

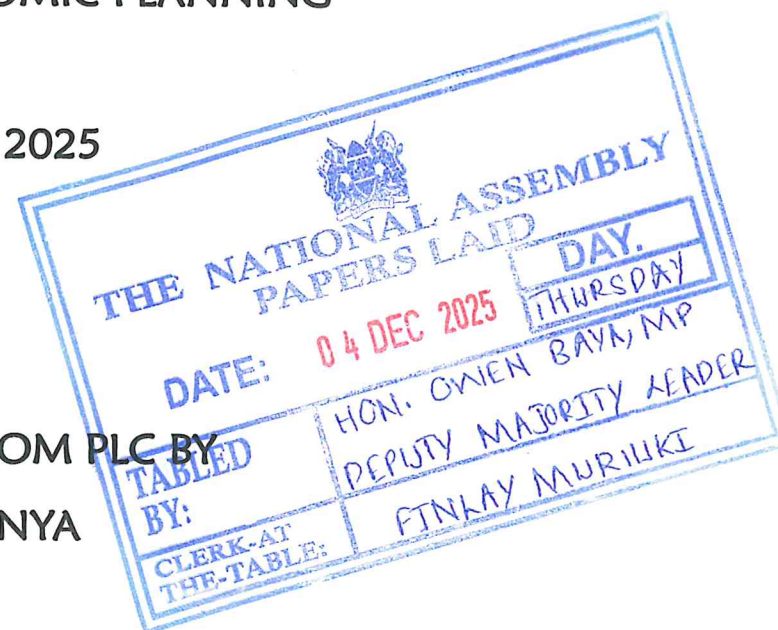


REPUBLIC OF KENYA  
THE NATIONAL TREASURY AND ECONOMIC PLANNING

SESSIONAL PAPER NO. 3 OF 2025

ON  
PARTIAL DIVESTITURE IN SAFARICOM PLC BY  
THE GOVERNMENT OF KENYA

DECEMBER 2025






*Approved for tabling*  
**SNA**  
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REPUBLIC OF KENYA

THE NATIONAL TREASURY AND ECONOMIC PLANNING

 <b>THE NATIONAL ASSEMBLY PAPERS LAID</b>	
<b>DATE:</b> 04 DEC 2025	<b>DAY:</b> THURSDAY
<b>TABLED BY:</b>	HON. OWEN BAYA, MP DEPUTY MAJORITY LEADER
<b>CLERK AT THE TABLE:</b>	FINLAY MURUKI

THE NATIONAL TREASURY AND ECONOMIC PLANNING SESSIONAL PAPER ON  
PARTIAL DIVESTITURE IN SAFARICOM PLC BY GOVERNMENT OF KENYA

DECEMBER 2025

NATIONAL ASSEMBLY RECEIVED
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## 1. OBJECTIVE

- 1.1 The objective of this paper is to submit to the National Assembly a detailed proposal for partial divestiture of its shareholding in Safaricom PLC hereinafter referred to as (“the Company”). The partial divestiture generates approximately KES204.bn (c.\$1.57bn) in aggregate proceeds through the divestiture of 15% stake in Safaricom at a significant premium of c.23.6% to the 6-month volume weighted average price ended 2 December 2025. This transaction facilitates the mobilization of resources. This is the first step in the Governments vision to allocate resources into critical infrastructure investment priorities, specifically Energy, Roads, Water, Airports etc. Investment in priority National Infrastructure is aimed at ensuring that it becomes a powerful tool to fuel our economy, accomplish strategic goals, and scale public investment by bridging institutional capital with public projects.
- 1.2 The proposal is prepared in line with the provisions of Section 74 of the Privatization Act, 2025 as read together with section 87A of the Public Finance Management Act which requires that a divestiture in a Government Linked Corporation, a specific proposal for

privatization be prepared for approval by the Cabinet and submitted to the National Assembly for consideration and approval.

- 1.3 Whereas general privatizations follow a structured process led by the Privatization Authority, the sale or disposal of government shares in GLCs is anchored within the Public Finance Management Act (PFMA) framework, requiring direct executive and legislative approval.
- 1.4 Through the insertion of Section 87A into the PFMA, Kenya's Privatization Act, 2025 introduces a distinct and streamlined approval mechanism for the sale of government shares. This framework ensures that such transactions are fiscally prudent, subject to Cabinet and National Assembly oversight, and guided by the National Treasury's financial assessment, thereby reinforcing transparency and accountability in the management of public investments.
- 1.5 **Cabinet Approval:** The Cabinet has granted approval to the National Treasury to initiate the partial divestiture of 15% of the Government's equity stake in Safaricom Plc. The rationale for this divestment is anchored in the following strategic considerations:

- i. **Provision of funding for Critical and Priority Infrastructure Investment:** The transaction will mobilize substantial non-tax revenue to support the Government deliver priority infrastructure development in critical sectors including Energy, Roads, Aerospace Water and Digital transformation, reducing reliance on debt and expanding fiscal space for development priorities.
- ii. **Strategic Investor Partnership:** The proposed buyer, Vodacom Group, is a long-standing investor in Safaricom, holding approximately 40% through Vodafone Kenya, with deep regional experience and a proven track record in capital investment, digital infrastructure, innovation, and financial inclusion. Their increased stake will reinforce Safaricom's competitiveness and growth trajectory.
- iii. **Preservation of National Interest:** The Government will retain a strategic stake, representing 20%, with 2 seats on the board of Safaricom to safeguard national interests, ensure continuity in governance, and preserve Kenya's digital heritage and innovation leadership. The residual 20% shareholding represents a long-term investment in Safaricom by the Government. Through the transaction, Vodacom has made various commitments, including no acquisition related redundancies within 3 years of the

transaction, ensuring the chairman and independent directors remain Kenyan, as well as Vodacom's continued support of the Safaricom Foundation.

- 1.6 **Approval by the National Assembly:** Following Cabinet approval, the proposal is now being submitted to the National Assembly for parliamentary approval. The National Assembly is required to consider the proposed sale within 28 sitting days of receiving this proposal. It is worth noting that the National Assembly oversight reinforced by the National Treasury's financial assessment, promotes transparency and accountability in the management of public investments.
- 1.7 **Regulatory Approval:** In addition to the approval by the National Assembly, *inter alia* the sale will be governed by the Capital Markets Act and the Capital Markets (Public Offers, Listings and Disclosures) Regulations, 2023. It will also be subject to approvals and notifications from relevant regulators and stakeholders, including the Competition Authority of Kenya (CAK), Central Bank of Kenya (CBK), Communications Authority of Kenya (CA) and the Nairobi Securities Exchange (NSE), where applicable.

## 2. BACKGROUND INFORMATION

2.1 Safaricom was incorporated in Kenya under the Companies Act as a private company in 1997. The Group serves a combined base of over 60 million customers in Kenya and Ethiopia, providing a wide range of services that go beyond connectivity.

Safaricom's growth and market leadership has been significantly driven by M-PESA. M-PESA is the world's most advanced mobile payment platform, which has revolutionized financial inclusion. The platform has expanded beyond basic money transfers to become a fully integrated financial ecosystem, supporting payments, savings, credit, insurance, and international remittances. M-PESA continues to be a key contributor to Safaricom's financial performance and remains central to the Company's strategic focus on deepening customer engagement and expanding its regional footprint.

Safaricom is strategically evolving from a traditional communications provider to becoming Africa's leading purpose-led technology company by 2030. This vision focuses on leveraging technology to create impactful solutions in critical sectors like health,

agriculture, and education. A cornerstone of this growth strategy is its successful operational launch in Ethiopia, which aims to replicate the Company's transformative success. With a deeply entrenched brand, an unparalleled distribution network, and a consistent track record of innovation, Safaricom is uniquely positioned to capitalize on the rapid digital transformation across the continent. In the last financial year, the Company contributed KES 722 billion to the Kenyan economy, sustaining over 1.28 million jobs.

## 2.2 Safaricom Shareholding

As at 31 March 2025, Safaricom had 533,549 shareholders holding a total of 40,065,428,000 ordinary shares.

The table below sets out the top shareholders in Safaricom (ordinary shares only) as at 31 March 2025.

No. of Shares	Shareholding %		
1	Vodafone Kenya Limited	16,000,000,000	40.0%
2	Cabinet Secretary to the National Treasury of the Government of Kenya	14,022,572,580	35.0%
3	Others	10,042,855,420	25.0%
Total	40,065,428,000	100	

### 2.3 Indicative Valuation

Safaricom PLC is listed in the Nairobi Securities Exchange. Its valuation is therefore transparent and is readily available since it is an actively traded counter. The volume weighted average price over the six months ending up to December 2 2025 was approximately Kes. 27.50 per share, resulting in a market capitalization of approximately KES 1.158Tn (USD 8.979Bn). The actual proceeds to be raised from the transaction is - KES 204 333 682 800 or USD 1 576 162 317 - based on a share price of KES34 - which represents a premium to the listed share price of 17% of the current share price of 28.5.

## 2.4 Divestiture:

In this transaction the Government of Kenya proposes to divest 6,009,814,200 shares equivalent to 15% while retaining 8,012,758,380 shares equivalent to 20%.

## 2.5 Benefits of the proposed Divestiture

The proposed partial divestiture by Government of Kenya in Safaricom is a clear reflection of the growing strength and maturity of our economy as well as our Capital Market, and this transaction is well positioned to support the financing of our priority infrastructure requirements.

Our economy is in a critical turning point and to sustain the economic achievements realized thus far both from a macro and fiscal (inflation, interest rates, currency stabilization, GDP growth) perspectives we must turn to innovative financing mechanisms to fund infrastructure and public service projects. As the financial needs of the government continue to outpace available public resources, private sector participation has become a critical tool in addressing infrastructure gaps, enhancing service delivery, and promoting sustainable development.

This proposal aligns well with the sentiments received from Kenyans during the public participation process during the 2025/2026 budget making process. We have traditionally financed our budget using debt and taxation instruments and it is now time to leverage on other instruments to align with both economic progression and public sentiments.

The National Treasury is also carrying out an economy-wide and state corporations' sector-specific reforms and corporation-specific restructurings not just as an end in itself and also in response to policy and business dynamics. The dynamics include the following:

- i. The coming of age of the private sector that can deliver commercial activities more efficiently, hence (part of) the need for privatization of GOEs; and/therefore,
- ii. the need to elevate the role of Government to one of policy and regulation to support commercial activities of the private sector (*to avoid conflict at the commercial operations level*).

The specific benefits of the partial divestiture include:

[Opportunity to raise capital at a significant premium to market value]

[Proceeds to the fiscus generated without an increasing debt or taxation]

[The capital received can be deployed towards necessary infrastructure investment, accelerating economic growth]

[Inward flow of much needed foreign, hard currency into the Kenyan economy]

[While retaining the Government's material stake and significant influence in an important national asset]

The Government retains a material investment in Safaricom, which through this transaction will become part of one of the largest and most respected telecommunications companies in the world (Vodafone, which owns 65% of Vodacom) – bring best practice and know how of operating around the world to Safaricom Kenya and Ethiopia.

### 3. The National Treasury's Recommendation on financial implications

3.1 **Economic Imperatives:** To pace up with the resources required to deliver priority infrastructure investments, the National Treasury has identified strategic divestitures as a key tool to address the following three major economic balances: Government debt,

Budget balances and Economic stimulation. In this regard our program is designed to address fiscal sustainability challenges by limiting government debt, constraining budget deficits, and promoting counter-cyclical fiscal policy. Having pursued fiscal consolidation over the last three years, the policy has now reached optimal levels and hence can't be pushed further. In this case an economic stimulus mechanism must be pursued. It is apparent that unlike taxation, privatization never reduces private sector wealth. In most cases it encourages the propensity to invest, and enhance aggregate demand which in the long run would widen the revenue base.

**3.2 Deepening our Capital Markets:** From a capital markets development perspective, GOK intends to build its capacity and capability to crowd in private sector resources to enable it have a wider elasticity in optimizing the limited resources. Capital markets provide institutional investors both local and foreign, such as mutual funds, pension funds, and insurance companies with instruments to diversify their assets geographically, thus increasing the potential for significant inflows of portfolio investment. The transaction shall now increase institutional investors' desired stock of assets in the Exchange and this will end up with an increase in the flows of foreign capital. Transactions carried out in the capital markets is one of the key financial reforms we are deploying in the

development and deepening of our capital markets which is a necessary ingredient for enhancing economic efficiency promoting our course towards transition to a market economy.

**3.3 Value Realization;** The partial divestiture especially to an existing partner like Vodacom enables the Government to realize optimal value from its mature investment by selling at KES 34 per share which represents a significant premium compared to the market price as opposed to an on-market sale which would typically attract a discount to the market price. It has also been agreed that the proceeds generated will be paid in US Dollars, amounting to \$1.577bn. This transaction eliminates any settlement risk, as Vodacom has a strong financial capacity and proven track record in completing similar investments. Additionally, the proposed transaction includes a further aspect, wherein Vodacom will make an upfront payment of KES40.2bn (approximately \$309m) to the government, in lieu of future dividends that will accrue to the government on the Government's residual 20% shareholding in Safaricom.

**3.4 Enhancing Kenya's Competitiveness as an Investment Hub:** It is worth noting that the Nairobi Securities Exchange (NSE) delivered record-breaking performance in 2024,

solidifying its position as the best-performing exchange in Africa in dollar returns, according to Morgan Stanley Capital International. The NSE's steady recovery — anchored by a rising market capitalization now at KES 2.5 trillion, just KES 300 billion below its all-time high — alongside double-digit growth across all key benchmark indices for the six months ending June 30, 2025, demonstrates the robustness of our capital markets to absorb such a large transaction. The performance of our bourse is a clear indicator that investors - both domestic and international - are once again looking to Kenya with renewed interest, optimism and trust in the resilience and potential of our economy.

**3.5 Continued growth and Investment by Safaricom PLC:** The key benefit that GOK shall derive from the divestiture is to mitigate the risk of future dilution due to capital requirements by the business. Given the prevalent erosion of fiscal space, Companies that are controlled fully by Government might not be able to undertake investments even in the cases where there is proven certainty of payoffs or enhancing efficiency as the debt carrying capacity of the sovereign is diminishing. As a result, GOK risks losing the value from its profitable enterprises like Safaricom as a result of dilution in the event of a capital call when funds for additional investments are required, due to the thinning fiscal space, as the Government will be keener in delivering the much-needed social services like

education, healthcare, roads etc. Private sector investors like the case of Vodacom can reduce, or eliminate, the unsystematic risk of investment and, hence, increase the availability of capital as well as lower the risk premium component in its cost hence allowing the company to meet its objective of safeguarding Safaricom's expansion and diversification plans as well as enhancing Kenya's strategic position as a technology hub.

#### 4. INFORMATION REGARDING ANY WRITTEN LAW, THE REPEAL, AMENDMENT OR ENACTMENT OF WHICH WOULD BE NECESSARY FOR THE PROPOSED PRIVATIZATION TO BE CARRIED OUT

The transaction shall be implemented within the existing legal framework.

#### 5. REQUEST TO THE NATIONAL ASSEMBLY

The National Assembly is requested to;

- I. Consider and approve the proposal for partial divestiture by GOK of its shareholding from 35% to 20% in Safaricom PLC.