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INTERVIEW

Africa Calling

A Conversation With Mo Ibrahim

Mo Ibrahim

Born in northern Sudan in 1946, Mo Ibrahim received a scholarship to Alexandria University, in Egypt, and graduated with a degree in electrical engineering in 1968. After several years working for Sudan's state telecommunications company in Khartoum, he left for the United Kingdom to study mobile communications, first at the University of Bradford, for his master's degree, and then at the University of Birmingham, for his Ph.D. He spent several years at British Telecom before quitting in frustration, and in 1989, he founded his first company, Mobile Systems International, or MSI, which provided software and advice for cellular networks. His second company, Celtel, created its own cellular networks across sub-Saharan Africa and eventually served 24 million customers in 14 countries. After selling Celtel in 2005, he established the Mo Ibrahim Foundation, which publishes an index of African governance and awards cash prizes to African leaders who leave office peacefully. Ibrahim spoke to Foreign Affairs deputy managing editor Stuart Reid in November.

What are the most important qualities for an entrepreneur to have?
The initiative to try to do something that other people shied away from. That self-belief, that can-do spirit, that nothing is impossible. Then there's focus: if you start the mission, you need to eat, drink, and sleep it.

Are entrepreneurs successful because of their own personal qualities or the context they find themselves in?
They complement each other. I left Sudan when I was 25 or 26 years old. If I had stayed, I would never have ended up being an entrepreneur. You can have the qualities, but if you don't have the environment, you just wither away. It's like a fish: take it out of water, it will not survive.

Why would things not have worked out had you stayed in Sudan?
It was a stifling society with government controlling all aspects of life. You could not get funding for any

sort of project. There was no infrastructure to support you. And there were a lot of social pressures to just take a government job and have some babies, and that's it.

Were there times in your career when you thought you would fail?
Many times. There were times when we really ran out of money. Our problem was always funding, because all our operations were growing at a breakneck speed. We needed to double our investments almost every year, because that's the way that growth would happen. The financial markets were not very friendly to Africa or to telecom. Remember, 2000 was the year of the dot-com bust. The telecom industry lost about $2 trillion in market capital at that time. We had the double whammy: being a telephone company and being African.

Are there Africa-specific inhibitions to entrepreneurs?
The picture varies from country to country, but in general, there is a lack of infrastructure—good roads or power, for example. This can be an impediment. We had so many radio sites, these stations you have to have everywhere for mobile. The vast majority of them didn't have power, so we had to put in generators. And if you put in generators, you need backups for these generators. You also need batteries. And you need somebody to go every morning to each one of those sites to supply fuel and put in the batteries. These are not very accessible locations. Imagine the huge effort you have to put in just to keep your services on. So lack of infrastructure is a problem. It can be overcome; we overcame it. But what is interesting is that it generated a lot of other businesses around us in each country, where we dealt with supplying the generators or maintaining them.

Did it help that you didn't need much infrastructure?
What mattered was the extreme need for this service. Africa is a huge continent. When we started, there were about three million fixed lines serving over 950 million people. Congo had 3,000 fixed lines but 55 million people. Postal service doesn't work, unless you're happy to wait for a month to get the message. Roads are not practical in Africa. If you want to get the message from A to B, it's a real pain in the neck. So a phone call is worth a lot, because of the lack of alternatives. But it's terribly expensive to lay fiber or copper over these expanses and connect it to every home. If you put up a mobile station, immediately you can service every single house within 100 square miles. In a few months, you can cover the capital city—every home and every single road in that city. That's why we were able to leapfrog: because the technology met the need.

What can Africa and the developing world more broadly do to create a climate that's friendly to economic growth?
Rule of law is the most important element in any civil society. To build a successful country, we need to have rule of law. And rule of law is not just about writing a beautiful constitution or set of laws. It is also about the independence of the judiciary. It's about institutions. It's about respect for rights, human rights, social, economic rights, etc.

Were there times in your own career when you had difficulty operating in a certain country without a strong rule of law?
Absolutely. We operated during the civil wars in Sierra Leone and Congo. What helped us was that all competing parties perceived a benefit: they really needed mobile communications. So they left us alone.

Our infrastructure was never damaged or looted.

In other countries, where telecom was a monopoly of the government when we came in, problems originated from a lack of appreciation for the role of the private sector. You end up with a regulator who comes from the incumbent, and they perceive us as a competitor. But it's interesting: we had three situations in three countries where we had to take the government to local courts for infringement of our contract. In all three cases, we won. If anything, that shows that there can be reasonable rule of law in a country even when administrations sometimes misbehave.

What did you do when government officials asked your employees for bribes?
We had a discussion with the board when we started. We said, "It's not enough for the board sitting in its nice, cozy headquarters in Europe to make statements about anticorruption. What is needed is to offer support to our local people." Because who comes under pressure for bribes? It's not the guys at the top of the company but the people operating in the country. And each operation is actually a local company headed by a CEO. The scheme we came up with was very simple. We said that the CEO and the local management did not have the power to sign any check in excess of $30,000. It was intentionally quite low to make sure that when a minister or a senior official came to put pressure on the CEO, he could say, "You're asking for two million? I need to write to the board to ask for permission." No president or prime minister would dare to submit a request to ask for a bribe.

Your background is in electrical engineering. How did having that scientific expertise affect the way you ran your companies?
My first company, MSI, was a consulting company. I didn't even know how to read a balance sheet. I was an engineer. I just wanted my freedom. British Telecom was a huge bureaucracy and failed to see the future of communications, and I just got fed up working there. So I said, "OK, what I know is how to grow a network, and I am going to do that."

Then I had too much work. I couldn't handle it by myself, so I brought on some more engineers. I didn't have a marketing department, I didn't have an HR department, and I didn't have a finance department. We were just a bunch of engineers selling our services. In a short time, I had a major operation. I knew I didn't have the business background, and I did seek help. But in the first years, I managed the company's cash flow, which was easy for me. I found this was just common sense. And I made every engineer in my company a shareholder. That was something I felt strongly about—that we needed to build a committed team. That proved to be a great thing, because we had a high retention rate and complete devotion from our work force.

I'm on the board of London Business School, and sometimes they ask me to give a lecture here or there about how to run businesses—when I didn't have any business training other than common sense and learning on the job. But it seems to me, that's the essential thing. We do not need to trouble our heads with too much Harvard Business School or London Business School teaching.

Do founders make good executives?
It depends. I'm not really the dictatorial type. I don't have a big ego. If you don't have a big ego as a founder, you can be a wonderful executive because you are willing to listen. Once you listen to

everybody, and then decisions are made, then all of us need to row in that direction. That's how companies move forward. Provided you don't let your ego stand between you and common sense or suggestions, then founders can be good executives.

How important is entrepreneurship, not just for firms and industries but for the economy as a whole?

It is vital. Where will jobs come from? The government won't produce jobs. Governments in Africa are bloated and need to shed jobs, and most of the jobs are created by small businesses. Everywhere, even now in Germany and Europe and all developed economies, it is small companies that are creating the jobs. Look at some of the greatest champions of business in America: your tech companies. All those firms were start-up companies 20 years ago or so. These would provide innovative solutions, jobs, wealth, etc.

What, if anything, can governments do to increase the scale and quality of entrepreneurship in their countries?

To be honest, I think government cannot do much other than trying to help develop the atmosphere. Africa is a little bit different from the United States, because you're at a different stage of development. Entrepreneurship is already deeply rooted in your society. You have a massive community of venture capital angels; this thing is lacking in Africa. We don't have strong private equity or venture capital funds, which look for investors and mentor and finance and help pick winners. The government cannot play that role, frankly, because the government is not qualified to do that. Otherwise, you're going to end up with massive nepotism and corruption, unfortunately.

The education system is also important. We have a problem in Africa with our education system. It is a relic from the past. The education system was meant to create clerks to help the administrative role of the colonial power. So the emphasis was on neat handwriting and how to write good reports and things like that, and if you move further, then you study Shakespeare and Molière. But we don't have enough engineers and scientists. Two percent of African university graduates study agriculture, when 70 percent of our people are living off the land. Obviously, we have a problem. How many engineers and scientists do we produce? Very few. Something like 30 percent of our graduates just study literature, which is interesting, but how do you build power stations, build roads, build dams, build the continent unless you have the skills?

Some of the funding for what became Celtel came from governments in the form of development funds. Can the government play a role as an early stage investor?

No, because the state has no money and so many demands. Look, if you're running a country like Burkina Faso or Mali, you have demands for health, education, roads, power. How much capacity do you have in order to support entrepreneurs there? Financially, it's difficult.

Don't forget that those guys gave up the licenses to use telecom because they couldn't do it themselves. The telecom industry had a terrible time because they were government-run departments and the largest customers were [other] government departments. The government departments never paid their bills, because if you're the minister of education, you need to build schools, you need to publish books, and you need to pay teachers. You know that the telecoms cannot cut off your service. That meant that the

telecom department was starved for cash, so it could not invest in new technology, like mobile communication. Remember, at the beginning, everybody thought mobile communication was something for the elite, not for the people. So it was very convenient for the government to say "OK, I'm going to focus on basic services and let that crazy investor have a go at this. And if he succeeds, I'm going to charge him a lot of taxes and licenses and make some money out of him."

You've operated in many different countries. Is it easier being an entrepreneur in some of them as opposed to others?

Yes, of course. For me, it has always been about the rule of law. When things are clear, and you have a process of bidding and licensing that is open and clean, it's important. When you're not wrapped up in red tape, that's really important. In some countries, it was very straightforward, and the governments understood exactly what we were trying to do and gave us support. And in some countries, we were met with suspicion—that any businessman coming here is essentially a thief and has to be watched very carefully, and if we can squeeze him, why not? It takes time to build an understanding that you're not really a thief and that what you are doing is an essential service. Then they end up falling in love with you, which is terrific.

Ethnic minorities can sometimes be the most prominent entrepreneurs in certain parts of Africa: South Asians in East Africa and Lebanese and Syrians in West Africa. Have these groups been constrained by governments that are suspicious of outsiders?

Not really. Most of those minorities are involved in trade, manufacturing, transport, services, etc. They are entrepreneurial, and they helped a lot to kick off economies. I think immigrants are a wonderful resource for any country, because by their nature, they are entrepreneurial. I mean, you leave your village and jump on a ship and go somewhere else to start a new life away from your family and friends—it shows character. Immigrants everywhere have been a wonderful bonus for the host countries. Sometimes it amazes me how anti-immigration feelings arise in Europe or the United States, when immigration has been wonderful for business.

The only difference in Africa is that many of those immigrants did not necessarily integrate themselves completely in the country. They kept their passports. Very few of them acquired the local nationality. You'll find third-generation or fourth-generation families still with the Lebanese or the Indian passport. That's what produced the issue of whether you are part of the country. It's understandable; some of those people are not sure about the political situation going forward. What Idi Amin did with the Indians [expelling them from Uganda in 1972] was not helpful. But it's a mutual problem.

Is it fair to say that Africa has a democratic deficit?

I don't think so. Actually, participation has been one of the most improved parameters in our index. A lot of Africans actually live in a much better society now. Still, we have quite a handful of countries where some presidents just do not go away.

Power is very seductive. If you control a country for some time, then there comes a point where you feel indispensable. You become part of the landscape. Some leaders, of course, have also committed crimes, and they have blood on their hands. Or they have secret accounts with stolen money. And so if they leave, people will come after them. So they just don't leave. Like in Sudan: if you leave, you end up at the

International Criminal Court. Staying in power is a form of insurance policy against the long arm of the law.

How can leaders be convinced to leave office? Both Rwanda and Congo, for example, have presidents who have hinted that they might change the constitution to stay in office.
They are two different cases. I know there's some criticism against President [Paul] Kagame, but one has to accept that he really managed to steer his country and was successful in the development of Rwanda. People admire that. That should be his legacy, and I hope he makes the right decision. Congo is a bit different, because I don't think the president there has succeeded in building his nation. Congo is dysfunctional. It's a very fragile state. I think it's very important for the sake of his own people that the president there just leaves peacefully. We'll hope to find better leadership. Somehow, that country needs to be put together again.

How much is the colonial era a factor at this point?
The colonial factor complicated matters, because it created a number of bogus borders. Many of the borders of the current African states don't necessarily follow demographic lines or natural land features; they're just compromises between various colonial powers in the race for colonization. These sorts of deals sometimes happened between two drunk pinheads in a tent in the evening, sipping gin and getting a map out and drawing lines across a map. So when independent Africa was born in the '50s, it was born with that big problem. One of the worst things was the lack of the natural development of a democratic movement. When people left, they left in a hurry and did not pay much attention to what they left behind.

Is creative destruction always a net plus for the economy, society, and employment?
It ought to be that way. I know the current debate now is about whether new technology is destroying jobs or not, and maybe the jury is still out on that. But if you look at all the major disruptions in the past, yes, there was upheaval at the beginning, but then, somehow, we managed to create more jobs once we adapted to the new disruptive technology. But I think we're now going into some uncharted waters, with intelligent machines coming. Are we ending up with a society where a few of us who are well equipped to work with and develop these new intelligent machines will end up rich while the majority of people will be out of work? I really don't know. But I am anxious.

Note: This interview has been edited and condensed.
