



Millennium Challenge Corporation

Reducing Poverty Through Growth

John J. Danilovich
Chief Executive Officer

January 18, 2006

His Excellency Robert Kocharian
President of the Republic of Armenia
Yerevan

Dear President Kocharian:

I wish to thank you and Vartan Oskanian, Minister of Foreign Affairs, for your letters dated December 22, 2005, and January 12, 2006, respectively.

As expressed in my letter of December 16, the Millennium Challenge Corporation (MCC) Board of Directors' decision to approve the Millennium Challenge Compact with the Republic of Armenia was delayed due to concerns over the irregularities reported during the conduct of the November 27 constitutional referendum. These irregularities will most likely have a negative effect on Armenia's MCA eligibility indicators, specifically those in the "Ruling Justly" category. In my letter, I suggested a number of corrective steps the Armenian Government might take to demonstrate its commitment to the fundamental principles underpinning Armenia's eligibility for MCA assistance.

On reading your letter, I was pleased to note your Government's commitment to sustaining the democratic reforms that are essential to good governance. Minister Oskanian's subsequent letter elaborated on the nature of the irregularities in this instance and set forth a range of actions by the Armenian Government to re-establish its track record of commitment to improve its good governance generally. Specifically, I am encouraged by his recognition that the referendum has become an "occasion for doubt and irregularities" and I am heartened by your Government's commitment to pursue existing cases of fraudulent voting activity and violence against journalists, as well as your receptivity to outside assistance for training in election preparation, administration and monitoring.

I look forward to your Government making Minister Oskanian's January 12 letter to me available to the public. I believe that these actions cumulatively represent

His Excellency Robert Kocharian

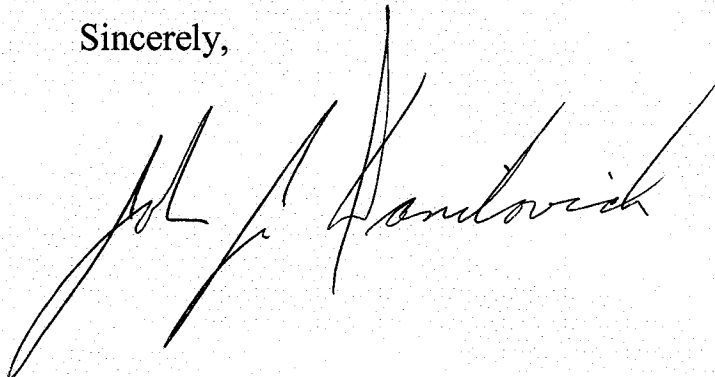
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movement in the right direction, thus providing sufficient reason for me to recommend to the MCC Board that we proceed with signing the Millennium Challenge Compact with the Republic of Armenia. We will, however, continue to closely monitor developments, with specific attention to your Government's performance in the "Ruling Justly" category. As you know, significant slippage in the indicators or actions inconsistent with the principles that support Armenia's eligibility can result in the suspension or termination of our Compact, even after the program is underway.

Thank you again for your and Minister Oskanian's letters and I look forward to the signing of the Compact.

Sincerely,

A handwritten signature in black ink, appearing to read "J. A. Handovich". The signature is written in a cursive style with a large, sweeping initial "J" and "A".