



MILLENNIUM CHALLENGE CORPORATION

REDUCING POVERTY THROUGH GROWTH

AMBASSADOR JOHN DANILOVICH

CHIEF EXECUTIVE OFFICER

March 11, 2008

His Excellency Robert Kocharian
President of the Republic of Armenia
Yerevan

Dear Mr. President:

We have had many conversations over the past two years concerning Armenia's continued eligibility for Millennium Challenge Corporation (MCC) funding. In particular, I refer to our telephone conversation of this past January during which we discussed the importance of the upcoming elections and our mutually expressed desire for their successful completion.

As a friend and major proponent of long-term economic growth, stability, and democracy in Armenia, MCC has an obligation to ensure that our programs operate in a democratic environment. MCC's \$235.6 million Compact with the people of Armenia is based on the country's continued passing performance on policy indicators. As mentioned at the October 2007 U.S.-Armenia Joint Economic Task Force, a demonstrated commitment to democratic practices plays an essential role in maintaining compact eligibility.

MCC has the right to suspend or terminate a Compact when serious policy reversals occur and this letter constitutes an official warning that recent events could have negative effects on Armenia's eligibility for MCC funding. MCC is reviewing operational aspects of its ongoing work in Armenia in light of these events, including the suspension of media freedoms and the imposition of a state of emergency, and is closely monitoring the situation with U.S. Government and donor colleagues.

Sincerely,