

**WORKING IN AFRICA:
OPPORTUNITIES AND CHALLENGES FOR ZAIN GROUP**

*Remarks by Dr. Salim Ahmed Salim
At the ACE meeting, Kampala, Uganda
14 – 18 March 2008*

Chairperson,

Ladies and Gentlemen

Allow me to express sincere gratitude for being invited to this ACE meeting of the Group and for being given an opportunity to share with Zain and Celtel senior managers my reflections on Africa's recent development and the opportunities as well as challenges it presents for the work of the group. It is a great pleasure for me to meet you being a group of dynamic managers who are operating in the cutting edge of business and technology in this challenging era of Globalisation. It is also an honour for me to share this forum with Dr. Mo Ibrahim and Lord Simon Cairns who have rich insights and experience about the continent. I look forward to learning a lot from this exchange.

Whereas the invitation extended to me may look somewhat straight forward, I am not sure you can imagine the challenges it has given me. In most of such situations I am used to analyzing the African situation from a vantage position of being **within** - and articulate it either to actors in the continent or who are

external to it. In this particular case, I am compelled to look at African developments – positively and objectively **-from outside and looking inwards.**

It is not that easy - but I will try !

Let me start with the preliminaries, which you may be familiar with, but they are important to emphasize for purposes of understanding the opportunities and challenges:

- Africa is a continent with a population nearing a billion and a population growth of around 3% per annum.
- In accordance with the pre-eminent regional body - the African Union
 - the continent has 54 countries, including the Sahrawi Arab Republic.Nevertheless, the real functioning States are only 53!
- It is generally expected that existing boundaries will hold for much of the next decade, except perhaps the possibility of unification;
- The continent has a majority of the UN designated Least Developed Countries (33) and has a Per Capita Income range of between US\$300 and US\$2000 plus in a handful of countries such as South Africa,
- While it is the least urbanized region of the world (around 30%), it has the fastest urban growth rate. By 2020 more than half of its population will be living in urban centres of various sizes;

- Demographically, the majority of the population is in the youth category.
- Wide diversity of geographical features – from thick tropical forest to inhospitable span of the Sahara desert.

I leave it to you to derive the implications of those preliminary statistics for the Group's work.

Let me now be a bit broader and focus on socio-political and economic trends in the Continent as they have evolved in the immediate past and my reading of what is the implication for groups like Zain and Celtel.

In the past 15 years there have been important developments which have triggered significant dynamics in the Continent. They have provided a substantial momentum to the process of development and transformation. It is these developments and dynamics that I want to focus on, because I believe, if correctly understood they do have major business implications.

Democratization

Those of you who may have been following the African situation, you may be aware of a political process which is generally described as 'pluralism'.

Essentially, this entails opening up of the political space and allowing for the thriving of socio-political diversities.

In concrete terms this has led to the adoption of multi-party systems, with the attendant requirements; un-proscribing the formation and functioning of civil society and non-governmental organizations; allowing for a relatively free, non-state media outlets; an attempt to separate organs of the state (legislature, executive and judiciary); initiating a respect for the rule of law; providing for the respect of civil and human rights and so on;

Let me emphasize, here I am describing a process that has been initiated, a movement towards a certain direction. Different countries are at different stages on this aspect. However, in my own very unsophisticated business mind, I would venture to say that this early stage of democratic change and transformation constitutes a critical phase for groups like Zain and Celtel.

Almost all the activities associated with democratization require communication facilities and in the context of Africa, the services of mobile telephones. Democratization is a growth industry in wireless telecommunication. Whether it is electoral processes, political mobilization, campaigns and recruitment, or global solidarity, communication is central. The same applies to processes of popular participation and citizen

engagement, functioning of the various types of media, and reforms in governance. The services of mobile telephones are critical. The question that is very relevant for a meeting of this calibre is to what extent our group does have the product range to cater for the market.

Peace, Security and Reconstruction

For some 20 years of post-independence period, the major news out of this Continent has been on coups, civil-wars, and insurgency. In business terms, this was a thriving period for armaments and mercenaries industries; special protection; servicing aid delivery; or humanitarian related work;

During this last decade, the tide has significantly changed. Whereas conflicts have occurred, at a reduced rate, the most significant development has been an internal preoccupation in the search for peace and the building of security architecture.

I have personally spent much of my life in the last decade in the business of building peace, security and stability. As some of you may know, I am now dealing with the Darfur conflict – and we are only at a mediation stage of the complex cycle of making and building of peace;

There are immense demands for communication in peace building, especially when the breakdown has been permeated every facet of societal wellbeing, as it usually happens in civil wars. It does not become a matter for those who are around the negotiating table and their functionaries. It is about the society which needs reconciliation and healing. Often times the remedy is a good well packaged dose of communication as well as an effective early warning system. As I was reflecting on this presentation, I remembered the early days when I had to rely on a 'Thuraya' satellite phone to communicate with the rebels in some African location to arrange for a negotiation meeting.

Related to the peace and security dynamics in Africa is the process of post-conflict and even post-disaster reconstruction. A number of countries are going through this stage after the civil wars of the 1980s. The demand for communication in these situations needs no overstating. Obviously it is beyond relief and humanitarian assistance. It is also not simply a strategy of increasing individual subscribers.

I am thinking about product packaging that meets the demand of developments in places which have suffered system breakdown like Southern Sudan, and those which have had endemic tension that explode

suddenly like the case of Cote d'Ivoire or Kenya; or among social groups that have no access to modern systemic facilities.

Integration

A prominent proactive agenda pursued in this Continent for the past 30 years has been the search for integration and unity. In the 1990s there was the Abuja Treaty that defined a road map towards establishing the African Economic Community. In the late 1990s this process was given a added momentum by a new commitment taken to accelerate the establishment of an African Union.

One is definitely free to assess this development in any way, including treating it as mere rhetoric. However, in terms of business, even the mere commitment does present an opportunity, which I should hasten to acknowledge with gratification that Celtel has deployed effectively -through its integrated coverage currently across twelve countries.

I do still believe that there is a lot of scope for business development within the framework of Africa's aspiration for integration. There are not only a number of major infrastructural programmes that Member States have committed themselves to, but the Regional Economic Communities have

taken important steps that have a bearing on doing business in their respective areas;

It is useful for managers to familiarize themselves with programmes of the more than 15 Regional Economic Communities, and also the various initiatives taken to streamline fiscal and regulatory regimes in their communities. For those of you who work in this region, you may be familiar with the various plans and decisions that are taken under the auspices of the East African Community. The same applies to SADC, COMESA, ECOWAS etc.

Liberalisation

A fourth development that I want to briefly touch on, refers to a process which started in the countries that were previously pursuing state controlled development. For these economies the last 15 years has witnessed significant relaxation of controls and state monopolies and a relatively freer functioning of market principles. This has been also accelerated by globalization of international trade and de-bureaucratization of government operations, including privatization of state assets and functions.

Once again, business-wise, this has entailed the entrance of new modern enterprises with modern approaches to marketing, networking, and partnerships. It has triggered a high demand for digitization as well as for information and communication technology. It has led to the emergence of micro-enterprises, some of which complement larger service providers. Call centres and ring tone developers, mobile phone boutiques, money transfers, are some of the remarkable spin-offs emerging in African cities. Liberalization has also enhanced global connections, with Africans being increasingly on the move procuring and delivering goods and services across boundaries. When the liberalization process couples with the revolution in business management systems, the implications for mobile communication becomes profound.

Strategic Challenges

Recent African developments do also entail challenges for players like Zain and Celtel.

- Being almost the last frontier, Africa also has attracted lot of competition;

- Business has still to cope with weak supporting facilities – ranging from poor infrastructure (e.g. Electricity) to weak institutions – banking, stock market, legal systems, and general business support facilities. (In some countries it is very difficult to get a mobile phone sim-card (Ethiopia!));
- Lack of robust fibre – optic network to provide inter state connectivity
- Wide spread corruption
- Effective demand is rather narrow in a majority of countries. A large part of the population is mainly devoted to subsistence with a minimum surplus disposable income;
- A large part of the population is still in the rural areas which suffers from poor infrastructural outlay;

Institutional Challenges

- How can Zain combine profit generation and contributing to Africa's sustainable development;

- How can it continue to avoid negative business practices such as corruption, environmental degradation, bad labour practices, undermining the African culture;

- How to prevent the utilization of company products and services for adverse causes and agenda – such as spreading hate, perpetrating crime and violence. (It has been noted for example, that the mobile communication was significantly used to organize the recent massacres in Kenya)

- How to catch up with advances in mobile technology, including Third Generation telephony (3G), transmission of multi-media, fast transfer of complex data; and spread of fibre-optic cable, including the new ones being laid out for this region;

- How to develop African communication gateways enabling direct connection and reduce the dependence on non-African facilities which are costly for the consumers;

- How to provide a broad product range – suitable for each segment of the market.

- How do we increase our penetration within the markets that we are current in? How do we reach the masses that are thirst of this vital communication facility but are unable to acquire a handset due to lack of capital?

Conclusion

I am confident that if we synergise our strategies all the above challenges can be overcome. What is critical is to equip the Group in the delivery of a products range which are in synch with the emerging opportunities in Africa.

Ladies and Gentlemen,

Let me conclude with some personal reflections. Towards the end of 2001 I completed my term of office as Secretary General of the Organization of African Unity (OAU) having had the honour and privilege of serving the people of our continent for an unprecedented three successive terms. Around that time I was approached by Mo Ibrahim, the founder and chairman of Celtel to be a member of the Board. My initial reaction was very reluctant to put it mildly. But then I had a long talk with Mo.

Arising from this conversation and subsequent experience, two things particularly impressed me about Celtel. First that it was seriously committed in word and deed to the cause of bringing Africa together. And there is no doubt that a lot has been accomplished during these years. Having personally experienced the trials and tribulations of lack of efficient communication in our continent and what this did to frustrate the realization of Africa's multifaceted grand plans in the political, economic and social sectors, Celtel's contribution to overcome this deficiency was and is monumental.

Similarly, I was impressed by Mo's optimism and integrity in believing in Africa and telling anyone and every one who wanted to hear that one can do business in the continent and make profit and do so without engaging in corrupt practises.

As we therefore strategise on the way forward for our Zain and Celtel Group, it is in my opinion, important to bear in mind and in deed make full use of the solid foundation laid and impressive path already charted.

I thank you all for your kind attention.