

**The Royal Academy of Engineering
2008 International Lecture**

**AFRICA WORKS –
with technology, good governance and
a little help from our friends**

**Wednesday, 5 November 2008
Royal Society of Medicine
1 Wimpole Street
London W1G 0AE**

Speaker: Dr Mo Ibrahim, Founder of Celtel International
and the Mo Ibrahim Foundation

Chair: Peter Saraga OBE FREng,
Vice President, The Royal Academy of Engineering

The Royal Academy of Engineering

5 November 2008

The 2008 International Lecture – Africa Works

Speaker: Dr Mo Ibrahim

(Chair: Mr Peter Saraga)

Peter Saraga: Good evening, High Commissioner, ladies and gentlemen. It is a great pleasure to see you all here. My name is Peter Saraga. I am Honorary International Secretary of The Royal Academy of Engineering and it is a great pleasure to welcome you here this evening for the Academy's third international lecture.

The international lecture was created following a generous donation from the ERA Foundation to enable a UK audience to hear an international perspective from an eminent person with broad engineering interests. You can imagine how delighted the Academy is that Dr Mo Ibrahim, founder of Celtel International and the Mo Ibrahim Foundation, has accepted our invitation to deliver this year's lecture. In the Academy we are particularly pleased to have this opportunity to hear from someone who is not only an outstanding innovator and businessman, but also an articulate and passionate advocate of Africa, at a time when the Academy is also focusing more of its work in this region.

Born in Sudan, educated in Egypt and then in the UK, Dr Ibrahim has had an extraordinary career encompassing technology, global business and philanthropy. He started out as an electrical engineer, taking these skills to BT and, subsequently, to his own companies. In 1998 he founded MSI Cellular Investments, which was later renamed Celtel International. The company now operates in 15 African countries under licences that cover more than one third of the continent's population. In 2005 Celtel was sold to MTC Kuwait for \$3.4 billion, making it one of Africa's most successful commercial ventures. In 2006 Dr Ibrahim set up his Foundation, which runs two important initiatives aimed at improving the quality of governance in Africa. First, the Ibrahim prize for achievement in African leadership, the world's largest prize in monetary terms, is awarded to an outgoing African leader who has governed well and stood down peacefully. The Ibrahim index of African governance provides civil society with a comprehensive and quantifiable tool to hold governments to account.

Dr Ibrahim's achievements have been recognised by many awards and honours. In 2007 he was awarded the GSM Association Chairman's award, the telecommunications

industry's highest accolade, for helping the world to hear Africa's voice. In 2008 he 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. More recently he was named by a panel assembled by the *Observer* as the most influential black man in Britain. We look forward to hearing more about Dr Ibrahim's story and his vision in the course of the next hour.

Dr Ibrahim, can I ask you to deliver your lecture? [*Applause*]

**Africa Works –
with technology, good governance and a little help from our friends**

Dr Mo Ibrahim

High Commissioner, ladies and gentlemen, good evening. I am really grateful to The Royal Academy for inviting me to speak to such a distinguished group of people. I was so delighted to meet some of my old friends; I met Professor Shearman, Head of Department in Birmingham whom I have not seen for 25 years and it is so wonderful to see him. He almost failed me in my PhD exam, but I forgive him. Of course there is Alan Rudge, our Chief Executive and I also saw our CFO, David. It is wonderful to see such lovely people here today.

I have only 50 minutes, which is not much, because I usually talk a lot, so I will try to discipline myself and get straight into my subject. If I appear a little bit unsettled, unfortunately I slept for only one hour. I was up until six o'clock this morning, watching a fellow African sorting out America hopefully. [*Laughter*] What a fantastic title – Africa Works, even in America! Anyway I will try to do my best.

Let me tell you first a few things about the Celtel story and the issue of technology. In the late 1980s and 1990s two things happened. There was an important technological development, which was that cellular technology became viable. The mobile industry existed for many years; mobile telephony was there for ages, but there were different kinds of systems. I don't know how many engineers are here, so I don't want to turn this into too much of an engineering talk, but the re-use of frequencies meant that systems could have millions of customers. That is a paradigm shift. Before cellular technology the UK had mobile telephony; there were about 12,000 people using what was called System 4, which was run by BT. The fact that it was called System 4 tells you that there were three systems even before that, so for a long time there have been mobile phones, but cellular technology has totally changed. The total number of customers was 11,000 to 12,000 at that time and it was a £10 million a year industry. Imagine that. It is now probably a £10 million a minute industry.

Two things happened. Technology advanced its ability to produce mass systems, which have brought the price of mobiles down, brought the air time down and enabled people to have this wonderful service. Along with that and equally important was the liberalisation of the telecoms industry. I see people here with white hair and some without hair like me, who will all remember that every country used to have one department of telecommunication that ran everything. You got your black phone – you could choose any colour, as they say, as long as it was black – and that was it. Every country had its own GPO – general post office – for the postal and telecommunication services and that was all. Something happened in the 1980s, starting in the US. Back here there was Thatcher; one of the few things that redeemed Madam Thatcher was the introduction of liberalisation of the telecoms industry. Liberalisation for the first time allowed competition in the area of telecommunications and the rest is history.

I remember when I arrived here as a student many years ago, it cost me about £10 to phone home to say hello. That is why I identified with ET when I saw him calling home; it was so expensive. My stipend as a student was £120 a month and I had to pay £10 to speak for three minutes to my family. That was the situation at that time; you had to book the call three days in advance. This shows what a massive change technology produced. These twin advances of technology and liberalisation tell us that technology is essential, but it is not enough if it isn't accompanied by the right regulation and policies. These two must go hand in hand.

That sudden liberalisation and introduction on a massive scale of a new technology resulted in a major scramble for licences across Europe and everywhere in the world. At that time I was running a company called MSI – a grand name, Mobile Systems International, which started in my living room. I left academia under Professor Shearman and I was a research fellow at Birmingham University for six or seven years. I was recruited by BT as a Technical Director for their first cellular company, Cellnet and I left BT in 1989 to form my own company. There is another long story about why I did that. MSI was a company focusing on consultancy and software. As I said, it started in one of our rooms with £100 paid up capital. That was a great success; we sold it nine years later for the nice sum of \$900 million, which was not bad. We were operating all over the world where we had 16 subsidiary companies and we probably built or designed half the GSM networks in Europe. We also did Tokyo, Osaka, Shanghai and Moscow. Because of that we were very close to the operators, who were our customers.

We noticed the scramble for licences because we were doing the bidding work for all these international telecom operators. There were frantic efforts everywhere, but everything was quiet on the African shores. Nobody was interested in Africa. We asked our customers

and friends, "Why not Africa?", "No." That surprised me because the market was there. It was there because of the failure of the so-called BTTs or the GPOs of Africa. There was no fixed telecommunication to talk of in Africa. I will give you an example; I remember that DRC, which is in the news nowadays, with a population of 60 million, had 3,000 fixed lines. Half of them were not working. That was the situation. There was no fixed telephony to talk of in Africa, especially Sub-Saharan Africa. There was a market and no competition. There were also no demands for outrageous licence fees like those by greedy European governments. You will remember the £5 billion paid here by Vodafone, BT and so on. There was none of that in Africa, yet people did not want to invest there.

This clearly was due to an image problem about the rule of law, transparency and conflicts. We asked whether there was a gap between reality and perception. Is Africa really that bad? I think we found that the answer was that there is a gap. Let us go to the root of the problem and talk about the media; of course the media focus on big stories. What are the big stories today in Africa? Fighting in the DRC, fighting in Darfur, piracy in Somalia and then Mr Mugabe. These are the four stories and they change order every week according to activity, but we keep recycling them.

However, how many people know that Africa has 53 countries? What about the 49 other countries that are never mentioned? If the news bulletin is 15 minutes, Africa will have probably one minute, so by the time they've mentioned Zimbabwe or Somalia, depending on which one is the flavour of the day, the minute is up and they move on to something else. That creates an impression in general that everything we hear about Africa is bad news. I asked some European friends over dinner to say what was the first image that came to their mind when they heard the word "Africa". A couple of nice people said "Lions and zebras." The majority said, "Starving kids, camps.", because that is what they see all the time on television. That creates your perception about Africa. I asked those people whether they had been watching the Beijing Olympics, "Did you notice that all the guys who won all the field events are African? They are the fastest, highest and tallest. They also won the boxing." If Africa is full of sick kids, how did those guys manage to be so powerful? Who are those guys who are scoring goals every Saturday in the Premier League? They are all African players. That does not sit with our perception of Africa as a society of sick and helpless people.

I recall talking to one of our customers who was the international director of one of the Baby Bells. He was in charge of the international venture and they have built a lot of operations worldwide. We were having dinner in London at a restaurant not far from here and I told him that we had heard from Ugandan friends that they wanted somebody to come and build a cellular operation. "They will give you a free licence. You are paying so much money here and everywhere – I don't want to mention the names of the countries because I

don't want to identify the company – why don't you go to Uganda free, with no licence fees and build your network?" He said, "Are you crazy or drunk? Do you think I can go and recommend to my board that we invest in a country run by a criminal like Idi Amin?" I said, "Idi Amin left Uganda 15 years ago." He said, "Really?" I said, "Yes." Then he said something very interesting. "Okay, I am the international director on the board and my company is a southern company. Some of our members don't even have passports and have never left the United States. I am the hippy kind of guy on the board because I am an internationalist and speak foreign languages, which is unheard of. If I think Idi Amin is still in power after 15 years, how about my board? They will think that Ugandans live up in the trees."

That was a very powerful statement and it set us thinking. We came to the conclusion that there was a major gap between perception and reality. Once there is a gap between perception and reality there are wonderful business opportunities. That is why we decided to launch our African adventure. We were a consulting company, so we knew about the technology, but we were not an operator. That is a completely different business model so we sat together and said, "How will we handle this? How can we become a successful operator in Africa? We need a few things to be put in place." We were aware of the image problem and recognised it would be difficult to raise money for this and that we would have to get all our money together to start, hoping to show that our business model worked so that we could get extra funding. The problem with telecom or any infrastructure projects is that they are very cash hungry. Ask my CFO. We accepted that we would have to depend upon ourselves, tighten our belts and do the job.

We also needed to have a very credible board for the company because we would use the board to face the outside world and it had to be a powerful one, so we got a very powerful board for the company. We had people like Sir Gerry Whent, who was the first chief executive of Vodafone; we had Sir Alan Rudge here, who at that time was Deputy Chief Executive from British Telecom; and we had the ex-Chief Executive of Millicom, so we had three big telecom guys. We had statesmen, like Lord Prior, who was Secretary of State for Northern Ireland and Chairman of the Conservative Party for a number of years and Chairman of GE – a most respectable man. We also had Dr Salim Salim, who was Secretary-General of the African Union for 12 years. These became the two statesmen of the company – one African, one British, both respectable and they became the conscience of the company. We started to build on that and we got somebody from the Commonwealth Development Corporation, one of our co-shareholders and somebody from FMO, the Dutch equivalent, the German equivalent, an American equivalent of CDC and the IFC was also asked to put a director on the board, so we had a very powerful board of 12 people. I used to

joke with Sir Gerry Whent and tell him that our board was better than his Vodafone board. He enjoyed that actually.

We then empowered the board. We said we needed to develop the best possible standard of governance for the company. We wanted to do that not because we were pretending to be preachers, but just to survive. In order to survive we had to have a good board, a transparent company and be above board. Otherwise we would be dead, because how could we get finance for the company and gain credibility? From day one we made a statement: "Not a single dollar." It became a slogan throughout the company, meaning that we would not pay a single dollar to bribe anybody anywhere. It was not just a slogan. All companies have similar policies – Shell, BP, Vodafone. The question is whether you implement it and how you do that. That is a problem. We did something very interesting. We decided that no chief executive of our companies could spend more than \$30,000 dollars without the board's signature. The board had to approve any cheque for more than \$30,000 dollars. People said, "You are crazy. How are you going to do that?", but we did and it never hampered our work because the board was so involved. I had the fax number of every board member at home, work or holiday home and at any time we needed to communicate with them they were there. It was an interesting model of operation and that is the way to fight corruption.

By the way, I also have one or two things to say about corruption. Many people talk about Africa and corruption almost in the same breath and I have issues with that. Any corrupt African official must have a counterpart in corrupt European business people. He cannot corrupt himself. He needs to have somebody who is willing to do that. It is a simple mathematical equation. Therefore there must be the same number of corrupt people in Africa and in Europe. Is that correct? Where are the corrupt guys in Europe? I ask that question everywhere – in Berlin, Copenhagen, Paris and everywhere.

After the year 1999/2000, under pressure from the OECD, the European countries one after another very reluctantly introduced anti-corruption laws. The Americans had had a foreign corruption act for many years and they had been complaining that their companies were disadvantaged compared with European companies. The OECD then had a big fight with the European companies and they started to introduce this. Until 2000 corruption was called "business expenses", tax deductible. That has been illegal for six or seven years now. I ask everywhere, "Can you please tell me if you have prosecuted anybody in your country for corruption in Africa?" and the answer is "No.", not in Berlin, not in Paris, not in London, not in Stockholm. Not a single person in Europe has been prosecuted for corruption. Are you aware of that? It follows that either there is no corruption, in which case, please shut up and don't talk about African corruption, or there is wide corruption and we are

happy to talk about African corruption, but we are also happy for our business people to indulge in these business practices because it is jobs for the boys or we invoke other things. What did Tony Blair call it? National security. Is that what you call it here in Britain? This was the first case by the SFO, which had been operating for I don't know how many years, but it was called national security because of the war on terror. So many crimes have been committed in the name of the war on terror. There is a lot of hypocrisy when we talk about corruption and it is time to shine a light on it and say that there is bad practice here and there. The people who are not prosecuting this should shut up, get off their soap boxes and don't lecture others because it is simply hypocrisy.

These were the issues we had to face and take a clear position. I have told you exactly what we have done. For the model of governance I recall we had 12 big beasts on our board and I had only one seat on that board. Although for the first three years of the life of the company I had something like 70 per cent of the shareholding, I had only one seat on a board of 12. Probably everybody on that board was senior to me. I didn't have my brother, my wife, my kids or my mistress. *[Laughter]* That was good corporate governance and I said to the board, "If you want to fire me, fire me any time. I have only one vote." That was the level of transparency we practised in Celtel, an African company. We challenged everybody to show us a company in Europe that had that level of transparency. You all know that Murdoch controlled his empire with 27 per cent, with his son running Sky here, his wife running China and his other son doing something else and that's the normal way of Western capitalism. We, a little African company, exceeded that. We were not even a listed company like those guys, but that was the level of transparency. We had to do that because it was the only way to attract funding for the company, the only way to give comfort to investors that this was a very clean company. The investors came and thanks to them we survived because we were spending a lot of money building the infrastructure in 15 countries, which is a cash hungry operation.

We had to fund using equity and David will tell you that we ran the company for seven years before we sold it. We had nine rounds of finance, all through equity. Imagine the whole finance department doing nothing other than raising funds every eight or nine months. It was tough because banks would not lend money to an African company. It is interesting that we could not finance the company through bank loans. In February 2005, three months before we sold the company, the maximum debt in the company was \$190 million. For that we had to mortgage all our assets in 15 countries and \$14 million of our own money in the bank. All that was mortgaged with the banks. The same company two months later was sold for \$3.4 billion. What does that tell us? The same credit companies that authorised all this crap in the United States and created the massive financial tsunami were looking at a

company in Africa that was profitable year on year, that had the backing of very decent shareholders, who I listed for you, that had excellent management and the maximum debt we could get was \$190 million, less than 5 per cent of the value of the company. The same guys were giving people 120 per cent mortgages on their homes in an inflated market. That tells you something about those gentlemen sitting on the credit committees in the banks and about the problem there.

What Celtel achieved in the end and what mobile phones did for Africa was beyond our hopes. Africa leap frogged the fixed networks. Today there are 200 million mobiles in Africa, where there are about 900 million people. That is amazing. The GDP is estimated to rise somewhere between 1.2 and 1.8 per cent per annum for every 10 per cent of penetration of the population. You can see that the average growth rate in Africa is between 5 and 6 per cent and quite a good chunk of that was thanks to the mobile industry. Our company had 10,000 direct jobs. We don't have servants, cooks or labourers, they are all IT jobs because it is IT technology, the same system that you have here. We have the same GSM network with mobile equipment from Ericsson as you have here. These are the people who work in our operations, but the real progress was not in 10,000 direct jobs, but in what happened around the company. We have over 160,000 points of sale. What is a point of sale? It is somebody who sets up a kiosk by the road, buys the scratchcards from us in bulk and sells them. Unfortunately not all these 200 million are my customers, but they wake up every morning to buy scratchcards. Imagine the kind of business created there – 160,000 points of sale for our network alone because franchises usually do one network or another. These are 160,000 business people, then we have people who maintain our generators, batteries and build our towers. All these things are done by African companies. We have improved greatly the business environment. Without telecommunication you cannot have a viable business.

We were very proud to be the largest taxpayer in half of our countries and we pay our taxes on time. Finally, what surprised us was that we found that the mobile phone was a wonderful tool for democracy. Any country which has a high penetration of mobile phones in Africa will never allow any election to be stolen. Why? Because people are connected. People are able to relay to each other immediately the results of voting in every box everywhere. People are able to take photographs of the lists of voters and lists of results in every station and transmit them to each other. Even before the government knows the result, those guys have them. This is the value of the mobile. You will remember in Zimbabwe that for two months the government could not announce the results of the election; in the end they announced them and they were correct, not fake because they could not fiddle with them. There was no way of doing that because the data was everywhere. People had the

evidence from each polling station. After two months they could not forge or falsify the data. That is something.

That was the Celtel story. We sold it in 2005 and we made quite a bit of money there. Personally the question after that was what to do with this money. Before I move on to that, maybe I will give you a one minute flavour of Celtel in Africa.

[Plays video]

That was just a feel for Celtel. As I said, it was a success and made a decent profit. On average we returned about eight and a half times for our investors. The average period for those investors was about three years, so that is about 100 per cent IRR, which is an amazing return, but those were people who took the risk. We were very happy because most of the people who were our shareholders were the development agencies, so the British Government made £200 million profit, which they promised they would invest again in Africa, as did the Dutch Government, the German Government and the American Government. This all went back again to development in Africa, so that is a good thing for everybody. Personally I decided to return most of the money – I needed to keep a little for myself. I decided to give back the money because I did not need it.

My question was to whom and how? To whom was easy – obviously it had to go back to Africa because that was where I made my money and I had better give it back to the people who gave it to me in the first place. Secondly, Africa is the most needy place for any kind of assistance. That was an easy decision and it didn't take a minute. The more difficult question was how. What is the best way to return money if you have a bit that you want to give? We are business people; I am essentially a businessman and I wanted to have the biggest return on my investment.

At first I had the idea of using aeroplanes to take baby food to Darfur or blankets to the DRC or whatever. Noble ideas, wonderful; I know that there is someone here from Oxfam and I cannot say anything because it is great, but I don't think it would solve the problems. For me it was clear that the problem in Africa really is political governance. As we discovered in business, there is a premium on good governance. Why did our company succeed? I think that it was because of good governance. Why did we attract such a high price? We sold the company at eight and a half times EBITDA and the market at that time was five and a half times EBITDA. Why? Because it was a very clean company; everybody in the industry knew that it was the cleanest company. Had we got our licences? Did we pay our taxes? Did we give anybody a bribe? How we ran our business was absolutely clear and that produced a major premium.

It is interesting that we have a professor on our board from the Harvard Business School, who was also head of Investment Venture Capital who invested with the company. They are teaching our business case in every single class at Harvard Business School. He was telling me the other day that the angle from which they are teaching our business case is that good governance pays. They want their future generation of American business people to know that clean companies work and that there is a premium. That is an important message.

I thought that political governance was equally important. I don't know how many of you have been around Africa. It is an amazingly rich place. If you are brave and come to Entebbe, Uganda, this is like Switzerland, with beautiful lakes and green valleys. Why is this place poor? Why are the people poor? They are poor because of bad governance. That's all. We decided to tackle that issue and that is why we launched our Foundation. I will be brief here because I spent a long time talking about Celtel, which is not fair for the Foundation that I actually love more. We decided that we would define good governance and we produced an index of governance, with 59 measures that define good governance. We have a team at the John F Kennedy School of Government working with us. We have about 12 African professors working with us to publish a massive annual document tabulating and ranking all the countries in Africa by the performance of their governance because civil society needs to know what exactly is going on. That was the first part.

The second part was a prize, which you have probably heard about. We think that it is important to bring forward unsung heroes like Chissano or Mogae who I am sure 99 per cent of people sitting in this room, who are some of the most intelligent people in London, have never heard of before. However, I am sure that all of you are aware of Mugabe, Idi Amin and those guys. We need to bring the unsung heroes forward and to say to them, "Thank you very much for what you are doing."

To briefly summarise, launching a foundation like that is fraught with political problems. People say, "What is in it for you guys? Why are you doing this?" We have very cynical tabloids. It was important for us to line up some powerful African public opinion behind us to stop any initial attack on us from the tabloids, which can delay what you are doing. To give you an idea of how we got this foundation up and running, I will show you a second video. The first video is the one we used to launch the foundation.

[*Showing video*]

That was the first index. It is a document of about 350 pages of academic papers and tables. This is the summary with the final scores. It was launched in London and this year we launched the 2008 index in Addis Ababa. Underneath these numbers you can find the

database, which is all there. It is in English, French, Arabic, Swahili and Portuguese, all the languages of the African Union, to enable any African to access and download the data and look at what people are doing. Then we had our prize ceremony. Our winner last year was Chissano, with a presentation in the Library at Alexandria. We did it there because Africa had the first library in Alexandria. It is a wonderful building; I don't know whether you have seen it.

[*Showing video*]

This year the winner was President Mogae from Botswana and we will be celebrating that and having a big concert for him, again in the library of Alexandria, on 15 November, in about 10 days from now. As I said, this is symbolic because it is where one of the seven wonders of the world, the lighthouse, 150 metres high, stood, just outside the library. Africa, the dark continent, sending light to Europe because the fact is that we had a great library in Alexandria when there was none in Europe. This symbolism can lift the spirit of our African friends and say, "Look, we have done things in the past and we can do things in the future." That is the symbolism of using the Bibliotheca as a seat of learning and tolerance.

Thank you very much. I am sorry I exceeded my time a little bit. I do apologise.
[*Applause.*]

Questions and Answers

Peter Saraga: Thank you so much for such an inspiring story, ranging from business technology, business good governance and a profound impact on society. You have raised some profound issues that affect us all and will affect future generations too. Dr Ibrahim has kindly agreed to answer questions and I am sure there are many that people would like to ask. Before you do that, there are microphones in the arms of your seats. I have brought mine up here to show you how to do it. [*Demonstration*] When you are speaking will you say who you are before you ask your question please? Who would like to go first?

Speaker?: I am doing my PhD at the LSE in Media and Communication. I spent some time in Africa and one of the things that I found amazing about telecommunication there was that while crossing between a country like Tanzania into Uganda, I didn't have to receive all those annoying messages because Mo Ibrahim and Celtel have created one network, which is the only example in the world of a network that

crosses borders. I found it extremely interesting and I would like you to tell us more about the concept of how telecommunication redesigned borders that had been created artificially in colonial times, which also links together populations that should not be divided.

Mo Ibrahim: Thank you for bringing up an interesting point. We now operate in 16 countries. I say we, I have nothing to do with the company, but I am used to saying “we”. If you have a child, you never disown it I guess. We were in 16 countries and we decided that it costs nothing to have these networks connected. We should treat all of this as one African network. We introduced the concept of one network, which, more importantly means you don’t have to pay any roaming charges. The Commission for Telecommunication in Europe is fighting tooth and nail with Vodafone and all the operators here to reduce roaming charges. I travel a lot in Europe and for a few seconds you pay £1 to pick up a message. It is interesting that a lot of things are happening in Africa before they happen here.

For example, many places in Africa now have payment by phone. You can pay using your phone to send money to your mother. We needed to do that. If your mother lives in a small village in a remote part of the DRC or Sudan, you want to make sure she is on the phone, so you can charge her phone from yours. There are some interesting concepts over there. The concept of one network is wonderful for prepay. For prepay you move anywhere across and you can continue to use your scratchcard at no extra charge.

Patrick Dowling (Chairman, British Association for the Advancement of Science): Mo, congratulations on all the wonderful stuff you’ve done. I was interested in your index. What effect has publication of the index had on the laggards down at the bottom? Is there any indication that it has had any effect whatsoever or are they more than happy to take more money than your prize offers from the rest of their citizens?

Mo Ibrahim: That is a good question and it is one that is asked many times. The point is that we are not reformers. We are not interested in the rotten guys, so we are not trying to tempt a corrupt leader by saying, “No, don’t steal money, come and take my five million.” Of course, he can make 500 million. We are not interested in those people and we don’t want to see the prize as an attempt to buy or clear the conscience of corrupt leaders. The prize is for people who are doing good work, regardless of the prize. Chissano left office before we started to give the prize, but he unified his country and extended his hand to his enemies when there was civil war in his country. I hope that Mr Bashir will do the same and finish this tragedy in Darfur – learn how to get over grievances, extend your hand to peace and build your country. It is the good guys who are our constituents. The good guys we say

are the heroes. Why aren't we celebrating these people? To be honest, how many people here know Chissano? Not many and yet he is a man who needs to be honoured. How many people know Mogae? Nobody knows him. The ceremony in Alexandria will be transmitted live; last year we had 13 African countries taking it live and this year we hope to have 20 or more and maybe CNN will take some bits and pieces. Slowly we will build the momentum because we want to recognise and honour these people. That is more important than the money.

Mark Hudson (Partner, Graphite Capital): I was born and grew up in East Africa and set up a business in Uganda. My question is about generational change in Africa. We have seen what we hope is an important generational change in the United States. How much hope can we ascribe to a similar generational change occurring in the governments of Africa, bringing in people with perhaps a different mindset, education and skill base and how important could that be?

Mo Ibrahim: That is a good question. A lot of change is taking place right under our noses now in Africa. Africa is changing so fast. I can remember comparing what I see now with 10 years ago. There is a new breed of educated young people who, when they come here to study at the London Business School, the LSE, Balliol College or wherever it is, want to go back, not stay here. It was interesting that in Celtel we had very few expats because we managed to get a lot of wonderful, highly educated African people who were stuck here and wanted a chance to go back. They were senior people who could not find senior jobs back home and suddenly here was an international company that offered the same international rates everywhere. They realised they could be paid a British salary, but in Kenya, Zimbabwe or wherever. People were delighted to go back to serve there. Those people are changing the landscape. The internet is changing the landscape, mobile phones are changing the landscape and satellite television is changing the landscape. When the world is connected, you cannot imagine what can happen. Suddenly you cannot lie.

You have to remember that 10 years ago in any African country there was one newspaper, owned by the government; there was one radio station, run by the government; there was one TV station owned and run by the government; those were the only sources of information, there was nothing else. All that is finished and gone and changes are sweeping across Africa. What happened in Kenya and Zimbabwe? I meet a lot of people who say things are bad, but I say, "This is wonderful. It is what we have been waiting for." Ten years ago somebody would have stolen the election in Kenya and nothing would have happened. They would do the elections, come here, be knighted and invited to Buckingham Palace – no problem. Now they cannot do that. Don't forget Mugabe was knighted here after the

massacres of Matabeleland. He came here and was honoured, but now that could not happen. We are all changing; you are changing and we are changing. We are all connected now and we know the facts. Nobody can play games or hide things from us and that is why we are moving to a much better world. That is what I think is happening everywhere. Technology is changing the world around us by connecting us as human beings.

Gordon Conway (Chief Scientific Adviser, Department for International Development): To pick up on that last point about technology, the cellphone revolution in Africa has been extraordinary, as you say, partly because the fixed line system was so appalling, but also because of the sheer inventiveness of Africans to make use of cellphones in ways that we in the north hadn't even thought about. Can you think of a technology now that might do the same? I will make one suggestion and that's photovoltaic cells, but maybe you would have another suggestion that somebody young here would pick up and make a company that also sells for 3 billion.

Mo Ibrahim: Gordon, I am still young too. If I have an idea, I will go and do it.

Nike Folayan (Association for Black Engineers, UK): I wanted to ask about the maintenance structure in Africa. How will the network be maintained? One of Africa's major problems at the moment is that the structures that were available in the past haven't been maintained properly because continuity is a problem there.

My second question is about companies. I work in a company that does a lot of construction work and some of it is in Africa. I find that the standards are different in Europe and Africa. If we are building a bridge in Europe it is different from the standards that we have in Africa. Do you have any solutions for resolving the differences between the standards in Africa and Europe?

Mo Ibrahim: I am, of course, very pro-Africa, but what I am telling you is the truth. To start with the issue of maintenance; this is not a white elephant project. This is a network run by companies, owned by shareholders. Zain, the company who owns our company, is listed in the market. It is growing its base by 40 per cent. Celtel is moving at that rate. We sold it in 2005 for \$3.5 billion and today it is worth \$10 billion. Do you think that somebody with something worth \$10 billion would leave it to decay? This is a huge business and it is ongoing.

As far as quality is concerned, have you been to Africa recently? Last year I was in New York and somebody asked a question like you have, but it was an American New

Yorker. I said to the lady, "I swear to you that my network in Ouagadougou performs better than yours in New York. It is more advanced." My friends were laughing and thought I was joking. Then another lady stood up and said, "Dr Ibrahim is right. I was in Ouagadougou last month." People were saying, "Where is this Ouagadougou?" [Laughter] Of course we are helped because the cities are smaller than New York and so on, but we know how to design networks, we designed Ouagadougou very well and it works. What is the problem?

Kobby Adams (Student, London Business School): My question is about your company's "not a single dollar" corruption doctrine. It was a very new thing at the time for an African company to take such a position and I am sure it was met by shock and surprise by a lot of the government administrators. How much more difficult do you think it was for Celtel to conduct its operations and work with this mindset?

Mo Ibrahim: That is a really interesting question. At the beginning it was difficult. Sir Alan Rudge became our Chief Executive. We have the habit of demoting our board members and for his sins he started as a board member and then became Chief Executive – but he also remained on the board. Do you remember, Alan, you went to X country – no names? We had just paid for a licence fee in that country and Alan took a plane to go there to sign the final agreement with the minister. He arrived at the office of the minister and found 20 people sitting there. "You are Mr Alan Rudge of Celtel? We have been waiting for you since this morning." He said, "Who are you?", "I am X, Y etc. We are all business people and before you meet the minister you need to cut this pie." He said "What pie?", "We are your partners. You need to do this." etc He said, "I have no partners here." When he discovered this he did not go to meet the minister and he came back to see me and said, "Mo, I'm sorry. Throw away this licence." We had paid the money and we lost it. That was the position. If you want to do that you must make a stand. We write off our investment, but he is not going to compromise.

In four African countries we went to court against the government. In three of them we won every case. In the fourth country we were still in court when we sold the company and that unfortunately was my own country, Sudan. [Laughter] I think that they are still in court. They have actually ended up buying the [inaudible] side of the thing. It is a bit of heartache, but you just have to do it. You put your man in the field and say, "You are my chief executive for Nigeria. You run the company in Nigeria and you don't protect your people there." That was a simple thing because they call the Chief Executive and threaten him. They say, "Give me this." He says, "How much do you want? I have to write to my board to get permission to give you the money." They say, "You are going to write to your

board to tell them?”, He said, “Yes, because I have no control over this. I cannot do it. I have no money to give you. The board has to authorise the money. I cannot do it because we have 12 beasts, big guys, on the board.” – and that was why we did it. Then I would go and say, “I have a wonderful gift for this country. We are going to build a beautiful school here and we are going to call it after your daughters. You come and open it.”, or “We’re going to dig a well here.”, because we do things for communities. I don’t care what he calls it; he can call it after his wife or whoever, but we do it for the country because that is part of our social responsibility. That is how we make our peace.

After a while everybody knows and nobody bothers you. That is the point; if you take a stand, these guys will not bother you. What happened was that we had the best financial performance. Why was that? It was because the money was not seeping from the company; if you start paying you never stop. The Finance Minister will come to you, the Minister of Telecoms will come, then the Regulator, then the Prime Minister, then the President and next year they have a different cabinet and those guys will come. [Laughter] If you take a stand, we found actually that people were not inherently corrupt. It raised the issue of whether you go and corrupt people.

Philip Walker (Student, London Business School): Some of my colleagues and I are interested in investment vehicles that funnel capital from North America and Europe into Africa. I was particularly interested to hear your story about Celtel and the troubles you had in sourcing capital, equity and debt from those markets. I would like to hear a little bit more about your experiences since you had your first round of raising capital. Have you seen an evolution in the markets with regard to Africa and especially with the current credit crisis, what can we expect going forward?

Mo Ibrahim: Things are improving; there is no question about that. I hope that Celtel helped to change the perception, even among bankers. Many of those bankers are our friends now. They say, “I wish we had dealt with you guys. You did not explain to us what was the problem.” Things are easing and we noted that the financial sector in Nigeria was very expensive. Shares went up in telecom companies in Africa and became the most expensive in the world relatively speaking as a multiple of EBITDA. It is amazing because people have suddenly started to be interested in growth. That was never done before. People never invested in growth in evaluating companies in Africa. Now they do. Things are moving forward, but will it continue? I am worried about the crunch and what will happen now. A lot of things are on fire and how that will play out I cannot predict, but I am worried.

Tunde Aiyegbusi: Can I be a bit rude, Dr Mo, and ask three questions in one? The first is something you have talked about before. It is about the fact that when you cashed out it wasn't just you cashing out, but quite a lot of the company did. I wanted you to talk about that. Secondly, why did you go for a trade sale as opposed to an IPO? Thirdly, do you have any regrets with regard to Celtel?

Mo Ibrahim: The first question was about why we cashed out on the sale. I always believed that all the employees of the company should become partners in the business. I don't succeed by myself. I succeed because of those guys; we all succeed or fail together. In the first company, MSI, everybody was a shareholder. When we sold the company for \$100 million, as I said, over one third, was owned by employees and that does not include myself. We created 50 millionaires. Celtel I think will create about 100 millionaires.

Something wonderful has also been done by the Barclay's shareholders because the grant of options for people at the time of the sale meant some people did not have shares in the company. The shareholders out of their pockets put out six or nine months' salary to every employee in the company as a thank you. That is the spirit. It was amazing that it took us two minutes at the board meeting to get approval for all that and these are hard nosed capitalists. We said, "Those people did not make money because for some reason they didn't have shares in the company." They said, "Okay." I think that we gave an average of about nine months' salary to every employee who didn't have shares. The ones who had shares made a lot of money. Ask him. I made money because he made money and I made more money because he made money. That is the way to think about it. We used to say in the boardroom that as a shareholder you never lose money by giving shares to your employees. Yes, you dilute yourself, but you make more. That is what we believed.

On the second question, we were going for an IPO. We hired Goldman Sachs and Citi Group to take us through IPO and we received about six unsolicited offers at the time. The dynamics of this was as follows: we had about 14 shareholders, besides the vast majority of employees who were shareholders. Each of the 14 shareholders had about 2-4 per cent and I had about 20-25 per cent. The problem was that quite a few of those shareholders were funds. They put their money with us and four or five years later they needed to cash out. That became a problem for us because they needed to sell their shares. If we had gone for an IPO we would have had a major overhang. That was the difficult situation facing the board. This offer came to the company. It carried a premium of about 13 per cent over the IPO. There was a lot of pressure on those people to say we needed to cash out now because they made a lot of money. I didn't mind either. The IPO would have been a wonderful story for an African company for the first time through an African company

in London. That would have been great, but at the same time I had those shareholders who had supported us and I was very grateful to them. I could not go against them. I said, "Whatever you want to do, I am fine."

Yes, I regret selling the company, but it's okay. There's time for everything. There's time to make money and time to spend it.

Peter Saraga: We now have to bring this part of the session to a close. The Royal Academy at the moment has an objective to bring engineering to the centre of society and I can think of no better example of someone who has done that. There are some lessons for us in doing things in this country in the same way you did them in Africa. As you said, it is not one-way traffic.

Thank you so much again and thank you for your questions. It has been a fantastic evening. *[Applause]*

[End]