

15<sup>th</sup> November 2005

Your Excellency

As you will be aware, the Development Assistance Group took the unusual step of issuing a statement on the 11th of November. We did this because of the widespread concern expressed to us about the current situation and we wished to make it clear that we, as Ethiopia's development partners, shared those concerns. We are now writing to you to explain in more detail the thinking behind that statement.

As development partners, we remain committed to a partnership based on mutual respect and trust in the interests of the people of Ethiopia and our own taxpayers and multilateral contributors. We are committed to the sustainable development of Ethiopia and the reduction of poverty. However, the way in which recent events have been managed has substantially complicated the environment in which we have to operate.

As you know, we have been very supportive of the Government's attempts to stimulate development, reduce poverty and carry out its commitments under the Constitution. We have as a group been scaling up our assistance substantially to support your programmes and have been working to provide aid through increasingly harmonised and less burdensome instruments. The amount of aid provided through un-earmarked budget support has grown substantially over the past two years as donors recognise its value in reducing transaction costs and increasing aid effectiveness. Such support, however, implies a closer relationship between government and donor partners built on trust, mutual predictability and transparency. It extends also to a more complex accountability to tax payers in our own countries who are effectively buying-in to the public expenditure plans of the Government of Ethiopia.

Equally, however, such accountability implies a greater level of scrutiny of all government actions and is therefore more vulnerable to risk when domestic problems occur. A number of donors are already being required to defend the support which they provide through such un-earmarked instruments, hence the need - noted in our 11<sup>th</sup> November Statement - to review collectively the effects of recent events on our programmes. We will make any adjustments necessary for us both to maintain due accountability to our respective stakeholders and to ensure that our contributions reach the poor in a non-partisan manner. We would therefore welcome the opportunity to have structured dialogue with you on these issues, as we are cognisant of the potential implications for macroeconomic stability.

Successful development outcomes in Ethiopia also depend upon real and sustained progress on human rights in conformity with international conventions, the rule of law, and the quality of governance (also a key principle of the New Partnership for African Development - NEPAD). If these