about the Foundation is accidental. What we wanted to establish and acknowledge was the exceptional leader. If we are agreed that he or she is exceptional, if he excels and finishes the job and wins our prize, then we want this exceptional person to continue to work in the service of not only his country, but all of Africa. How do you ensure that?

African presidents, unlike Western leaders, are not invited to the boards of the banks. There is no government to pay that money. If they join the boards of the great banks or great companies, they get a lot of money for that. Memoirs, speech circuits – do you know how much they pay?

Our people don’t have this. They have to go on and earn

their living, but we want them to continue to work in public service. So we say: we are going to take care of you, please continue to do your work. That is why we pay them and that’s why the money stays like that. We pay them \$500,000 a year, and then \$200,000 for these charitable organisations.

The Foundation has this concept that there is life after office. Look at what Mandela has been doing. He is a big inspiration to us. How much do you think he did what he did for Aids? Would he have been able to do this without the Mandela Foundation? Who gave him the money to fly in a private airplane because he is so sick he has to sleep, to lie down? Who gave him the plane to fly here and there, live in hotels, who is looking after that? Somebody must be looking after that. Without that, he wouldn’t be able to function.

So what I say is, we need those leaders to function, and we have to enable that

to happen in a completely transparent manner. We are not giving money under the table. It is absolutely up front.

AR: The point that you made last night was important too. You said that we are dealing with the good guys, not the bad guys. When people think of these criticisms, they think, why should you pay Mugabe? That’s what is in their mind. In fact, you have made the point. Africa is a big continent, and there are 53 countries, and there are people there who are working honestly and dedicatedly, to try to improve the performance of their particular nation. It is the good guys that this is targeted at, to make an example of them, not just to hand out money to people you want to get rid of, who you want out of office. It is celebrating success not failure.

MI: A lot of people say: why don’t you give the money to Mugabe, so that he can go? We said we would not do it. Even if he said ‘please give it to me, and I’ll go’, we would not do it, because it is self-defeating.

AR: Finally, then, if you have as a goal the encouragement of good economic and political development in Africa, what actions would you like to see most from the British Government in this connection, what could they do?

MI: To be honest, I think the British Government is

doing very well. Surprise, surprise! I’m British too, so I am always critical of my Government! In Africa, the British Government has been doing very well. I want it to continue what it’s doing, pay more attention to the areas of infrastructure and education. I think these are the two areas which really help and they should really focus on these two areas. The Government should continue to advocate the continuation of pursuing the development cause and I think Gordon Brown is doing a good

job. I am not really critical of the British Government. That will please you!

AR: I would just like to thank you, Mo, both for the lecture last night, and for giving us the time for an *Ingenia* interview.

MI: Thank you very much for inviting me.

To watch the film of Dr Mo Ibrahim’s lecture ‘Africa Works’ delivered on 5 November 2008 go to www.raeng.org.uk/ibrahim

DR MOHAMED IBRAHIM – A BRIEF CV

Dr Mo Ibrahim studied for his BSc in Electrical Engineering at the University of Alexandria. He gained an MSc in Electronics and Electrical Engineering at the University of Bradford, and qualified for his PhD in Mobile Communications University of Birmingham, UK.

Dr Ibrahim is the founder and former chairman of Celtel International. In 2005, Celtel International was sold to MTC Kuwait for \$3.4 billion, making it one of Africa’s most successful commercial ventures. Dr Ibrahim is also founding chairman of Satya Capital, an investment company focused on opportunities in Africa. In 2006, Dr Ibrahim established the Mo Ibrahim Foundation to support great African leadership.

In 2007, Dr Ibrahim was awarded the GSM Association Chairman’s Award, the telecommunication industry’s highest accolade, for “helping the world to hear Africa’s voice”. In 2008, Dr Ibrahim was presented with the BNP Paribas Prize for Philanthropy and listed by TIME Magazine as one of the 100 most influential people in the world.

THE LARGEST PRIZE IN THE WORLD

Festus Gontebanye Mogae, the former President of Botswana, was awarded the Ibrahim Prize for Achievement in African Leadership in November 2008. Established to recognise and celebrate excellence in African leadership, the Ibrahim Prize is the largest annually awarded prize in the world, consisting of US\$5 million over 10 years and US\$200,000 annually for life thereafter. The Foundation considers granting a further US\$200,000 per year for 10 years towards public interest activities and good causes espoused by the prize winner.

Announcing the 2008 Ibrahim prize winner in front of an audience of London’s African diplomatic community, civil society representatives and the media, Kofi Anan, the Chair of the Prize Committee said: “President Mogae’s outstanding leadership has ensured Botswana’s continued stability and prosperity in the face of an HIV/Aids pandemic which threatened the future of his country and people.”

Kofi Annan went on to praise President Mogae’s stewardship of the Botswanan economy. He said: “Botswana demonstrates how a country with natural resources can promote sustainable development with good governance, in a continent where too often mineral wealth has become a curse.”

The Prize Committee assesses democratically elected former Executive Heads of State or Government from sub-Saharan African countries who have served their term in office within the limits set by their country’s constitution, and have left office within the last three years. See www.moibrahimfoundation.org for more details.



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