The Institute of Certified Public Accountants of Kenya

SUBMISSION

ON

SESSIONAL PAPER NO. 3 OF 2025 ON PARTIAL DIVESTITURE IN SAFARICOM PLC BY GOVERNMENT OF KENYA

JANUARY 2026

1. INTRODUCTION

The Institute of Certified Public Accountants of Kenya (ICPAK) is a statutory body of accountants established under by the Accountants Act CAP 531, mandated to develop and regulate the Accountancy Profession in Kenya and advise the Cabinet Secretary on matters relating to financial accountability in all sectors of the economy.

The National Treasury tabled Sessional Paper No. 3 of 2025, that proposes the partial divestiture of the Government's shareholding in Safaricom PLC through the sale of 15% stake to Vodacom Group. In response to the public call for comments, the Institute has reviewed the sessional paper and has developed the following submission to the joint committees of the National Assembly.

2. GENERAL OBSERVATIONS

a. Expected Proceeds from the Sale

According to the Sessional Paper, the main objective for the partial divestiture is to raise funds for infrastructure investment priorities in energy, roads, water and airports. Vodafone Kenya Limited will acquire 15% of the Government of Kenya's 35% stake in Safaricom PLC, amounting to 6,009,814,200 shares at Ksh. 34 per share, valued at Kshs 204.3 billion. The transaction is at a premium to the current market price of Ksh. 28.5 and the six-month volume weighted average price of Ksh. 27.5.

In addition, the government will sell its rights to future dividends from the remaining 20% stake for an upfront payment of Ksh. 40.2 billion, bringing the total value of the transaction to Ksh. 244.5 billion as shown below

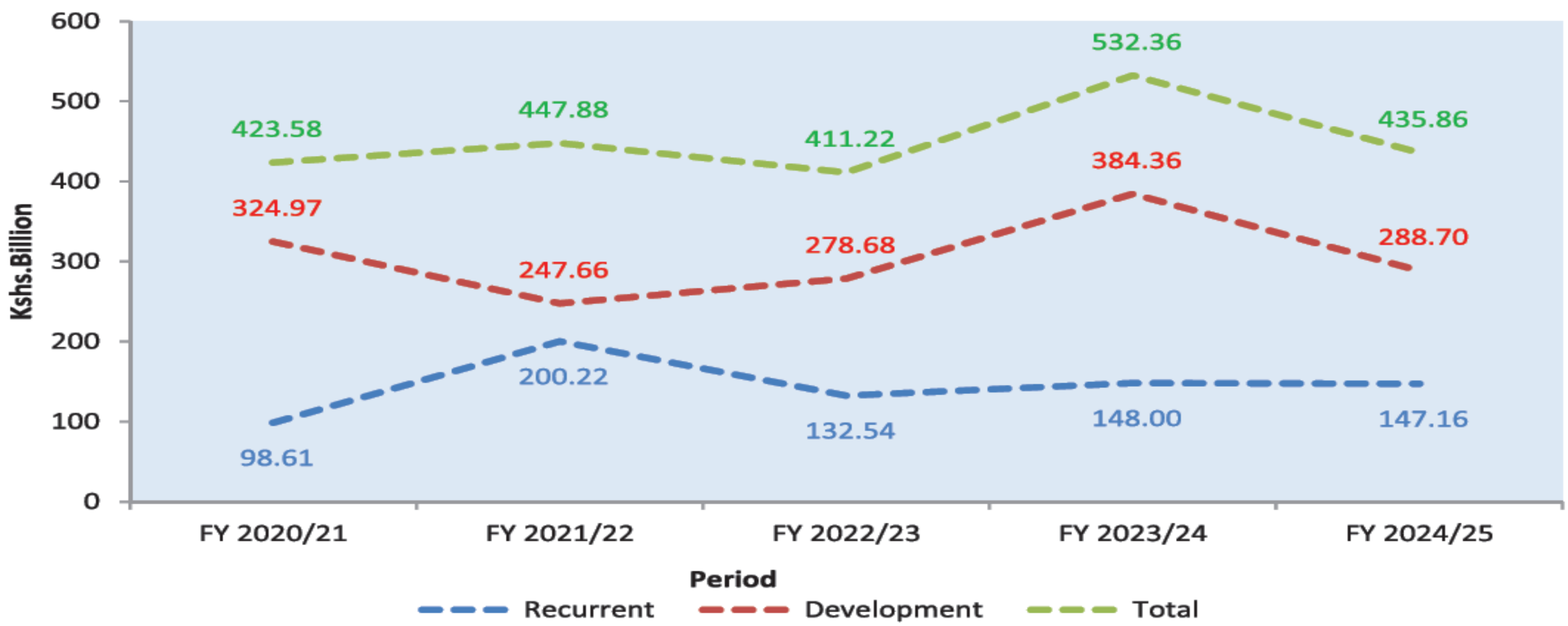
Table 1: **Expected proceeds from the sale**

	No. of Shares	Amount in Ksh. (Billions)
Expected Proceeds from Sale	6,009,814,200	204.3
Sale of rights to Future Dividends	-	40.2
Total Expected proceeds from Sale		244.5

b. **Budgetary Performance for the Energy, Infrastructure, Information, Communications and Technology Sector (EIICT)**

The Energy, Infrastructure, Information, Communications and Technology (EIICT) Sector remains a key pillar of Kenya's economic growth and competitiveness. This Sector comprises nine Ministries, Departments and Agencies MDAs which are; The State Department for Roads, Transport, Shipping and Maritime Affairs, Housing and Urban Development, Public Works, Information Communications Technology and Digital Economy, Broadcasting and Telecommunications, Energy, and Petroleum.

Controller of Budget reports indicate that in FY 2024/2025, the sector was initially allocated Kshs 476.04 billion. Following three supplementary budgets, this allocation was revised downward to Kshs 435.86 billion. The revised allocation accounted for 10% of the gross national budget of Kshs 4.37 trillion and 18% of the total budget for MDAs amounting to Kshs 2.38 trillion.



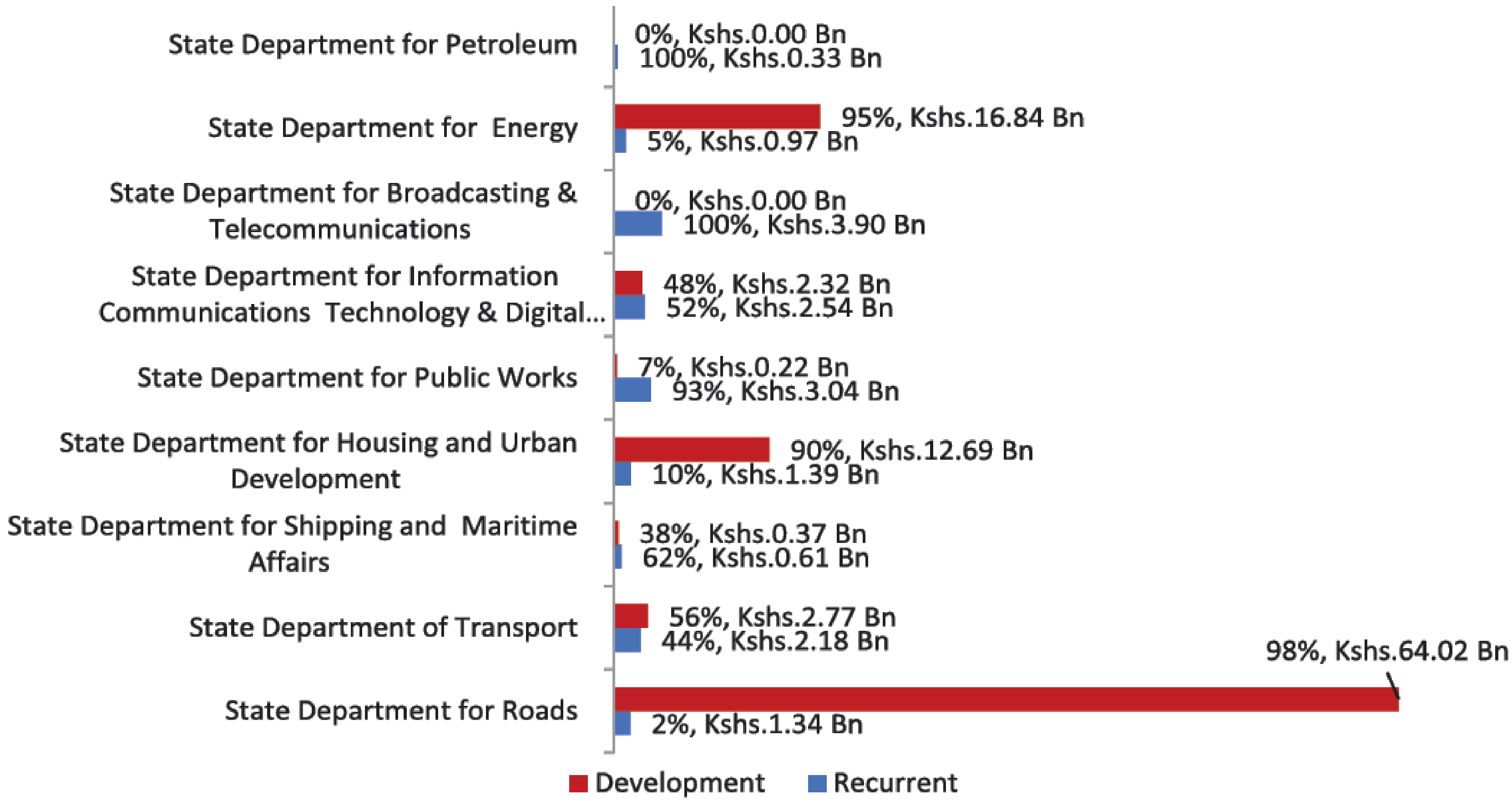


Figure 1: **Budgetary Allocation Trend for the EI&ICT Sector FY 2020/21 – FY 2024/25**

Source: Controller of Budget 2025

Based on the figures above, the performance of the sector demonstrates a strong development focus, with Ksh. 288.7 billion (66%) utilized for development expenditure and Kshs 147.16 billion (34%) allocated to recurrent expenditure. The State Department for Roads received the largest share at Kshs 196.60 billion (45%), highlighting the continued prioritization of road infrastructure, while the State Department for Shipping and Maritime Affairs received the smallest allocation of Kshs 3.49 billion.

The State Departments for Roads and for Shipping and Maritime Affairs each recorded 100% development exchequer issues relative to their net estimates, while the State Department for Energy recorded the lowest ratio at 92%, which remains relatively strong.

ICPAK notes that the magnitude of funding directed toward energy and infrastructure highlight their key role in the government's development agenda and provide a clear rationale for exploring additional financing mechanisms to support the implementation of capital-intensive projects

c. Existing and Proposed Shareholding in Safaricom

Under the existing arrangement, Vodafone Kenya Limited holds 40% of Safaricom's issued shares, the Government of Kenya holds 35%, and other shareholders, comprising institutional and retail investors, hold the remaining 25%. Through the National Treasury's proposal, the Government of Kenya would divest 15% of its shareholding in Safaricom to Vodafone Kenya Limited. This transaction would reduce the Government's stake from 35% to 20% while increasing Vodafone's ownership from 40% to a controlling 55%.

The main advantage of this proposal is its capacity to provide immediate fiscal relief, which will enable the Government to mobilize substantial non-debt financing at a time of heightened budgetary constraints.

Table 2: Existing and Proposed Shareholding in Safaricom PLC

Shareholder	Existing Shareholding Before Sale		Shareholding after Sale	
	No. of Shares	Shareholding %	No. of Shares	Shareholding %
Vodafone Kenya Limited	16,000,000,000	40	22,000,000,000	55
Cabinet Secretary to the National Treasury of the Government of Kenya	14,022,772,580	35	8,012,758,380	20
Others	10.042,855,420	25	10.042,855,420	25
Total	**40,065,426,000**	**100%**	**40,065,426,000**	**100%**

d. Analyisis of the Strengths and Weaknesses of the Prospsed Shareholding

ICPAK has reviewed the proposal by the National Treasury and has analysed the following strengths and weaknesses

Strengths of the Partial Divesture Proposal

(i) The transaction yields Kshs 244.5 billion providing immediate resources to address pressing budgetary needs without increasing public debt.
(ii) Settlement in US dollars is expected to bolster foreign exchange reserves, support the stabilization of the Kenyan shilling, and reduce short-term external vulnerability.
(iii) Proceeds will provide seed capital for the National Infrastructure Fund and the Sovereign Wealth Fund, enabling financing of large-scale infrastructure projects and strengthening long-term investment capacity.
(iv) A direct sale to Vodafone avoids flooding the Nairobi Securities Exchange, which could have depressed Safaricom's share price and eroded shareholder value.
(v) According to the sessional paper, Government argues that the agreed price is higher than what might have been realized through a public offering, thereby safeguarding value.
(vi) Increased Vodafone ownership may enhance access to global expertise, technology transfer, and operational best practices, benefiting Safaricom's operations in Kenya and Ethiopia.
(vii) The transaction signals implementation of the Privatization Act 2025 and demonstrates commitment to leveraging private capital for development.

Limitations of the Partial Divesture Proposal

(i) The proposed price of Kshs 34 per share has not been accompanied by a clear explanation of the valuation methodology, raising concerns over price discovery and accountability. If not addressed, this will fuel the perceived concern that the offer price is below Safaricom's all-time high of Ksh. 44.7 in 2021, reinforcing public perceptions that the asset may have been sold below its intrinsic value.
(ii) Through the monetization of future dividends, future Government administrations lose discretion over a dependable revenue source that could have supported recurrent or development expenditure.
(iii) Vodafone's shareholding increases to 55%, resulting in majority control and potentially reducing the government's leverage in strategic decision-making.
(iv) The decision to pursue a private transaction rather than a public offering has attracted criticism, which may undermine public confidence in the privatization process.
(v) The perceived weaknesses in transparency and valuation may complicate future privatization efforts by intensifying political and public resistance.
(vi) MTP IV emphasizes **sustainable, long-term financing**. Selling dividend-generating asset for one-time capital contradicts this principle.

3. COMPARATIVE ANALYSIS OF PARTIAL DIVESTURES AND STRATEGIC SALE: KENYA AND INDIA

Partial divestiture and strategic sale of government shareholding have become key policy instruments for mobilizing capital, improving efficiency, and reducing fiscal pressure without full privatization (National Institute for Public Finance & Policy, 2022). Both Kenya and India have pursued these approaches, albeit with different considerations.

In Kenya, partial divestiture has historically been implemented on a case by case basis, driven by fiscal constraints and sector-specific considerations. According to the Privatization Commission, Kenya's partial divestitures since the early 1990s have spanned different sectors and have used various methods, including public flotation, strategic sale, pre-emptive rights, and share dilution.

Table 1: Selected Partial Divestitures in Kenya

Company	Year	Method	Government Share Before (%)	Government Share After (%)	Sector	Buyer	Proceeds / Outcome
Telkom Kenya	2007	Strategic Sale	100	49	Tele-communications	Strategic Investor	Not disclosed
Kenya Commercial Bank Ltd (various subsidiaries)	1990–1998	Public Flotation	100	35	Banking	Public & institutional investors	Over Kshs 2.8 bn (cumulative)
Mt. Kenya Textile Mills	1992	Receivership	100	48.5	Textile	DFCK & DEG	Share dilution
Uchumi Supermarkets Ltd	1992	Public Flotation	90	44	Retail	Public investors	Kshs 232 m

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General Motors (K) Ltd	1992	Pre-emptive Rights	51	46.5	Vehicle Assembly	ITOH & ICDC	Share dilution
Housing Finance Co. of Kenya	1992	Public Flotation	50	30	Housing Finance	Public investors	Kshs 126 m

Source: Privatization Commission

An analysis conducted by the African Centre for Governance revealed that the privatization of Telkom Kenya Limited was marked by concerns regarding probity and transparency. The key findings are outlined below:

(i) Recommendations by Public Investment Committee were ignored without consequence. There was no binding obligation or enforcement mechanism to ensure their recommendations are acted upon.
(ii) Excessive discretion allowed senior government officials to bypass parliamentary oversight, delay legal implementation and ignore committee findings.
(iii) The delayed operationalization of institutions like the Privatization Appeals Tribunal denied stakeholders access to grievance and appeals mechanisms, undermining transparency and redress.
(iv) Transactions lacked clear, timely, and full disclosure of ownership, valuation, and beneficiaries.
(v) The public was largely excluded from access to key documents, timelines, and rationale for decisions. This undermined public trust and limits oversight.

In comparison, India has progressively developed a strategic disinvestment framework anchored in valuation procedures. According to the National Institute of Public Finance and Policy (2022), public offers were the most widely used method of disinvestment in India during the period from 2005 to 2014. Out of a total of 43 disinvestment transactions, 32 were conducted through public offers, including 13 transactions executed via stock exchange. Collectively, public offers contributed approximately 84% of the total disinvestment proceeds during the phase.

The emphasis on public offers highlights India's preference for transparent approaches to partial divestiture, enabling broad investor participation while ensuring significant revenue generation for the government.

Figure 2: India Divestment from FY 2005 - 2014

Methods of disinvestment	Number of transactions	Number of CPSEs	Disinvestment proceeds (INR crore)	Average % of shares sold	Average change in % of govt equity post disinvestment
PUBLIC OFFER	32	22	91,206.59	7.32	7.32
CPSE TO CPSE SALE	1	1	5,340.00	10.00	10.00
AUCTION TO FINANCIAL INVESTORS	2	1	3,934.53	9.13	9.13
EXCHANGE TRADED FUND	1	10	3,000.00	0.83	0.83
BUYBACK	1	1	2,131.28	9.00	0.40
BLOCK DEAL/MARKET SALES	1	1	1,888.93	4.66	4.66
INSTITUTIONAL PLACEMENT PROGRAMME	1	1	358.21	3.56	3.56
SALE TO EMPLOYEES	4	4	67.36	1.27	1.27

Source: National Institute of Public Finance and Policy, India (2022)

The proposed partial divestiture of the Government of Kenya's stake in Safaricom PLC, warrants comparison with international practice, particularly India's experience.

Table 3: Kenya vs. India: Strategic Sale and Partial Divestiture Frameworks

Dimension	Kenya	India
Use of Proceeds and Dedicated Funds	Kenya intends to allocated proceeds realized from the divesture to the National Infrastructure Fund which received Cabinet approval in December 2025 and the Sovereign Wealth Fund. The focus of the fund is on financing capital-intensive infrastructure projects in energy, roads and water. Social sector programs are not prioritized in this framework.	Proceeds on divestitures are channeled to the National Investment Fund. 75% allocated to targeted social sector programs including education, health, and employment and 25% reinvested into profitable or revivable Central Public Sector Enterprises (CPSEs) for expansion and diversification. Fund policies periodically restructured to improve efficiency and governance.
Treatment of Profitable Enterprises	Profitable firms are treated on an ad hoc basis and politically sensitive. The Safaricom Limited partial divestiture illustrates a partial sale of a highly profitable company and policy guidance on profitable firms is limited beyond Cabinet and National Assembly approval.	Strategic sales include profitable enterprises. Companies such as Oil and Natural Gas Corporation Limited (ONGC), Bharat Petroleum Corporation Limited (BPCL), Power Grid Corporation of India Limited, and Coal India Limited have been partially divested to mobilize capital, improve efficiency, and support development priorities. Policy and process are clearly defined.
Institutional Roles and Responsibilities	Primarily executive-driven. The Privatization Commission and Cabinet initiates the divestiture, National Treasury evaluates financial implications, and the National Assembly provides parliamentary oversight.	Oversight and accountability are clearly separated. The National Institution for Transforming India (NITI Aayog) identifies firms and assesses strategic relevance; Department of Investment and Public Asset Management (DIPAM) executes transactions; Cabinet Committee on Economic Affairs (CCEA) approves policies; Alternative Mechanism determines pricing, timing, and buyer selection; Independent External Monitors oversee the process.

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Valuation Methodology	In the Safaricom transaction, the per-share price of 34 Kenyan Shillings was set without publicly disclosed methodology. Independent benchmarking or third-party validation is minimal.	Multiple valuation methods including discounted cash flow, asset valuation, and relative valuation are provided. Valuation is documented in Expressions of Interest and bid submissions, with oversight from Department of Investment and Public Asset Management (DIPAM), Alternative Mechanism, and Independent External Monitors, ensuring fairness and credibility.

4. ICPAK'S PROPOSALS ON PARTIAL DIVESTITURE IN SAFARICOM PLC BY GOVERNMENT OF KENYA

The Institute has developed the following specific proposals and recommendations for consideration and adoption

#	AREA/ CLAUSE	BRIEF DESCRIPTION OR PROVISION	ISSUE OF CONCERN	RECOMMENDATION	JUSTIFICATION/ LIKELY IMPACT
1.	Objective	Paragraph 1.1 describes the partial divestiture of a 15% stake in Safaricom at a proposed price of Ksh. 34 per share, expected to generate Ksh. 204.6 billion (USD 1.57 billion). The proposed transaction price reflects a 23.6% premium to the 6 month Volume Weighted Average Price (VWAP).	The proposed price of Kshs 34 per share has not been accompanied by a clear explanation of its methodology, raising concerns over price discovery and accountability In addition, basing the transaction price primarily on the 6 month VWAP relies on historical trading data and liquidity conditions rather than Safaricom's intrinsic value. This approach may not fully capture the company's long-term growth prospects, future cash-flow potential, or strategic importance to the State.	There is need to link the proposed premium to Safaricom's expected future earnings, sector outlook, and relevant macroeconomic trends, rather than relying solely on historical trading metrics.	This will enhance clarity of the valuation methodology and strengthen public trust in Kenya's Capital Markets.
2.		Paragraph 1.1 indicates that the proceeds are intended to finance priority infrastructure projects,	Given that the focus on infrastructure aligns with strong budget performance	In addition to funding infrastructure, a clearly defined	This ensures balanced development by

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		including energy, roads, water, and airports.	in this EIICT sector, the framework does not prioritize social sector programs such as education, health, and employment. This contrasts with the Indian model, where proceeds from divestitures are channeled into the National Investment Fund, with 75% allocated to targeted social sector programs and 25% reinvested into profitable or revivable Central Public Sector Enterprises (CPSEs) to support expansion and diversification.	proportion of the divestiture proceeds should be allocated to each of the sectors of Energy 30%, roads 50%, water 10% and airports 10% to manage these allocations transparently and effectively.	addressing both economic infrastructure and social welfare priorities, therefore supporting the Governments agenda.
3.	Cabinet Approval	Paragraph 1.5 outlines Cabinet approval and the rationale for the divestiture including raising funds for infrastructure development, a 3 year no-redundancy and continued support for the Safaricom Foundation.	The proposed safeguards may be insufficient to protect long-term national interests. Vodacom's majority stake could limit government influence over strategic decisions, and critical operations such as M-PESA which may undermine public confidence and socio-economic benefits.	The Institute recommends that employment safeguards be extended beyond three years, to cover severance and reskilling. Board and governance oversight should be enhanced	This will ensure the government can influence decisions critical to national security, data privacy, and financial inclusion. It also protects jobs and local innovation.

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				through proportional representation on key committees, including audit, risk, and data privacy, to ensure meaningful participation in decision-making. Regulatory provisions should be established to protect sensitive operations such as M-PESA, national data and financial interests.	
4.	2.1 and 2.2. Background and Shareholding	Paragraphs 2.1 and 2.2 outline Safaricom's corporate history, its customer base, the role of M-PESA in promoting financial inclusion, and its economic contributions, including Ksh. 722 billion to the economy and support for 1.28 million jobs.	The section emphasizes the company's achievements but does not address potential risks arising from increased foreign control particularly M-PESA, which manages sensitive financial data. Additionally, alternative funding mechanisms to divestiture are not discussed	The Instititute recommends the inclusion of a comprehensive risk assessment addressing data privacy, financial stability, and alternative funding options in a post-divestiture scenario	This will inform policymakers of viable alternatives, strengthening long-term fiscal and digital resilience

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5.	2.3 Indicative Valuation	Paragraph 2.3 reports a 6 month volume weighted average price of Ksh. 27.5 per share, a total market capitalization of Ksh. 1.158 trillion, and proposed divestiture proceeds of Ksh. 204.3 billion at Ksh. 34 per share, described as a 17% premium over the current price of Ksh. 28.5	The calculation of market capitalization and the stated premium appears unclear. The proposed sale price of Ksh. 34 per share implies a premium of about 23.6% over the VWAP, not 17% over Ksh. 28.5. The basis for using Ksh. 28.5 as the current price is not clearly explained, which may create confusion	Provide a transparent explanation of the pricing methodology, clearly stating the reference price and the calculation of the premium.	This will enhance clarity in the practice for pricing and disclosures.
6.	The National Treasury Recommendations on financial implications 3.2. Deepening Capital Markets	Paragraph 3.2 states that the partial divestiture of Safaricom is expected to deepen Kenya's capital markets by building capacity to attract private sector resources and increasing foreign capital inflows	The Institute is of the opinion that the intended capital market benefits may not materialize if the transaction is conducted off-market directly to a single buyer. Such a structure limits participation by domestic investors.	The Institute recommends deletion of this section.	This will enhance clarity.
7.	3.4 Enhancing	Paragraph 3.4 highlights the recent strong performance of the Nairobi Securities Exchange and interprets this as evidence of market capacity to absorb the proposed transaction, this		To enhance competitiveness of	This will lead to Increased domestic

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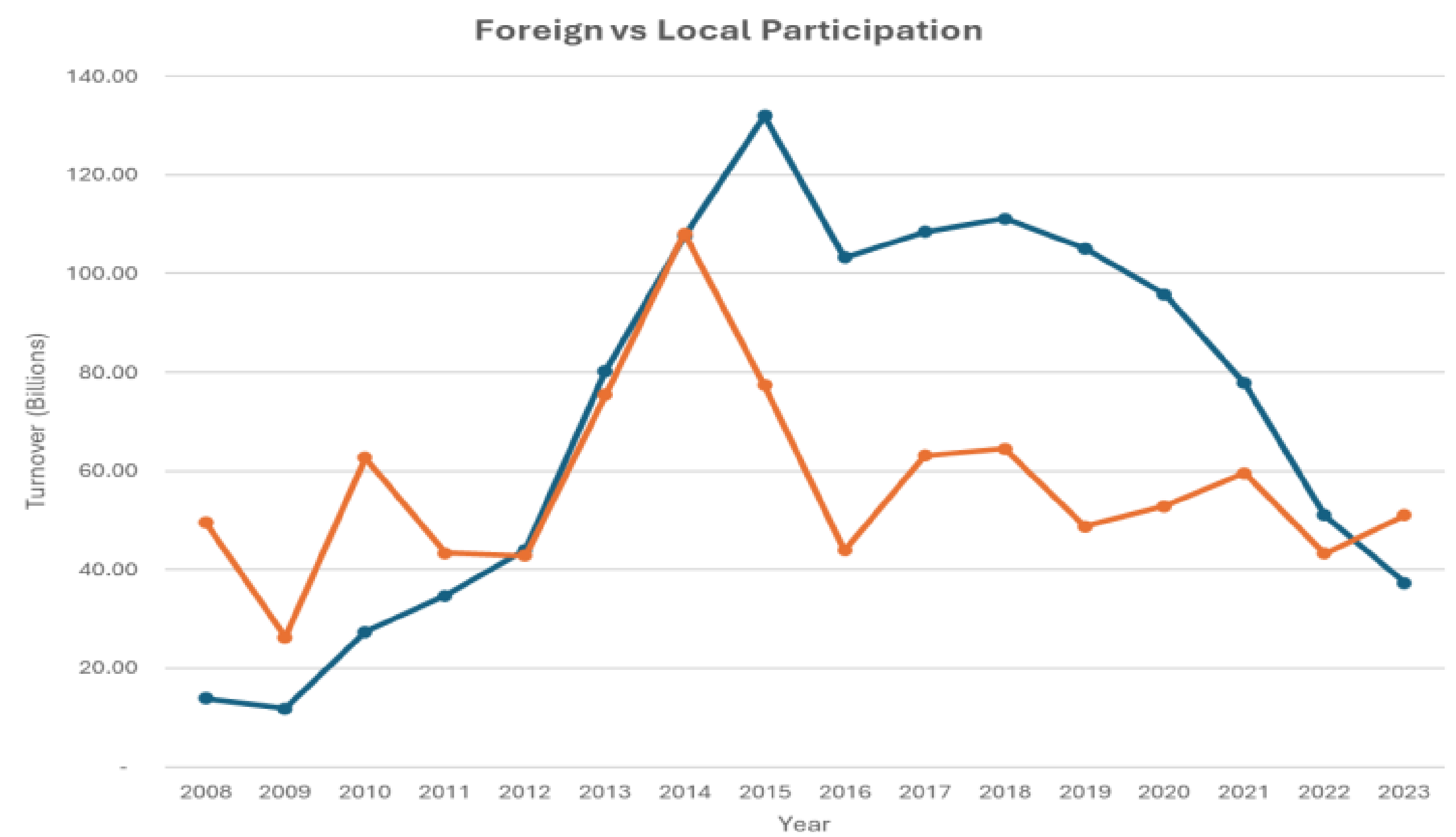
	Competitiveness	assessment does not fully account for structural vulnerabilities within the market. According to the NSE Strategic Plan 2025–2029, foreign investors have historically accounted for the majority of trading activity on the NSE, especially in large-cap stocks such as Safaricom.This reliance on foreign portfolio flows has previously amplified market volatility during periods of global capital outflows and constrained the development of a stable domestic investor base. Consequently, strong headline performance alone may not reflect underlying market resilience or justify an off-market transaction that does not expand the public float or broaden local participation.		the Capital markets, future divestures should be structured to increase the public float through the Nairobi Securities Exchange, with deliberate mechanisms to enhance domestic investor participation, including retail and institutional investors, rather than relying predominantly on a single strategic buyer.	participation and would align the divestiture with the objectives of the NSE Strategic Plan 2025–2029.

#	AREA/ CLAUSE	BRIEF DESCRIPTION OR PROVISION	ISSUE OF CONCERN	RECOMMENDATION	JUSTIFICATION/ LIKELY IMPACT
		Figure 1: Foreign vs Local participation at the NSE from 2008 – 2023 			

5. ICPAK POLICY RECOMMENDATIONS

(i) There is need for the Government to prioritize privatization methods that actively deepen and revitalize Kenya's capital markets, particularly through public offerings and listings on the Nairobi Securities Exchange.

(ii) The Government should ensure that the entire share sale process is guided by a balanced consideration of national strategic interests and fiscal requirements, so that revenue raising objectives do not undermine long term economic and developmental priorities.

(iii) There is need for building institutional capacity within the Privatization Authority and other government agencies is essential for effective implementation of the privatization program. This includes developing expertise in areas such as valuation and transaction structuring.

(iv) Divestiture of strategic national assets should be permitted only as a last resort, after demonstrating that all alternative financing and revenue-mobilisation options have been fully explored and exhausted.

6. REFERENCES

African Centre for Governance. (n.d.). *Transparency lessons from the privatisation of Telkom and Safaricom*.

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