



CASE STUDY: DEMOCRATIC REPUBLIC OF CONGO

CELTEL AND CELPAY

Summary

Celtel International—the leading pan-African mobile communications group, with operations in 15 countries—entered the Democratic Republic of Congo in 2000, when the civil war was still raging. It faced a market with widespread insecurity, poverty, depleted human capacity and political and regulatory uncertainty. There was little or no infrastructure and no banking network. The potential customer base seemed very small, with few ways to reach out to them.



Despite those obstacles, Celtel has gained more than 2 million customers in the country, allowing communities previously isolated by war and poor infrastructure to exchange information. Celtel also established Celpay—previously part of Celtel and now owned by FirstRand Banking Group—as a mobile banking system to compensate for the lack of a national banking network. The case outlines each obstacle and details how the company addressed them.

Positive Outcomes for the Poor

- Reduction of transaction costs.
- Employment generation (both directly by Celtel and by all business benefiting from mobile communications, such as phone-renting businesses, fund transfers, trade and microenterprise).
- Cash injections at the local level, which all have a positive multiplier effect on growth.
- Rebuilding of trust and restoration of the social fabric.
- Training of local technicians and sales force.
- Improved access of women and youth to production factors such as capital, work and education.

Positive Outcomes for the Business

- Over 2 million new customers.
- Celtel earns more per customer in Democratic Republic of Congo than it does in more developed markets (in part because of low penetration of landlines and mobile phones).
- The Democratic Republic of Congo is now sub-Saharan Africa's fourth largest market for mobile phones, and Celtel is well placed to capture a large share.
- The Democratic Republic of Congo worked so well as a pilot for other “challenging” countries and markets, that Celtel can apply lessons learned to other new (to Celtel) markets, like Sudan.



Key Constraints

- *Regulatory environment:* The post-conflict environment meant that telecommunications regulation was ill-formulated and evolving.
- *Physical infrastructure:* Lack of banking infrastructure and security risks associated with low-denominational, high-volume cash transactions.
- *Knowledge and skills:* Lack of technical capacity in the Democratic Republic of Congo for people to work in telecoms and in general corporate management.

Key Strategies

- *Adapt products and processes:* Celtel set up a subsidiary, Celpay, to develop a system to wire funds across Democratic Republic of Congo using encrypted SMSes. Most widely used to pay staff, bills and transfer prepaid airtime.
- *Invest in removing constraints:* Celtel invested in training programmes to target dynamic youth and more experienced managers, using knowledge and experience sharing from its staff at HQ and other African countries.
- *Engage in policy dialogue with governments:* Celtel built strong relationships with relevant government authorities and worked in collaboration with the banking regulator and telecommunications authority to develop a favourable and appropriate regulation (e.g. in deploying antennae and expanding coverage).



Strategy Matrix

		Strategies					
		Celtel	Adapt Products and Processes	Invest in removing market constraints	Leverage the strengths of the poor	Combine resources and capabilities with others	Engage in policy dialogue with government
Constraints	Market information						
	Regulatory environment						
	Physical Infrastructure						
	Knowledge and skills						
	Access to financial services						

Opportunities for Replication & Scaling Up

- There is much room for continued convergence between Celtel's business interests and benefits for the Congolese poor.
- Celtel is a leader with Vodacom with which it has de facto shared the market in terms of network coverage, and Celtel is constantly introducing innovations to keep this leading position.
- The market itself is growing: the mobile penetration rate is still low and has room for growth; the economy is picking up as it often does post-conflict; more people can afford handsets and airtime; and more companies invest in the Democratic Republic of Congo, increasing the prospects of corporate clients.