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Obiageli Katryn Ezekwesili
Sent by: Bernadette W.
Infante-Wells/Person/World
Bank

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To RBZ

cc Colin Bruce, Hartwig Schafer, Marie-H. P. Bricknell, Harold L.
Bedoya, Katy Roffe, Ngozi N. Okonjo-Iweala, Auguste Tano
Kouame, Vera Songwe, Carl Patrick Hanlon, Michel Wormser

Subject Kenya Elections - Sixth Update

Dear Bob,

Colin Bruce, our Country Director, informed us that calm is returning across Kenya, although known flash points remain, particularly in Eldoret and some of the slums in Nairobi. Today's attempt by the opposition to hold a rally fizzled out quickly after some skirmishes. Although there is a growing perception that the protesters are getting tired and hungry, underlying tensions continue to simmer in these neighborhoods and could boil over again if the political leaders do not find a way forward in the near future.

There are some early signs that the economy is very slowly cranking up again. Some private matatus (buses) are back in service, although they are still a fraction of normal traffic. Rationing of fuel and shortages of basic food items are reported in some areas. As a result, inflation is picking up and is hurting the poorest Kenyans most, especially since many of them have not been able to get to work.

Further progress was made in political and diplomatic efforts to finalize a 'deal'. President Kibaki made further concessions in negotiations of the draft Joint Statement and the Memorandum of Understanding, in response to the concerns raised by Mr. Odinga about the enforceability of the MOU. President Kibaki also met with Archbishop Desmond Tutu today and will meet tomorrow with Jendayi Frazer, Assistant Secretary of State for Africa. Meanwhile, Mr. Odinga's running mate, Musalia Mudavadi, signaled his acceptance of the 'deal'. Diplomatic efforts in coming days will focus on getting Mr. Odinga to do the same.

The Bank is continuing to play a neutral facilitating role in the background. Further updates will be provided next week, or sooner if necessary.

Best always,
Oby