TO DONATE OR NOT TO DONATE ?

a white paper on "Hayastan" All-Armenian Fund

Third Edition, 2015

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Table of Contents

Abstract 4

Introduction 5

Part I 8

Part II 21

Part III 32

Part IV 49

Conclusions and Solutions 61

References 64

Appendix *(Articles)*

Ara Vardanyan to Debate Fund Activities Live on TV 74

"Hayastan" All-Armenian Fund Cover-Up Foiled 75

Open Letter To Ara Vardanyan And Sarkis Kotanjian 81

CORRECTION: About "Hayastan" All-Armenian Fund 83

Armenian Journalism Targeted: Response to "Correction" 89

Bedros Terzian Saw the Elephant 93

How to Renovate Already Renovated Retirement Home 99

What "Hayastan" All-Armenian Fund Does Not Want You to Know 107

How to Renovate Already Renovated Retirement Home (NEW DETAILS) 112

"Hayastan" All-Armenia Fund And Censorship 116

Tax Deducation or Evasion?..... 120

"Hayastan" All-Armenian Fund Executive Director Confesses to Fund and Government Corruption (Preface) 121

"Hayastan" All-Armenian Fund Executive Director Confesses to Fund and Government Corruption (Full transcript) 124

Abstract

This white paper explores a wide range of reasons why people who care about Armenia's economic sustainability refrain from donating to "Hayastan" All-Armenian Fund, the world's largest Armenian charitable organization. Using archival materials of the Armenian media, ranging from 1997 to 2011; information from the Fund's official website; personal experience; as well as off-the-record interviews from former and current Fund leaders and associates, the white paper presents numerous reports and evidence of abuse associated with the activities of "Hayastan" All-Armenian Fund, which have undermined the public's trust over the years.

This paper concludes that independence from the government would help the Fund diminish corruption risks and hold the officials accountable for the resources provided as aid. The achievement of that goal is seen in the removal of all state officials from the Board of Trustees of the Fund. Some of the key steps, which the white paper deems vital for regaining the public's trust and increasing the efficiency of the Fund's activities, are the investigation of all the abuses associated with the Fund since its establishment in 1992 and prosecution of those who have been involved in any criminal operation associated with the Fund.

Introduction

To donate or not to donate? That is the question millions of Armenians have been asking themselves on every Thanksgiving Day since 1992 before deciding whether it is worth making a pledge to "Hayastan" All-Armenian Fund. Despite their willingness to lend a helping hand to Armenia, numerous people tend to think twice before making a donation to the largest Armenian charitable organization. While tens of thousands of Armenians donate, millions refrain from doing so. Most of the people, who are concerned about the socio-economic situation of Armenia and Artsakh, argue their decision not to donate because of a lack of trust in the Fund, whereas others do not believe in the efficiency of humanitarian aid in the current climate. This white paper is an attempt to explore the possible causes for the public's distrust in the Fund, as well as to find answers regarding the expediency of charitable donations in quest of Armenia's economic revival.

The deplorable economic situation in the war-torn post-Soviet Armenia of the early 90s urged the establishment of an institution that would unite Armenians both in Armenia and overseas to support the fragile statehood. "Hayastan" All-Armenian Fund was conceived with that ambitious mission in mind. Since its establishment in 1992, it has been raising funds to help the Armenian government establish sustainable development in Armenia and Artsakh. With 21 affiliates around the globe, "Hayastan" All-Armenian Fund today is the world's largest Armenian charitable organization. However, the Fund's steady increase in scale was not accompanied by proportionate increase in reputation. Reports about mismanagement of donated funds and substandard construction projects, which began appearing in the Armenian media already in the mid-90s, marred the Fund's reputation among donors and beneficiaries alike.

Despite its uneven past, the Fund's executive directors, with one exception, have been lenient towards their predecessors. Furthermore, the public's trust in the Fund was also undermined by the lack of adequate response from the law enforcement agencies to reports of abuse.

Today, the Fund appears to have assumed a strategy of outright denial of its problematic past. Rather than acknowledging their shortcomings and promising a fresh start, the Fund prefers to whitewash the past and persuade the public that their knowledge of the abuses is nothing more than gossip and illusion.

The interview of Sarkis Kotanjian, Executive Director of "Hayastan" All-Armenian Fund U.S. Western Region, to the Los Angeles-based Horizon TV, on the threshold of the 2010 Telethon, is one such manifestation of this strategy. He singled out eight issues, which have contributed to the public's distrust in the Fund, and labeled them as myths. These include: the issue of the authorities' control over the Fund and manipulation of its resources by government officials or their cronies; administrative expenses; and exaggeration of the funds raised. The first two parts of this four-part white paper are dedicated to a detailed analysis of these and related issues, with the intention of separating the wheat from the chaff.

The issues of the authorities' detrimental impact on the Fund's activities, as well as the dire consequences of the government's reliance on charitable donations reoccur from different angles in all four parts of the white paper. Particularly, Part III focuses on examples of how officials and their protégés take advantage of the Fund's resources for their personal benefit or impose some government duties on the Fund. The Fund's submissiveness diminishes the government's incentive to be resourceful in resolving its own issues. The problem of mandatory donations is touched upon in this part.

Part IV of the white paper dwells on the assessment of Armenia's real need in charitable support to ensure sustainability. The paper alludes to reputable economic researches and statistical data to establish that Armenia has the potential to sustain itself and Artsakh. In this context, remittances and donations are viewed as a resource curse. Specific examples of large-scale tax evasion cases that have not been adequately addressed by Armenian law-enforcement illustrate how the Armenian government fails to collect what the economy really generates. Part IV also shows how "Hayastan" All-Armenian Fund contributes to large-scale tax evasion by letting the authorities and their cronies abuse its tax-exempt status.

In the section of conclusions and solutions, the white paper suggests a number of steps that would help save the honor of the largest Armenian charitable organization and contribute to the sustainability of the Armenian and Artsakh economies.

NOTE: Following the publication of Part I of this white paper, a significant amount of materials alluded therein—most notably the entire online archive of Armenian printed media stored at Yerevan Press Club's newspaper.ypc.am—disappeared from the internet. Luckily most of the relevant items had been saved locally. Due to impermanence of the internet resources, the majority of the materials referenced in this white paper have been stored at zlmedia.wordpress.com with detailed indication of the original sources.

Part I

For about twenty years, "Hayastan" All-Armenian Fund (hereafter HAAF, or the Fund) has been raising money from Armenians worldwide to implement projects of socio-economic importance in Armenia and Artsakh. However, only a small portion of the Armenians decides in favor of contributing to the cause. This white paper explores a wide range of reasons why people who care about the well-being of Armenia tend to refrain from donating to "Hayastan" All-Armenian Fund.

While more and more people vow not to donate because of their distrust in the Fund, the latter tends to qualify their allegations of abuse as hearsay. A few days before the 2010 telethon, Horizon TV aired an interview with Sarkis Kotanjian, Executive Director of HAAF U.S. Western Region, who referred to the reports of corruption as myths and tried to dispel them (Kotanjian, 2010). Below, each of the myths is presented exactly as Mr. Kotanjian worded them, along with his interpretations, which are termed here as "busting." The alternative interpretations of the core issues are presented as "Unbusting."

MYTH #1: *People are trying to politicize "Hayastan" All-Armenian Fund.*

BUSTING: "Hayastan" All-Armenian Fund does not interfere with any issue. Even last year, when there were problems connected to the protocols, "Hayastan" All-Armenian Fund was the only, was among very few charitable organizations that said: **"It doesn't concern us. We are not within the political field, we do charity, let everyone mind their own business."**

UNBUSTING: It is praiseworthy that the Fund stays away from politics, minding its own business. However, this strategy does not prevent politics from prying into the Fund's business.

The question is not whether HAAF *does not* interfere with politics, but whether it would *dare* to do so, given the presence of heavy-weight state officials on its Board of Trustees.

This organization became politicized the moment Manushak Petrosyan, an old and loyal friend of Levon Ter-Petrosyan, was appointed its first Executive Director in 1992. As a result of the Fund's growing subordination to the authorities, funding of projects by Diaspora Armenians became more and more dependent on the political decisions made by the country's president.

The politicization of HAAF became obvious when ARF boycotted the activities of the Fund after the authorities began persecuting its party members in Armenia in 1997. It became especially obvious when Manushak Petrosyan's resignation immediately followed that of Levon Ter-Petrosyan's in 1998, amid scandals in the press about the riches she had amassed during her six years in office, the luxurious villa she had managed to build, as well as about the ownership of the Pioneer Bar, Rio shoe store and villas by certain members of the Fund's administration.

Raffi Hovannisian is, perhaps, the only former executive director who publicly admitted that the fund was a politicized structure:

> Of course, there was a certain amount of politicization. By resigning, Manushak Petrosyan, the former executive director, fed all the existing doubts that the Fund is indeed a politicized organization pleasing the authorities. It is that politicization that had a negative impact on our people's perception of the fund both in Armenia, Artsakh and the Diaspora. (Մուքոյան, Գայանե /Mukoyan, Gayane/, 1999a)

That same year *Aravot Daily* wrote:

> In the past years, the Armenian Diaspora was donating money to Armenia through various funds. Most of the transactions were carried out through "Hayastan" All-Armenian Fund. Some funds try to stay as far away from politics as they can. But they don't always succeed. A few years ago the Greek-Armenian community had raised $300,000 for donating to Armenia. The donation was being constantly postponed due to political reasons. Only in autumn of 1998 did the representatives visit the homeland and handed the bank note to Armenian President Robert Kocharyan. («Առավոտ» օրաթերթ /Aravot Daily/, 1999)

Little did they know with whom they were entrusting their money.

According to the press release for the 18th session of the Board of Trustees on May 18, 2009, Serzh Sargsyan talked about the efforts directed at the normalization of Armenian-Turkish relations, as well as the situation around the settlement of the Artsakh conflict. "The discussion of political issues at a "Hayastan" All-Armenian Fund session is yet another innovation," concludes *Hraparak Daily* (Սիմոնյան, Սյուզան /Simonyan, Syuzan/, 2009).

MYTH #2: *On TV or internet we read… They talk about things that do not reflect the reality. For example, as though "Hayastan" All-Armenian Fund is a governmental fund and is ruled by the authorities of the Republic of Armenia.*

BUSTING: It is not so. We are a public organization, charitable, non-government. **Although state representatives of both Armenia and Karabakh are included in our Board of Trustees, I must emphasize that they are a minority. There are a total of 38 trustees, and only 13 of them represent the state.** The voting is based on simple majority. That is to say, even if all the state representatives vote the same way, that decision will not pass. **And this has been done with the purpose of making sure all the decisions are balanced.** There are different kinds of decisions, like what the purpose of the fundraising is going to be, how the funds are going to be spent.

UNBUSTING: Those who say HAAF is a governmental fund do not necessarily refer to the *de jure* status of the organization. They rather imply its subordination to the authorities of the Republic of Armenia *de facto*.

The number of government representatives, 13, is not accurate. Mr. Kotanjian must have omitted world-renowned singer Charles Aznavour, who was appointed ambassador of Armenia to Switzerland on February 12, 2009. A couple of months later Serzh Sargsyan signed an order making Aznavour Armenia's permanent delegate to the United Nations at Geneva. The ratio, thus far, is 14 vs. 24.

If balancing the decision-making has been the Fund's intention, it has not been achieved, since 14 and 24 obviously aren't equal. This numerical imbalance, on the other hand, indicates that the fund admits the existence of such a crucial factor as the voting power of the authorities. HAAF has, nevertheless, underestimated the true might of that voting power. All the presidents of the Board of Trustees—Levon Ter-Petrosyan, Robert Kocharyan and Serzh Sargsyan—have

on numerous occasions proved to handle even tougher misbalances during the Armenian presidential elections from 1996 to 2008. In those tougher cases, the difference was not a matter of merely ten votes, but rather tens of thousands, which were falsified in favor of each of them. In fact, the voting power of the state representatives in the Board of Trustees has been so tremendous that none of those 24 members—the overwhelming majority—has ever dared to publicly voice their concern over massive election fraud.

In 1999, 2000 and 2001, the Armenian press raised concerns over the fact that, among others, some of the most important members of the Board of Trustees—Charles Aznavour, Vatche Manoukian, Hrayr Hovnanian, Louise Simone Manoogian—chose not to participate in the 8th, 9th and 10th sessions of the Board of Trustees of HAAF. The official excuse was that they were busy. It looks like withdrawal has been their preferred method of expressing disapproval to the authorities.

A generic note about the annual session of the Fund published in *Hayots Ashkharh Daily*, May 8, 2001, indicates the impact of the country's president on decision-making within the Fund: "In President Robert Kocharyan's evaluation, "Hayastan" All-Armenian Fund in the year 2000 has worked within the framework of the decisions made by him, and the projects can generally be considered successful" (Եսայան, Անահիտ, 2001).

When speaking about the balance of power, Mr. Kotanjian didn't mention the existence of such a superstructure within the Board of Trustees, where the overwhelming majority is state figures. Below is a list of the members of the Presidium of the Board of Trustees (courtesy of Sarkis Kotanjian):

1. **Serzh Sargsyan** – President of the Republic of Armenia, President of the Board of Trustees of the Fund
2. **Gagik Harutunyan** – Head of the Constitutional Court of the Republic of Armenia, Vice Chair of the Board of Trustees
3. **Arkady Ghukasyan** – Special envoy of the President of Armenia, Vice Chairman of the Board of Trustees
4. **Hovik Abrahamyan** – Speaker of the National Assembly of the Republic of Armenia
5. **Tigran Sargsyan** – Prime Minister of the Republic of Armenia
6. **Bako Sahakyan** – President of Nagorno-Karabakh Republic

7. Edvard Nalbandyan – Minister of Foreign Affairs of the Republic of Armenia
8. H.H. Garegin II – Catholicos of All Armenians
9. Hirair Hovnanian – Armenian Assembly of America
10. Petros Terzian – France
11. Albert Boyajian – USA
12. Samvel Karapetyan – Russia

The weight of the majority of the authorities in the Presidium is strategically complemented with the presence of two Vice-Chairmen of the Board of Trustees. Both of them represent the government—Gagik Harutyunyan, Head of the Constitutional Court (who used to be the close ally of Manushak Petrosyan, the notorious former Executive Director of the Fund); and Arkady Ghukasyan, former President of Artsakh, currently ambassador-at-large or special envoy of the Republic of Armenia. Arkady Ghukasyan became the second Vice-Chairman as a result of an amendment to the Fund's charter, which introduced a new office within the Presidium of the Board of Trustees. According to that amendment, the only difference between the two offices of the Vice-Chairman is that one of them is *ex officio* (Gagik Harutyunyan).

That same day Louise Simone Manoogian gave up her membership in the Presidium of the Board of Trustees and received the title of Honorary Member of the Board of Trustees.

Technically she was replaced by Samvel Karapetyan, the multi-millionaire owner of Tashir group of companies in Russia, who is the brother of Karen Karapetyan, the head of Serzh Sargsyan's Administration. Manoogian's exit and Karapetyan's admission into the Presidium of the Board of Trustees indicated that 7 officials vs. 5 non-officials is only the *de jure* picture. Samvel Karapetyan effectively altered the *de facto* ratio in favor of the authorities: 8 vs. 4.

According to Clause 45a of Chapter 5 (Governing Bodies of the Fund) of the Fund's charter, the Presidium of the Board of Trustees appoints the Executive Director, Deputy Directors and presents them for final approval by the Board.

Here is one more factor speaking volumes about the correlation of the Fund and the government—HAAF is located at Government Building #3 Yerevan, Armenia 0010.

MYTH #3: *There is another myth that the money raised by the "Hayastan" All-Armenian Fund gets into the hands of the government.*

BUSTING: It is not so, it is a misunderstanding. "Hayastan" All-Armenian Fund has a few dozens of bank accounts that belong to "Hayastan" All-Armenian Fund. These dozens of bank accounts are located in different parts of the world. As you know, there are twenty local affiliates of "Hayastan" All-Armenian Fund in different countries of the world. **Not a single dollar, a cent, a dram, a euro ever appears in the governmental accounts (կառավարական հաշիվներ).** It is controlled by "Hayastan" All-Armenian Fund, it is spent by "Hayastan" All-Armenian Fund, **and the annual report is made available to the public in an edition such as this one (shows it), which includes all of our financial information**—how the money was spent, how much there was and so on and so forth. This financial information, I should add, is checked, **audited by Grant Thornton**, which is a large international company and **has its representation in Armenia.**

UNBUSTING: It may be true that not a single dollar, a cent, a dram, a euro ever appears in the governmental accounts. However, the main concern among the donors is not the governmental accounts (which implies the budget), but rather the personal accounts of the government officials. It is satisfactory that all the donations are kept in the numerous bank accounts of HAAF, but the question is where the money streams from there. There are numerous ways the authorities can channel the donations for their personal benefit. These are a few:

a) *Ordering the Executive Director to deposit certain amounts of donated money to bank accounts, which do not belong to the Fund.*

After Manushak Petrosyan left HAAF, Robert Kocharyan offered the position to Raffi Hovannisian, former Minister of Foreign Affairs of the Republic of Armenia, in 1998. Raffi accepted the offer at a time when the relations between the Diaspora and Armenia had cooled over the scandalous findings about former Executive Director Manushak Petrosyan's wealth, as well as the power shift.

The new Executive Director was unhappy with his predecessor's work; he made some staffing changes and made sure to keep her away from the Fund and its projects. *Aravot Daily* published an article with the title "The Former Are Not Allowed" in 1998:

> By the order of Executive Director Raffi Hovannisian, no invitations had been sent to the former and those of the current employees who had worked with Manushak Petrosyan to

> attend the opening of a segment of the Goris-Lachin-Stepanakert road built by means of "Hayastan" All-Armenian Fund. Manushak Petrosyan hadn't received an invitation either. («Առավոտ» օրաթերթ /Aravot Daily/, 1998)

Some of the employees left the Fund on their own, unhappy with Raffi's style of work and strategies. Among them, Tigran Paskevichyan, former head of the Public Relations Department, was quoted in 1998 by *Aravot Daily* as saying:

> During a trip to Karabagh, Raffi Hovannisian had made such a statement in an interview to Karabagh TV: 'We must create, save and improve the Fund.' <…> After that I understood that I cannot participate in the creation of something which was created a long time ago, in saving something that doesn't need to be saved, and I wasn't seeing ways of improvement with Raffi Hovannisian. (Բաբաջանյան, Ավետիս /Babajanyan, Avetis/, 1998b)

Having served the Fund for as few as six months, Raffi Hovannisian quit in the fall of 1998. Three consecutive short-lived appointments—Foreign Minister 1991-1992, Head of the Department of Information and Publications (40 days in 1998), Executive Director of HAAF (6 months in 1998)—were a heavy blow on Raffi Hovannisian's reputation as a leader among the Armenian population.

Over a decade later, Raffi's son, Garin Hovannisian, wrote in his recent book *Family of Shadows* something his father had preferred not to make public during his time in office and following his resignation. The excerpt below shows the simple mechanism of "indirect depositing," at least when Raffi Hovannisian was the HAAF Executive Director:

> His first problem was that, through the winter of Armenia's political transformation, the diaspora's confidence in the republic had frozen, and along with the confidence millions of dollars in the international bank accounts of the All-Armenian Fund. It was Raffi's first goal and immediate success to effect a national defrosting and to schedule major fund-raisers in the diaspora. These fund-raisers had not yet taken place, however, when Soviet symptoms reappeared. This time the requests for wire transfers—$50,000 to this account, $100,000 to the other—were coming from the presidential office. This time there was no higher authority to which he could appeal.
>
> <…> Raffi began to fear that some sinister financial scandal was being planned for him. And still Armenouhi said: "Hang in there and work."

> But now Raffi had changed. His response astounded Armenouhi. "*Guzes kogheru hed ashkhadink?*" he said. "Do you want us to work with thieves?" (Hovannisian, 2010, p. 198)

This admirable honesty, however, does not answer why this political figure had to hide these crucial details, especially when they obviously paint a bad picture of his political opponents.

"Sure, I hope that you will see that stylistically the book reads more like fiction. However, trust me, I have done research as a journalist, as a historian, and everything in the book is a reality," said Garin Hovannisian at his book signing event at Barnes & Noble on September 21, 2010 in an interview with Horizon TV, based in Los Angeles (Hovannisian, Garin, 2010).

b) Making sure construction contracts are signed with construction companies owned by officials or people close to them.

On February 10, 2010, *Zhamanak Daily* published an interesting article titled "The Worst Traditions Continue" about the construction companies that have traditionally been winning the tenders despite their bad performance in the past (Խանումյան, Քրիստինե /Khanumyan, Kristine/, 2010). Kristine Khanumyan, the author of the article, singles out Vrezh, Karavan and Chanshin construction companies. Vrezh belongs to Karen Hakobyan, the brother of oligarch Samvel Hakobyan, MP of the National Assembly of Artsakh; Karavan belongs to Hakob Hakobyan, Samvel Babayan's former ally, who has succeeded in gaining the trust of the incumbent authorities; Chanshin is owned by Roles Aghajanyan, another close friend of the Artsakh officials—this is as detailed as she gets about Aghajanyan.

"These three people have been taking turns winning all the tenders announced for the construction of the North-South Highway, putting the asphalt, the quality of which had eventually upset even the MPs of Artsakh National Assembly," Kristine writes. The issues with the quality of their work and other abuses are covered in Part II. At this point, I would like to jump to the alarm Kristine Khanumyan's article sounds, which is that, despite poor quality of work and numerous abuses, one of these companies, Karavan, once again won the tender for the repair works of Aram Manukyan and Garegin Nzhdeh Streets of Shushi, Artsakh, in December 2009.

About a year and a half after her scandalous resignation, Manushak Petrosyan told *Aravot Daily* that after leaving HAAF, she made a decision to do construction (Զաքարյան, Արմեն /Zakaryan, Armen/, 1999). "With that purpose, together with a group of like-minded people, she established Spectrum, a company specializing in construction," writes the newspaper and then quotes her as saying: "Today we have different projects in progress. We are doing construction work in the disaster zone—Gyumri, Stepanavan."

One of those construction projects—Children's Art Center of Ani District in Gyumri—was granted to Spectrum, Ani and Kamas by none other than HAAF (ՀՀՀ /HAAF/). Although the official website does not provide dates of the construction project, however, thanks to the above-mentioned article in *Aravot* (Զաքարյան, Արմեն /Zakaryan, Armen/, 1999), the $242,903.23 deal appears to have been cut by Raffi Hovannisian's successor, Vahan Ter-Ghevondyan.

Manushak Petrosyan was not prosecuted following her resignation, which is not very surprising since the power shift in 1998 did not cause her partner and close ally, Gagik Harutyunyan, to lose his office as the Head of the Constitutional Court of the Republic of Armenia, therefore retaining his membership on the Board of Trustees *ex officio*. Moreover, Mrs. Manushak Petrosyan's construction company seemed to be prospering despite her public disgrace.

Later on, she reappeared on the political platform as a member of Levon Ter-Petrosyan's election campaign in 2008. Today Manushak Petrosyan is back in her element—she distributes aid donated for political prisoners in Armenia. And this has been creating tensions within the ranks of the Armenian National Congress, those who still remember her deeds as the Executive Director of HAAF. Who knows what offices await her in the event of Levon Ter-Petrosyan's return to presidency?

c) Eventual privatization of a building constructed by means of HAAF.

On July 07, 2007, Hayeli Club, where Armenian public figures debate about social, economic and political issues, hosted Artsvik Minasyan, ARF member, former government official, and Armen Martirosyan, Heritage Party member. The latter touched upon an exemplary incident that reveals a mechanism of a shady transaction between the government officials and HAAF:

> Three days ago, thanks to the active interference of the MPs from the Zharangutyun (Heritage) Party, the brutal destruction of a green territory at the intersection of Pushkin and Yekmalyan streets was prevented. As a matter of fact, this was a case of land allocation from the government to the All-Armenian Fund. The latter had afterwards sold it to a physical entity. This is prohibited as it wasn't carried out within the framework of the law. («Հայելի» ակումբ /Hayeli Club/, 2007)

This seems to be a rare incident of scheme being intercepted. The formula is as follows: first of all, the All-Armenian Fund is asked to build or renovate a certain building; then, upon completion, a government official or his friend/family member/business partner privatizes it.

d) Building improvements on lands owned by a state official or the people close to them.

Smbat Hakobyan, chief trainer of Armenia's sailing sports, in an interview to *Aravot Daily* on June 25, 2007 said: "A Union of Sailing has opened in Yerevan, which has obtained windsurfing boards with funds from "Hayastan" All-Armenian Fund under the auspices of President of the Republic. A windsurfing club is under construction on the shores of the Sevan Lake" (Հակոբյան, Աշոտ /Hakobyan, Ashot/, 2007). A little less than a month later, on July 21, 2007, then President of Armenia Robert Kocharyan opened the first Windsurfing Center in the history of the Republic of Armenia. He is well-known for his passion for windsurfing and sailboat sports.

According to *Novosti-Armenia*, HAAF has allocated AMD 257 million (about $767,000), and the construction had begun in November 2006 («Նովոստի-Արմենիա» /Novosti-Armenia/, 2007). However, HAAF gives a different figure in the news section of its official website:

> With the money of '"Hayastan"' All-Armenian Fund 40 sails, windsurfing boards and special outfit were purchased. For the construction of the main building, auxiliary premises, sports halls, beautification of the area and purchase of furnishings the Fund has allocated a total of about AMD 320 million. (ՀՀՀ /HAAF/, 2007d)

Furthermore, in the projects page of the Fund, there is a different figure—$814,288.77 (HAAF, 2007a).

First of all, it is unclear why the Fund provides the cost of the project in AMD on one page and in U.S. dollars on another, especially when they do not seem to match in accordance with the dollar rate of the time. If the money has been provided at the onset of the project, $814,288.77 equals AMD 302,915,422.44 (around AMD 372 for a dollar in November 2006, according to *ARKA News Agency* (Arka News Agency, 2007)). This amount is less than the 320,000,000 indicated on the news page of HAAF by AMD 17,084,578. What happened to that money? If we assume that the funds were allocated near the end of the project, July 2007, then, at about AMD 335 for a dollar, the cost of the project at $814,288.77 amounts to AMD 272,786,737.95. This is more than AMD 257 million reported by *Novosti-Armenia* («Նովոստի-Արմենիա» /Novosti-Armenia/, 2007) and less than 320 million reported by HAAF (HAAF, 2007a). This confusion is the transparency of the Fund that is almost impossible to look through.

Now let us try to understand why it was so important to spend so much money on a Windsurfing Center, while there were so many other problems that required an urgent solution, such as water supply in rural areas. The Windsurfing Center was built in the area of a resort complex called Kaputak Sevan. According to media leaks, it belongs to Robert Kocharyan.

In an unrelated story titled "A Waitress From Kaputak Sevan Becomes School Headmaster" published in *Aravot Daily* on December 7, 2007, Bella Kocharyan, former First Lady, is referred to as the owner of Kaputak Sevan resort (Հակոբյան, Գոհար/ Hakobyan, Gohar, 2007b). There is no evidence of either Kocharyan refuting the information or the newspaper publishing a refutation in any subsequent issue. This information was later partially confirmed in a scandalous publication titled "What Armenia's Political Elite Owns. Part I" ("Век" /Wek/, 2010), which appeared in Russian media in October of 2010 and then flooded the Armenian web. The article reporting on the fortunes of the key Armenian officials and oligarchs also provides a list of Robert Kocharyan's properties, where he appears to be 100% owner of Kaputak Sevan resort complex (registered under Artak Voskanyan's name).

HAAF has a different explanation about the choice of the location: "The north-eastern shore of the Sevan Lake has been chosen for the sports base, because there is always favorable wind over there" (ՀՀՀ /HAAF/, 2007d).

In the bylaws of HAAF, Clause 37 of Chapter 5 (Governing Bodies of the Fund), says: "If an issue related to the assets and other interests of a member of the Board of Trustees or anyone

related to him/her is discussed at a session of the Board of Trustees, then that member does not participate in the voting."

It would be interesting to know whether Robert Kocharyan participated in the voting related to the Windsurfing Center. It would also be interesting to know what exactly the Fund implies by presenting Republic of Armenia as the donor for the windsurfing project.

The news sources emphasize that the youth can train at the center free of charge. At the same time, HAAF adds that the state budget will cover the costs of maintenance, training and organization of events (ՀՀՀ /HAAF/, 2007d). One of such events was "Former President Robert Kocharyan's Cup" of windsurfing which took place in August of 2009 (Sportinfo.am, 2009).

Kaputak Sevan is quite an expensive spot. In fact, so expensive that Armenian citizens often prefer to take 10-15 times longer rides to relax on the shores of the Black Sea in Batumi, Georgia, and fill the neighbor's coffers. Kaputak Sevan, nevertheless, finds ways to sustain itself—70 disabled children enjoyed their vacation at the luxury resort in August 3-24, 2010, sponsored by the Fund of the President of Armenia («ԱրմենՊրես» /ArmenPress/, 2010).

Kaputak Sevan is where nowadays retired Robert Kocharyan loves to spend his summer. This is how *News.am* describes the ex-President's rest on August 9, 2010: "It is common knowledge that the former President is fond of water sports, windsurfing, powerboats, and engages in these activities for the most part of his summer leisure" (News.am, 2010).

Lastly, the fact that Grant Thornton Amyot audits the company is not sufficient to restore tainted trust in the organization's financial matters. There are three main factors that may potentially render the audits questionable:

1. The head of the Control Committee of HAAF in charge of the financial activities is Gagik Khachatryan, Head of the State Revenues Committee, who has turned a blind eye to too many violations and abuses in his government office to be trusted.

2. Companies that rotate audit firms are more reliable. To the best of our knowledge, Grant Thornton has been auditing HAAF for at least six years in a row. "Auditors may become stale and view the audit as a simple repetition of earlier engagements. This

staleness fosters a tendency to anticipate results rather than keeping alert to subtle but important changes in circumstances," say Barbara Arel, Richard G. Brody, and Kurt Pany in their article "Audit Firm Rotation and Audit Quality" (Barbara Arel, Richard G. Brody, and Kurt Pany, 2005). Considering the current levels of shrinking trust in the HAAF, the latter should ensure rotation of auditing firms at least once every two years.

3. The third factor is covered in Part II.

PART II

The current part examines the remaining five myths. As in Part I, here, too, each of the myths are presented exactly as Mr. Kotanjian worded them, along with his interpretations, which are termed here as "Busting." The alternative interpretations of the core issues are presented as "Unbusting."

MYTH #4: *People say that the administrative expenses of Hayastan All-Armenian Fund are high, I don't know, the half of the raised money, this and that and so on.*

BUSTING: In reality, **the administrative expenses amount to only 7%** or… In general, if we look at how the money is spent percentage-wise, 20% are spent on water supply projects; 10%, on gas supply and road construction; 11%, on social, cultural and other projects; 11%, on healthcare; 41%, on education; and only 7% on the administrative expenses, which include salaries, **supervision of all these projects, because every day**… we have about 40 construction sites in Armenia and Karabakh. And certain **people must be present at these construction sites to supervise and make sure the construction is done correctly. And all this work has to be supervised, people must be present, and that is included in the 7%.**

UNBUSTING: The data of the U.S. largest evaluator of charities, Charity Navigator, shows that 7 out of 10 charities they have evaluated spend at least 75% of their budget on the programs and services they exist to provide, and 9 out of 10 spend at least 65%. Charity Navigator believes that "those spending less than a third of their budget on program expenses are simply not living up to their missions. Charities demonstrating such gross inefficiency receive zero points for their overall organizational efficiency score" (Charity Navigator).

Spending of only 7% for administrative expenses puts HAAF under a completely different category of fundraising organizations—those that merely serve as fundraising vehicles for other community-based charities. Their median administrative expenses percentage, according to Charity Navigator, is 6.9%. This includes solicitation and collection of donation and excludes supervision of programs.

Insufficient spending on administrative expenses causes inefficient management of both the donations and the programs, for which they were intended. An example of mismanagement of funds is a delay of program implementation in favor of earning interest on the donations. In 2001, *Haykakan Zhamanak* published a story about the wives of fallen freedom fighters from Kapan, Armenia, who voiced their complaints about HAAF (Մկրտչյան, Արմեն /Mkrtchyan, Armen/, 2001). The latter had denied them the monthly allowance of 2000 drams ($4) set up for the underage children of fallen freedom fighters. They had calmly waited for 18 months. When Izmirlian Fund was announced on TV to have transferred $50,000 to the All-Armenian Fund for the project in question, the women waited for two more months. And when they still did not receive anything, the women contacted the Fund but were denied their monthly allowance. "It was a girl who didn't introduce herself <…> The girl answered that the money is kept in the bank to earn interest, and the allowances will be paid from the interest," said Anahit Hambartsumyan, a freedom fighter's widow who has two underage children.

Only 7% for administrative expenses might also mean that HAAF saved money by keeping a small staff. But that is not the impression one gets from the evidence of late philanthropist Vartkes Barsam, founder of the fiber optics program in Armenia, former Board Member of AGBU, Armenian Assembly and the American University of Armenia, and recipient of Ellis Island Medal of Honor. After helping a philanthropist from South America ship computers to Armenia, he decided to check out the office of HAAF in Yerevan—the final destination of the computers. "I wanted to go and see what these girls are all doing. They're all concentrating on their computers. All playing games! I was wondering what do they do and why they need all these computers," says Vartkes Barsam in a voice file titled "'Hayastan' All-Armenia Fund Hires People to Play Games" (Barsam, 2008) at "Vartges Barsam In His Own Words" blog, referring to a period of time when Manushak Perosyan was the Executive Director of the Fund (1992-1998).

If the administrative expenses at 7% do include supervision of construction work, then its poor quality should not be surprising at all. But there is another factor that could have boosted the

quality of the construction work. This takes us back to Part I of our report to pick up where it ended—the third factor, which makes Grant Thornton less reliable as an auditing firm for HAAF. In a discussion which unfolded on the Facebook page of the Policy Forum Armenia (PFA) a few days before the 2010 Telethon, Sarkis Kotanjian said: "Grant Thornton not only does financial auditing for Armenia Fund, but also physical audit, meaning it checks the quality of construction, materials used, correspondence to construction codes, etc." Thus, there is supposed to be double quality control—one on the part of HAAF and the other by Grant Thornton.

The heightened supervision, however, has not resulted in higher quality in many cases. This means a trifold waste of funds—a portion of HAAF's administrative expenses allocated for supervision of the construction areas; a portion of the fee for the services of Grant Thornton, which includes similar supervision, physical auditing; and poor quality of work, which implies lesser expenditure on the project than reported.

During the fundraising event of the HAAF in 1996, it was announced that the cost of one meter of the Goris-Stepanakert road was $250. Four years later I prepared a proposal for the Martuni-Stepanakert road, and it came out to an estimated $94 a meter. Within days I got a call from the Artsakh President's office regarding this project, which had been prepared in collaboration with the architect of the Martuni Region. The President's concern was that the project cost was lower than usual, thus they wanted clarification on how we had calculated our estimate. Once they were satisfied with my answers, they thanked me and wished me good luck in securing funding for the project. In fact, looking for funding had not been my intention, but rather to help HAAF create a measuring tool for road construction based on true costs. We would like to think that it did affect their future calculations to a certain degree, since later the Fund's North-South highway project was estimated at $100 less per meter.

Getting back to Goris-Stepanakert highway, the estimate of $250 per meter publicized by HAAF meant they overpaid the construction company for the work done, presumably, with the condition of getting the difference back under the table. This could explain how Manushak Petrosyan could afford to build a mansion in the heart of Yerevan, close to the Armenian Assembly building.

Web and newspapers are permeated with thousands of reports on very poor quality of the most essential achievements of HAAF —Goris-Stepanakert and North-South highways. I have personally witnessed how bad the quality of both was whenever certain segments would open for traffic from 1997 to 2005. I was once extremely disappointed to see my car jack sink in the asphalt-concrete when I was trying to change a tire of my lightweight car on the Lachin segment. I had also found out that the asphalt was incomparably thinner at the center of the road than at the sides, which was done perhaps to create a visual illusion that enough asphalt-concrete had been used for the road construction.

It was a common practice to use regular mountain rocks instead of specially washed bitumen in asphalting, writes journalist Kristine Khanumyan in *Zhamanak* (Խանումյան, Քրիստինե /Khanumyan, Kristine/, 2010). Construction companies saved also on the amount of bitumen required for asphalting. As a consequence, cracks began appearing on the road within a year; grass was sporadically growing through the asphalt-concrete.

There is more than one reason why the end result is poor. It is essential to understand how the whole mechanism works. The immediate blame for poor quality is on the construction company that was entrusted with the project. The next logical question is why that particular construction company was picked for the project.

In Artsakh, as mentioned in the first part of this article, there are mainly three construction companies that happen to win the tenders—Vrezh, Chanshin and Karavan, which are owned by Karen Hakobyan, Hakob Hakobyan and Roles Aghajanyan, respectively. They win despite poor performance in the past. For the projects implemented in Artsakh, specialists from Artsakh government are included in the tender committee. As mentioned in Part I, these construction companies have the protection of certain influential government officials, including Arkady Ghukasyan, then President of Artsakh. The essential rule of free market economy—equal opportunities—functions mainly among government-backed construction companies. It is not uncommon for a winning construction company to resell parts of its contract to another construction company. This practice was initiated by Chanshin, which resold certain parts of the contract for the Dashbulagh-Khachenaget segment of the highway to Karavan and Vrezh. The latter two, according to Khanumyan, later on borrowed this practice. The consequence was even poorer quality, which eventually became too obvious to turn a blind eye or a deaf ear.

On May 5, 2006, Arkady Ghukasyan finally decided to voice concerns about the quality of work supervised by the Fund. According to *Aravot*, he told journalists in Yerevan that he was unhappy about the quality of the construction work undertaken by HAAF («Առավոտ» օրաթերթ /Aravot Daily/, 2006). The former President of Artsakh emphasized that the Fund must exercise tougher control over the construction work. The issue triggered a conflict between the Artsakh government and HAAF, led by Naira Melkumyan, Executive Director (2004-07) and former Foreign Minister of Artsakh. She laid the blame on the Artsakh officials, since it was the government representatives who, she claimed, gave the final approval of the construction work following its completion. This confrontation was a hot topic throughout the second half of 2006. The problem was discussed at a session of the Board of Trustees, in May 2006. Khanumyan quotes Nayira Melkumyan in "Fund-NKR: Contradictions Deepen" as saying that "by the instruction of Robert Kocharyan, then President of Armenia and President of the Board of the Trustees of the HAAF, the cases of the construction companies, which had performed poorly, were submitted to the Prosecutor's Office of Artsakh" (Խանումյան, Քրիստինե /Khanumyan, Kristine/, 2006a). The targeted construction companies were Vrezh and Chanshin. To this date no charges have been brought against these companies.

It is strange that Grant Thornton, the auditing firm, which, according to Sarkis Kotanjian, is contractually bound to conduct physical audit and thus has its share of responsibility for the quality of work, but was never mentioned as a party to the conflict between the Fund and the government. Why does the Fund pay Grant Thornton extra to conduct supervision if it is not going to share the responsibility for the poor quality of work? And why does the All-Armenian Fund allocate a part of its 7% administrative expenses on supervision if it is not effective?

MYTH #5: *Most of the money that people donate is used to cover the production cost.*

BUSTING: It is not so. We organize the Telethon thanks to the complete funding of our sponsors. And here I want to thank our sponsors. <…> Our sponsors take care of our organizational expenses, and for that we are thankful to them. Of course, in return, they are advertised, which is natural. **But each dollar that is donated during the Telethon is directed to the projects.** We closed this topic, too.

UNBUSTING: It indeed is an exaggeration to allege that most of the raised money is spent on Telethon production cost. However, it is an equally exaggerated allegation that each donated dollar is directed at the projects in view of the previous statement about the overhead totaling 7%. Moreover, Part I of this White Paper on HAAF shows different ways in which the donated money has been manipulated for personal profit. This topic is not closed, as the next myth is an extension of this one, showing some more ways in which donated money is managed before reaching the projects.

MYTH #6: *They say that 25-30 officials come from Armenia in order to participate in the Telethon—it is a huge expense, this and that.*

BUSTING: This, too, is false information. This year alone, for example, **5 people are coming, including Bako Sahakyan, President of Nagorno-Karabakh Republic; Archbishop Pargev, Primate of Artsakh; and Ara Vardanyan, Executive Director.** We're talking about only five or six people. And these expenses are also included in the 7%, about which we have already talked, the administrative expenses. Their flight, hotel and so on.

Singers are coming, yes, it is true, in order to participate in a charitable concert on November 21. **And we have made a commitment to cover their flight and 5-day stay at a hotel.** But also, let's not forget that all these singers are going to sing for free. If all of them were to submit their bills— which is common practice—we would be looking at tens of thousands of dollars. But they… it's their gift to Hayastan All-Armenian Fund and their homeland. Thus… **And these expenses are also included in the Telethon cost, which is already completely covered by our sponsors.** Thus, it's not a big group. Only 5-6 people, whose expenses are included in the 7% mentioned earlier.

UNBUSTING: At the Hilton Hotel in Glendale, a few days after the 2010 Telethon, I personally handed a letter to a member of Bako Sahakyan's U.S. escort team. The letter, addressed to the President of Artsakh, concerned the human rights situation in Artsakh. And I saw a few more people from that same team. If the allegation that the cost of only 5-6 people has been covered by the Fund is true, then either the bodyguards of the Artsakh President paid for themselves or the Artsakh budget sponsored their travel and accommodations.

At first Mr. Kotanjian said that the Fund was committed to cover their flight and 5-day stay at a hotel. And at the end, he added that "these expenses are also included in the Telethon cost, which is already completely covered by our sponsors." If that were really so, there was absolutely no need for Mr. Kotanjian to assure the TV audience that the singers' cost was not as high as they might think.

The idea of letting sponsors cover the Telethon cost in exchange for advertising is great. However, it seems to have been implemented only for the 2010 Telethon. *Haykakan Zhamanak* quoted Hambik Sarafian, Chairman of the Social Democratic Hunchakian Party (SDHP) US Western Region and a member of HAAF in California, on September 29, 2009, as criticizing "the administration of the Fund for recklessly spending huge amounts of money on the organization of the Telethon, 'instead of using them for real purposes'" («Հայկական ժամանակ» օրաթերթ /Haykakan Zhamanak Daily/, 2009). That same day, Ara Vardanyan, current Executive Director of HAAF, told journalists that by September 2009 about $22,000 had been spent only on commissioning an anthem for the Telethon.

MYTH #7: *As if large sums of money are announced, but are never collected during the Telethon.*

BUSTING: This is also a lie. 95% of all funds announced during the Telethon are collected. It is only 5% that we are unable to collect. The reason is very often due to technical issues. That is to say, someone has changed his/her address and moved to somewhere else, but has not notified us of the new address. Or his donation has appeared two times in our computer system. We are talking about 5%, whereas 95% of all the announced funds is collected within a few months.

UNBUSTING: The problem of collecting fewer donations than pledged is perhaps nearly as old as the Fund itself. Vahan Ter-Ghevondyan, Executive Director of HAAF (1998-2004), however, drew a different picture. He told *Haykakan Zhamanak* in 2002 that,

> for instance, 5% of our compatriots living in Los Angeles, as a rule, break their pledges and refuse to pay their "national tribute" when collecting the funds. Moreover, when the organizers of the Telethon tried to verify the authenticity of certain calls 5 minutes after the announcement of sizable donations, it turned out that they had been simply fooled—

> when introducing themselves during the live TV broadcast, the callers had provided wrong addresses and phone numbers. (Բարսեղյան, Լուսինե /Barseghyan, Lusine/, 2002)

In May 2004 Naira Melkumyan complained to journalists about the Fund's failure to utilize the full potential of Los Angeles, CA. According to her, $910 thousand was transferred in 2003 instead of the pledged $1.3 million. "This problem exists: a pledge is given and then is broken. We must be demanding when it comes to our pledges and possibilities," Naira Melkumyan was quoted by *Haykakan Zhamanak* (Հակոբյան, Աննա Վ. /Hakobyan, Anna V./, 2004) as saying.

HAAF announced in 2005 to have raised $7.7 million, whereas, half a year later, according to *Haykakan Zhamanak* (Խանումյան, Քրիստինե /Khanumyan, Kristine/, 2006b), had to admit to having barely collected $5 million (about 35% of all the pledged funds vs. 5% mentioned by Mr. Kotanjian).

The situation did not change much four years later. In an interview to *Hetq*, in 2008, Vahe Aghabekyants, Executive Director of HAAF (2007-08) said that the inability to collect the donation is often due to the donors' financial situation (Baghdasaryan, Edik, 2008a). Aghabekyants brought the example of a donor whose company's shares were valued at $900 million at the time of the pledge, but when they dropped to $150 million, he was unable to donate the promised half a million dollars.

However, there is another mechanism widely used by the HAAF to show large numbers. HAAF in 1996 contacted the Monte Melkonian Fund in Los Angeles and asked them to make a donation that had already been intended to be sent to the Monte Melkonian Fund in Armenia, with the assurance that the same amount would be handed back in Yerevan. This was to be done as a show to the world of how much support was being sent to Armenia and Artsakh from the Diaspora. As the President of the Monte Melkonian Fund at the time, I made an appearance on the Telethon in 1996, presented a check for $3,000 and talked about our support to the homeland and HAAF, encouraging people to donate. Later, I learned that Kirk Kerkorian's Lincy Foundation, which was matching donations given to HAAF during the Telethon, had matched our "donation" with an additional $3,000, which was added to the All-Armenian Fund's account. I could only wonder how many others had been asked to do the same as we had.

Over ten years later, in 2007, I had a discussion with Armo Tsaturyan, Minister of Territorial Administration of Artsakh, about the HAAF Telethon. We particularly touched on the misrepresentation of donations. He knew of $1 million from Vahe Garabedian—who had his own fund—being misrepresented as a donation to the HAAF. However, he did not know that as much as about $4.5 million fell under this category, including donations from such major contributors as Kirk Kerkorian and Gerard Cafesjian. Mr. Tsaturyan said that he and others in the Artsakh government were not expecting the Diaspora to donate anything due to the scandals about the quality of work and the ensuing fallout between Artsakh authorities and HAAF in 2006. In this context, they were all astonished to hear HAAF announcing the record-breaking amount of $13.7 million. A day later, I wrote down the details of our meeting in my blog, "Martuni or Bust!" (Manoogian, Ara K., 2007a), Armo Tsaturyan called me up sounding quite upset. It turned out that he had received a call of complaint from the Fund. However, the word was already out. The details of our conversation following the call from Fund are also posted on Martuni or Bust! (Manoogian, Ara K., 2007b). It is still unknown how much of the remaining $9.2 million was, in fact, intended for the All-Armenian Fund's projects.

MYTH #8: *As if Armenians from Armenia do not participate in the telethon. By saying Armenian from Armenia, I mean our compatriots who have come to Los Angeles or the U.S. from Armenia.*

BUSTING: It is not so. First of all, I'd like to say that Armenians from Armenia do the greatest charity. Why? **Because, let's not forget that all of us, most of us help our families in Armenia. Every month, be it $50, $100 or… unrelated to "Hayastan" All-Armenian Fund. And I encourage them to provide even greater support because these people have needs in Armenia.** But there are many people who, besides that, also contribute to "Hayastan" All-Armenian Fund because it administers large-scale projects, such as water supply. **And Armenians from Armenia amount to 40% of all our benefactors. It's quite a large percentage.**

Thus, let us not try and create problems that do not exist in reality. Let us not smear this dignified mission. Let each of us rather support as much as we can, let us not be indifferent.

UNBUSTING: Mr. Kotanjian's call on the Armenians from Armenia to not only continue, but also increase, the support of their families in Armenia and, in general, the negative outcome of continuing aid will be discussed in Part IV.

As for the alleged 40% of donors, I would like to share my personal experience of how that is reached. A share of these contributions (originating from Armenia and Artsakh) are donations forced by the administrations of state institutions and public schools. When I lived in Artsakh, I knew a woman who worked at the Artsakh President's office. She had openly refused to allow a deduction from her pay that was supposed to be contributed to HAAF as a voluntary donation in 2003. Oleg Yesayan, then Speaker of the Artsakh National Assembly and now Armenia's Ambassador to Russia, who was in charge of collecting the mandatory donations, ordered a person, who was collecting signatures of consent for deductions from the woman's salary, to sign it on her behalf.

On another occasion, in November of 2004, I was approached with a request to donate AMD 500 to the Fund. I was then a member of the collective of skilled workers for the stone factory I had in Martuni, Artsakh. I refused and was left alone. However, another member of the same collective, a barber, was treated differently. He and dozens of other people were not even asked whether they wanted to donate or not—AMD 250 was automatically deducted from their monthly pay. According to government officials in Artsakh, the Fund has been using the mandatory donations collected from Artsakh citizens to show the better-off Diaspora Armenians that the natives trust the Fund, thus encouraging them to donate also.

The method of mandatory donation has been widely exercised in the Republic of Armenia, as well. On November 19, 2003, a mother called *Aravot* to sound an alarm about the public school #132 in Yerevan, which forced its students to contribute AMD 3,000 to HAAF (Հ.Բ. /H.B./, 2003). The newspaper found out that neither the Department of Education of the Mayor's Office, nor the Ministry of Education and Science, had given any such orders to public schools. The journalist only managed to speak to the vice-principal, who said that it was just a suggested donation of AMD 10-20. "In a word, we received the same response from a school administration as every other time, after alarms about fundraisers," concludes the newspaper.

Tigran Paskevichyan, former head of the Public Relations Department of HAAF (1993-2003), expressed his concern regarding a donation that came from an orphanage in Vanadzor in

December 2004. In his article "All-Armenian Fund Or Rich Man's Club", which left Naira Melkumyan, then newly appointed Executive Director of the Fund, bitter, Mr. Paskevichyan wrote:

> Everyone in the world knows that orphanages themselves function thanks to donations. But an orphanage in Armenia becomes a donor. <…> The children in the orphanage, of course, don't have money; this means that the administration has cut certain expenses in order to make a contribution. And that is absurd. (Պասկևիչյան, Տիգրան /Paskevichyan, Tigran/, 2004)

After the 2007 Telethon, HAAF announced that $15 million-worth pledges were received. On December 19, 2007, *Haykakan Zhamanak* wrote that for several weeks they kept receiving calls from certain state institutions, complaining that "2% is deducted from the salaries of the workers from those state institutions with an excuse that it was for the Telethon of "Hayastan" Fund" («Հայկական ժամանակ» օրաթերթ /Haykakan Zhamanak Daily/, 2007). The newspaper staff found out that over 10% had been deducted from the salaries of Public TV employees for the needs of the Fund.

These are problems that do exist in reality, and they will continue "smearing this dignified mission," as long as HAAF ignores their existence. Having lost its most valuable resource—trust, the Fund has been forced to look for shady ways to prolong its existence. It is important to regard the open discussion of these issues as a refusal to be indifferent and an expression of support for the Fund.

Part III

When John Danilovich, Chief Executive Officer for the Millennium Challenge Corporation (MCC), warned Robert Kocharyan on March 11, 2008, that the program may suffer because of Armenia's retreat from democracy—the March 1st crackdown, political prisoners—Robert Kocharyan, then the outgoing self-declared president of Armenia, replied that he would find other sources of money. This irresponsible statement is reminiscent of the King of France Louis XV (1710-1774), who is known to have said: "Après moi, le déluge" (After me, the deluge).

The Millennium Challenges made a decision to cut the aid. As a result, 943 km of rural roads were left unrepaired in 265 rural communities of Armenia, and an estimated 6% poverty reduction remained on paper. The MCC press release issued on March 11, 2009 reads: "The Board's decision today signals to the government that it has failed over several years to address concerns raised not only by MCC and other U.S. government agencies, but the international community as well" (Millennium Challenge Corporation, 2009). Moreover, Armenia has been denied eligibility for a second compact, unlike its northern neighbor, Georgia. At its winter quarterly meeting on January 5, 2011, MCC chose Georgia and Ghana as eligible to apply for second compacts, which are "contingent on successful completion of first compacts and continued good policy performance" (Dunning, Casey, 2011).

Who had bolstered up Robert Kocharyan's confidence? Could it be that entities, such as the Lincy Foundation, HAAF, and other Armenian charitable organizations have contributed to the former self-declared president's carelessness and arrogance, because of their leniency toward harrowing economic, political and social injustice in Armenia? HAAF presents itself as an apolitical entity, which takes care of common people, no matter who rules them and how. The irony of this is that a non-Armenian organization, such as Millennium Challenges Corporation,

appears to care more about the rights of Armenian citizens than all the Armenian charitable organizations today.

The 20-year history of Armenia's independence is full of tragic events and highly undemocratic decision-making by the state leadership—from the brutal crackdown following the rigged 1995 presidential elections to the murderous crackdown following the rigged 2008 presidential elections, including countless violations of human rights in between. However, not even once has the Fund been able to show its attitude toward state injustice because it *is* the state itself. It is its outright politicization—inclusion of representatives from the major Armenian political parties functioning in the Diaspora, along with the top Armenian and Artsakh officials—that paralyzes the Fund, making it numb to socio-economic disasters, which result in more need for charity.

Of all Board members, it was Louise Simone Manoogian, who eventually gave up her membership on the Board of Trustees in 2009, despite the efforts of top officials to keep her in the game. However, the leadership of the Board was in fact able to talk another member out of quitting. According to a former employee of the Fund, who spoke under the condition of anonymity, Bedros Terzian, another member of the Board of Trustees who was deeply disenchanted with Serzh Sargsyan because of the bloody March 1, 2008 events and wanted to quit, was persuaded to remain on the Board. The withdrawal of France, of which Terzian is a representative, would have been a painful loss for the Armenian government.

However, the government's refusal to reform itself is inevitably going to lead to bigger losses. The recent news about the Lincy Foundation shutting down and not allocating any of its remaining assets to Armenia indicates a shift in the attitude of American-Armenian billionaire and philanthropist Kirk Kerkorian toward the Armenian authorities.

"A Lincy Foundation representative told the *L.A. Times* that UCLA was chosen as the recipient of the $200 million financial gift because the foundation has given the campus about $70 million in previous gifts and has been pleased with the way the money was used," writes *Hollywood Reporter* (THR staff, 2011).

According to a recent publication at 1in.am, alluding to sources from within the government, the withdrawal of MCC from Armenia, shutdown of Lincy Foundation, as well as Armenian Prime Minister Tigran Sargsyan's failure to attract funds from Russia, have caused a panic among the

government officials who have begun admitting that Armenia's economy is on the verge of collapse («Առաջին լրատվական» գործակալություն /1in.am Armenian News & Analyses/, 2011a).

The two previous parts of this white paper have shown that the main flaws of the Fund have, in fact, one common source: the government. Moreover, this is a problem squared, as there are two governments controlling the Fund: the Republics of Armenia and Artsakh. Part III explores other ways the government has been utilizing its unreserved control over HAAF, the reasons behind them, and the consequences.

1. **The More Unpopular the Government, the Less Popular the Fund:** *Officials don't let go of the Fund because its good performance is a shortcut to boosting their approval.*

Judging from an open letter written in 1998 by a 63-year-old pensioner and addressed to Raffi Hovannisian, then the newly appointed Executive Director of HAAF, the Fund appears to have had a good start:

> I'm 63 years old. I graduated from a university in Moscow, returned to Yerevan and worked for over 40 years in various planning institutes as a chief specialist. I have participated in the planning of many beautiful buildings of the city of Yerevan; and even now I feel proud looking at them. I used to be paid well and had a comfortable life. Now I am a pensioner, who gets a pension of 3,760 drams (not dollars) a month. Like many of my compatriots, I was robbed by my "own" state in broad daylight: I was deprived of my modest savings kept in the Savings Bank.
>
> In 1992, "Hayastan" All-Armenian Fund was established. Our first president called on the people: "Each person should donate 1 gram of gold to the Fund for the sake of the prosperity of the free and independent homeland." I gave not just 1 gram, but 6 grams of gold.
>
> Like many of my compatriots, I was also disappointed with the president I had elected and the people that came to power. I became poor, endured the period of darkness, cold and starvation. I lost many noble and honest young men related to me; I saw the new emigration of my people. I've seen and still see how multi-story private mansions of

> people—while no one knows how they became instantly rich—rise in the center of the city (and environs), including the mansion of Manushak Petrosyan, the former Executive Director of "Hayastan" All-Armenian Fund.
>
> Now I'm learning from the newspapers that a large sum of money has been transferred to a number of personal bank accounts in Western Europe on behalf of Levon Ter-Petrosyan's clan.
>
> To Mr. Raffi Hovannisian: As a citizen of the Republic of Armenia and a donor to the "Hayastan" All-Armenian Fund, I demand that you:
>
> - Make an investigation into this fact;
> - If this allegation is proven to be true, publicize the names of all the robbers without exception and launch criminal probes against them.
>
> If none of this is done I demand (not request) that my donation of 6.086 grams of gold to the "Hayastan" All-Armenian Fund be returned. Attached is Receipt #1956 as proof the donation.
>
> /signed/ Laura Barseghyan, citizen of the Republic of Armenia
>
> P.S. To all the citizens who have donated to "Hayastan" All-Armenian Fund: if you are concerned about the fate of your donation, please, send the copy of your donation receipt to *Iravunk* Weekly, in care of Laura Barseghyan. (Բարսեղյան, Լաուրա /Barseghyan, Laura/, 1998)

This open letter shows what miracles mere trust can work. The author of the letter is an economically challenged pensioner, making a donation of 6 grams of gold (an amount about ten times her $7 monthly pension). It took as many as 12 years for at least one name—Robert Kocharyan—as the one responsible for extortions, to be publicized by Garin Hovannisian in connection to the allegations, to which she was referring in her letter (see Part I). It is not known whether Mrs. Barseghyan was still alive to receive the partial answer to her request.

The open letter above clearly shows that often all it takes to enthuse large masses to donate for a good cause is a democratically elected statesman on the Board. But the rapid transition of Levon Ter-Petrosyan's image of a national hero to that of a national evil in the mid-1990s, cost HAAF dearly. How have the authorities been making up for the trust vacuum that emerged in the mid-1990s?

More and more people in the Diaspora, Armenia and Artsakh have become reluctant to donate, because they do not trust the government, which they equate with HAAF. If the leaders of both republics really cared about the fate of the Fund and its productivity, they would voluntarily resign from the Board of Trustees and the Presidium of the Board of Trustees and make sure that every public official and political party representative would do the same. However, they have been doing quite the opposite, because their goal is not so much the productivity of the Fund as it is its symbolic significance.

Throughout its existence, the HAAF has evolved into something more than a charity generator. Thanks to its large world-wide donor base and projects of national proportions, the Fund has grown to become a symbolic element uniting the peoples of Armenia, Artsakh and the Diaspora. And since the head of the Armenian state also leads the Fund, the general public and the media tend to see a connection between the Fund's annual fundraising figures and the government's popularity.

2. **Face-lifting HAAF:** *Officials force state employees to make donations to* HAAF*, inflate the real amount of donations, and use other strategies to compensate for the society's trust crisis. As a result, the simulation of good performance creates an illusion of the government's popularity.*

Levon Ter-Petrosyan's successors, Robert Kocharyan and Serzh Sargsyan, have used both external (Diaspora) and internal (Armenia and Artsakh) strategies to face-lift the Fund.

a) External Strategy

After becoming president of Armenia in 1998, Robert Kocharyan had the intention of winning over the hearts of Diaspora Armenians. He appointed American-Armenian Raffi Hovannisian as Executive Director of HAAF; lifted the ban on the activities of the Armenian Revolutionary Federation-Dashnaktsutyun (ARF-D) in Armenia; and, following his dubious reelection in 2003, formed a Government coalition with them. The latter two of the steps not only warmed the hearts of Diaspora Armenians toward the Armenian government, but also contributed to a

positive propaganda for HAAF in the Diaspora, especially thanks to the enormous influence of ARF-D in the Armenian communities all over the world.

The new authorities needed a new ally, especially after seeing the latter's fangs. As a reaction to its ban in 1995, ARF-D had already shown its teeth by boycotting HAAF, as well as its weight in the Diaspora by being able to raise about $7 million in aid for Artsakh in 1995. (When I later asked Hovig Saliba, ARF Central Committee of Western United States, about the fate of the donations, including my own, he said it was used for the party's needs. But that is a different topic).

Serzh Sargsyan predictably copied his predecessor's strategic move by having ARF-D join a four-party coalition 20 days after the March 1st bloodshed in 2008. ARF-D denounced Serzh Sargsyan and quit the coalition only a year later on the symbolic date of April 24. The motivation for that act was the eminent signing of the Armenian-Turkish protocols, which, eventually, took place on October 10, 2009. There is no need to be a math-whizz to understand the logic—10 victims is a negligible number against 1.5 million.

One of the effective components of the authorities' external strategy contributing to the formation of a favorable image of themselves and their initiatives, including HAAF, is the tendency of making accomplices out of their partners. Cooperation of certain entities with the authorities often implies sharing their responsibility not only for the shortcomings of a joint initiative, but for the mere fact of cooperation, due to the fact that the Armenian authorities have rigged the elections and are corrupt.

Despite the dissent on foreign policy matters, ARF-D has intertwined itself with the authorities too tightly for the past 10 years to become hostile toward them and sever all ties. A very recent incident with Los Angeles-based *Asbarez* Daily shows that the opposing views on foreign policy issues has not had a negative impact on the Dashnaks' treatment of HAAF. This friendly position, present since Kocharyan's rule, has been most recently confirmed by the refusal to publish my comments (including links to Part I and Part II of this white paper) under an article about Sarkis Kotanjian's interview mentioned above. My attempts to reach the editor-in-chief, requesting explanation, were left unanswered. A fragment from "Armenia-Diaspora Relations: 20 Years Since Independence," a report issued in February 2010 by the Washington-based think

tank Policy Forum Armenia (PFA), has an alternative interpretation of the nature of such interaction:

> While many among the Diaspora live in democratic countries, democracy is seldom practiced in the Diaspora structures. This may at least partially explain why a sizable number of Armenians have opted to remain outside the community organizations and become passive and silent members of the Diaspora. Dissent—both from inside and outside of the organizations—is suppressed and at times results in the sidelining of the whistleblowers. While partisan views are commonly rejected by most who stand on the other side of the line, independent positions are viewed with suspicion by all sides. (Policy Forum Armenia (PFA), 2010, p. 23)

More recently, *Nouvelles d'Arménie* magazine in France displayed similar behavior. After over 200 posts and about 5000 views in about 10 days, the entire thread titled "Toute la vérité sur le Fonds Pan-Arménien" ("*The whole truth about the All-Armenian Fund"* – A.K.M.) in the magazine's forum was deleted. The forum users were discussing the first two parts of this white paper. Ara Toranian, Editor of *Nouvelles d'Arménie,* had the following explanation:

> À la demande du president du fonds arménien de France les messages estimés calomnieux des internautes HB et Shant Mamaz ont été supprimés du fil de discussion sur le Fonds arménien de France. La suppression du premier message entraînant automatiquement l'effacement du reste des messages dans notre logiciel, c'est toute la discussion qui a été supprimée. (Toranian, Ara, 2011)
>
> (*At the request of the president of the Armenian Fund in France, internauts HB and Shant Mamaz's messages on HAAF being deemed defamatory were deleted from the forum thread. The deletion of the first message automatically resulted in the deletion of the rest of the posts in our software. The entire thread was deleted – A.K.M.)*

Ara Toranian's explanation was disheartening for most of the forum users and has eventually turned into an ongoing forum discussion (Toranian, Ara, 2011). And the first message, to which Ara Toranian refers, was just a link to the Part I of this white paper republished at *Hraparak* (Մանուկյան, Արա Խ. /Manoogian, Ara K./, 2011), accompanied by the following words: "Dommage pour ceux qui ne lisent pas l'arménien!" (*Too bad for those who do not read Armenian – A.K.M.*). Luckily, I had saved all 9 pages of the forum thread before its deletion.

The recovered discussion (in French) can now be accessed at TheTruthMustBeTold.com (TheTruthMustBeTold.com, 2011).

But the most curious point here is that it was Bedros Terzian who had complained about the forum discussions and ordered Mr. Toranian to remove the posts that supposedly defamed the HAAF. A person who three years ago wanted to quit the Fund, now has to protect it by silencing open public discussion and criticism. Mr. Terzian eventually wrote a response published in *Nouvelles d'Arménie*, on February 22, 2011, which has turned out to be a very familiar emotionally charged reminder of all the life-saving projects carried out by the Fund within about 20 years of its existence (Terzian, Bédros, 2011). As if to say that all good deeds automatically bestow forgiveness for bad ones. At the same time, Mr. Terzian's response fell a little short of the absolutism observed in Sarkis Kotanjian's interview: outright refusal to admit any shortcomings past or present. He writes: "Mais nous essayons de faire de notre mieux et nos donateurs peuvent en être fiers. Le miracle, quand on y pense, ce n'est pas d'avoir commis des erreurs, mais d'en avoir commis si peu en dépit du contexte extrêmement difficile de ces années" ("We are not infallible. But we are trying to do our best, and our donors can be proud of that. The miracle, when one thinks about it, is of not having committed errors, but of having committed so few, in spite of the extremely difficult context of these years.")

However, what was particularly glaring throughout Bedros Terzian's response can be described thus—there is an elephant in the text. There is not a single reference to this white paper, the first two parts of which, in fact, had sparked the heated discussion resulting in his utmost indignation. Instead Mr. Terzian's aims his tirade at the two forum users mentioned above—HB, who translated the entire first two parts of this white paper into French, posted them piece by piece and raised critical questions about the Fund, and Shant Mamaz, who was often quite vocal about the shortcomings of the Fund. The motives behind Mr. Terzian's deliberate circumvention of the white paper and/or its author are not quite clear. However, judging from the information provided by a reliable anonymous source above, Bedros Terzian is practically doomed to defend the Fund.

b) Internal Strategy

The internal strategy of whitewashing HAAF in the eyes of people without first punishing those who squandered the All-Armenian riches, is a little more difficult task. The authorities have been doing what contradicts the very essence of a donation—they forced it (see Part II).

The presentation of pledges as donations has been an alternative strategy of inflating numbers. This circumstance is obviated by the record-breaking $35 million supposedly raised by HAAF during the Telethon-2008. This astonishing amount, reportedly raised in as few as 8 months after the bloody March 1st events, was interpreted by many in Armenia and Artsakh as a slap in their face; a clear statement of the Diaspora's support for the illicit regime. However, by October 17, 2009, about a year after the 2008 Telethon, HAAF had reportedly been able to collect only about $10 million of the $35 million pledged (Զախարյան, Աննա /Zakharyan, Anna/, 2009a). Subsequently, a well-informed former Fund insider said that no more than $7 million was collected that year, which was less than the past four years. This sum, of course, is a mild but more plausible reaction of "all Armenians" toward the March 1st bloodshed and what followed.

The same well-informed insider confirmed that some of the million-dollar donations are made on condition of getting a part of it back; at least a half.

3. The Board Maniac: *HAAF as Victim of Serzh Sargsyan's Board Addiction.*

Apart from all the logical arguments, there is also a psychological reason why Serzh Sargsyan would not part from his post as the President of the Board of Trustees. As a self-appointed president, having developed a complex of an undesirable person in the country he rules, Serzh Sargsyan has made sure he is a fairly elected president of all kinds of boards of strategic importance in the Republic of Armenia. A die-hard collector of chairs, Serzh Sargsyan, President of HAAF, has recently been reelected President of the Board of the Yerevan State University, and President of the Chess Federation. In both cases, he was reelected with 100% of the votes—it appears no one dared think otherwise. These mini-elections are a source of consolation for someone who is constantly reminded of and blamed for rigging the presidential elections in 2008.

To further cement his total control over the country, Serzh Sargsyan has had two of his closest allies who hold key government positions—Prime Minister Tigran Sargsyan and National Assembly Speaker Hovik Abrahamyan—follow his example and become presidents of the Boards of Yerevan State Pedagogical University and the Yerevan State Engineering University, respectively.

This ubiquitous presidency is also a veil for Serzh Sargsyan's totalitarian intentions. In September of 2008, he used his alternative presidency to have four professors from the Yerevan State University fired due to their oppositional views—among them, prominent representatives of the civil society in Armenia, investigative journalist Edik Baghdasaryan, and film director Tigran Khzmalyan (Xmalyan).

4. **Picking Up the Slack:** *Officials make the HAAF fix or restore whatever an official or a crony has damaged or destroyed without being punished.*

As long as there is HAAF, and the authorities have enough control to steer its funds in whatever direction they wish, public officials and their cronies can get away with pillaging infrastructures for their personal gains. Below, two persons are presented who have either wasted or destroyed what HAAF had to later restore at the expense of the good-will of donors. The continuing disastrous ascent of these persons is the consequence of not stopping them in time.

a) Grisha (Grigori) Harutyunyan

Back in 2002, *Aravot* was publishing a series of articles about the mansions erected in Armenia in the years following the collapse of the USSR. The articles were aimed at uncovering the owners of the villas and the financial sources used for their construction. One of the articles in the series about a fortress-like mansion in Bjni read: "No one has forgotten the scandal during the construction of the Military Academy" (Սաթիկ Սեյրանյան /Seyranyan, Satik/ , 2002). The mansion in question belongs to Grisha Harutyunyan, one of the tycoons of Armenia's shadow economy.

Becoming Armenia's Minister of Defense in 1994, Serzh Sargsyan appointed Grisha Harutyunyan deputy Minister and entrusted him with supervising the construction of a military academy in Yerevan. The construction of the academy was sponsored by Diaspora Armenians. A year later, upon replacing Serzh Sargsyan as Minister of Defense, Vazgen Sargsyan decided to scrutinize construction papers. Following the discovery of large-scale violations, Grisha Harutyunyan was removed from the Defense Ministry.

Vazgen Sargsyan engaged HAAF to finish the construction of the Military Academy. Within three years, the Fund completed the construction of the 3rd, 9th, 4th and 7th buildings of the Academy, spending a total of over $2 million. According to the official website of the Fund, the sponsor for the 4th and 7th buildings of the Military Academy was the Izmirlian Foundation from Switzerland.

As for Grisha Harutyunyan, instead of facing criminal charges, he was appointed deputy Minister of National Security. His boss was once again his patron, Serzh Sargsyan, who was now the Minister of National Security. Why wasn't Grisha Harutyunyan prosecuted? Was Serzh Sargsyan's protection more powerful than Vazgen Sargsyan's rage? Quite unlikely. Then what was done to mitigate Vazgen Sargsyan's anger? Although there are vague indications that Vazgen Sargsyan intended to pursue an appropriate punishment for Grisha Harutyunyan, the final outcome was that Diaspora donors and HAAF were used to sweep the consequences of the misappropriations under the carpet. They were not powerful and independent enough to demand that the government punish the thief, recover the stolen money and use it to finish the construction.

Encouraged by his impunity and the authority granted by his public office, Grisha Harutyunyan was actively involved in the Armenian business underworld and became one of the main distributors of monopolies in Armenia. In 1998, despite the fact that his past was smeared by financial manipulations, Grisha Harutyunyan was appointed head of financial affairs for Robert Kocharyan's election campaign. A year later, he was entrusted with handling the finances for the 1999-parliamentary election campaign. These responsibilities imply a great deal of trust, which Serzh Sargsyan and Robert Kocharyan had in him. This trust, in its turn, implies that the past misappropriations were indicative of something more than Grisha Harutyunyan's personal greed. He was carrying out a mission that benefited the two future self-proclaimed presidents.

In 2003, Grisha Harutyunyan established a construction company, Griar (the first syllables of his first name and that of his son-in-law, Artur Yordanyan). The company, according to *Aravot* (Մամիկոնյան, Նաիրա /Mamikonyan, Naira/, 2006b), was granted a permit in 2004 for the lion's share of the construction of the Main Avenue in Yerevan—8,000 sq. m., including Buzand and Aram Streets. The company took over real estate by forcing payments upon the owners at a considerably lower price for their houses than the going rate in the same area. The former owners' complaints in court yielded no results, thanks to Grisha Harutyunyan's power and connections. The residents were later brutally forced out of their homes by the Judicial Acts Compulsory Enforcement Service.

Further details about Grisha Harutyunyan's illicit commercial activities will be provided in Part IV of this white paper.

b) Levon Yeranosyan

This story is closely related to HAAF's current large-scale project of providing water supplies to villages in Artsakh. The project was promoted during the Telethon-2010. Perhaps this project would not have been needed at all if the same government officials, begging for donations from the Diaspora today, had been responsible enough not to waste the irrigation system and the pipes of post-war Artsakh.

In 2001, I was very concerned by the situation in Karegah, a large village in the Kashatagh region with a population of over a hundred families. The village lacked a proper water supply. I had resolved to help them get it.

Misha Hovhannesyan, Governor of Martuni Region, had granted me the right to salvage a 216 mm idle gas pipeline stretching from Martuni to Fizuli and use it for water supply projects that would benefit the people of Artsakh. But our efforts to dig up and disassemble the pipes were hindered by various obstacles created by the leadership of the region, such as temporary impounding of our equipment by orders from Hovhannesyan himself, who later claimed to have done it in error. While unearthing the pipes, the administration of the 2nd Defense Region of Martuni notified me of their decision to use the pipes for a gas supply line to their military base. I consulted a gas specialist in our region, who told me that the pipes we were removing were,

in fact, 4 times larger than the pipe needed for the base. I sensed that something was not right.

With great difficulty and only thanks to the intervention of a high ranking official in the Armenian army in Yerevan, I was able to secure a meeting with General Ohanyan, then Defense Minister of Artsakh, in 2002. I told him that I would supply him with 75mm pipes (which were easier to get) for the base, if he let me use the 216 mm pipes for Karegah's water needs. He explained to me that since it had been decided in 2001, a year prior to our meeting, no pipes would be allowed to be removed from Artsakh for any reason. He concluded that all the pipes were under the protection of the army. The future Defense Minister of Armenia advised that I negotiate the issue with General Levon Yeranosyan, who might have pipes to salvage in his region for our project. General Yeranosyan, then Commander of the Hadrut Region, said they had no pipes for us. He added that all pipes have strategic value, and no one is allowed to remove them from our territory. So I left my meetings defeated, and the project to supply water to over 100 families in Kashatagh was not realized.

A year later, in October of 2003, *Hetq* ran a story titled "No One Can Stop the General" about the fate of those and many other pipes:

> The Max Group—Armenian businessmen from the United States and Lebanon—does business in the territories liberated by Nagorno Karabakh. In Soviet times, an excellent irrigation network was built in the area, supplying every village with water for their crops. The pipelines' routes, diameters, and other details were accurately marked on Soviet military maps. Today, General Levon Yeranosyan, the commander of one of our military units, is using these maps to dig up the pipes and send them off various directions. We have discovered that some of the pipes turn up on the Armenian market, and the rest goes to Iran. At the moment, they're working on pipes with a diameter of 800 millimeters. Naturally, Army equipment and military personnel are being used for the job.
>
> We've been informed that the Max Group asked President Arkady Ghukasyan and Prime Minister Anushavan Danielyan of Nagorno Karabakh to stop the general. But their response was, more or less, that there was nothing they could do to stop the general. Within the Karabakh government, Serge Amirkhanyan is the man responsible for the territories in question, taking care of resettlement issues as well. But he hasn't been able to do anything about the pipes, either. It's ridiculous that on the one hand, the Karabakh government invests huge amounts of money to settle the villages in those territories, and

> on the other hand, one of the most important preconditions for doing so—the irrigation system—is being destroyed. (Baghdasaryan, Edik, 2003)
>
> *(The Armenian version (Բաղդասարյան, Էդիկ /Baghdasaryan, Edik/, 2003) ends with the following sentence: "We have been informed that the businessmen have notified Armenian President Robert Kocharyan about this problem." – A.K.M.)*

The General was free to finish what Azeris had not managed by 1994. Let us see where a crime not punished in time can lead. In September of 2006, Armenian media sounded an alarm that about 220 meters of the brand new sewage pipeline under construction in Dilijan was stolen. *168 Zham* quotes an undefined Armenian news outlet, which claimed General Levon Yeranosyan was behind the theft (Ավետյան, Արմինե /Avetyan, Armine/, 2006a). A year later, the Armenian Prosecutor's Office announced that a criminal case was instituted in regards to a grand theft from a wastewater treatment plant, which covers an area of 24 hectares. The *marz* administration estimated the value of the stolen goods at AMD 247 million (over $730,000). Vanadzor residents told the *Aravot* reporter that the theft, which went on for a few years, was carried out by soldiers serving in Vanadzor with an order from their superiors—General Levon Yeranosyan and Arshaluys Paytyan (Շամշյան, Գագիկ /Shamshyan, Gagik/, 2007c). A year later, on August 25, 2007, the prosecutor of Lori *marz*, Albert Ghazaryan was murdered. Aghvan Hovsepyan, Armenia's Chief Prosecutor, admitted that Ghazaryan's murder was "in connection with his professional duties" (Panorama.am, 2007).

For years, as a deputy Prosecutor General of Lori, Albert Ghazaryan was aware of the ongoing robbery of the wastewater treatment plant in question. However, he either did not dare or was not allowed by his superior to start criminal proceedings until he became Prosecutor General himself. A week following his murder, people in Vanadzor were linking the murder to a criminal case, which Albert Ghazaryan was launching in connection with large scale unauthorized tree-felling. The wood business, according to *168 Zham*, is run by Armenia's top military leaders, such as Levon Yeranosyan, Manvel Grigoryan, Arshaluys Paytyan (Ավետյան, Արմինե /Avetyan, Armine/, 2007). Two years later, *Haykakan Zhamanak* inquired about the progress of the murder case, but was told that it was discontinued. Anna Zakharyan writes:

> Garnik Ghabuzyan, a witness of the murder, had seen and described the murderer, who wore no mask. The prosecutor, who died half an hour after the four shots, provided the same information about the looks of the person who shot him dead. But it turns out that

> this hasn't been helpful to the law-enforcers at all. (Զախարյան, Աննա /Zakharyan, Anna/, 2009b)

Following these events, Yeranosyan had only minor issues with the law with unknown outcome—in 2007, article 238, part 3, clause 2 (confiscation or extortion of arms, using the privileges of the office); article 182, part 2, clause 1 (extortion by committing violence against a person or someone related to him/her); article 235, part 1 (up to 3 years of imprisonment for illegal obtainment, realization, possession and transportation of arms). Although the official website of the Armenian judicial system does not provide any more details about these cases, their outcomes do not seem to have affected the General's soaring business success. Already by 2008, Levon Yeranosyan reportedly owned compressed natural gas stations, an electronics store in Yerevan and a fishery in the Tavush *marz* (Բարսեղյան, Լուսինե (Barseghyan, Lusine), 2008).

While devotees of HAAF were selflessly putting the final touches on the Telethon-2010, and while the popular well-off anchors were preparing themselves psychologically for a session of altruistic nationwide pleading for change to build water supplies for the people in Artsakh, General Levon Yeranosyan in October of 2010, was pouring his sizable earnings from the Artsakh pipe down the drain at Casino Senator in Parakar. "According to our trustworthy sources, Yeranosyan kept placing his bet on 33, but didn't win anything. He then cursed everybody, the number, and left at dawn," reports *Hraparak* («Հրապարակ» օրաթերթ /Hraparak Daily/, 2010).

Yeranosyan is not the only military big shot who has multiple successful businesses through similar methods; among them are such well-known Generals as Samvel Babayan, Manvel Grigoryan, Seyran Ohanyan, Haykaz Baghmanyan, Yuri Khachaturov, Arshaluys Paytyan, Samvel Hovsepyan, and Movses Hakobyan. In 2003, Serzh Sargsyan was an equal business partner for these big shots. "The Deputy Ministers—Manvel Grigoryan, Artur Aghabekyan—Major-General Levon Yeranosyan and two other people run a wheat business in all the southern regions captured from Azerbaijan (Zangelan, Kubatli, Horadiz, Jebrayil and Fizuli), which are notable for their fertility, and where grapes used to be grown. A large portion of those lands, as much as cultivated on behalf of some of the above-mentioned people, is realized by Serzh Sargsyan. It has been calculated that the Minister (*Serzh Sargsyan, A.M.*) and all the others

make about $12 million a year," writes Norayr Azatyan of Chorrord Inknishkhanutyun in October of 2003 (Ազատյան, Նորայր /Azatyan, Norayr/, 2003). But things weren't the same when Serzh Sargsyan ascended to the throne.

When, in November of 2008, the Generals in Artsakh voiced their dissatisfaction with the Meindorf Declaration regarding the future of Artsakh, Serzh Sargsyan was able to quickly quell their patriotic fervor by threatening to deprive them of their lifetime achievements in business.

It is common knowledge that the authorities encourage illicit ownership of key players, since it is an invaluable political asset for blackmailing and settling disagreements. Such tactics has been exemplified by the consent of Gagik Tsarukyan, head of Prosperous Armenia Party, to sign the Coalition Memorandum on February 17, 2011. Many Armenian media outlets have referred to one of the playing-cards used by Serzh Sargsyan to persuade Gagik Tsarukyan: impartial auditing of his companies. Armenia's richest oligarch, better known as *Dodi Gago,* does have something to hide.

Thus, regarding both Grisha Harutyunyan and Levon Yeranosyan, instead of indicting these businessmen, forcing them to pay for the damages caused to the country's economy, and to invest the penalty in fixing the damage, the authorities have spared the criminals and use the readily available resources of and their full power over HAAF to make up for the losses.

In stark contrast to HAAF, Millennium Challenges Corporation sets a good example of a responsible charitable organization, which places high importance on evaluating the beneficiary's deservedness for the aid to be provided. With the present structure, where beneficiaries—the government—preside over benefactors, HAAF is unable to adopt a similar policy. The consequence is that the government hasn't had enough incentive to utilize the funds responsibly.

Due to the enrichment of privileged individuals and bad quality of work, Armenians in the Diaspora, Armenia and Artsakh have lost their trust in the Fund. Instead of instituting necessary reforms to make the work of the Fund efficient, Armenian authorities tend to regain the donors' trust by creating an illusion thereof. The sum of the collected donations is exaggerated, and state employees are forced to make donations. To ensure the Diaspora's support of the Fund,

both Robert Kocharyan and Serzh Sargsyan learned from Levon Ter-Petrosyan's mistake, not only by lifting the ban on the activities of ARF-D in Armenia, but also by including them in the government coalition.

One of the reasons why the authorities are keen on perpetuating HAAF appears to be its popular image of an entity uniting all Armenians. The authorities tend to exaggerate the Fund's success, since its performance in a given year is commonly alluded to in assessment of the popularity of the incumbent leadership of both republics. In its current format, HAAF serves more for strengthening the incumbent authorities, rather than for satisfying the country's socio-economic needs. Thus, any donation to HAAF is a vote of confidence for the corrupt Armenian and Artsakh governments.

The examples of Grisha Harutyunyan and Levon Yeranosyan demonstrate the consequences of HAAF's complete subordination to the Armenian authorities. The subordination becomes a disincentive for the latter to prosecute criminal activity and be resourceful in finding means to carry out projects, which are eventually imposed on the Fund.

Part IV

This is the concluding part of the white paper on HAAF. The final chapter explores how Armenian authorities have been shrinking Armenia's potential of self-sustainment by tolerating government corruption, shadow economy, as well as using the HAAF as an accessory for large-scale tax evasion. The theme of Part IV is ***Armenia at 20, No Longer Needs a Baby Walker.***

1. HAAF Missing the Mark

Many HAAF donors continue giving money selflessly, despite the realization that most of the collected funds will inevitably sift through the fine sieve of the large-scale corruption in the two Armenian states. "Armenia is too poor to be able to take care of all of its citizens' needs" appears to be a prevalent argument. Other arguments are that the existing corruption is the consequence of having a weak economy, which charitable projects tend to strengthen.

But is it not the way Armenia and Artsakh are governed that prevents their economic growth, therefore leaving the populations of both republics in continued dependence on charitable handouts? What lenient, apolitical Armenian charitable organizations do can be compared to filling a bucket with a hole in it—this creates the illusion that the leaky bucket can hold water without being fixed.

Yet another category of donors justifies its donations by the presence of top-priority problems that have to be addressed, before necessary economic reforms can take place. The number one concern cited is the emigration from Armenia and Artsakh. But how much is the Armenian government really doing to address this issue?

Unlike the 1990s, poverty today is not the sole incubator of emigrants. Classified wires from the U.S. Embassy in Armenia, publicized by WikiLeaks in February 2011, confirm what Armenian demographers have been whistleblowing about for a long time—the dominating ground for emigration in today's Armenia is *social, economic and political injustice* (WikiLeaks, 2011). The leaked wires clearly document that even the more or less successful representatives of the middle class leave the country, since they do not believe in the future of Armenia any longer.

Instead of fixing the problem, the Armenian government is allowing Russia to lure Armenian families with the help of "Compatriots," a state-run program offering immigrants from Armenia unprecedented opportunities in exchange for settling in sparsely populated areas of Russia. If a country's government is careless about the massive emigration, then no fund, even as big as HAAF can stop people from leaving that country.

What is really happening on the ground? How desperate is the Armenian state for assistance? While the remainder of this paper focuses on both of these questions in detail, it has to be emphasized that HAAF's activities, while well-intended, barely hit the mark and almost never address the core problem—the socio-economic *injustice* and human rights *abuses* faced by Armenia's citizens on a daily basis.

2. Resource Curse

In his interview about the Fund, discussed throughout Part I and Part II, Sarkis Kotanjian, Executive Director of HAAF U.S. Western Region, made the following statement:

> Because, let's not forget that all of us, most of us help our families in Armenia. Every month, be it $50, $100 or… unrelated to "Hayastan" All-Armenian Fund. And I encourage them to provide even greater support because these people have needs in Armenia. (Kotanjian, 2010)

Sending remittances to needy households in Armenia or Artsakh is, indeed, a noble cause; and for many households there these are the only source of income. However, the benefits of remittances in Armenia in general are often overstated. In a paper published recently in the reputable *Review of Development Economics*, entitled "Destined to Receive: The Impact of Remittances on Household Decisions in Armenia", economists Dr. David Grigorian and Professor Tigran Melkonyan document the impact of remittances on household behavior in the Armenian context (Grigorian, David. A., Melkonyan, Tigran A., 2011). They demonstrate that beneficiaries

of remittances work fewer hours, spend less on education of their children, and while they save more than their peers who do not receive remittances from abroad, they do not leverage those savings for the purposes of setting up new businesses and expanding economic activity. But perhaps more importantly, as the authors conjecture, remittances encourage further emigration. This is the disastrous economic development model adopted by Armenia's ruling elite and supported by some in the Diaspora, including the Executive Director of HAAF.

Remittances can also be regarded a *resource curse*, which describes a feature of modern economic growth when economies abundant in natural resources have tended to grow more slowly than economies without substantial natural resources (Sachs, Jeffrey D. and Warner, Andrew M., 1997). "Remittances and Institutions: Are Remittances a Curse?", an International Monetary Fund (IMF) working paper, shows how "an increase in remittance inflows can lead to deterioration of institutional quality—specifically, to an increase in the share of funds diverted by the government for its own purposes." On the other hand, remittances also serve as tranquilizers for potential protesters against unfavorable government policies, which adversely affect living standards. When prices for goods are arbitrarily raised, public attitude is not always unanimous. Instead of fighting a government agency, most remittance-receiving households are likely to ask for more aid from their supporter abroad. Therefore, many citizens who have no such external source of income are dealt a double blow. On the one hand, they are hurt by an unfavorable economic situation; on the other hand, by the passivity of their remittance-receiving fellow citizens in the struggle against injustice.

What will happen if private money transfers from abroad cease entering Armenian households? When journalists asked this question of Vahe Vardanyan, Head of the Department of Financial Stability and Development of the Central Bank of Armenia, on April 26, 2011, according to the First News, he responded: "It will be sad, because private transfers amount to 13-14% of Armenia's GDP" («Առաջին լրատվական» գործակալություն /1in.am Armenian News & Analyses/, 2011b). One of the major shortcomings of Armenia's heavy dependence on remittances is that its economy becomes more vulnerable to economic crises occurring in foreign countries. That is the reason why Armenia was among the countries hit the hardest by the 2008 global economic crisis, from which it hasn't yet recovered.

In response to the criticisms about HAAF, voiced by French-Armenian forum users (TheTruthMustBeTold.com, 2011), who had largely alluded to Part I and Part II of this white

paper, Bedros Terzian, President of the Fund in France, wrote in *Nouvelles d'Arménie*: "Our accusers have no idea of the means of the Armenian states, nor of the scope of needs in Armenia and Karabagh. And they want to prevent us from helping them!" (Terzian, Bédros, 2011). Indeed, how original to claim that the opponents have no idea of what they are talking about. But what Mr. Terzian and others need to understand is that any funding given without proper oversight and strings attached—both at the household level or at the level of country budgets, as discussed above—creates fundamental disincentives and ends up turning into a *resource curse* by its corrupt government... courtesy of unsuspecting and complacent donors.

3. Armenia Is 20 Years Old and No Longer Needs a Baby Walker

There are prerequisites to suppose that the Republic of Armenia has the potential to sustain itself without the help of donations and remittances. The potential resides chiefly in efficient tax administration. The failure to carry out proper regulation of the sphere has been strengthening the country's shadow economy instead.

According to "Tax Potential vs. Tax Effort: A Cross-Country Analysis of Armenia's Stubbornly Low Tax Collection," an IMF working paper published in 2007, Armenia had been consistently under-collecting as much as 6.5% of Gross Domestic Product (GDP) in taxes between 1996 and 2006 (Davoodi, Hamid R. and Grigorian, David A., 2007). Using the pre-crisis value of Armenia's GDP (and slight improvement in the tax ratio in recent years), these losses would account for $400-$500 million per year. In a 2010 report entitled "Armenia-Diaspora Relations: 20 Years Since Independence", Policy Forum Armenia looks at the spending side of Armenia's budget and estimates that the procurement-related losses of the budget in 2008 alone accounted for $225-280 million (Policy Forum Armenia (PFA), 2010). These two numbers together (from the tax/revenue and expenditure side of the budget, respectively) suggest a budgetary leak in the magnitude of three-quarters of a billion dollars annually.

When Armen Martirosyan, Head of Zharangutyun (Heritage) faction of the Armenian National Assembly, brought up the issue of tax under-collection based on the IMF report during a parliamentary hearing, Prime Minister Tigran Sargsyan merely said they were working on it.

A recent assessment of that work which has been done paints a different reality. "Unfortunately, we don't see any correct step or procedure regarding this shortcoming,"

Gillermo Tolosa, a resident representative of IMF in Armenia, was reported by Panorama.am as saying in April 2011 (Panorama.am, 2011a). Their analysis of the tax collection levels in Armenia shows that the situation is not improving. According to Tolosa, the percentage of tax revenues in the Armenian economy in 2010 was as unfavorably low as in 2009, "which mean that the shadow economy hasn't shrunk in Armenia." By tax-GDP ratio, Armenia is far behind all the post-Soviet Republics, except for Tajikistan.

Juxtaposition of the numbers calculated by the IMF, with total amount of the donations HAAF has attracted since its establishment in 1992, reveals an astonishing picture. The Fund's total donations collected in 1992-2010—over $200 million (Asbarez Daily, 2010)—is less than 50% of the total amount of the estimated tax revenues the Armenian government could, but failed to, generate in taxes within a *single* year: 2006. This failure was largely due to leniency toward the widespread tax evasion among the country's biggest companies owned by oligarchs. The following section provides a few concrete examples of how this grand scale evasion happens.

4. Economic Suicides

a) *The Banana King*

As mentioned in Part III, Grisha Harutyunyan is the co-owner of Griar, a construction company erecting elite apartment buildings at the intersection of Buzand and Aram Streets. Grisha Harutyunyan had secured part of the money for the construction of luxury apartments in the heart of Yerevan by means of Catherine LLC. According to *Hetq*, the company claimed to have imported about 6,500 tons of bananas to Armenia in 2005-2007 with the purpose of reprocessing and eventual export to the Bahamas (Baghdasaryan, Edik, 2008b). Thanks to that, Catherine, LLC. became exempt from various customs taxes and levies, as well as VAT. However, the investigative journalists of *Hetq* proved that the company had not exported any reprocessed banana products from Armenia, despite the fraudulent documents, thus robbing the state budget of about $1.5 million. Moreover, *Hetq* has found out that in that same period "huge amounts of bananas, several times more than registered by the State Council on Statistics and the State Customs Committee, were imported into Armenia" (Baghdasaryan, Edik, 2008c).

The investigative journalists rule out the possibility that the National Security Agency, the State Revenue Committee, Prosecutor's Office and other state institutions were unaware of these illicit activities. However, no criminal charges have been pressed against the co-owners of the company, Grisha Harutyunyan and Mihran Poghosyan. The former was simply dismissed from his office, while Poghosyan, who was appointed head of the Judicial Acts Compulsory Enforcement Service by Serzh Sargsyan about a month before the publication of the first article about the banana business in July 2008 (Baghdasaryan, Edik, 2008c), still holds the office.

b) *Unprofitable Gold*

For six consecutive years, GeoProMining Gold, which has been mining gold from two of the largest gold mines in the former Soviet Union—Sotk and Meghradzor in Armenia—paid not a penny in taxes. From 2004 to 2010, the company reported losses of tens of millions of dollars a year. The highest loss was reported in 2008 in the amount of AMD 17 billion 273 million (about $56 million). However, as GeoProMining Gold reportedly incurred these sizable losses, the price for a gram of gold in the world market jumped from $21 in 2007 to $40 in 2010. Ishkhan Zakaryan, Head of the Parliament's Control Chamber, pointed out numerous other violations of the license agreement, amounting to about AMD 200 million (over a half a million dollars), in his report in November, 2010 (Էդիկ Բաղդասարյան /Baghdasaryan, Edik/, 2010).

It is common knowledge in Armenia that no company of such proportions could operate with such monstrous violations for such a long time without the knowledge and protection of the country's top leadership. That is perhaps why Ishkhan Zakaryan had to turn down the journalists' request to identify the real owners of this company registered in the Cayman Islands, a major offshore financial center. (Watch A1+ video commentary («Ա1+» գործակալություն /A1+ Agency/, 2010), read the full report (Slaq.am, 2010)).

Activities of this type only appear to be a manifestation of the authorities' good will. According to *Lragir*, this belated initiative is a result of hard pressure from international financial institutions on the Armenian government to force the mining industry—enjoying excessive profit and VAT exemption on exports—out of the shadows before asking for loans (Հայրումյան, Նաիրա /Hayrumyan, Naira/, 2011a). The government, thus, had to put together an improved bill on mining, which would increase tax obligations. The outcome of these drastic measures

speaks for itself: the mining industry grew by 24.3% in 2010 alone and paid AMD 18 billion (over $51 million) in taxes vs. AMD 0 ($0) in 2009.

Nevertheless, journalists from various Armenian news agencies have been urging the Control Chamber to make similar audits at other major mining companies, such as those in Kajaran, Kapan and Akhtala, where they claim the situation is as bad. The Control Chamber, however, does not seem to be as prompt as expected in reacting to these allegations.

c) Robin Hood of the 21st Century

In 2007 it became clear that Armenia has its own Robin Hood. The most striking difference from the classical character, though, is that his Armenian counterpart happens to be Armenia's richest person—Gagik Tsarukyan. Does this mean he robs himself to feed the poor?

An excerpt from a *Zhamanak* journalist's interview with Roza Tsarukyan, who runs the agricultural division of Gagik Tsarukyan's son's business empire, in April of 2007, sheds light on a significant portion of the seemingly fantastic figure, with which the IMF specialists had come up in their working paper:

> - Mrs. Tsarukyan, what's the total number of the jobs you have created?
>
> - Oh no, if I say it, the tax inspector will then come and ask "why don't you show all the taxes?"
>
> - Say as many as reported.
>
> - 78.
>
> - Mrs. Tsarukyan, so is it true that you don't show your taxes in full?
>
> - We hide some of them, we don't show some of them, we show some of them, of course!
>
> - That's why people say that you evade taxes and then do charity for the people with it.
>
> - And right we are! If we have been smart enough to do that, then we're doing the right thing…

> - Why don't you pay your taxes, so that the state can give pensions, allowances?
>
> - You want me to give it to them so they go to Monte Carlo? I'm not going to give… I'm giving it to the socially vulnerable strata of the society, I'm giving it to a kindergarten, I'm giving it for free medical treatment… («ժամանակ» օրաթերթ /Zhamanak Daily/, 2007)

What conscientious tax-payers of Armenia expected to happen following this frank conversation was a full-blown investigation into the disclosed information. But these statements only came to prove Gagik Tsarukyan's invincibility in relation to the incumbent authorities. Even the obvious humiliation of the then Prime Minister Serzh Sargsyan, who allegedly lost big dollars in Monte Carlo while gambling, bore no visible consequences.

On the contrary, the relationship between Serzh Sargsyan and Gagik Tsarukyan has been growing warmer and warmer ever since. Gagik Tsarukyan was welcomed into the Government coalition in April 2008. A month later Gagik Tsarukyan entitled himself with the right to pardon himself, when he made the following statement on TV: "Let bygones be bygones, a line has to be drawn from now on, and everyone should work with documents and pay one's dignified taxes" (Ծառուկյան, Գագիկ /Tsarukyan, Gagik/, 2008).

About three years later he signed a coalition memorandum, which was a guarantee of support for Serzh Sargsyan's candidacy at the upcoming presidential elections. And last but not least, Serzh Sargsyan recently appointed Gagik Tsarukyan a member of the Armenian National Security Council. Among other issues, A1plus reports, "customs and tax reform programs in 2011-2013 were discussed at the session" («Ա1+» գործակալություն /A1+ Agency/, 2011). It is quite ironic, if not disastrous, that one of Armenia's major tax evaders will henceforth be "reforming" the country's tax system.

Serzh Sargsyan had the tax collectors ravage another oligarch, Khachatur Sukiasyan, after the latter publicly declared full support for Levon Ter-Petrosyan during the presidential elections of 2008. It is obvious that the former head of the National Security and, currently, the self-declared president of Armenia, Serzh Sargsyan is concerned more about the security of his seat than that of the state and its citizens.

d) The Ministry of Dead Souls

The recent scandal that erupted from Armenia's Ministry of Labor and Social Affairs shows that the Armenian government had the potential to increase pensions even despite Tsarukyan's continuing tax evasion. In November of 2010, the Control Chamber of the Republic of Armenia revealed colossal abuses in the State Service of Social Security, which reportedly forced Vazgen Khachikyan, the Head of the Service, to seek medical treatment. According to *Zhamanak*, Armenia's Ministry of Social Security had been issuing pensions for about 60,000 deceased persons for many years. Some of the listed pensioners have been already dead for 18-19 years. As a result, close to $4 million a month might have disappeared into the pockets of public officials. Ishkhan Zakaryan, Head of the Control Chamber, provided unsettling details of the scam in a report on May 12, 2011 («Առաջին լրատվական» գործակալություն /1in.am Armenian News & Analyses/, 2011c). And it is important to realize that, as *Lragir* emphasized («Լրագիր» Էլ. թերթ /Lragir E-Newspaper/, 2011b), these 60,000 dead souls were not the only source of extra income for public officials, but also 5% of the active electorate, whose votes are an easy game for vote rigging. (Policy Forum Armenia's report on 2008 election outcome explains in detail how these dead souls may have been used in an election that is widely known as fraudulent (Policy Forum Armenia (PFA), 2008).)

Vazgen Khachikyan was dismissed soon after the publication of the facts. He continues to be a member of the ruling Republican party because, as he said in an interview to *Radio Liberty*, "we have, so to say, good friends in the party" («Ազատություն» ռադիոկայան /Radio Liberty Armenia/, 2011).

Khachikyan's dismissal was followed by yet another scandalous disclosure; an accidental one. In journalists' presence, on January 27, 2011, Artur Grigoryan, Armenia's Minister of Labor and Social Affairs, had the carelessness to publicly say the following to the former employees of the dissolved Service of Pension Payments: "We are not going to require those 200 drams from you for each pension delivered, because those at the top don't require it any longer" (Սիմոնյան, Արփինե /Simonyan, Arpine/, 2011). When journalists wondered who "those at the top" were, the minister chose not to specify: "I haven't had to deal with taking those 200 drams. The issue was closed when I came" (Panorama.am, 2011b). At the time of this dialogue, it was his seventh month as minister.

AMD 200 a month from each of about 500 thousand Armenian pensioners amounts to AMD 100 million a month (about $3.8 million a year). Where has that money gone? Another question that craves an answer is why Armen Grigoryan's accidental frankness was not followed by interviews with the former Ministers of Labor and Social Affairs in the Armenian media.

e) *Shadow Employment*

The National Statistical Service published a report, February 11, 2011, called "The Unregistered Field and Unregistered Employment in Armenia, 2010," according to which, more than one third of the construction jobs in Armenia is hidden, as quoted by *Zhamanak* («ժամանակ» օրաթերթ /Zhamanak Daily/, 2011). According to the same report, the percentage of unregistered jobs in retail and wholesale businesses is 26.9% and 11.8%, respectively, in the processing industry.

However, that report has failed to reflect a wide-spread practice in the Armenian job market of paying employees higher salaries than reported. And it is ironic that certain news agencies reporting on such illegal practices, according to someone who has worked in a couple of them, applied the same methodology when it came to paying their employees.

f) The VIP Resort

Tsaghkadzor has been one of the leading areas by size and number of investments in Armenia since the early 2000s. The above-mentioned Grisha Harutyunyan and Gagik Tsarukyan have hotels in the Tsaghkadzor resort. As a result of an ongoing construction boom, there are over 35 hotels in this small town, including a number of 3-, 4- and 5-star hotels.

"When you see these luxurious buildings, you would think that the residents of Tsaghkadzor have jobs. But go and see for yourself, the people Tsaghkadzor are sitting at home without work," told a local to a *Hraparak* journalist (Համբարձումյան, Համբարձում /Hambardzumyan, Hambardzum/, 2010b).

The town's population of 3,400 in 1989 has declined over the years by more than a half to about 1,600 in 2009. According to a number of people interviewed by the journalist, residents of Tsaghkadzor do not comprise the majority of employees at the dozens of hotels and

restaurants in the city. Besides, many of the jobs are seasonal. Oligarchs tend to keep their employees' salaries at the same level as Armenia's minimum wage—AMD 30,000 a month (as of 2010, about $80), and the excuse is usually the economic crisis.

Over $9 million dollars has been invested in the infrastructural development of Tsaghkadzor resorts from 2006-2007 by the Fund alone:

2006 – **AMD 950,000,000** ($2,500,000) for the construction of the fourth station of the Tsaghkadzor ropeway (Թունյան, Բաբկեն /Tunyan, Babken/, 2006b);

2006 – **$6,522,199.93** for the construction of the ski tracks of Tsaghkadzor-4 and two garages (HAAF, 2006);

2007 – **$60,360.30** for the construction of a parking lot for the Tsaghkadzor funicular (HAAF, 2007b);

2007 – **$20,051.28** for technical supervision of the Tsaghkadzor funicular (HAAF, 2007c);

2007 – **$53,974.10** for the design and expertise of the Tsaghkadzor funicular (HAAF, 2007d);

2007 – **$18,838.34** for technical supervision of the Tsaghkadzor funicular (HAAF, 2007e).

Many Tsaghkadzor families have suffered from these rapid developments, since they are no longer able to breed cattle. About ten years ago, the mayor of Tsaghkadzor banned the residents from breeding cattle, which fed otherwise unemployed families. The reason for the ban was the fear that it might repulse foreign tourists and disgust the *nouveaux riches* who have built houses in the town. Almost all the Armenian oligarchs have property and businesses in Tsaghkadzor. And HAAF has made its unique contribution to their prosperity. But whom should these oligarchs really thank?

The official website of HAAF presents the Republic of Armenia as the sponsor both for the Windsurfing center at Lake Sevan (see Part I) and the infrastructural developments of Tsaghkadzor. This brings us back to the question raised in Part I: "It is also interesting to know what exactly the Fund implies by presenting the Republic of Armenia as the donor for the windsurfing project." According to a well-informed former Fund insider, who preferred to remain anonymous, HAAF was dragged into these construction projects by the authorities mainly for one reason: it allows some of its donors to benefit from the tax-exempt status.

"The Republic of Armenia," thus, is a mask that some public officials and oligarchs were authorized by Robert Kocharyan to wear for the purpose of making beneficial investments in Tsaghkadzor. By having HAAF undertake the construction of the above-mentioned projects in Sevan and Tsaghkadzor "sponsored by the Republic of Armenia" alone, Robert Kocharyan and his cronies appear to have saved about $2 million (20% of about $9 million spent on the construction of infrastructures in Tsaghkadzor and about $815 thousand spent to build a Windsurfing Center in Sevan) that would otherwise be due in taxes.

It is clear why a ski route was named after Robert Kocharyan and not, say, HAAF. It was thanks not to the Fund, but Kocharyan's unconditional power over it that oligarchs made "discounted" investments in Tsaghkadzor, that is, at the state's expense. Such favors also explain the zeal, with which most oligarchs backed Kocharyan during the elections and anti-government demonstrations, most notably in early 2008.

Despite all this, these leaders or their subservient representatives cross thousands of miles to squeeze donations out of the Diaspora Armenians in the name of Armenia's economic development. It is hard to disagree with a statement made by Glendale TV host Harout Bronozian during a TV show about HAAF: «Տարին մեկ անգամ կուգան և մեզի հայրենասիրություն կքարոզեն, մինչ 364 օր հայրենասիրությունը կդժեն» ("They come here once a year and preach patriotism to us, but denounce it during the remaining 364 days" (Bronozian, Harout, 2010)).

An initiative like HAAF has been conceived as an important asset for the Republic of Armenia, both for uniting all Armenians and helping the country develop its infrastructure by generous donations. The Fund's aid was invaluable in the early 1990s, when Armenia was at war and on the verge of economic collapse. These gratuitous funds have been an important alternative to the loans from international financial institutions or countries. However, it is now obvious that the caring Armenians' donations can easily become a resource curse when entrusted to a corrupt government, such as those ruling Armenia and Artsakh today.

CONCLUSIONS & SOLUTIONS

"To Donate or Not to Donate," the white paper on the HAAF, is an attempt to help people concerned about the well-being of Armenia and Artsakh find answers to some of their questions about the Fund. This research is an alternative to propagandistic and often misleading information the concerned public has to hear from the Fund representatives. While this has indeed been overdue for a while, I owe it to the TV interview of Sarkis Kotanjian, Executive Director of HAAF U.S. Western Region, (Kotanjian, 2010) for helping expedite the drafting of this series of reports.

By resurrecting long forgotten news about mismanagement of the Fund's resources by officials and their cronies; indicating violations, the perpetrators of which have not been punished by law; publicizing confessions of former and current Fund insiders (some on condition of anonymity); and, eventually, connecting all these dots, the paper defines the Fund's cooperation with the corrupt governments of Armenia and Artsakh as an illustration to an old proverb: "The road to hell is paved with good intentions."

Despite Mr. Kotanjian's allegations, Parts I and II of this paper show that the Armenian and Artsakh governments' impact on the Board of the Fund and its decision-making is significant. Moreover, all four parts manifest that this overpowering influence has been detrimental to the Fund's overall performance.

The methods of misappropriation of funds by officials and/or their cronies have evolved over time from straightforward wire transfers to more sophisticated procedures, such as having the Fund build developments in areas belonging to them or abusing the tax exempt status of the Fund for personal gain. Facilitation of bid-rigging in favor of the construction companies owned

by government officials or their cronies has been yet another widespread method of significant misappropriation.

The dire consequences of the government's overwhelming control over the Fund have been discussed in all four parts of the paper. Poor quality of construction is often due to officials' patronage, which dramatically reduces the construction companies' incentive to ensure quality. The same powerful patronage has been exempting the culprits from prosecution. The disappointing outcome of the Fund's initiatives, as well as ample evidence of mismanagement of the money raised by the Fund, has created a trust vacuum among thousands of donors throughout the world. Instead of carrying out meaningful reforms in the Fund, the authorities, as detailed in Part II, have been systematically compensating the trust vacuum by forcing state employees in Armenia and Artsakh to make mandatory donations to the Fund.

The government's *de facto* (if not *de jure*) control over HAAF has made the latter a silent accomplice of its undemocratic moves. Considering all the evidence that the authorities' powerful presence in the Fund's administration is detrimental to its performance, I believe that it would be in the nation's best interest if all the public officials gave up their membership of the Fund's Board of Trustees. First of all, this step would deter the government from using HAAF as a cash cow for fulfilling its own duties. This enhanced independence will make the government more resourceful than having a non-profit pick up its slack. Secondly, this step could also diminish government corruption risks associated with its direct interference in the Fund's projects, biddings and other procedures. Thirdly, the Fund will have a chance to regain the trust of numerous potential donors, who happen to be in opposition to the incumbent authorities. Thus, independence from the government may eventually boost the Fund's reputation in the society.

As for choice of targets, the new Board of Trustees and the Fund administration have to make sure their choice of projects are not a part of the public services the government is supposed to provide. Alternatively, cooperation with the government may be acceptable only on condition that, like the Millennium Challenges Corporation, HAAF could hold the government accountable for the funds provided, thus using its financial potential as leverage to curb potential corruption. The Fund's projects should be highly selective and properly targeted. Preference should be given to cultural, educational, and demographic projects. The latter may include support of repatriation efforts in Artsakh and liberated territories.

In order to restore justice and to rehabilitate the Fund's reputation, a forensic audit of the HAAF needs to be conducted. In the event that violations are discovered, the culprits should be prosecuted, the missing funds should be recovered and directed to the implementation of future projects. Mandatory donations at state institutions must be banned. The Fund should publicly condemn forced donations and provide an option for all the involuntary donors, who have been forced to give money by their employers, to get their money back. It is also important for the Fund to ensure rotation of auditing firms at least once every two years.

Armenia has enough resources to care for most of its needs, if only its rulers wished to use those resources towards those needs. With such a will, the country could generate twice as much revenue in a single year as the Fund has in eighteen years. However, large-scale corruption in the government, tax evasion, and power abuse for personal gain—as demonstrated in this series of reports—are the key reasons why Armenia has been unable to realize its full potential. Under such circumstances, by cooperating with the corrupt government, readily picking up its slack and even contributing to the prosperity of oligarchs, the Fund actually feeds into the corrupt system, making it stronger. As long as HAAF has not dissociated itself from the current corrupt regime, every donation is effectively a vote of confidence for the corrupt ruling elite and the people on the very top.

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Appendix #1

Ara Vardanyan, "Hayastan" All-Armenian Fund Executive Director, To Debate Fund Activities Live on TV

Ara K. Manoogian
March 7, 2011
(www.thetruthmustbetold.com/2011/03/07/ara-vardanyan-debate-fund-activities-live-on-tv-eng/)

"To Donate Or Not To Donate," a recent white paper by Ara K. Manoogian, a human rights activist and investigative journalist, analyzing the activities of the "Hayastan" All-Armenian Fund will be debated live on an Armenian television in Los Angeles, CA. According to a preliminary agreement, the participants of the debate are as follows: Ara Vardanyan, Executive Director of "Hayastan" All-Armenian Fund, Sarkis Kotanjyan, the Fund's Executive Director of the U.S. Western Region, and Ara K. Manoogian, the author of the white paper in question.

Ara Vardanyan has denounced the white paper stating that "the facts that are given in the article are all rumors and furthermore have nothing to do with our organization." On March 2, 2011, he made the following statement: "Both I and Sarkis Kotanjian are ready at any time to sit with you on one of the Armenian Televisions and talk about all these things live. Lets see what is true and what is not."

"To Donate Or Not To Donate" is the most recent and comprehensive paper questioning the efficiency of the "Hayastan" All-Armenian Fund. Three of the four parts of the white paper on "Hayastan" All-Armenian Fund can be found at www.thetruthmustbetold.com. The date and other details of the televised debate will be announced.

Appendix #2

"Hayastan" All-Armenian Fund Cover-Up Foiled

Ara K. Manoogian
July 8, 2011
(www.thetruthmustbetold.com/2011/07/08/haaf-cover-up)

As I was working on the final part of the white paper, Part III was attracting more and more attention from people both pleased and displeased with activities of the "Hayastan" All-Armenian Fund (hereafter, HAAF or the Fund). As belated as it was, for the first time, Ara Vardanyan, the Executive Director of the Fund, reacted to the white paper in the form of a lengthy comment. He wrote: "As the present Executive Director of "Hayastan" All Armenian Fund I hereby state that articles published by Ara Manoogian are purely slanderous" (comment #33/English).

Expressed through a number of comments, Ara Vardanyan's main message was nothing new: "Is it possible to fail to notice the hundreds of schools, residential buildings, water mains, hospitals, gas pipe lines, and kindergartens, which "Hayastan" All-Armenian Fund has built in Armenia and Artsakh" (comment #6/Armenian). With slight paraphrasing, this statement is voiced by nearly all Fund representatives and staunch supporters (Ara Vardanyan, Sarkis Kotanjian, Vardan Partamyan, Stepan Partamian and others) in response to accusations of corruption or low quality. Such response translates into a well-known saying: "Never look a gift horse in the mouth."

I, Ara K. Manoogian, hereby declare that I have succeeded in personally noticing the hundreds of schools, hospitals, etc., which HAAF has built with quality often lower than the allocated funds suggest. The problem is that these projects are the natural responsibilities of the Armenian and Artsakh governments, which could potentially afford building more and better

than that, provided that they had enough political will to reduce corruption and collect all taxes due from the poor and the wealthy alike. If these governments are not capable of doing this much, then what are their merits to run the Fund? As impotent as they are the leaderships of both countries have absolutely no place in the Presidium of the Board of Trustees of the HAAF and should therefore resign.

Despite the Executive Director's attempts to discredit the research, there were people who spoke in defense of the white paper. After 'K,' an anonymous user, declared in a comment that, disheartened by the findings in the research, he/she was "now a FORMER donor," (comment #6/en) a mysterious user under the pseudonym of 'Pahakazor' (Armenian for 'patrol' or 'sentry') joined the debate. As the nom-de-plume suggests, this person took up the role of the Fund's guardian angel, fending off inconvenient opinions. In doing so, 'Pahakazor' demonstrated surprising similarities with the Executive Director of the Fund.

Like Ara Vardanyan, Pahakazor refused to understand why corrupt officials are featured in a paper about the HAAF; like Ara Vardanyan, Pahakazor reduced the white paper to a compilation of gossip; like Ara Vardanyan, the Fund's guardian angel also wondered if those criticizing the Fund had ever bothered to visit the office in Yerevan or any of the project sites. Both posted comments under the English and the Armenian versions of Part III. The similarities of the standpoints made me wonder who Pahakazor really was. I had my strong suspicions as to his/her identity, therefore I created a commenter, 'Arthur,' whose mission was to smoke the real person out of the nom-de-plume. In these fragments of different comments, Pahakazor presented himself as follows:

1. "Remember the amount of assistance that we sent to Armenia after the earthquake in 1988 and 1989?" (comment #11/en)
2. "I am a donor who tries to travel to Armenia at least once every year" (comment #18/en).
3. "As I said three times before I am a long time donor to Armenia Fund who cares where my donations end up. I visited several Armenia Fund projects, spoken with people in those villages, contractors and office workers of Armenia Fund in Armenia" (comment #55/en)

4. "I actually do stop by at the Himnadram office in Armenia, I try hard to go to the villages where the projects are and I do check with the Himnadram's financial department to see where my money goes" (comment #25/en).

The first statement suggests that Pahakazor is a Diaspora Armenian who has lived in the U.S. since before the collapse of the USSR and is old enough to have provided humanitarian aid to Armenia back in 1988. The rest of the statements imply that this person is so preoccupied with the Fund, its projects, and safeguarding its dignity, that I felt the Fund should reward Pahakazor for his/her exceptional enthusiasm.

A Google search of the nom-de-plume led me to Asbarez.com, where Pahakazor had left a comment about the Ramgavar Azadagan Party U.S. Western region having unpaid pledges to the HAAF amounting to $100,000. Such knowledge was yet another indicator that Pahakazor had been closely associated with the Fund. When 'Arthur' asked 'Pahakazor' whether he/she worked for the Fund, the answer was negative: "Years back I volunteered answering phones during the Telethon" (comment #55/en). In response to 'Arthur's' inquiry where he/she had dug out such confidential information, Pahakazor said: "I checked the info and it turned out to be true" (comment #25/en).

Barely had Sarkis Kotanjian, *Executive Director of the* HAAF *U.S. Western Region,* set foot in the battlefield of comments, when he accidentally stepped on a mine that blew 'Pahakazor's' cover. The very first comment by Sarkis Kotanjian, whose highly controversial interview had served as an urge to embark on the white paper, came from the same Internet Provider (IP) address as those by 'Pahakazor's.'

For additional proof of identity, I contracted John Olsson, an independent forensic linguistics expert from the United Kingdom, Co-ordinator of the Forensic Linguistics Programme at the University of Bangor, North Wales, UK. In his report into the authorship of texts signed with the nom-de-plume 'Pahakazor,' John Olsson concluded: "In my opinion, on the balance of probabilities, Mr. Kotanjan is a probable author of the texts attributed to 'Pahakazor'. I suggest that the combination of features in common across the two text sets would most likely be used by only a very small percentage of the population." Thus, my suspicions were confirmed, and 'Arthur's' mission was accomplished. The report in its entirety can be accessed at http://zlmedia.wordpress.com/2011/04/04/pahakazor-report/. The discussions with Pahakazor's

active participation can be found in the comments sections of "To Donate Or Not To Donate" (PART 3) and its Armenian version at TheTruthMustBeTold.com.

This discovery made me look back at certain statements made by 'Pahakazor' under a completely different light. For instance, I was trying to picture Sarkis Kotanjian in 1988, a boy in his early teens who lives in Yerevan but manages to send humanitarian aid to Soviet Armenia from the U.S. (comment #11/en). Below are a few more interesting fragments:

1. "The Los Angeles director that speaks on YouTube about Armenia Fund actually makes sense to me as a pragmatic down to business type" (comment #22/en).
2. "I am not surprised that the Fund discovered this post recently. I myself discovered it about a week ago — it's not like this is a widely popular blog" (comment #18/en).
3. "I can't help you with that. Maybe this guy Ara Manoogian is a decent guy, who knows – neither you are me have met him in person" (comment #27/en).

I will leave the first statement without comments. As for the second allegation, it is an outright lie, since Sarkis Kotanjian was the first to read Part I of this white paper, after I handed him a copy near the end of our face-to-face meeting. This means he had access to the paper not just a week but a couple of months before the comment was posted by 'Pahakazor,' his alter ego, who, in the third statement, denies altogether having met me in person. A few comments later, Sarkis Kotanjian eventually did admit to having met with me in person to discuss the state of the Fund and other issues (comment #57/en). Sarkis Kotanjian also added in the same comment: "Yes, Ara Vardanyan is well aware of our meeting." And this admission put Ara Vardanyan into quite an awkward position, since the latter had declared earlier: "As the director of the Fund's executive board I have always been open to any dialogue and it surprises me that Ara Manoogian has never contacted us with a request to set up a meeting for an interview" (comment #5/en).

Thus, assuming a fake identity, Sarkis Kotanjian was praising and promoting the Fund by giving false testimony. By claiming to be a diligent donor, who has checked and is now completely satisfied with the way his money translates into projects, Sarkis Kotanjian misleads people into trusting and donating to an organization, for which he works.

The deception on the part of the top administration of the Fund is present in a number of comments the two executives left under Part III.

1. "ARMENIA FUND IS NOT CONTROLLED BY ANYONE," emphasized Ara Vardanyan in the comment #33/en. But when a concerned commenter reiterated a point we made in Part I about the importance of changing auditing companies, Ara Vardanyan passed the decision-making privileges over to the Board of Trustees: "Firstly, your claims about Grant Thornton Amyot will be passed to them, and it will be up to them to follow up. As I have stated hundred times, we have a board of trustees which consists of 35members, 25 of which are representing Diaspora. These are the people who make the decisions concerning audit selection and other strategic things" (comment #46/en). This last segment—particularly, "other strategic things"—is eloquent about who controls the Fund: those ten who make up the Presidium of the Board of Trustees, the majority of whom are government officials, and whom Mr. Vardanyan tries to circumvent. The detailed presentation of this topic can be found in Part I.

2. It was surprising to hear what one of these 25 members of the Board of Trustees, Ara Boyajian (Canada), had to say about the Fund at the end of the Board meeting on May 31, 2011:

> The general structure of the "Hayastan" All-Armenian Fund stands on a quite solid foundation, because it's the only organization, which, indeed, is regularly audited by Western standards. And, as a matter of fact, we haven't heard of any violation for the past 20 years.
> (http://www.youtube.com/watch?v=fcIVcwq6Bzo)

It is unthinkable that someone on the Board could fail to have heard of any violations in the past 20 years, when even the incumbent Executive Director, Ara Vardanyan, admits it: "I surely can say that in some cases we did have problems with quality . . ." (comment #30/en). So does Sarkis Kotanjian, when he declares: "I said it during that meeting and I will say it now that as any organization, Armenia Fund in its 20 years of existence had its share of challenges through which it learned. […] Armenia Fund is not what it was back in 1994, 1998, 2003 or 2006 – it changes with time and it changes with people" (comment #57/en). Clearly, the right hand doesn't know what the left hand is doing. Who could, after all, deny that the self-promotion of the Fund as dependable is misleading?

3. Whether or not the issue of alternating auditing firms was passed over to the Board of Trustees, as promised by Ara Vardanyan is unclear. However, it is a fact that this issue was not in the agenda during the annual meeting on May 31, 2011. The same commenter, who shared our concern about auditing, had also complained about forced donations. According to her, for years, AMD 1,000 has annually been withheld from the salary of her mother, a school teacher, to be donated to the HAAF without her consent. In reply, Ara Vardanyan qualified the practice of forcing donations as illegal: "I feel sorry that I have withheld AMD 1,000 from your mother's salary. But it is not legal, and the headmaster of that school has to be held accountable. We don't encourage such donations" (comment #6/am). To the best of my knowledge, neither has any headmaster been held accountable, nor has Ara Vardanyan or any of the members of the Board of Trustees addressed this issue.

Appendix #3

Open Letter To Ara Vardanyan And Sarkis Kotanjian

Ara K. Manoogian
August 2, 2011
(www.thetruthmustbetold.com/2011/08/02/open-letter-haaf-eng/)

With the intention of organizing a TV debate about "Hayastan" All-Armenian Fund, based on the critical issues raised in "To Donate Or Not to Donate?" (http://www.thetruthmustbetold.com/2011/08/02/wp-content/uploads/haaf-eng.pdf), a white paper on the Fund, I sent a private email to Ara Vardanyan, Executive Director of "Hayastan" All-Armenian Fund, and Sarkis Kotanjian, Executive Director of "Hayastan" All-Armenian Fund U.S. Western Region, on July 15, 2011. Since I have not received any reply from them, I have decided to make the letter public.

Dear Mr. Vardanyan and Mr. Kotanjian,

Based on the agreement we reached on March 7, 2011, I suggest that we decide on a date for the live TV appearance in Los Angeles to discuss the issues raised in the white paper on "Hayastan" All-Armenian Fund, "To Donate or Not to Donate?" Though you insisted on being ready to sit with me at any time and with any persons that have anything to say about the fund, I suggest that, for the sake of your logistical convenience, you pick three dates between August and October of 2011 for the live TV broadcast of the above-mentioned discussion. I will then pick one of your suggested dates, and we will embark on the organizational phase of our agreement.

The same day that I accepted your offer, a number of Armenian news agencies published my press release in regards to an upcoming TV appearance on the issues mentioned above—"Ara Vardanyan, "Hayastan" All-Armenian Fund Executive Director, To Debate Fund Activities Live on

TV" (http://www.thetruthmustbetold.com/2011/08/02/2011/03/07/ara-vardanyan-debate-fund-activities-live-on-tv-eng/).

Below are statements from your original comments to the third part of the white paper in question, as well as my response.

March 2nd, 2011 at 04:10

"Both I and Sarkis Kotanjian are ready at any time to sit with you on one of the Armenian Televisions and talk about all these things live. Lets see what is true and what is not.

March 2nd, 2011 at 04:52

My suggestion is in force. Any time in LA on any Arm TV LIVE with any person that has anything to say about our organization. I stand ready.

March 7th, 2011 at 14:02

After consulting with my legal counsel, I am happy to report to you that I am accepting your offer to appear live on TV with you and Sarkis Kotanjian in Los Angeles on a date to be announced. I will be in contact with you in private to discuss the particulars.

Very truly yours,
Ara K. Manoogian

Appendix #4

CORRECTION: About "Hayastan" All-Armenian Fund

Bedros Terzian
Originally published in Nor Haratch*, issue #200 (April 5, 2011)*
Brought to Ara K. Manoogian's attention at the end of September 2011
Translated from the Armenian
(http://www.thetruthmustbetold.com/2011/10/05/terzian-corrections/)

Editroship of Nor Haratch: "We have received a response from Mr. Petros Terzian, President of "Hayastan" All-Armenian Fund in France and a member of the Fund's Board of Trustees, as a rebuttal of a series of our articles titled "To Donate Or Not to Donate? Or Ara K. Manoogian's scandalous series of articles, a white paper on "Hayastan" All-Armenian Fund," which we present in its entirety."

I read with resentment the article published in *Nor Haratch*, in which baseless slurs are quoted against the "Hayastan" All-Armenian Fund (HAAF) by a "journalist" named Ara Manoogian.

As a member of the HAAF executive council and president of the "Hayastan" Fund of France, it is my responsibility to make the necessary corrections, so that no reader's mind would be clouded against an organization, of which I have the honor to have been a member for 18 years. I answer those accusations one by one, in the order presented in *Nor Haratch.*

1) It is natural and essential that the person heading an important office such as the HAAF executive office be not only patriotic and capable, but also be worthy of the confidence of the president of Armenia and the HAAF Board Trustees. The opposite would be unusual and unacceptable.

2) The myth of the Manushak Petrosyan "castle" is 15 years old. The so-called "castle" is the house of Manushak Petrosyan's father-in-law, renovated thanks to compensations received by her husband Artashes Petrosyan for astrophysical lectures in various European and American academies. Manushak Petrosyan is worthy of our people's gratitude during the most difficult years 1992-97, for her tremendous work on behalf of Armenia and Artsakh, as the first executive director of HAAF. And here people, who have not even moved their pinkie for Armenia and Artsakh, try to besmirch her name. I have only one word to say to them: "Shame!"

3) Raffi Hovannisian resigned from HAAF, because he wanted to broaden the scope of its work, the general ties of Armenia-Diaspora. HAAF did not want to come out of the humanitarian scope of HAAF, and it was justified. Raffi Hovannisian resigned and entered political activity. That was his absolute right.

4) HAAF occupies half a floor belonging to the government of Armenia for the simple reason that it does not pay rent. If it paid rent to the government or to a proprietor, it would be said that it is wasting the money of contributors… This reminds me of the stories of the wise fool *Khigar*. It is not worth to elaborate.

5) But this is one of the proofs for A. Manoogian that HAAF is subject to the government of Armenia. For him, it is difficult to imagine that Armenia, Artsakh and Diaspora can collaborate in some areas without the one being subject to the other. The HAAF is a collective body—the only one in our Armenian reality, in which Armenia, Artsakh and Diaspora, churches, the three historical political parties, humanitarian organizations and some twenty personalities are represented because of their assets and abilities, among whom, Charles Aznavour. Of the 35 members of the Board of Trustees, 25 are from Diaspora and consequently form the majority.

6) To make the HAAF fund accounts a subject of discussions by means of quotations from newspapers and formulating "possible variants" is simply not serious. The accounts are open to all, including A. Manoogian, if only he had expressed a desire to review them (but perhaps that is not beneficial for him…). No single organization, not even the American *Millennium* organization, admired by A. Manoogian, has as strict oversight and control mechanisms as the HAAF. Meanwhile, we have two auditors, one from Armenia and the other from Diaspora. To wit, *Grant Thornton*, the internationally renowned foundation, which performs both financial

and physical oversight, that is of implementations. Aside from this, there is an external office overseeing each project. There is also supervision by the architects and accountants of the HAAF executive administration. On top of this, any country's branch of HAAF has the right to request a special examination of a given project. And, finally, it is possible to visit and see all the implemented projects: roads, waterways, schools, hospitals…

7) A. Manoogian does not believe that the HAAF administrative costs form only 7% of its general budget. He says it is "impossible." It seems that for him it is a matter of imagination and not an accounting issue. In reality, in 2010 it was not 7%, but 6.8%; and in 2011 we are hopeful we will not exceed 6%. This is the result of thrift and not of imagination. Perhaps it would be good if A.M. investigate what percentage *Millennium* allocates for its administrative costs.

And yet he enumerates one-by-one how many people go from Armenia and Artsakh to California every November to participate in the HAAF Telethon. He imagines their expenses… Organizing a telethon is a meticulous work. It requires serious preparation and the participation of numerous individuals, including from Armenia and Artsakh. It is thanks to this seriousness that it is successful, seemingly causing resentment from some. This also resembles a *Khigar* myth. Had it failed, it would be said that the necessary means and seriousness had not been applied… Let's move on.

8) Yes, part of the pledges made during the Telethon and our phonathon are not honored. The situation is the same for similar non-Armenian events. But contrary to that (for A.M., sadly) let me say that the amounts received at last count are either equal to the pledges or exceed them. Why? First, because some send more than the amount they pledged; others, finding themselves unable for direct participation in those days, send their annual contribution faithfully after the event is over. And from year to year the number of contributors to HAAF increases. These facts are verified and verifiable.

9) Manoogian says the proof (aside from the "proof" of the government building floor…) that the HAAF is politicized is that, during the 2009 session of the Board of Trustees, President Serzh Sargsyan referred to Armenia-Turkey relations. Here, again, his information is insufficient. Not only in 2009, but annually, after the adjournment of the sessions' agenda, countering us, those who have gone from Diaspora, the president of Armenia presents the current condition,

answers our questions and records our comments. This is an occasion after the meeting to speak with the president of Armenia and other officials. If this kind of dialogues bother A. Manoogian, that is his issue. There is a solution for that, too…

10) A. Manoogian praises the *Millennium* program "which is much more concerned with the rights of Armenian citizens than Armenian benevolent organizations." Really? *Millennium* is a foundation belonging to the American government, which has clear preconditions to extend assistance to any country. While for us Armenia and Artsakh are not only not any country, but the primary pivots of HAAF activism, with the only precondition and purpose of serving the people.

Would *Millennium* perhaps build the main road linking Armenia to Artsakh, or the Iran road, without which in 1993-94, due to the Turkish and Azeri blockade, Armenia could have been strangled; or Artsakh could be lost with its entire population. It seems *Millennium* was also going to build the North-South main route. Neither *Millennium*, nor other foreign organizations would have realized these vital projects, as well as thousands of other projects, especially in Artsakh, simply because it was they who were politicized and not the HAAF.

11) A.M. says that the HAAF "serves [more] to empower the incumbent authorities than to secure the socio-economic needs of the country." Really? Construction of 466 km of roads, 240 km of waterways; construction of 105 new schools, renovation of 130 schools, classroom furnishings for more than 30,000 students; 36 hospitals and clinics; 24 sports centers; 71 km of electrical lines; 146 km of gas lines; 410 social apartments; aid to more than 8,000 orphans after the Artsakh war; fuel and seeds provided to farmers; financial aid allocated to students and researchers; development project to the villages of Tavush Marz, etc. If all these HAAF projects do not contribute to the "socio-economic needs," then what else contributes? Please! What free gossip.

A.Manoogian does not care about all this. Not a single appreciative word. Not one positive comment about the work done. Does he who lists numbers and numeric symbols, ever ask himself how over the course of the past 19 years all these projects have been realized with only 200 million dollars? No; he is not interested in knowing what economical means were undertaken to realize such a large number of projects with such a small amount.

A.M.'s purpose is but one. To cause damage to a great patriotic undertaking; to cast doubt in the minds of contributors. His method in French interpretation is the following, "Lie, lie, at the end something will be left".

If he were a just and impartial "journalist," he should have addressed himself toward the source of information, toward the executive body of the HAAF office, asked questions, examined accounts, confirmed his "information" gathered from here and there; or, using his words, put his "variations" side by side with the reality. But his purpose was not to do serious analysis; otherwise, instead of applying to the direct source, he would not have turned to secondary, tertiary means. And if he had applied, he would not have been able to make such accusations.

The undersigned has the honor of serving this magnificent organization which is named "Hayastan" All-Armenian Fund. I am certain that tens of thousands of contributors feel the same honor, who bring their participation through the HAAF to the building and strengthening of Armenian and Artsakh. The A. Manoogians will pass, that which the people build will remain.

Now, two words to the editorship of *Nor Haratch*

The primary duty of the journalist is to confirm the news and rumors it receives. This is the demand of law. In the instance of error, the newspaper is obliged to publish a correction. The law strictly punishes defamation [*diffamation,* sic.] and foresees payment for moral or financial damage.

I am surprised why you did not try to confirm A. Manoogian's so onerous and baseless allegations, before publishing his "shocking," "revealing," "onerous authentications." (These are the words you have used). You who publish the news releases and announcements of the Fund, could you not have attempted to investigate, before publishing A.M.'s allegations in four issues of your newspaper? Instad you apologize that "unfortunately" you cannot reprint his writing in "entirety." On whose behalf are you apologizing?

If the most important thing for you is only to have people talk about your newspaper by printing emotional articles, is there no difference between talking well and talking badly?

On what basis do you dare to write that "sadly, an important part of what A.Manoogian says is that it undoubtedly corresponds with reality." Which proof that you have "undoubtedly" justifies such an onerous accusation? If you have it, expose it! If you do not have it, and yours, like A.M.'s, is also an "opinion" stemming from imagination, then have the decency to write that in your "opinion…" The reader will judge from that.

You write that "the serious journalistic work performed by the author of the article should be underscored." Really? It seems that the basic principles of journalistic work are completely unfamiliar to you, since as demonstration of "seriousness" you write that "quotations of almost every passage have been taken from newspapers" and you emphasize that "naturally these are generally names from the oppositionist press" (?…). Since when do say-so's gathered from newspapers have the power of proof? Since when?

Why A. Manoogian has referred to newspapers when ALL the account books of the HAAF are open to ALL, is obvious.

His purpose is one: to attack an organization working for assistance to the people of Armenia and Artsakh, which enjoys the confidence of tens of thousands of contributors. He is not alone in this work. There are countries, which pursue the same purpose.

But you, *Nor Haratch*, editorship of an Armenian newspaper, do you realize to whom and to what you attach your name? Do you ask yourself what can be his pursued purposes?

The HAAF is that structure which, contrary to the widespread corruption, has succeeded in working with complete conscience, thrift and transparency. It is going to continue its activity in the same manner for the benefit of the people of Arsakh and Armenia, which need a structure similar to HAAF. "Let he who denies be blinded," say the people.

The ultimate judge are the people, the people, and not above-doubt the deserters like A.Manoogian.

Appendix #5

Armenian Journalism Targeted: Response to "Correction"

Editorship of Nor Haratch
Reprinted from Nor Haratch issue #200 (April 5, 2011)
Translated from the Armenian
(http://www.thetruthmustbetold.com/2011/10/06/nor-haratch-response/)

With his "Correction," Bedros Terzian, President of "Hayastan" All-Armenian Fund (HAAF) in France, took advantage of his right to response stipulated by the French law on journalism, reacts quite aggressively to Haroutiun Gobelian's series of four articles published in *Nor Haratch*, titled "To Donate or Not to Donate?" Ara K. Manoogian's Scandalous Series of Articles: a White Paper on "Hayastan" All-Armenian Fund.

To respond in rebuttal is his right. We live in a country where freedom of speech and expression is ratified and regulated. However, we regret that he wastes that decreed right on discrediting journalistic work, journalists and press by ridicule: "Since when do say-so's culled from newspapers have the power of evidence? Since when?" However, despite this assertion, he turns to the pages of our newspaper for his self-defense. Will he qualify his statements tomorrow as a say-so, just because they are being typeset in a newspaper? So much disdain toward writings published in newspapers is unacceptable.

Misinterpretation of Haroutiun Gobelian's series of articles is a peculiarity of Terzian's "Correction." We will try to keep it short and focus only on the first paragraph of "Correction". Here is a quote: "With indignation, I read a series of articles published in *Nor Haratch*, quoting groundless slanders about 'Hayastan' All-Armenian Fund by a 'journalist' named Ara K. Manoogian." Wrong *Nor Haratch* does not quote Ara Manoogian's groundless slanders; it presents Ara K. Manoogian's investigative work, titled "To Donate Or Not to Donate?". We present the work just as we would present any literary, scholarly, artistic, or a social research

work. It is our duty; we play our role, as the press, even when referring to works that may not seem pleasant to HAAF. Ara K. Manoogian, the author of "To Donate Or Not to Donate?", is a member of *Policy Forum Armenia*, an Armenian think tank, which has assiduously been following the activities of HAAF for 19 years, and has examined numerous evidentiary materials—published, spoken, announced—which, although not exhaustive, include many revealing materials, pose courageous and actual demands and formulate important questions.

We would have considered all this as somewhat acceptable. However, the issue further on assumes a more serious character, as *Nor Haratch* editorship is all but accused of national betrayal: "His purpose is one. To attack an organization working to assist the people of Armenia and Artsakh… But you, *Nor Haratch*, editorship of an Armenian newspaper, do you realize to whom and to what you attach your name?" We sternly condemn this intellectually indecent position and we find it inappropriate for the leadership of a pan-Armenian organization. We used to think of the head of the French HAAF as someone more responsible and knowledgeable. It is neither the Armenian press of the Diaspora, nor an Armenian journalist that is attacking an organization helping the nation; it is being done by those who defend the corrupt circles of Armenia.

We have witnessed the serious and meticulous work done by the HAAF in France. However, we cannot say the same thing about the HAAF in Armenia, taking into account the existence of corruption at the highest state level, which has even been admitted by both the President and the Prime Minister, confirmed by international NGOs, and which keeps growing. Moreover, according to the latest data, it has become systemic, i.e. it has gotten to the worst level (see the interview of the head of the Yerevan office of *Transparency International Anti-Corruption*).

At a deeper level, Mr. Terzian's position is nothing new: it repeats HAAF Executive Director Ara Vardanyan's more explicit populist statement, addressed to investigative journalist Ara K. Manoogian, in regards to "To Donate Or Not to Donate?". "Certainly, there will be benefactors who will stop making donations after reading your articles and as a result a new school, hospital, water main, or such will not be constructed in a village in Armenia or Artsakh and you will be responsible for that – a person who is ignorant towards thousands of benefactors' loyalty and devotion to their homeland…" (See Ara Vardanyan's response in *Nor Haratch* #193, p. 5).

Nor Haratch published the above-mentioned response of Ara Vardanyan, HAAF Executive Director, in advance, so that the French HAAF spares us, French-Armenians, an unacceptable counteraction, such as "Correction." Moreover, after receiving his text, we asked the director of the HAAF in France to give up his request to publish it in *Nor Haratch*. Because all of it had already been said. But, in vain.

Let us now consider the financial documents. We ourselves would like to ask a question: since when did clean financial documents and auditing companies verifying those documents become evidence of being corruption-free. "ALL the financial documents of the HAAF are open before ALL" is presented as a guarantee of accounting transparency to prove that HAAF cannot have become a victim of corruption. During the 2008 economic crisis, was it not those same audit experts who had also audited the international banks, which went bankrupt due to mortgage fraud and over-valuation? Even such an internationally renowned person as Madoff, the pride of the financial world, managed to steal $50 billion, in spite of the multitude of auditors. HAAF cannot hide behind auditors' work. Nor is the "come to the office and check" convincing for anyone. The information published in media is not say-so for *Nor Haratch*. It is the duty of HAAF, as a public organization, to respond to each and every statement and question published in the media. And it is not the populist statements that will make us give up our convictions and the responsibility of our work as a news agency.

The main goal of Ara Manoogian's series of investigative research articles on HAAF is the achievement of the Fund's independence from the governmental circles of the Republic of Armenia. Of the members of HAAF's Governing Board, 67% are high-ranking government officials, with the President of the Republic of Armenia also being the president of the Governing Board. In the first point of his response, Mr. Terzian emphasizes: "It is natural and essential, that the person heading an important office such as the HAAF executive office be not only nationalistic and capable, but also be worthy of the confidence of the president of Armenia and the HAAF executive council. The opposite would be unusual and unacceptable." An absolutely unacceptable approach. A humanitarian structure cannot tolerate being dependent on Armenia's governmental circles. The government is a political structure, whereas a humanitarian organization is a social, non-governmental entity. All corruption mechanisms are associated with economic enterprises related to government officials. For this very reason, independence is necessary.

What does Levon Ter-Pedrosyan, the founder of the Fund and its first president, whose trust Bedros Terzian enjoyed, think and what does he say from the stages about Kocharyan, the Fund's second president, and Serzh Sargsyan, the current one, whose trust Ara Vardanyan and Bedros Terzian enjoy?

The main source of the disease are those occupying the highest positions of the Armenian state, who are responsible for the establishment of the corruption that has been permeating the country for 20 years. The activities of HAAF should be detached from subjection to the governmental regime.

Instead of calling an independent journalist, like Ara K. Manoogian, a "deserter," we ask you aim your lessons and accusations at those government officials who have pocketed billions of dollars granted to Armenia and Artsakh by corrupt means. It is their fault that fewer roads, water mains, schools and hospitals have been built in Artsakh and Armenia. It is their fault that millions of Armenians follow the path of emigration. And don't dutifully accuse those writings published in media that have a critical stance or endorse opposing views. Respond with decency.

Since its establishment of the French HAAF, *Nor Haratch* has always reflected a positive assessment of its activities. The Fund is a necessary institution useful for the nation. It can be improved; its mode of work can be bettered; its structure can be made independent and exemplary, so that it becomes a model for eradication of corruption in Armenia; and serves an example for close cooperation and mutual confidence between Diaspora and Armenia.

Appendix #6

Bedros Terzian Saw the Elephant

Ara K. Manoogian
October 7, 2011
(www.thetruthmustbetold.com/2011/10/07/bedros-elephant/)

This is a response to a letter of resentment, titled "Correction: About 'Hayastan' All-Armenian Fund," (www.thetruthmustbetold.com/2011/10/05/terzian-corrections/) by Bedros Terzian, President of "Hayastan" All-Armenian Fund in France and a member of its Board of Trustees. "Correction" was published in issue #200 of Nor Haratch*, a Paris-based Armenian language newspaper, on April 5, 2011, as a response to the coverage of "To Donate Or Not to Donate?", a white paper on "Hayastan" All-Armenian Fund in four consecutive issues of* Nor Haratch*, which published its own response to Mr. Terzian's letter in the same issue: "Armenian Journalism Targeted: Answer to 'Correction.'"*

It was a true joy to learn that two months later, in April 2011, Bedros Terzian, President of "Hayastan" All-Armenian Fund (HAAF) in France, finally saw the elephant in the room, and directed his resentment at the right addressee.

What elephant? What resentment? What addressee? The elephant is the white paper on HAAF titled "To Donate Or Not to Donate?" an alternative to propagandistic and often misleading information the concerned public has to hear from the Fund representatives. In an earlier letter of resentment published in *Nouvelles d'Arménie* in February 2011, Mr. Bedros Terzian was slamming two forum users, who had dared to openly discuss the paper's critical issues regarding the Fund in the online forum of the French-Armenian journal. It was surprising that Mr. Terzian had not written a single word about either the very source of those discussions, the white paper, or me, the author.

Four days after that letter, Part III of the white paper was published, where I touched on Terzian's failure to see the elephant in the room. But no response followed it until *Nor Haratch*, an Armenian language newspaper in France, presented the first three parts of the white paper on HAAF in four consecutive issues in March 2011, thus breaking Mr. Terzian's patience. In May 2011, he came up with quite a slanderous and defamatory note aimed at both the newspaper's editorship and me.

Unfortunately, only four months later—the end of September of 2011—I found out about the existence of Mr. Terzian's response from third parties, since *Nor Haratch*, alas, had neither notified me about covering the white paper in their newspaper, nor about Terzian's response. I salute the thorough review of the white paper by *Nor Haratch*, nevertheless, I should note that "To Donate Or Not to Donate?" was mistakenly presented in issue #200 as a result of 19-year research conducted by the Policy Forum Armenia. Although I am a member of the Policy Forum Armenia, the white paper and the related research were my personal initiative.

My true joy upon learning about Terzian's response faltered a little after I realized that Mr. Terzian was relentless in his determination not to see the elephant, at least in its entirety. "I will answer those accusations one by one, in the order presented in *Nor Haratch,*" he writes. That is to say, he intends to respond not to the actual white paper but its *summary*. It is a comfortable choice, since it is the lesser of two "evils". First of all, the summary does not include Part IV of the white paper, which was published in June 2011. Secondly, a summary implies inevitability of missing important details. For instance, in its summary of Part III of the white paper *Nor Haratch* did not mention my finding about Bedros Terzian's intention to quit the Fund, disenchanted by the bloody events on March 1st 2008. According to my well-informed and confidential source, he was successfully convinced to stay.

This omission by *Nor Haratch* has relieved Mr. Bedros Terzian of the burden to comment on this controversial moment in the history of his warm relationship with HAAF. But were he to confirm this information, he would have devalued his long and contemptuous references to the Millennium Challenge Corporation (MCC), which cut Armenia's aid significantly due to the bloodshed and drastic failure of democracy in March 2008. It is this resentment toward the humanitarian and democratic failure where the Millennium Challenge Corporation and Bedros Terzian (if only temporarily) had something in common.

And I have to disagree with both *Nor Haratch* (issue #194) and Mr. Terzian in their assessment of such a stance being solely political. Above all, this was a humanitarian disaster, which should concern any organization claiming to be humanitarian. I had drawn a particular attention toward the *irony* that raising the issue of bloodshed, notwithstanding the context, had left an impression that MCC is more concerned about the Armenian citizen than HAAF that had swallowed the crime perpetrated by its own leaders. What I appreciated about the Millennium Challenge Corporation was not its structure or affiliation with the U.S. government, but the demand for accountability from the Diaspora-pampered Armenian government. I regret that Mr. Terzian swayed from his position and, thereby, practically doomed himself to defending the crooks ruling over him and the poverty-stricken Armenia.

How come discussing Armenian-Turkish diplomatic relations at a Fund's annual session is okay, whereas raising the March 1st killing of Armenian citizens is a political issue and, thus, incompatible with the Fund's apolitical status? Has any one of those philanthropists expressed a purely philanthropic concern over the death of ten fellow Armenians in a brutal crackdown for the sake of yet another illegitimate president of Armenia?

In another instance, to prove me wrong about the government's unquestionable control over the Fund, Mr. Terzian chooses to diminish the importance of numerous arguments scattered throughout the entire white paper by singling out the one I presented more as an appendix, a symbolic confirmation, rather than an argument: the address of the Fund in the government building.

With 18 years of service to the Fund, Mr. Terzian appears to be unaware of the actual number of Trustees of the Board: "Of the 35 HAAF Executive Council members, 25 are from Diaspora and consequently form the majority." According to the HAAF official website, the total number is 37 (excluding Louise Simone Manoogian, Honorary member of the Board of Trustees). As for the actual ratio of Diasporans vs. government officials in the Board of Trustees it is 23 vs. 12 (including Charles Aznavour as Armenia's Ambassador to Switzerland). This ratio does not include Garegin II, the Catholicos of All Armenians, and Robert Kocharyan, former President of Armenia, since they are not Diasporan or government officials. But this is not as essential as the stubborn refusal of Mr. Terzian and other Fund representatives to publicly acknowledge the fact that the very Board has a Presidium of 12 members, where that seeming minority of

government officials becomes the majority and occupies all the leading positions, with the President of the country as the President of the Presidium of the Board of Trustees: 7 government officials vs. 4 Diasporans (including such a subservient Diasporan as Samvel Karapetyan from Russia), plus Garegin II, who has repeatedly proven to be just another marionette of the *de facto* president of Armenia.

By the way, the information about the existence of the Presidium is in accordance with the bylaws of the Fund, which I had a hard time getting from the Fund's administration. There is no word about this governing structure in the Fund's official website, except for an indication of the president and two vice-presidents of the Board of Trustees. My attempt to use the Fund database for my research preceded your cordial invitations to visit the Fund offices and explore. But the response to my second or third request for the bylaws was less cordial. "I had more important things to do other than providing info to a person who bashes Armenia…" wrote Sarkis Kotanjian, Executive Director of the HAAF Western Region, to me in a Facebook message. Mr. Kotanjian even tried bartering the HAAF bylaws for those of the Shahan Natalie Family Foundation, an NGO I represent, before emailing them to me. If providing the bylaws causes such indignation, I can only imagine the range of emotions a request for financial documents would kindle.

Mr. Terzian questions the reliability of the white paper on HAAF by discrediting newspapers as a whole: "Since when do say-so's gathered from newspapers have the power of proof? Since when?" The editorship of *Nor Haratch* has spared me a response with an impressive remark: "However, despite this belief, he turns to the pages of my newspaper for his self-defense. Will he qualify his statements tomorrow as say-so, just because they're laid out in a newspaper?" By focusing exclusively on the newspapers as a source for the white paper, Mr. Terzian carefully circumvents the fact that a significant part of my information comes both from my personal experience and well-informed present and former Fund representatives, who probably know far more about the Fund than he, but choose to remain anonymous.

By alluding to the prestige of Grant Thornton, Mr. Terzian wishes to impart credibility to the financial side of the Fund: "Also, *Grant Thornton*, the internationally renowned foundation, which performs both financial and physical oversight, that is, of implementations." In this regard, *Nor Haratch* draws parallels with the failure of far more reputable auditors, which

contributed significantly to the economic crisis of 2008. "Even such an internationally renowned person as Madoff, the glory of the financial world, managed to steal $50 billion, in spite of the multitude of auditors," the newspaper writes.

The tactics of turning a blind eye to tougher arguments becomes more obvious when Mr. Terzian chooses to focus on the reasons for Raffi Hovannisian's resignation as the Fund's executive director, while avoiding a much more relevant subject; such as the president's office illicitly ordering the Fund's executive director to transfer large amounts of Fund money to accounts unrelated to fund activities.

A few days ago, during a Q&A session following the presentation of *Family of Shadows*, a memoir by Garin Hovannisian at California State University, Northridge, I notified the author about HAAF Executive Director Ara Vardanyan's refutation of the above-mentioned story. Mr. Hovannisian said: "I can say and I will say very firmly that I strongly believe in everything that I write. And, as a journalist, I cannot bring myself to write anything that I even suspect to be dishonest." Frankly speaking, I have more reasons to believe this young man than the second illegitimate president of Armenia, who is well-known for machinations of larger scale, which made him one of the richest people in Armenia during his illegitimate presidency.

Rather than acknowledging their shortcomings and promising a fresh start, the Fund prefers to whitewash the past and persuade the public that their knowledge of the abuses is nothing more than gossip and illusion. However, this is largely the official stance. The same Sarkis Kotanjian, who was absolutely denying any past mistakes on TV, shows a completely different picture in a Facebook discussion about the tenure of Manushak Petrosyan as the Executive Director of HAAF: "As I said before (*in another unofficial, off-the-record discussion, A.K.M.*), no doubt mistakes have been made in the past, abuses have taken places, but Hayastan All-Armenian Fund has learned from its mistakes, fired its share of people, added new control mechanisms and implementation protocols and now for the past 3 years, thank God, is moving in the right direction" (sic).

If there is no doubt about the mistakes, why isn't this "newer" and "better" administration publicly admitting it and pursuing legal solutions against its "worse" predecessors? What kind of a message does this lack of accountability and impunity send to the current and future leaderships of the Fund? That, in a worst-case scenario, they can get away with their violations

by merely getting fired. What message does this send to the donors? Instead of retrieving the stolen funds by legal prosecution, the "newer" and "better" HAAF administration tolerates the illicit practice of forcing public and civil servants to donate with a predetermined deduction from their salary. Admitting the fact of Manushak Petrosyan's abuses, Stepan Partamian, Music Producer of the Fund's Telethon, said in a discussion: "ARA everyone knows that" (sic). Everyone, except for the likes of Ara Boyajian (Canada), another Trustee of the Fund, and Mr. Terzian, although I believe the "unofficial versions" of these persons have alternative opinions about not only the legacy of Manushak but also the Fund's leadership, past and present in general. And, finally, how reliable are the counter-arguments of someone who sings odes to one of the most corrupt leaders in the history of the Fund, whereas his colleagues have already come to terms with this fact?

I hope that Mr. Bedros Terzian, like the other Board members, will face the realities of HAAF as documented in all four parts of the white paper with honesty and forthrightness, rather than engagement of their defense mechanisms. I believe that, despite the government's tight grip on the Fund, the delegates of the Armenian communities worldwide on the board of HAAF can make a difference. With their cooperation and understanding, the recommendations made in the white paper can be implemented, and HAAF could be reformed significantly.

Appendix #7

How to Renovate Already Renovated Retirement Home

Ara K. Manoogian
October 8, 2011
(www.thetruthmustbetold.com/2011/10/08/nursing-home/)

Nursing Home of Stepanakert

"Hayastan" All-Armenian Fund made an announcement in the summer of 2011 about launching a new project, which appeared controversial to me. The target was the Stepanakert Retirement Home, which was scheduled to undergo an extensive renovation thanks to a generous donation of $400 thousand from Armen Shakhazizyan, a Moscow-based industrialist, as reported by the

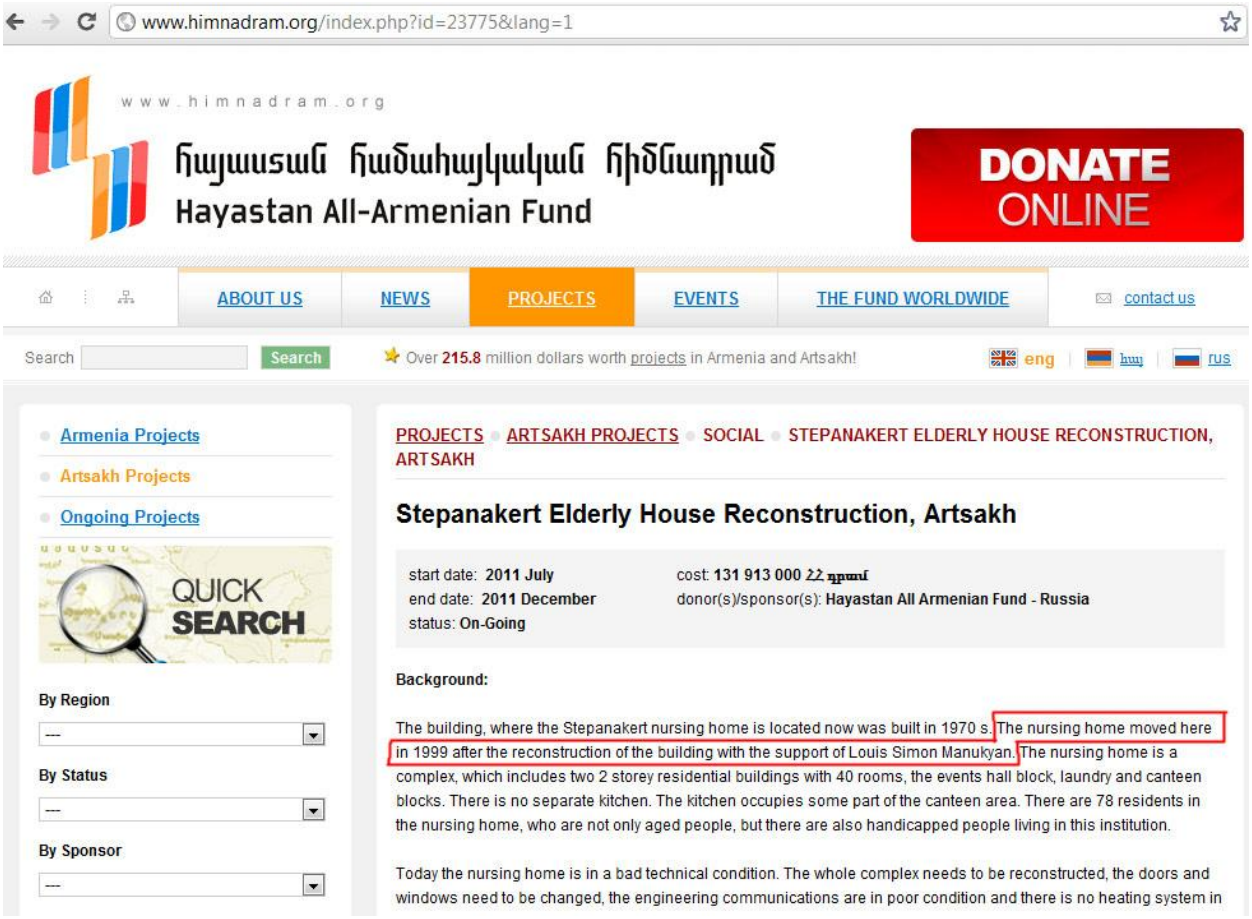
Fund's blog (www.zlmedia.wordpress.com/2011/06/30/dignity-for-artsakh-seniors/). With the Artsakh government co-financing the project, the cost of that proposed major facelift is probably over a half a million dollars.

One statement in the press release (www.zlmedia.wordpress.com/2011/06/20/haaf-nursing-home-pr-eng/) raised question marks over the Fund's trustworthiness and the expediency of the project: "The two wings of the Stepanakert Retirement Home were last upgraded in 1988." This is an outright false statement. The retirement home had been extensively remodeled in 1999 by the AGBU.

The official website of the AGBU lists all the projects implemented by the Union in Armenia (http://www.agbu.am/index.php?p=agbuarm); among them is the following: "Renovation of the Stepanakert house for elderly people, with 55 permanent residents and 150 aged people under custody." The retirement home was remodeled with the remaining funds, initially allocated for the renovation of Alex Manoogian Street in Stepanakert. I have firsthand information from Louise Manoogian Simone that about $400 thousand from the street renovation was reallocated for the reconstruction of the retirement home, thanks to the recommendation of the Artsakh Government to the donor.

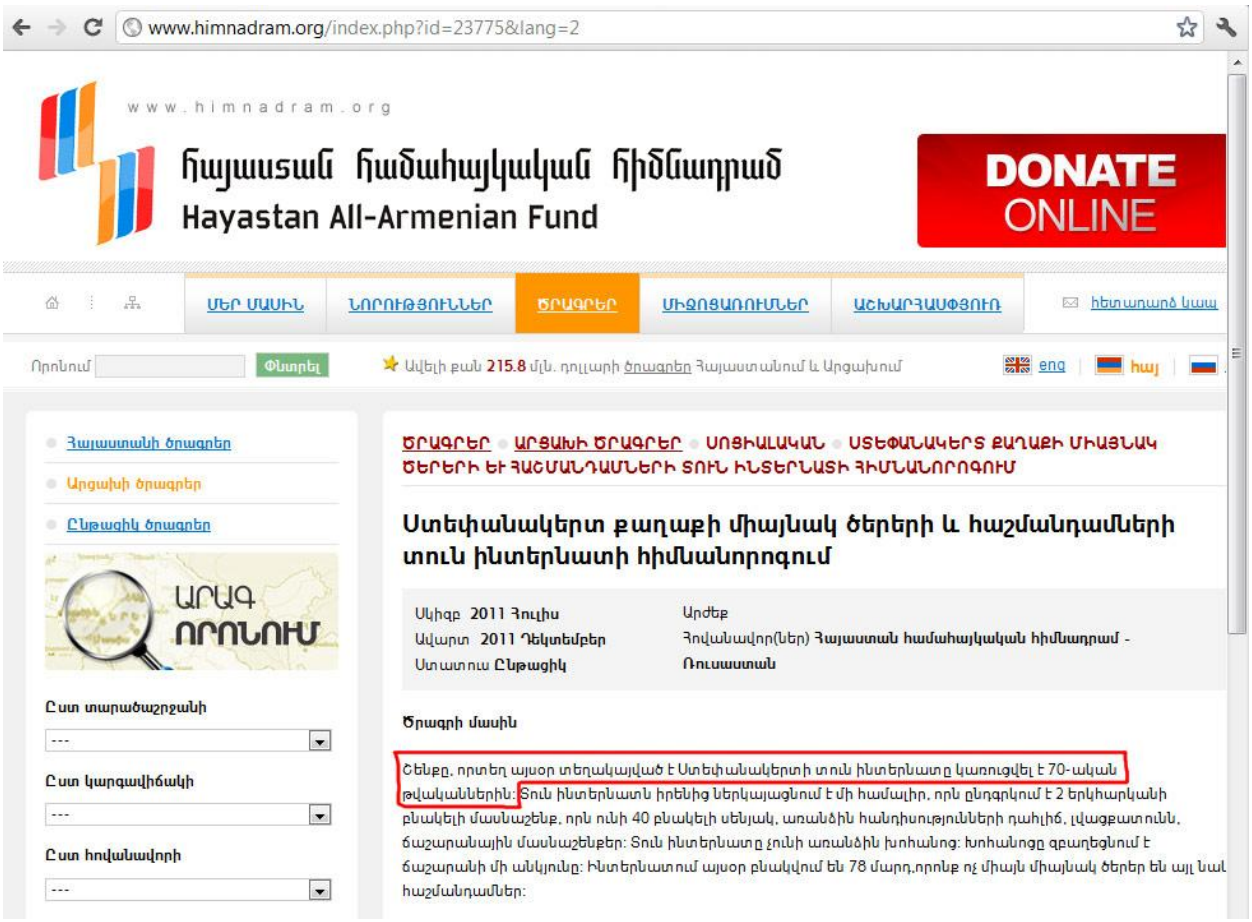
I immediately brought this omission to the attention of Vardan Partamyan, Head of the HAAF Projects and External Relations Department, Louise Manoogian Simone, and the AGBU.

Following my query, the description of the initiative at the Fund's ongoing projects page (www.zlmedia.wordpress.com/2011/06/20/nursing-home-background-eng/) was modified to give credit to Louise Manoogian Simone: "The building, where the Stepanakert nursing home is located now was built in 1970 s. The nursing home moved here in 1999 after the reconstruction of the building with the support of Louis Simon Manukyan" (sic). However, HAAF staff must have forgotten to make a correction in the Armenian version, as well. Her contribution remains unattributed also in an alternative version of the project description used for the press release (www.zlmedia.wordpress.com/2011/06/20/haaf-nursing-home-pr-eng/) and the blog (www.zlmedia.wordpress.com/2011/06/30/dignity-for-artsakh-seniors/).



A screenshot of the English version of the text at HAAF, where Louise Manoogian Simone is attributed

The AGBU staff confirmed having implemented the renovation at the turn of the 20th century, however, Louise Manoogian Simone, who quit the HAAF Board of Trustees in 2009, was quite apathetic upon receiving the news. What I discovered later online confirmed my impression of an atmosphere of lethargy at AGBU today. I was surprised to find that same press release of HAAF (www.zlmedia.wordpress.com/2011/06/20/haaf-nursing-home-pr-eng/) about the reconstruction of the retirement home in the AGBU Armenian News Bulletin (www.agbu.org/newsbulletin/2011-06-0621.pdf) without any modification or a comment on the obvious distortion of the truth.



A screenshot of the Armenian version of the text at HAAF, where Louise Manoogian Simone is NOT attributed

Why did HAAF fail to mention a more recent major makeover that cost $400 thousand dollars? How badly was it done 10 years ago to require nothing less than another more expensive major reconstruction today? Was the building bombed in post-war Stepanakert?

If, indeed, the construction company did a poor job back in 1999, and therefore Louise Manoogian Simone's $400 thousand was wasted, then I would expect the Artsakh government to go after the contractor and those responsible for implementing and overseeing the project, namely the construction company and the Artsakh government itself. But nothing was done, thus I must ask if, in fact, there is a need for a major renovation.

To better understand how $400 thousand translates into the reconstruction of the retirement home, here is general information about its physical dimensions, according to HAAF (www.zlmedia.wordpress.com/2011/06/20/nursing-home-background-eng/):

The nursing home is a complex, which includes two 2 storey residential buildings with 40 rooms, the events hall block, laundry and canteen blocks. There is no separate kitchen. The kitchen occupies some part of the canteen area. There are 78 residents in the nursing home, who are not only aged people, but there are also handicapped people in this institution.

According to a general description of the project (www.zlmedia.wordpress.com/2011/06/20/nursing-home-background-eng/), the amount of $400 thousand dollars is expected to cover:

1. Replacement of the doors and windows;
2. Replacement of the engineering communications;
3. Transformation of the events hall into a canteen wing;
4. Construction of a new kitchen wing right next to the canteen wing;
5. Installation of a sanitary unit in all 40 rooms;
6. Replacement of the roofs;
7. Inner and outer furnishings;
8. Installation of a heating system.

One of the entrances

The retirement home has 40 rooms, which means there are at least 40 windows and doors. How many of these doors and windows are in poor condition? To have a better idea about the real need for renovation, I had a friend take photographs of the building as it looked before the renovation. Judging from the photos, not all of them are in poor condition. However, I would like to focus particularly on the last three items: roofs, and inner and outer furnishings, and heating systems.

Why was replacement preferred over repair particularly for the roof? It is very unlikely for a tin roof to wear out to such an extent as to require replacement, which is quite costly. The photos do not show a roof in such a poor condition that it must be replaced. Certain segments might need some repair, such as the downspout of the gutter at the left end of the roof in the photo.

What are inner and outer furnishings? By the time the photographer got there, the construction workers had begun breaking and scraping the cement off the outer walls. In fact, the cement was so solid and firmly adhered to the wall that it was very difficult to remove. The construction workers refused to comment on the decision to strip the outside walls. However, a resident told the photographer: "These guys are tearing off the cement with their teeth. I don't know why they do this. They're probably making money out of this." Why waste so much money to cement the walls all over again, if damages and cracks could be fixed and a fresh coat of paint would suffice? Patching and a fresh coat of paint would also be enough for the inside of the buildings. All that money wasted on duplicate cement could cover the cost of basic furniture needs of the retirement home.

The tin roof of the nursing home

A wall still covered with cement

The sanitary upgrades are yet another costly initiative of this project. One bathroom per floor may not be enough; however, one in each of the 40 rooms is a little too much. Even the vast majority of nursing homes in the U.S. do not have a sanitary unit in every room. A more sensible solution would be to build up to 3-4 large bathrooms on each floor and replenish the fleet of wheelchairs to accommodate mobility-challenged people. Another solution would be to build restrooms only in 3-4 rooms for the most physically challenged residents.

The "non-existent" heating system

HAAF claims the building has no heating system. First of all, it is hard to believe that a shelter of the most cold-sensitive people would lack a heating system. Secondly, I have a clear photo of a radiator in the corner of one of the hallways of the retirement home. The same type of

radiators with a central heating system was installed in the 11-story residential building intended for war veterans, widows, and the Stepanakert Chess School. Funded by the AGBU ($650,000) and co-sponsored by the Artsakh government ($350,000), the construction of this building was completed around the same time as the renovation of the retirement home, where identical heating systems were installed. Thirdly, in the photo, one can see that in a hallway with smooth walls there is a lonely crack right behind the radiator. I have an almost identical crack behind a radiator in my house in Martuni. This type of crack is usually the consequence of simultaneous expansion and contraction, due to extreme heat from a radiator and freezing cold from the outside, in winter.

Even if these recommendations for economical spending were disregarded, the allocated funds still seem to be an overestimation of the actual costs of the renovation. The allocated sum of money is so large for mere remodeling, that HAAF appears to have used its creativity to justify the "generosity" of funding. I have to guess why the costs and needs have to be exaggerated to meet the allocated money, and not vice versa. Clearly, this is an example of a project that was already done and, at best, might require a light remodeling with paint and repairs for a fraction of the cost of the renovation in progress.

About a decade ago, the Artsakh government made a decision to demolish the dilapidated rat-infested apartment buildings in Stepanakert and replace them with modern housing structures for people living there. About three years ago, this program was interrupted allegedly due to lack of funding. In this context, the news of the government readily co-funding a project of a redundant reconstruction is outrageous.

Appendix #8

What "Hayastan" All-Armenian Fund Does Not Want You to Know

Ara K. Manoogian
November 18, 2011
(www.thetruthmustbetold.com/2011/11/18/haaf-summary/)

It has been a year since Sarkis Kotanjian, Executive Director of "Hayastan" All-Armenian Fund (HAAF) Western U.S. region, gave a TV interview (www.youtube.com/watch?v=WIqkniBuwBk), during which he made so many untrue statements about the Fund that I could no longer put up with the lies. I started working on a detailed report about the true face of the Fund, based on both my personal experience and ample evidence from eyewitness accounts and press. The white paper was titled "To Donate Or Not to Donate?", which covered a wide range of issues related to the HAAF and the Armenian government.

I had a meeting with Sarkis Kotanjian shortly after the interview to understand why he was drawing such an inaccurate picture of the Fund on TV. It became obvious that he was misleading thousands of viewers knowingly.

The ultimate goal of the white paper was to raise awareness among the Armenian donors about the reality behind the veil of deceptive propaganda and to present viable solutions for those ills, which plague the fund. The research was also intended to spread the word about the negative impact of charitable activities on the overall development of Armenia and Artsakh, based on various international studies.

The first part of the white paper was published at The Truth Must Be Told, about a month after Kotanjian's infamous interview, on December 17, 2010. The first professional Armenian news outlet to pick up the report was *Hraparak Daily*, based in Yerevan, after the release of Part II in January 5, 2011. *Hraparak Daily* reprinted both parts on the same day, January 6, 2011. And

this republication marked the beginning of a long journey of the white paper on HAAF through Armenia, Artsakh, and the Diaspora.

When an enthusiastic young man voluntarily translated the report into French and posted it piece by piece on the forum of Nouvelles d'Arménie (www.zlmedia.wordpress.com/2011/02/14/deleted-forum/), the thread immediately became the hottest topic in the forum. The forum users were discussing every aspect of the report. They eventually demanded that Bedros Terzian, President of the Fund in France, respond to all the arguments made in the white paper. Instead, Bedros Terzian ordered the editorship of the French-Armenian journal to delete the entire thread. Unfortunately for him, I had been able to save it and repost it at my media blog (www.zlmedia.wordpress.com/2011/02/14/deleted-forum/). Terzian then published an article, "Pour le Fonds Arménien, par Bédros Terzian," (www.zlmedia.wordpress.com/2011/02/22/pour-le-fonds-armenien/) denying all the facts and allegations in the white paper with emotional patriotic statements.

While Nouvelles d'Arménie gave in to the pressure of the HAAF and limited the lively debate on the activities of the Fund, another France-based Armenian newspaper, *Nor Haratch*, sided with objective journalism. This Armenian language newspaper covered the report in four consecutive issues in March of 2011. Betros Terzian attacked this newspaper for disseminating the content of the white paper, by publishing "CORRECTION: About "Hayastan" All-Armenian Fund" (www.thetruthmustbetold.com/2011/10/05/terzian-corrections/) in the same newspaper. *Nor Haratch* responded to the libelous attack with "Armenian Journalism Targeted: Response to 'Correction'" (www.thetruthmustbetold.com/2011/10/06/nor-haratch-response/). And I responded with "Bedros Terzian Saw the Elephant" (www.thetruthmustbetold.com/2011/10/07/bedros-elephant/).

Soon the growing noise around the HAAF became too loud for the executive leadership of the HAAF to continue keeping silent. It was the publication of Part III that broke the silence of Ara Vardanyan, Executive Director of the HAAF in Armenia. He left a comment under Part III, denying every single point made in the entire report. The Armenian and English versions of Part III, combined, generated a heated discussion in the form of about ninety comments.

The only person to take Vardanyan's side in the discussions was a mysterious user, who chose to present himself with the *nom-de-plume* Pahakazor. He presented himself as an average

Diaspora Armenian who is a staunch supporter of the Fund and all of its projects. 'Pahakazor' also spoke with admiration about Sarkis Kotanjian, whose interview was the target in the first two parts of the report. It later turned out that 'Pahakazor' was none other than Sarkis Kotanjan himself. Based on irrefutable evidence that I was able to collect, I published an article "'Hayastan' All-Armenian Fund Cover-Up Foiled" (www.thetruthmustbetold.com/2011/07/08/haaf-cover-up/), which debunks Sarkis Kotanjian and his dishonorable strategy in an effort to save his and the Fund's face and smear mine:

Thus, assuming a fake identity, Sarkis Kotanjian was praising and promoting the Fund by giving false testimony. By claiming to be a diligent donor, who has checked and is now completely satisfied with the way his money translates into projects, Sarkis Kotanjian misleads people into trusting and donating to an organization he works for.

On March 2, 2011, Ara Vardanyan made the following statement in a comment to Part III of the white paper: "Both I and Sarkis Kotanjian are ready at any time to sit with you on one of the Armenian Televisions and talk about all these things live. Lets see what is true and what is not" (sic). I accepted the challenge and sent a press release, "Ara Vardanyan, 'Hayastan' All-Armenian Fund Executive Director, To Debate Fund Activities Live on TV" (www.thetruthmustbetold.com/2011/03/07/ara-vardanyan-debate-fund-activities-live-on-tv-eng/) to all major Armenian news outlets announcing the upcoming live TV debate.

I sent both Ara Vardanyan and Sarkis Kotanjian a private email, on July 15, 2011, suggesting that we decide the date of the live TV debate any day between August and October. However, I received no response from either of them. After the leaders of the Fund broke their promise and dropped the ball on me, I had to publish an article regarding their irresponsibility, "To Debate Or Not to Debate About 'Hayastan' All-Armenian Fund?" (www.thetruthmustbetold.com/2011/08/02/open-letter-haaf-eng/).

A couple of weeks following the publication of this article, I emailed Ara Aghishian, President and Chairman of the Board of "Hayastan" All-Armenian Fund's U.S. Western Region affiliate, asking for a meeting. I received a call from his secretary two months later, on October 11, 2011, acknowledging that my email had been received and that Aghishian was going to contact me. He has not until now. Nevertheless, before and after my attempt to meet with Ara Aghishian, I have been able to meet with a few members of the Board of Trustees of the Fund's

U.S. Western region affiliate. But it has turned out that they were not as actively involved in the life of the Fund as one would expect a board member should be. They were uninformed about the issues that I presented, quoting the white paper.

The Fund has not only declined to face the criticism but has continued taking irresponsible steps. The latest major blunder is their new project, the launch of which was announced in the summer of 2011: the renovation of the retirement home in Stepanakert. I conducted research regarding the project, and the evidence I was able to collect indicated the redundancy of this initiative. The most obvious deception was in the Fund's statement that the building had not undergone major renovation since 1988, whereas I established the fact that the retirement complex was renovated in 1999 with the sponsorship of Louise Manoogian Simone. This and other glaring inconsistencies are presented in a report, "How to Renovate Already Renovated Retirement Home" (www.thetruthmustbetold.com/2011/10/08/nursing-home/), which I completed in October 2011. **UPDATE:** To learn about new details on the story, check out "How to Renovate Already Renovated Retirement Home (NEW DETAILS)" (www.thetruthmustbetold.com/2011/11/18/haaf-summary/post.php?post=1056&action=edit)

It is now obvious that Ara Vardanyan had offered the bold challenge of the live TV debate with the expectation of scaring me. But this was a grave miscalculation. My decision to take up the gauntlet forced the Fund to back up and rehabilitate its initial strategy of silencing the criticism by ignoring it. This explains why the executive leaders of the Fund did not react to the release of the final part of the white paper on June 21, 2011, despite the presence therein of serious accusations, such as the evidence of the Fund having abused its tax-exempt status for the benefit of the oligarchs, who dominate the Armenian economy.

Throughout the entire year, I have tried to raise awareness about the problems associated with the Fund's activities and its role in Armenia's development. I have also tried to generate public debate about the pros and cons of charity for Armenia today. I am deeply concerned with the consequences of humanitarian aid, which has been promoting dependency among the Armenian population on charitable handouts and laziness of the government to carry out its duties. Though the white paper built a sizable audience in the Armenian Diaspora and stirred debate in the U.S. and across the Atlantic, it is sad that the Fund preferred a policy of denialism over dialogue.

Today on the threshold of the consecutive phonethons and telethons taking place in different communities of the Diaspora, it is important for the Armenian donor to think twice before making a decision to donate. Remember, not all that glitters is gold. It is important to differentiate between short-sighted benevolence and long-term sustainability. We should look a few steps ahead and understand the need to amend the agenda. The leadership of "Hayastan" All-Armenian Fund is infested with the authorities who have failed the Armenian people in so many ways that the only support they need is a helping hand to get rid of their yoke. Diaspora needs to form a new generation of organizations that demand government accountability, rather than fix and cover up a few of the countless consequences of government corruption.

Appendix #9

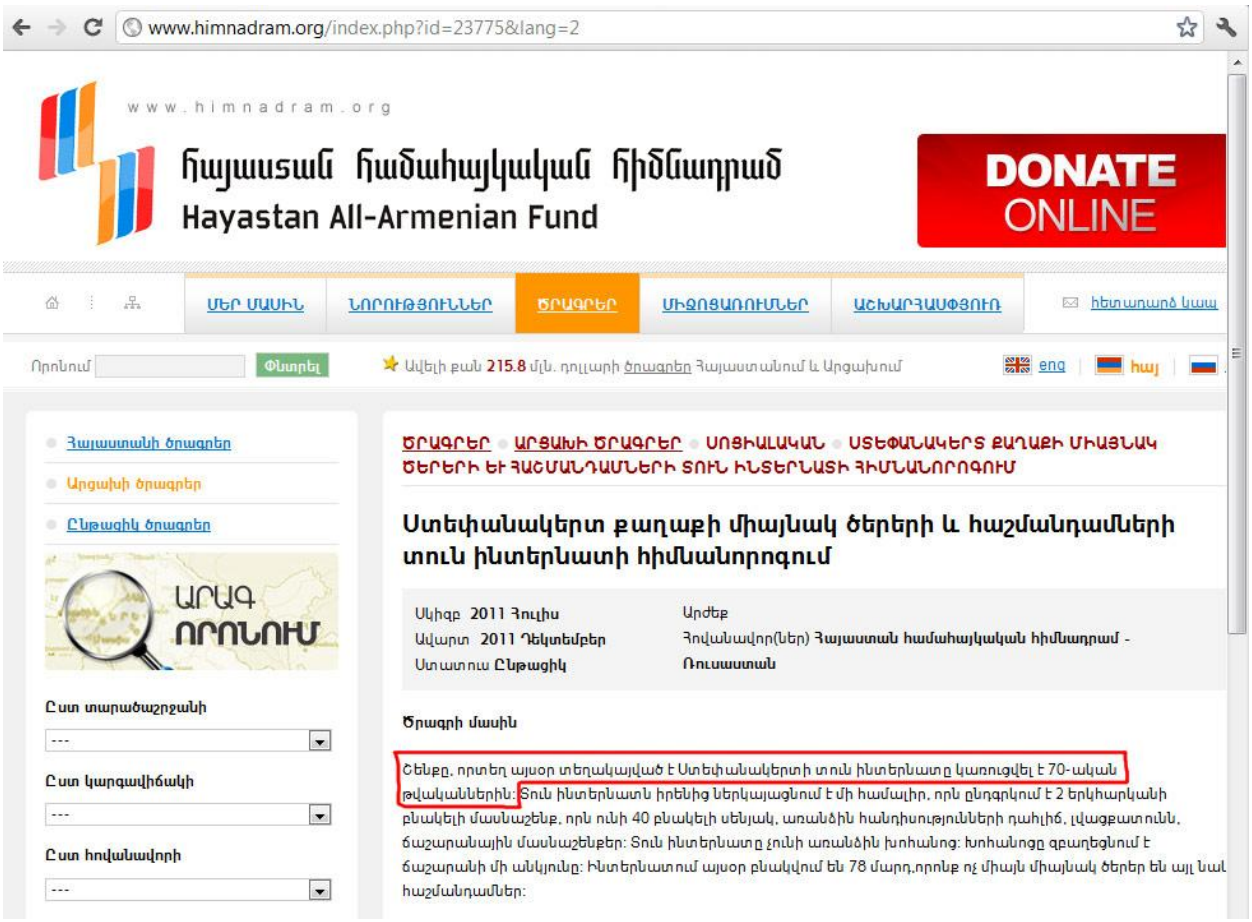
How to Renovate Already Renovated Retirement Home (NEW DETAILS)

Ara K. Manoogian
November 22, 2011
(www.thetruthmustbetold.com/2011/11/22/nursing-home-update/)

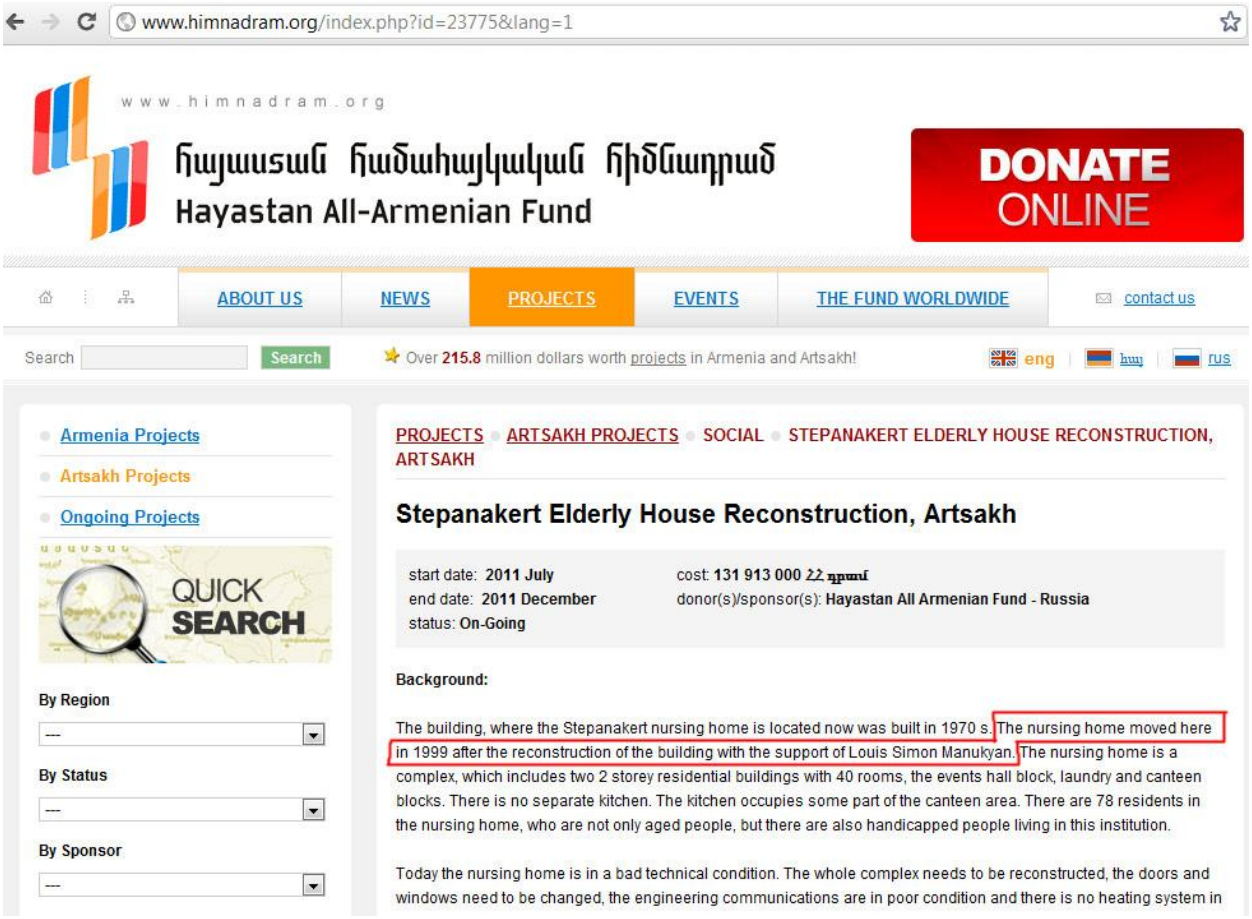
A few days ago the cost of the "Stepanakert Elderly House Reconstruction," an ongoing project of "Hayastan" All-Armenian Fund (HAAF), increased by 265%. This dramatic increase from about $400 thousand as of October 2011 to about $1 million as of November 2011 was accompanied by the addition of the Artsakh government as a co-sponsor of the project. Thus, the allegedly cash-strapped Artsakh government has committed to investing $600,000 to an already overvalued project.

Over a month ago I published "How to Renovate Already Renovated Retirement Home" (www.thetruthmustbetold.com/2011/10/08/nursing-home/), an article about the redundancy of certain aspects of that project and the cost exaggeration. I had also pinpointed the indecency of the HAAF for providing false information about the history of the retirement home. At that time they claimed the building in question had not undergone major reconstruction since 1988, whereas it is a fact that Louise Manoogian Simone funded a major makeover in 1999, costing about $400 thousand.

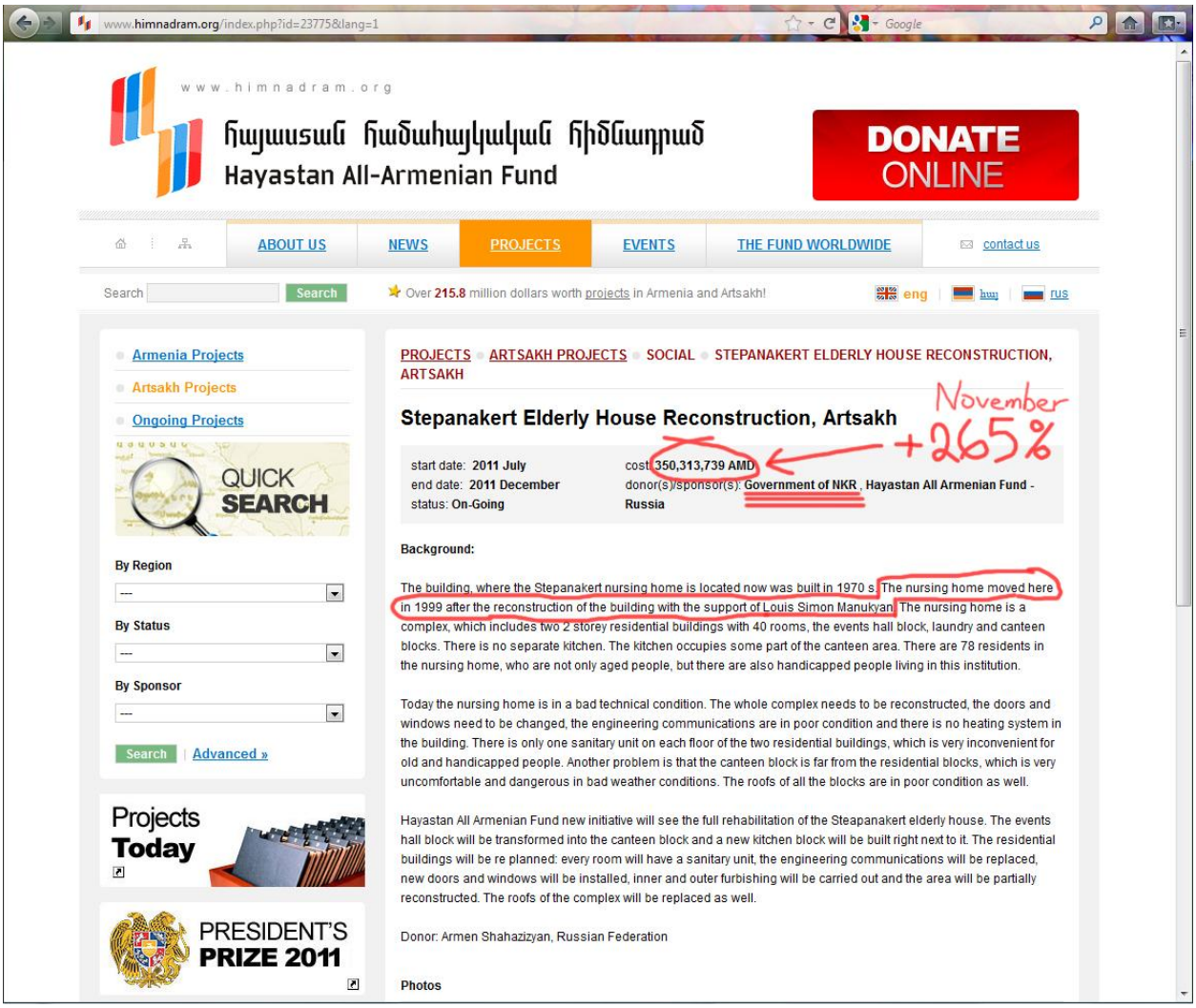
The sad fact is that out of all the shortcomings presented in "How to Renovate Already Renovated Retirement Home", the leadership of the HAAF paid attention to only one mistake: the failure to mention the more recent renovation in 1999 by Louise Manoogian Simone. The criticism over exorbitant expenses of the project was ignored completely.



A screenshot of the Armenian version of the project description at HAAF, where Louise Manoogian Simone is NOT attributed



A screenshot of the English version of a text at HAAF, where Louise Manoogian Simone is attributed



The cost increase and the addition of Artsakh Government as a co-sponsor

HAAF and the government also ignored my indication, in "How to Renovate Already Renovated Retirement Home" (www.thetruthmustbetold.com/2011/10/08/nursing-home/), of some vital commitments abandoned by the government due to lack of funds, such as the governmental plan to demolish the dilapidated rat-infested apartment buildings in Stepanakert and replace them with modern housing structures for people living there.

Instead of making a wise redistribution of state funds, the authorities of Artsakh preferred to increase the cost of the dubious project of renovation of the retirement home by $600,000. Yet that same government is too stingy to invest a mere $6,000 to secure a sufficient supply of the life-saving antivenom for the Kashatagh region. A bottle of this vital remedy costs AMD 72,000

(about $200). This entire region reportedly has only one bottle of antivenom serum, and it is in Berdzor, the capital of the region. In the meantime, 29 locations of strategic importance in Kashatagh need at least a bottle each. Under the current circumstances, the only way to save people's lives in the event of a venomous snake bite is to keep them immobile until they arrive at the clinic in the town of Berdzor, which is almost impossible to do on a trip that can take up to two hours over bumpy roads full of potholes.

Appendix #10

"Hayastan" All-Armenia Fund And Censorship

Ara K. Manoogian
November 16, 2012
(www.thetruthmustbetold.com/fb-haaf-censorship)

As the Catholicos of All Armenians Garegin II encourages his flock to donate to the "Hayastan" All-Armenian Fund, being one of the members of its Presidium of the Board of Trustees, the Fund's effectiveness is questioned on Facebook.

The 24-hour ban on my expression in Facebook has just expired. This was the price I had to pay for posting a critical comment in the Facebook group of Syrian-Armenian Relief Fund (SARF) under the shared link to an article by Harut Sassounian, Editor-in-Chief of the California Courier, "Aleppo Burns while We Fiddle: A Wake-up Call to All Armenians" (www.armenianweekly.com/2012/11/06/aleppo-burns-while-we-fiddle-a-wake-up-call-to-all-armenians/) with regards to "Hayastan" All-Armenian Fund.

Among other issues in his article, Sassounian also touched on the regrettable insensitivity of "Hayastan" All-Armenian Fund and its affiliates toward the critical condition of Syrian-Armenians, "as reflected in the inexcusable decision of allocating to them a mere 10 percent of the proceeds from this year's Thanksgiving Telethon".

Sarkis Kotanjian, Executive Director of "Hayastan" All-Armenian Fund, U.S. Western Region, objected to this criticism, saying that every donor is free to indicate the cause for which they would like to donate, and these funds would be added to the 10% of the overall proceeds. This triggered a discussion between Kotanjian and Sassounian, who said it should have been the reverse – 100% of the donations to Syrian-Armenian relief, except for those earmarked for other charitable causes. However, Sarkis insisted on his point. Then I chimed in the

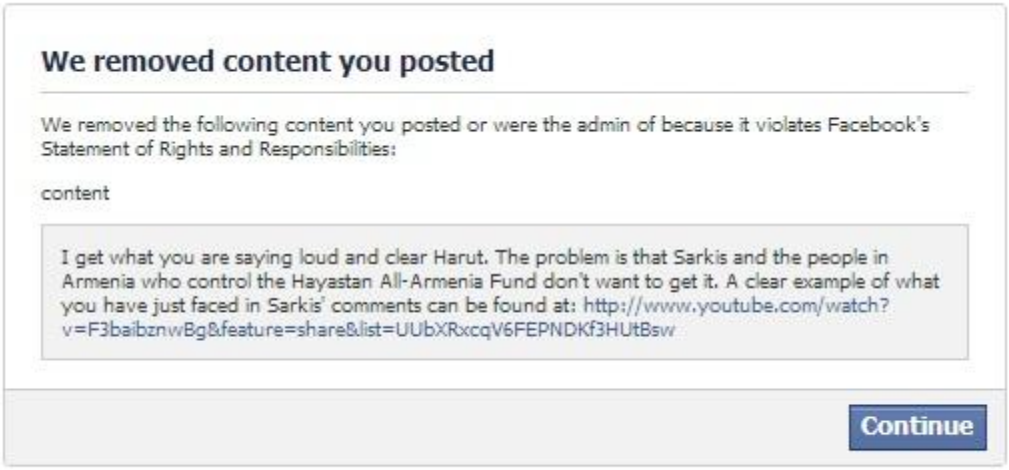
conversation with a video, which shows how Sarkis usually treats any kind of criticism directed to the organization he represents – absolute denialism. Here is my comment:

I get what you are saying loud and clear, Harut. The problem is that Sarkis and the people in Armenia who control the Hayastan All-Armenian Fund don't want to get it. A clear example of what you have just faced in Sarkis' comments can be found at: http://www.youtube.com/watch?v=F3baibznwBg&feature=share&list=UUbXRxcqV6FEPNDKf3HUtBsw

The comment included a link to a video of a live TV interview with Ara Vardanyan, Executive Director of "Hayastan" All-Armenian Fund, and Sarkis Kotanjian on the Hertapokh TV show with the late Armen Dilanyan, which was aired on Los Angeles-based AABC TV channel three days before the Thanksgiving Telethon 2011. In this video, the two executive leaders of the Fund try to give reasons for backing away from Vardanyan's own challenge to debate with me on key issues regarding the Fund (see "To Debate Or Not to Debate About "Hayastan" All-Armenian Fund?" at www.thetruthmustbetold.com/2011/08/02/open-letter-haaf-eng/) as thoroughly analyzed in "To Donate or Not to Donate," a voluminous white paper on "Hayastan" All-Armenian Fund. In doing so, they made insulting remarks about me and even made an absurd claim that there is "absolutely no truth" in that white paper.

However, that comment of mine was soon deleted, and it was deleted again after I re-posted it a little later. No matter how many times I re-posted it, someone deleted it. I contacted the administrators of the SARF, Miro Khanzadian and Sarf Hantsnakhump (who refused to identify him/herself), but they denied having deleted or knowing anyone to have deleted my comment. Who else has the authority to delete comments in a Facebook group if not admins or others by their permission? At any rate, that race ended in a complete ban of my activities by Facebook administration.

I had to go through various FB security checkpoints just to login, and when I finally did, I received a notification that read: "We removed content you posted. We removed the following content you posted or were the admin of because it violates Facebook's Statement of Rghts and Responsibilities". The content in question is my above-mentioned comment:



It is unclear whether the ban on my activities was a result of a specific Facebook algorithm programmed to block duplicate posting or a report by the admins of the SARF Facebook group. Though it is not undeniable that people mentioned in the content, namely Sarkis Kotanjian and "the people in Armenia who control the Hayastan All-Armenian Fund" did report it to Facebook's administration, but it is obvious that the temporary ban on my Facebook activities does play into their hands. And if the ban actually is the consequence of multiple posting, then I have to make it clear that it was not spamming but my continuous effort to defend freedom of my speech against persistent application of censorship on the Facebook group of Syrian-Armenian Relief Fund.

Appendix #11

Tax Deducation or Evasion?

Ara K. Manoogian
November 23, 2013
(www.thetruthmustbetold.com/haaf-tax-deduction-evasion)

A former top executive of "Hayastan" All-Armenian Fund described back in 2011 how some of the biggest donations are made: "Someone pledges $700,000 to Karabakh, then in reality he sends $350,000. After that he forces the Fund to give him the money back." Despite such an outcome of the original pledge, the donor's name finds its honorable place in the so-called Golden Book at the end of the given year's annual report. The donor is honored for his/her contribution to the Fund's objective of creating the myth of receiving big donations, which equates to big trust.

I personally know people who told me details about their involvement in one such shady transaction. They were a group of Armenian-American investors from California who cut a deal with "Hayastan" All-Armenian Fund to minimize their tax liability to the U.S. Government. The investors were planning to build a hotel in Artsakh. Given the frail economic condition of the unrecognized republic's, this was a risky venture. They realized the deal as follows: the investors donated a large amount of money to "Hayastan" All-Armenian Fund in the U.S. and took it back in Artsakh; they left a certain percentage to the Fund, which amounted to much less than what they would have to pay the U.S. Government as income tax.

Such schemes reveal the ugly side of "Hayastan" All-Armenian Fund, undermining quite a few of the Fund's assurances:

- "Hayastan" All-Armenian collects a lot less than they announce;
- It is a lie that all donated funds are spent on the projects advertised;
- The Golden Book of major donors needs major revision.

Appendix #12

"Hayastan" All-Armenian Fund Executive Director Confesses to Fund and Government Corruption

Preface

"You know, all kinds of things have occurred in the Fund's history. Again, very frankly, openly I'm talking to you: they've stolen money, eaten it, and what not. It has happened," confessed Sarkis Kotanjian, Executive Director of "Hayastan" All-Armenian Fund U.S. Western Region, in a private conversation, which took place at a restaurant in Glendale, on December 17, 2010, and which I have decided to publicize today, on November 22, 2015.

Before or after making statements that exposed his own lies carefully manufactured to misguide public opinion, this high-ranking Armenia Fund official was repeatedly asking me not to publicize the content of our conversation. "*I know that your heart is good. If I knew that you were* just bashing the Fund just for bashing, *I wouldn't meet with you,"* he said to me.

Mr. Kotanjian admitted that the quality of road construction undertaken by the Fund is subpar: "*For example, if you dig the Yerevan-Sevan highway, removing the asphalt, you'll find concrete underneath. That's called a first class road. Those roads, which we build in Armenia or Karabakh are not first class. There's no concrete underneath.*"

About Armenia's government officials and illegitimate President Serzh Sargsyan, who form the majority of the Presidium of "Hayastan" All-Armenian Fund, Mr. Kotanjian had

the following to say: "*All of these guys, Ara, keep pocketing, like there's no tomorrow." He also passionately shared with me his vision of the savior-president: "It's gonna be a guy with balls. We're talking about BALLS. The only thing that is needed is a guy with BALLS, who will come and say: "Fuck your mothers, have pity on our people. As much as you've eaten… Enough is enough!"*

I still chose to honor his multiple requests of privacy even after he fiercely opposed to my suggestion that he should tell these truths publicly as a way of building trust. *"For me, as a Fund official, […] Are you fucking kidding me?"* he told me in response. Nevertheless, I hoped that one day Mr. Kotanjian himself would eventually realize the importance of honesty. I hoped he would take steps or start a movement to separate the Fund from the corrupt government, about which he said: "But look, we know how the government has fucked up."

During the past 5 years, not only did Mr. Kotanjian fail to tell the people the truth, but also continued using lies, white-washing, and fake identities to mislead hundreds of thousands of people into trusting his organization and donating millions of dollars to it.

Moreover, Mr. Kotanjian did not hesitate to launch a smear campaign against me. He started off by creating a fake online identity named 'Pahakazor' to invalidate the facts presented in "To Donate or Not to Donate," a white paper on "Hayastan" All-Armenian Fund. *"Thus assuming a fake identity, Sarkis Kotanjian was praising and promoting the Fund by giving false testimony,"* says my report on Mr. Kotanjian's foiled cover-up (http://www.thetruthmustbetold.com/2011/07/08/haaf-cover-up/).

Secondly, he defamed me publicly claiming that anything written in the mentioned white paper is a lie. *"The thing is that this paper, one could say, is completely based on newspapers, which are strictly oppositional; their publications, which have no facts,"* he said during a live interview on Horizon TV in Glendale, CA (see https://www.youtube.com/watch?v=qxOEyv8f3m0). His comments were preceded by the Fund's Executive Director Ara Vardanyan's following statement: *"We have studied the*

material quite seriously. The report is based entirely on inaccurate information, which has nothing to do with the All-Armenian Fund at all. […] There was absolutely no truth regarding the All-Armenian Fund."

Thirdly, Mr. Kotanjian and his boss, Mr. Vardanyan, broke their promise to have a live TV debate with me about the Fund's activities. The worst attempt to prevent me from disseminating the truth about the Fund occurred on November 24, 2013, when persons connected to the Fund's leadership tried to have me arrested in Glendale on false charges of threatening an Artsakh government official (http://www.thetruthmustbetold.com/attempted-arrest/).

Mr. Kotanjan has abused my promise to honor his appeals for privacy with his actions. I believe it is better to honor the hundreds of thousands of donors' rights to information than the dishonesty of a single hypocrite who seeks to profit from their ignorance. Thus, I present the full transcript of my conversation with Mr. Kotanjian.

Appendix #13

"Hayastan" All-Armenian Fund Executive Director Confesses to Fund and Government Corruption

Full Transcript

Sarkis Kotanjian and Ara Manoogian spoke both English and Armenian during the conversation. The italicized text is the English translation of the Armenian text. Unintelligible speech is marked as [U.]

ARA: *So, how did you come to the U.S.? I know that your father was the… he used to represent…*

SARKIS: *Yes.*

ARA: *That's when you came probably.*

SARKIS: *No. I came here first as an exchange student in 1993, in Ohio. I stayed with an American family. I graduated from the* Open Door Christian High School. *After that I returned to Armenia, was admitted to the university, where my major was* political science. *Then I attended* Vermont Military College *for a year. After that I returned and graduated from the university. And after that, yes, already together with my father… Back then there was a budgeting issue, when they didn't have a position for an assistant. I was told that I could be of help, because there was only one person* [U.] *was supposed to work, when it was beginning to form.* [U.] *There was no attaché thing back then. So, we were just establishing contacts…*

ARA: *Right.*

SARKIS: *Then I worked that year, after which I transferred to the Karabakh office.*

ARA: *Did you work with Vardan?*

SARKIS: *With Vardan. I became a deputy two years later. And after that I came here as, like, initially as the head of public relations, then, two years later, starting at the end of 2005, in 2006, I already became the executive director.*

ARA: *I know the parents of Vardan's wife very well. I stayed at their place during the war. They had this thing in Stepanakert…*

SARKIS: *No, Vardan is a smart guy.*

ARA: *Yes. No, he's a normal person. But he's not here right now, is he? He left.*

SARKIS: *No, he left. Now he is deputy Minister of Foreign Affairs. He is a motivated smart guy.*

ARA: *Yeah, no, he's a very normal person.*

SARKIS: *He was quite quick to adjust to the* [U.] *American ways. And he stayed for quite a long time. He worked as a representative for about 9 or 10 years.*

ARA: *No, he did a good job.*

SARKIS: *It was quite successful. Robert is not bad now either. I'm know sure whether you have met Robert Avetisyan or not.*

ARA: *No, I don't know him.*

SARKIS: *He, too, used to work at the Foreign Ministry. I have known him for a long time.*

ARA: *I might know him. I may have seen him back there.*

SARKIS: *Yes, he is tall, with slightly plump cheeks.*

ARA: *Maybe. I will recognize him if I see him.*

SARKIS: *He's a nice guy. He must have been working there since day one. He's a young man, thirty-odd years old.*

ARA: *In California… How long have you been to California? Recently or?*

SARKIS: *Since 2004.*

ARA: *California.*

SARKIS: *Yes. I moved here straight from Washington. The office had issues over here. I mean, whatever we speak here is between us.*

ARA: *Yes, yes.*

SARKIS: *Issues of trust, so on and so forth. So then I was offered to comer over here* [U.] *fix all of those issues of trust.*

ARA: *But had you worked for the Fund before in Washington?*

SARKIS: *No, I wasn't working with the Fund. I worked at the Karabakh Office. Nevertheless, I was interacting with the Fund, because it was close to my heart. On a few occasions I visited the Fund's Telethons both here and in New York together with the presidents and so on. And it was not so much the work that I liked, but rather the fact that so many interesting people get together around the Fund.*

ARA: *Quite understandable. And, after all, there are many Armenians here.*

SARKIS: *Yes, there are more Armenians here.*

ARA: *There's greater potential.*

SARKIS: *I was offered either the office here or there in New York.*

ARA: *You don't need New York. You've already lived long enough in that cold.*

SARKIS: *Yes, New York… Besides, New York is a little difficult, because their work chiefly targeted rich people,* individually*. And I don't see much in it. A rich man may give today but won't tomorrow, and he'll die the next day. And the kids will find ways to* [U.]*. And they were not ready to work with people.* They were more individual-based *in their method, which was important, because, after all, in order to collect $1 million from the people* [U.] *whereas you could… talk Louise Simone or Hovnan Hovnanian into giving a million and,* you know…

ARA: *But they haven't been doing that for a long time already. Who works? Who is taking care of New York now?*

SARKIS: *In New York it was… There was someone named Gevorg Koloyan during my years. It*

was quite successful. But he was an old man, he grew very old and so on, health issues, the wife had cancer*. He quit, and then Raffi Festekjian came.*

ARA: *Because I have noticed that Louise hasn't been donating lately. I don't know she doesn't give at all…*

SARKIS: *She's not giving at all.*

ARA: *Did she get sick and tired?*

SARKIS: *Louise—since about 2007 or 08—has quit all of those things. She decided she'd rather concentrate on herself.*

ARA: *Well, yes, that's how Manoogians are.*

SARKIS: *Well, yes, she quit everything. She quit the Fund, as well, though remained as an Honorary trustee. We still meet with her, talk and so on. Suggestions and so on.* She has ideas, which are always… *Especially* [U.] *and so on.* So, she will advise… But she said she didn't want the responsibility of being a Board member.

ARA: For Louise to say that, *it means that she doesn't want to be responsible at all.*

SARKIS: I don't know.

ARA: That's her… *I have known Louise very well for many years.*

SARKIS: *But as far as I understood*, she is basically [U.].

ARA: Yeah, she withdraws to herself. AGBU has also withdrawn.

SARKIS: Yeah, AGBU *has withdrawn, too. So, but it was interesting here that* there was a lot of potential. *And a large part of that* potential [U.] *hasn't been utilized yet.* But if you look at the numbers, the response rate of the solicited public or anywhere between doing this year we're anywhere between 7 to 10%, *which is not bad, if you look at it from the perspective of American fund-raising standards.*

ARA: *Sure. And the majority hasn't* [U.].

SARKIS: *Yes.* So, it's not that bad. *Well, we'll see now. A great deal of… Do you know what the*

issue is? That we, the "Armenia" Fund, are regarded, as an extension of the government, *which is a big problem for us, because, after all,* yes, it is true.

ARA: Yeah. Well, it is true. I mean look at the…

SARKIS: *At such a level that* if you look at the Board of Trustees…

ARA: Yeah, but look at the Board above the Board of Trustees.

SARKIS: That's just the Board I'm talking about. *There are 38 members, if I am not mistaken,* either forty-eight or forty-something, *12 or 13 of which are state representatives* from the president down to… *Who is the lowest there*?

ARA: Yeah, but what about the big board above them that meet every year.

SARKIS: Well, that's the Board I am talking about.

ARA: So, that's not 48, that's 14, isn't it?

SARKIS: No, no, no. *Oh, do you mean the* Presidium.

ARA: Yeah, cause they…

SARKIS: No, they're…

ARA: They don't mean anything?

SARKIS: They don't, they don't mean anything.

ARA: I don't know.

SARKIS: *Do you know what they are for over there?* Let's say there is a decision to be made, *which is impossible to do within the format of a* full Board meeting. Something strategic. *For instance, I don't know, God forbid, an earthquake hits tomorrow,* some big controversy, *exploded…*

ARA: Shouldn't that also be a balanced Board? 'Cause it's not right now.

SARKIS: Right now it's not, but…

ARA: I mean that would be something to work on. Just to balance that up. *Because Louise was*

already there.

SARKIS: But that's not a Board on top of that Board. That's not how it's structured.

ARA: Yeah?

SARKIS: If they need to, for example, talk something urgently, instead of getting everybody, all the 38 members, they can just do a conference call between the 14 or 13.

ARA: Yeah, it's , I think… Isn't it 12? It's 12.

SARKIS: *But no decision, until today* [U.] *so on and so forth.*

ARA: Oh yeah, of course. *Because whoever I have spoken to,* that has been on the board, everyone said: "Our function is just to get money together and send it to Armenia. That's our function." Yeah, that's all the function; they don't have any… *because before that, years ago, many years ago* [U.]: *"It's not our problem. Our problem is to collect money and send it."*

SARKIS: That is not necessarily true.

ARA: That was the feeling they felt, the people I was talking to.

SARKIS: *Now or before?*

ARA: No, *before. That's how it was before.*

SARKIS: *Because before… How is it now? Now,* ok, we get the money *and so on,* then we transfer the money*. But, after all,* it's the Board [U.] program to finance. [U.] locally. It's a function of how much money to dedicate to the project. It's a function of what sphere we want to finance. *If there is a branch or a town that is dear to us* [U.]. *Or if the trustees went somewhere* and they saw something. *For instance, this village is in a deplorable condition.* Nobody pays attention to it. So, let's do something. *That's how they do.*

ARA: *But there's no… Is there a big plan? These are all the areas we need to cover. Do you guys have a master plan?*

SARKIS: *There is a master plan for each project.* For instance, on this water supply project… The cost of the whole project is about 80 million. *A big project.*

ARA: *Is that for Artsakh or is that for Armenia also?*

SARKIS: *That's for Artsakh, bro.*

ARA: *Just for Artsakh. $80 million for Artsakh? Just for water?*

SARKIS: *Of course.*

ARA: *Wait, wait. Are they trying to get… What are they trying to get in there? Are they trying to get 24 hours water? Like constant water going?*

SARKIS: *Yes.*

ARA: *You know the thing that I find interesting about that is.* All those years that I lived there, any village I went to… I don't know this system—*and it was during the Soviet times, too*—every person has its own water container. *It's like 1-ton, 2-ton, 10-ton.* When water is supplied for days, and they turn it on. For instance, I have one with a capacity of 15 tons. Mine is always filled up. They have it In villages, too, 25-ton, 10-ton containers.

SARKIS: *True.*

ARA: *I've always had running water. All of my friends have always had running water. No one's ever had a water problem ever,* because there is always water. *And it's… Spending $80 million on water as opposed to spending $20 million on economic developments just doesn't seem to make sense. Especially for a population of… I mean the real number,* now it doesn't exceed 100,000, today. *I mean the official number is 150, but it's about 100,000. For 100,000 people spending $80 million seems a little bit absurd when $80 million can create, you know, 50 thousand jobs or 30 thousand jobs or 10 thousand jobs even. Because then there's* [U.] *every job you create is two and a half people are being, you know… cause they're buying from the stores, they're buying from there and the other… Instead of doing that…* And then let them pay their taxes, and the government will fix the water supply, build the roads. *The problem I find is that we are circumventing the natural growth process. And the natural growth process is: Sarkis works, Ara works, he pays the taxes; if there's a job, those taxes, if they're properly managed…*

SARKIS: *Aha, see?*

ARA: *…will go to… Well, yeah…*

SARKIS: *"If they're properly managed"*

ARA: *Yeah, if they're properly managed.*

SARKIS: Yes, but here we are, let's speak the truth and shame the devil.

ARA: Yes. *Well, I know you know.*

SARKIS: *You're not gonna write this in your blog. Please don't.*

ARA: *Ok. If you say 'please don't,' I won't.*

SARKIS: If we… *don't* [U.].

ARA: *Ok, this one is out. That's my promise to you.*

SARKIS: *If everybody paid their taxes the right way, if they were able to manage those taxes the right way,* for the benefit of the people, *they wouldn't need money at all until now*.

ARA: *Yeah,*

SARKIS: *$80 million is nothing. But we've had to put ourselves out there all over the world… It's nothing, 80 million. Let them do taxes just for two years,* and they won't fucking need any…

ARA: *It's more than 80 million, much more.*

SARKIS: *Let's not pretend that…*

ARA: *And then… But Sarkis…*

SARKIS: That's the problem. At the end of the day, the person who hasn't got a drop of water today should be pitied.

ARA: *He should be pitied, but, at the same time, he is not supposed to die just because he has no water, he is life span is not supposed to be shorter, he is not supposed to I don't know what.* There are so many important issues. And water is important [U.] *But do you know what my issue was? Back then we had a project for water supply. You have read about it.*

SARKIS: *Yes.*

ARA: *We had a project. Accidentally, we found a gas pipeline stretching to Fizuli. Large 219-mm*

pipes. It was around 33 km long. It was 30 km long, because it was on their maps. The military maps showed what it was. That time I went to see the marzpet [the governor]. Hovhannisyan was the marzpet of Martuni. I told him that there was this pipeline. Who does it belong to? Is there any information about it and so on? He asked: "Why do you need it?" I said we had projects. For instance, at the Monte Melkonian Fund, we had already created a project. I said that we wanted to dig it out: that way both Martuni would get water and… Because Martuni didn't have issues with water, but the pipe that was going to Martuni had been hit, and had to be replaced. There are places that everyday they come and fix the holes. I said Martuni needed 5 km, and that we ourselves would remove the pipes, put them aside and replace them. And we did a part of it to enable replacement: we dug the hole and what not for the town of Martuni. Anyway, we pull them out and then we see someone approach me. He says: "I want to buy those pipes from you." I said that… I said: "Excuse me, thank you, but we don't want to sell it: we have a goal to accomplish. We had already dug out 3 km, unearthed 2-3 km and laid them by the road." We needed 6.5 km. This was back in 1999. I can't forget it at all. I left. My friends had come from the States, we hung out together… It didn't even take a week. It was just three days. So, we hung out, and then I came back to Martuni to see that the pipes stacked by the road had disappeared.

That same person whose relative was the Prosecutor General back then, has been Karabakh's Prosecutor to this day, and on top of that he works, as I told you in my letter, with that Levon, General Levon. It looks like they work together in Karabakh. Currently, he is in Kapan or somewhere there, he's in Armenia now. He serves in some division somewhere in Armenia. At any rate, I discover that the pipes are gone. They approach us and say "we are paying you 600 drams per meter," and he gives the money. Come on, man, I don't need your money. I said that the pipes, the value of the pipes… First of all, that's not the price, it's more expensive. Then, he says: "That's the market—we take it to Iran and sell it over there." And he is, like, "whether you want it or not, you've got to sell it." And, as we found out later, they were quickly removing the pipes from the other side of the pipeline. Already 10 km from Fizuli. We were moving from the Martuni end. And they were moving from the opposite en

And so, those pipes that were sold to Iranians… we followed the sources all the way to Armenia, whereas Ohanian had admitted that no pipe shall be taken out of Karabakh. [U.] *exists. I'm saying that, Ohanian, we're taking it to Lachin and so on. Isn't your Lachin a part of*

Karabakh or isn't there anything of strategic importance about it? And he didn't say anything to that, but said: "We are not going to take these pipes abroad. I will not allow it." And I was following those cars and recording on the video. We reached Armenia… Where? Vayk. Just short of entering Vayk, they unloaded the pipes right there, and the Iranians came, loaded them and took them away. Anyway. And that's who Ohanyan is; that's the side of Ohanian I know. You are right: when is it going to change? I don't know. But good management would solve all the problems, every problem Armenia has today. *But we come from abroad.*

SARKIS: *No,* it's about political will.

ARA: Well yeah. But, Sarkis, it's also *because we are from abroad. And now this water supply project, for instance. It was supposed to have been the government's project.*

SARKIS: *That's right.*

ARA: *And they should have completed it 10 years ago. We visit their areas of need, bring water. Those people who are already fed up, who are ready to stand up against the government and protest, we appease them, we tell them that never mind, we will build it for you. Ok, there is no need for us to protest right now.*

SARKIS: *But look, we know how the government has fucked up.*

ARA: *Yes.*

SARKIS: *Now… that if we don't do it, will these people get their water?* See. That's where I disagree with you.

ARA: I 100% agree. Because *if the water… You don't know Karabakh people well.*

SARKIS: *Why not?* [U.].

ARA: *The people of Karabakh have patience, but once the glass overflows…*

SARKIS: *Yes, they get mad.*

ARA: *Yes. If we go there and give them hope that we will help, we are the Diaspora, we will help. They will relax. So, both out of embarrassment and everything else… But if we* [U.] *stir the situation over there a little bit or help* [U.]. *Say, there's a leaky bucket with a hole in it. We*

fixed the hole, but the bucket does need to be replaced.

SARKIS: Ok.

ARA: *But who's going to replace it. We don't have the resources to replace it. Whereas they themselves can demand that the situation be changed.*

SARKIS: *But it's not happening.*

ARA: *Come again?*

SARKIS: *It's not happening.*

ARA: *No, it actually is. I have so many friends over there who, if necessary, will take a tank and go… If necessary.*

SARKIS: *Well, they could have driven it already. Why don't they?*

ARA: *Because we already calmed down the rest of the people that would follow them. We provided them with aid.*

SARKIS: *Come on now! What could the $20 million we give do at all?*

ARA: Trust me it makes a big difference. It makes a huge difference. It confuses people. It gives them this false hope. It gives them hope that, ok, maybe something is gonna happen. I had a neighbor one time, *who was moving to Russia. I began repairing the road that the mayor was supposed to have repaired at that time, in Martuni. We didn't have asphalt, it was a rocky… not rocky, a dirt road. They were already about to leave. But I decided that, fine… The repair of the roads in other neighborhoods was quite costly, $10 or $20 per meter, as far as I remember, and all I needed to do is only put some gravel.* Just gravel, that's it. Trucks of gravel. *And they were bringing it from a remote place. There was real gravel in our neighborhood, real, which means that instead of driving 10 kilometers, they could drive only 300 meters and get it. So, I decided to prove that this person, Nelson, was defrauding the government, and so was the marzpet [regional governor], Adamyan, who was a friend of his. They worked together. I said, fine, I will prove that this is the real cost. I contacted Mosi who is the Defense Minister today. I said: "Mosi, I need an excavator. You have one." He was at the Second Defense Region at the time. I said: "Can I rent it?" I bargained… He said: "Fine, give the worker a little money and put*

some diesel." He sends the excavator. I rented two vehicles for 5,000 drams a day and, the thing, took care of the diesel. I had drive only 100 meters. Wherever our post is, where we were heading, two-three hundred… that is, 300… We began repairing the roads. I had a neighbor who was ready to move to Russia. He was already leaving together with his family, because he no longer had any other way out. He saw that Ara is beginning to make an investment—there is hope, I don't know. But it wasn't really *a hope*; I was just fixing one road, right? All I did was I delayed his departure. He left, like, 7 moths later: he had no choice. There was no *hope.* The whole point is…

SARKIS: *But the hope is employment, dear Ara.*

ARA: *Of course. But are we creating jobs?*

SARKIS: *No, we aren't.*

ARA: *Right.*

SARKIS: *We aren't.*

ARA: That's what we should be concentrating on. *But at the same time there is another problem. I have friends who have gone over there… Let me give you one example. You may have heard about him, since you are here in Los Angeles. Have you heard about Nazareth Berberian?*

SARKIS: *No.*

ARA: *Nazareth Berberian built a carpet factory in Armenia.* And he has a charitable organization, also. *Nazareth Berberian built a carpet factory.*

SARKIS: *Nazar?*

ARA: *Nazareth.*

SARKIS: *Nazareth.*

ARA: *He is from La Cañada. Mark Geragos is his neighbor, a few houses away. So, Nazareth went there, created jobs, began building a hotel right on North Avenue. An 11-story hotel.*

SARKIS: *Yes, I know, I know.*

ARA: Ok.

SARKIS: *As far as I know, the name of the hotel is Ani, isn't it? In a valley, on the way to Martakert.*

ARA: No, no, no. *His hotel is on North Avenue, near the Republic Square.*

SARKIS: *Oh, you mean Northern Avenue.*

ARA: On Abovyan Street. *He was building an 11- or a 13-story hotel.*

SARKIS: *Is he building it now?*

ARA: *The construction has stopped, because he was murdered.*

SARKIS: *Oh, it was him who was murdered!*

ARA: *And I went there both to identify the body and find out what kind of problems there are.*

SARKIS: *That's right, I do remember. I think It was last year, wasn't it:?*

ARA: Yeah, *May.*

SARKIS: Yeah, yeah, yeah, I knew him. *And was his case solved?*

ARA: *I have all the facts.* I still have to write a final report. I haven't done it yet, because we brought the body back here. We found all sorts of problems with it. From…

SARKIS: No kidding.

ARA: Yeah, there are all sorts of things that shouldn't have been there that even the coroner in Yerevan didn't show. *But the doctor himself said… He showed me a lot of things and said: "But they didn't want me to write this. They didn't want me to do this and that."*

SARKIS: Did they torture him [U.].

ARA: Oh yeah, chemicals, torture, you know, stun-gun, this type of…

SARKIS: Hm.

ARA: Yeah. None of that is in the report. *The clothes*, the physical evidence they lost.

SARKIS: *Didn't he have clothes on?*

ARA: No, *he did. They took them off. The thing…* It was at the morgue supposedly. *Then when I went there the second time.*

ARA: *Anyway, I went there to take a look at the clothes, so I can see… I wanted to identify his shoes, because the shoes didn't appear to match those I had seen in the photos. But, at the end, it turned out that those were his shoes. Anyway. I said: "I would like to see the clothes." This investigator asked: "What are you going to do with it? What are you going to do with these clothes?" I said: "I want to see them, I want to identify them. I have, the thing, a power of attorney, I have the right to do whatever I want to." He said: "Ok, let me call somewhere." He called and then said: "All right, go to the morgue, I'm giving you the clothes." The trial hasn't taken place yet. "I'm giving them to you. They are my gift to you. You can take them, we don't need them. I go there, but they can't find them. Eventually, they said that supposedly the Department of Sanitary Epidemiological Control, or something like that, has thrown it away by mistake. But, in the end, I was able to find out from another worker of the morgue that same investigator had come in August and taken the clothes away.*

SARKIS: *Wait, the same investigator who sent you there?*

ARA: He had said: "Go, pick it up, it is yours." *And his…*

SARKIS: *And what for? What had happened? What was he killed for?*

ARA: *He constructing a building, which was his own. On Northern Avenue. No partner. He didn't like working with anyone. Come on, man, after all you work in Armenia. If you are running a big business, you have to have a partner. It has to be either Serzh or Robert? There is no other way. He didn't have any. Serzh's brother, Levon, not the other one…*

SARKIS: *Sashik.*

ARA: *Yes.*

SARKIS: *Isn't he an ambassador* [U.]*?*

ARA: *I think he was an ambassador in Lebanon…*

SARKIS: *Beirut.*

ARA: *He has a stake in the neighboring building.*

SARKIS: Ok.

ARA: *So, Nazareth and that neighboring building had a lot of problems. And they had offered several times: "We want to buy your hotel." They wanted to persuade Nazareth. He wouldn't do it. The mayor created a lot of trouble for him, so on and so forth. There have been issues. And then, all of a sudden, Nazareth is no more.*

SARKIS: *I was in Yerevan, because… Wasn't it in May?*

ARA: *He went missing already on April 25. Then…*

SARKIS: *Because it was the meeting of the Board of Trustees… And there… Now that you just said* [U.]. *There was someone by the name of Nazareth, who had gone missing and so on and so forth, a scandal* [U.] *and so on.* I stayed a month. [U.] my vacation. *And during that month I was getting news updates about happened, so on and so forth, because that's when I learned that* [U.]*. But what happened afterwards, how it all ended…*

ARA: *There was just no news, nothing.*

SARKIS: *What happened to the investigation? Is* [U.] *still there?*

ARA: *Here?*

SARKIS: *No, over there.*

ARA: *Over there? Two people were imprisoned.*

SARKIS: *And that's it?*

ARA: Life in prison. *I don't think one of them was connected to it. And the other is, a thing,* I think he was a scapegoat. He was a friend of Nazareth. They tried to make it look like it was a homosexual, or *I don't know what.*

SARKIS: O!

ARA: Which is easy to do. I mean in that sense, in the Armenian sense. *Not everyone wants to touch it. Fine, all right, all right,* that's it. And that's how they started the whole thing. My first

question they asked me: "*Was he a faggot?*"

SARKIS: ***(Laughs)***.

ARA: *This man just died*, and you're asking me: "*Was he a faggot?*

SARKIS: *You should have said 'yes.'* [U.] *and that's it. And what happened here?*

ARA: *Here? The experts found a lot of things.* He was tortured. He was probably not killed until later. *They kept him. They kept him for quite a while, but* the official court document is *he was killed immediately. But it is impossible that…*

SARKIS: *Alas…*

ARA: *Anyway, that's fine, one day that, too, will be sorted out.*

ARA: Yeah, *unfortunately, that's the reality in Armenia. Then that third, there was also a third guy, who was also connected to the case. He was at large. I have seen him. He was unable to catch him, until I called my friends so that they use force to catch him and take him away.* He was gone. But he's walking free in the streets.

SARKIS: *Now?*

ARA: *Now. Right now.* The fourth suspect or the third suspect. *And they don't want to. There's no need.* They are not interested. They're not interested cause they're involved directly. *They did the thing… When they had just exhumed the body, it was fresh. But they claimed he had been dead for two weeks. It was very fresh. I saw with my own eyes how it turned black immediately, within a couple of days.*

When I arrived, they had found the body two days before. Two-three days earlier, because I was supposed to come… I knew he was alive. I felt he was alive, before buying my ticket. No, Nazareth is alive, hidden somewhere, kept somewhere. We'll go and find him. I get there, it turns out they found him two days before my arrival. I went there for identification and I already couldn't recognize him. They… they did the autopsy, and it was a really bad autopsy. *The whole face was sunken in, I don't know…* It didn't even look like him. *Cuts here and there, I don't know. Finally, we had to take DNA samples for identification. And it took a while. Before shipping it to the U.S.,* his body was already mummified, *because… The expert here said that*

they hadn't kept the body in refrigerator for at least two weeks. They spoiled the body on purpose. You can't make the body deteriorate like that if you don't have somebody on the inside. So, *the family realized that somebody very strong had been behind them.*

But, before that, when you're saying May. The PFA held a conference on May 25 at the AUA [American University of Armenia. I attended that conference and asked a question, because they were all talking, like we are, about the need for investments, I don't know, we need business and so on. And the whole thing, five or six, no, five prime ministers, former prime ministers, like Manukyan, I don't know, Armen Sargsyan…

SARKIS: *Bagratyan-Shmagratyan, right?*

ARA: Yeah, *all of them were there. And I…* the conference is almost over. It's about to end, it' like the last session. 10 minutes left. I get up and ask a question. I said: "You talk about, you know, people from the outside having to come and *invest, so on and so forth*, what are we gonna do to assure their safety? Today Nazareth Berberian was killed. He was a businessman, blah blah, blah." *I said, and they go: "We haven't heard of it." And one by one… Manukyan had already fled* before questions and answers, he said: "Oh, I have to go." Cause he doesn't like questions and answers. *Anyway, they sat there and one after the other* —I have the transcript from it—during my time this happened, during my time this happened. Anybody from the outside doing serious business will not succeed. The whole conference was about [U.]. The last thing the former Prime Minister was saying anybody that comes today will not succeed. And in my time we had this man who lost a million dollars, we had this man who was kicked out, this mam who this…

SARKIS: *But look, my problem is the following, Ara*. I would rather leave that to businessmen.

ARA: Yeah.

SARKIS: *For instance, you're saying that the Fund should create jobs.*

ARA: I'm not saying '*the Fund should create jobs*.' But go ahead.

SARKIS: *But because the issue is this. We tried,* for example… *For the past two years,* we're also concentrating on economic development, *because* that's the sensible thing to do. *But, for instance, in one of the villages in Tavush… was it Getavan?* Anyway, *we founded a milk*

procurement station. The idea is the following: *the villager can't do anything with his milk.* He only produces 10 liters of milk, *he eats 5 of it, and makes plain yoghurt with the other 5. Then he sells it* or exchanges it with something else, *barters it*. Had there been some sort of collection truck*, which would go to these villages and collect those 5 liters from people* and would pay them on the spot, *people would have an alternative profit,* maybe down the line they decide to [U.] cow, *develop a business*, you know, reinvest the money, whatever. *So, we went ahead and established the milk procurement station.* The infrastructure is there. *They were Armenians from San Francisco.* An investment of about $150 thousand. *It wasn't a lot. Very good…*

ARA: Is it Zaribian?

SARKIS: *No, no, no.* This is general public [U.]. *Adam Kaplanian put, I believe, 20,000; Tony Moroyan,* I think he gave five. Anyway…

ARA: Ok, so they collected together.

SARKIS: *Yes, common folk, too. People contributed over 100 thousand with their $10, $20, $50 donations.* It was a very nice project. *When it was completed…* It's there. *They were there. Nice containers were installed, which are supposed to procure milk for 48 or 72 hours, until the trucks pick them up and transport it to Ashtarak Kat, they get paid and so on.* The system works. It's a cooperative. *Everybody is a member of the* cooperative.

First of all the taxation issues became a terrible headache, because Armenia Fund itself, it cannot have income, it should only be donated. And, *first of all, we cannot be involved in that business. Secondly, that cooperative, which was to be created issues of its own—VAT, I don't know, taxes and so on. At the end of the day, it turns out that the price, which you can afford to pay the villager* is far less than it's gonna make sense to him. *Do you understand? It's easier for a villager to take that milk, make plain yoghurt out of 5 liters, sell it or exchange it for potatoes or anything, so on and so forth. Besides,* there isn't enough to pass it, *because this kind of a project,* only when you reach so many people contributing their milk to the project, only then it becomes economically viable. *Now, since you have to tell people: "Look, a few months or a few years from now you'll be breaking even,* pretty much*, in the best-case scenario. Then when the rest already become active and so on,* then, only then you will see a profit, basically." *And the Fund cannot subsidize it more than that.* At some point, we have to…

so that it self-sufficiently... *We don't get to that point.* And nobody [U.], and it's been three years.

And then there is something else. So, that is, we decided that there is going to be a milk procurement station there, right? Our experts thought that it was a good thing to do. *But our experts may have been wrong.* Maybe it should have been a fork producing industry *or maybe they should have established a* chicken *farm*. I don't know what industry. But to take that responsibility upon Armenian Fund and to decide what needs to be done in the business environment [U.]:

ARA: What about creating loans for locals instead?

SARKIS: *There is a similar problem with loans, as well, because we researched how the loan programs work in Karabakh.* Basically, *what do people do? They owe money. Everybody. Most of them owe money to grocery stores or for electricity.* They take the loan, they pay that, then they start defaulting on it. *Then what do you do? You cannot use land as collateral in Karabakh.* You cannot alienate people from their land, according to the law. So, *what happens?* You cannot take any collateral. The only collateral, *because* the only collateral they have is their house, it's their land. So, you can't take collateral: *What happens? And they know,* there's no return on the money. What are you gonna do? You just lose the money. *And the poor man says: "I've got nothing, come and take whatever I have."* Are you gonna take the house from the guy? *There are issues like that. Microloans,* it's good on paper. *It has worked in other places, in Africa, so on and so forth. We've done extensive research, but* it has not worked in Karabakh.

ARA: I think that… What the problem is… *You know what?*

SARKIS: *The red cow, right? Look, we brought cows from the Netherlands as part of the French program.*

ARA: *But how? What kind of food are you going to give it?*

SARKIS: *That's the thing! The Dutch cows were brought. There are a few benefactors in France. These people think like you and me:* instead of pumping the money into the infrastructure, we'll create a business, so that people can work. *And they sent Dutch cows.* Part of them, I think, were Swiss, a part of them was from Holland. *Those were pregnant cows. Ara,*

this cow is expensive. He was giving it for free. it's like giving a BMW 7 series to a poor guy. *Changing its brakes alone will cost you $500.* The gas he'll pump in it, you know, it's like $800.

ARA: And they eat like there's no tomorrow.

SARKIS: They eat like there's no tomorrow. *They need special* feed*. Unlike our cows, they can't go and graze, or I don't know what.* They don't work that way. *They have to be given special* feed*,* a special mixture that needs to be given. So, *these cows started dying. Ok? The second issue: what happened? The villager who was smart didn't wait for it to die.*

SARKIS: *The smarter villager didn't wait for it to die, slaughtered it and sold it. At least he had made some money. But* [U.]. That's the problem. *Or, there was yet another program. We decided to sow garlic. So, it turns out that garlic* it's a world commodity, *like wheat,* pork belly, *I don't know what, and so on.* You can sell it on the mercantile exchange. It's pretty expensive. *And Armenia, as a country where* transportation *is a problem,* what they would do, *they turn into* powder*,* and the transport is much easier. It's more efficient.

ARA: And it's probably worth more, too.

SARKIS: Exactly. So, *all the calculations of the cost of the plant for producing the powder and so on were taken care of.* Months and months of work has been done on that. *Where to get the seeds from. What to do? And so on and so forth. There weren't enough seeds in Armenia, because that too…* It will start to work, *if,* I don't remember the number, *several dozen hectares should be sown,* for it to be economically viable, *taking into consideration the work force, I don't know what, the price,* transportation. *It turned out that there was not enough of the thing…*

SARKIS: *First of all, it turned out that there weren't enough seeds in Armenia. There weren't. We said, fine, let's take a look at the Chinese garlic. See, the Chinese are not dumb, they are smart, they are clever. The garlic that they export* they shave off *the part on the back, from where the roots then grow.* So, you can't use that. *Then this man said: "Fine, I'll bring the seeds.* I'll put another $50,000 into it." *It turned out there isn't sufficient work force, because* it's very intensive, labor-intensive *thing. Taking care of garlic: planting and the thing and so on… Because should you fail to sow even once, the thing… There are stages: you have to tie it up, do I don't know what, water it and then not water it. A headache. Then it turned out that* in

Armenia, it's not viable.

ARA: Too much work, labor-intensive.

SARKIS: Too much work, labor-intensive.

ARA: And Armenians aren't that…

SARKIS: *At the end that person said: "Guys…* I mean, it's not happening." *What happened next? We pretty much* [U.] *that person's donation. There are all these limitations that have created problems.*

ARA: *No, you know what, Sarkis? I see that… In my opinion… It's been already about twenty years, right?*

SARKIS: *Eventually, what's the conclusion, Ara? That the Fund should not be involved in things of economic nature.* Leave it to the businessman, *because,* unless you have a stake in it… *You know what I'm saying? As a business.* It's your business. *You're in business to make money. Unless you have that* drive *in you, for you to manage, be on the ground and so on, try* [U.]*...*

ARA: See, the thing that I see is, *if the Fund exists,* it's a charitable organization, and charity, there's always a place for charity. But when the Fund is doing things that the Government should be doing.

SARKIS: *But that's what we've always been doing, dear Ara.*

ARA: Well, that's the problem. Then change the structure. Work on private schools, work on… I don't know something, but if it's a road, the government is responsible for that, if it's water, the government's responsible, if electricity, the government's responsible.

SARKIS: True.

ARA: That's their responsibility.

SARKIS: True

ARA: That's their obligation.

SARKIS: *That's right.*

ARA: Buy circumventing that, by relieving them of that duty… And you don't just relieve them of that duty, you actually, in a sense, give them credit for getting the job done, because the job got done. So, the person that's in charge of the water, *the thing… what's its name? The Domokhoz [meant 'komokhoz' - Russian abbreviation for Utility Service] that is supposed to do, I don't know, fix the lines and so on,* now they're relieved of their obligations [U.], the pressure that's on them. You have to fix it, because this whole street doesn't have water, and we've got to put water. They've got to get the government to give them money for that project and so on and so forth. But by us, circumventing that we're relieving incompetent people of doing their job they're supposed to do. *Instead of* forcing competent people to be put in that position. I mean don't have a problem with charity. I just have a problem with the type of charity that the Fund is dealing with now, which is what the government should be doing. It's their obligation. They're elected to office presumably. They are given... *One is appointed to an office for serving the public. But when you see that in the same Utilities Service, in Martuni, Murad*—he's not a bad guy, I'm sure there's nothing wrong with him. But there are people who…

SARKIS: *Who is Murad?*

ARA: *No, Murad is the head of the Utility Service,* or he was, when I was there.

SARKIS: [U.]

ARA: *No, Utility Service in Martuni, for instance… He may have built his house with the money, which, for instance, was allocated for building roads,* because they steal from there. So, what we're doing is, in a sense, we're transferring money into their, his pocket, because we took up the slack where he stole from…

SARKIS: *Oh, so to say,* he stole from the government, but…

ARA: He stole from the government, and now we cover his tracks, we cover his stealing, because now we've all of a sudden, we've fulfilled that. The people don't know. The people don't care. They just want their water. They don't give a damn. But now this guy becomes more powerful, you know, and this guy becomes more wealthy, and he's stealing. And it goes on and on. I mean every project the Armenia Fund has done it has that side effect. It's not a direct effect, but it is the end result. And that's what bothers me. If the Fund was doing private schools or some cultural center, something new that the government isn't responsible. *There a*

lot of things that people need that is not up to the government's… it's not in their…

SARKIS: *But we cannot do any* private *thing, dear Ara.* We only can do public projects.

ARA: What do other Funds do? What do other organizations do? How do they get away with it?

SARKIS: Like, *which ones?*

ARA: I don't know. I'm just asking. I mean what are they…

SARKIS: *I see, no,* it's their bylaws. *They don't put such limitations on themselves.*

ARA: So, yea, maybe the bylaws need to be changed. Maybe the Fund has to… There was a need 20 years ago, there was a very desperate need, Armenia had nothing, really didn't have anything. *There wasn't anything*: *But now when it has, now, when there are rich people in Armenia, and it is clear how they became rich,* maybe things just need to be changed. It just needs a revamp.

SARKIS: *You're right. Look, please let's keep whatever we're saying here between us.*

ARA: *Yes.*

SARKIS: *I don't want it to be written in a blog that you have met with me and said these things.*

ARA: Ok.

SARKIS: *But look,* you're absolutely correct. *And what you're saying is the reality.* Nobody can deny that. *Even if you sit down with the president and say the same things, he will say:* "Yeah…" Just don't write about it.

ARA: Yeah, ok.

SARKIS: *But the question is as follows: you go to the villages, you look at the people… The area you live in, the village of Sos in Martuni.*

ARA: Yeah, *I know it very well.*

SARKIS: *The village next to Chambarak. These people… When were we there? It was a year and a half or two years ago. There was a water problem.* [U.]*, people don't have water. That*

cow they have… Desperate need for water. *We could… Now they have water, 24-hour water supply, a faucet in every house, and so on.* It works perfectly. *These peoples' lives have changed completely.*

ARA: Of course. Of course, *it has changed*: *But,* again…

SARKIS: *But look, the government wasn't going to do it, bro. That's the shit.*

ARA: Well*, if, excuse me, if they don't do it, then the people of Sos village should stand up and by the neck…*

SARKIS: *They won't stand up, bro.*

ARA: They can. If they know there's no other chance… *If they know that there is no other option, nobody is going to come from the Diaspora and save them, or from a different planet, willy-nilly, they will either die or,* cause survive… animal instincts, everyone has it. You just have to get to it.

SARKIS: *But do you know what you're saying means? What you're saying is let's stop sending money to our families.*

ARA: Yeah!

SARKIS: *So that they get mad* [U.]*? That's not right.*

ARA: *Why?*

SARKIS: *Because look…*

ARA: *Why?* Sarkis, look at this, look at this corrupt… I have so many relatives there, *I have so many families that I support over there. Sometimes I feel embarrassed that I'm supporting them, because they…*

SARKIS: [U.]*, right, bro? One must have pity on these people.*

ARA: *What's that?*

SARKIS: *Look, let me explain my wife's family.*

ARA: Go ahead.

SARKIS: *Her mother is a professor of Russian at the Slavonic University.* Nobody needs the Russian University, *everybody studies English.* She gets like 30,000 drams, if she's lucky, *because they cut her hours, I don't know what other shit they're doing, so on and so forth. She was laid off, later restored, and got a few hours. Her father doesn't work. Her father used to be a businessman. In Levon's times,* he was pretty well-off: *he was selling scrap metal, I don't know what he was doing. They came, screwed him up, made him bankrupt, took away his house, so on and so forth.* The man with his family was left without a roof over his head. So, *now he doesn't do anything. He's just sitting around at home.* He's, like, he's an older guy, *they broke him, they broke him, he's not gonna change any more. They've got no one else.* So, *these people's income is 30,000 drams. These people cannot live off of that.*

ARA: Of course.

SARKIS: *Now the question is how can I refrain from supporting these people? How can I… 300 or 200 a month…*

ARA: *But did you understand what I was saying? If it continues this way, it will keep going.*

SARKIS: It's not realistic. *Even if you put a knife against my throat, I will, nevertheless, send money to these people.* I can't.

ARA: Well I know. Because that's the emotional side, unfortunately. If you wanna be practical about it, the practical side is—it can't continue this way, because this will continue on for a hundred years. *This will become a hundred-year-long story.* It's already 20-year *story, Sarkis*.

SARKIS: *And it will go on for another 20 years.*

ARA: Easy.

SARKIS: *Eventually, someone will come, right?* I don't know who it's gonna be. It's gonna be a guy with balls. We're talking about BALLS. The only thing that is needed is a guy with BALLS, *who will come and say: "Fuck your mothers, have pity on our people. As much as you've eaten… Enough is enough! And that businessman, that same Dod himself has to eventually understand that it's not beneficial for him to get constant phone calls from Serzh saying: "Give! The army needs a tank, 20 million." But Dod is still a dumbass, he doesn't understand. If Dod were smart, he would give Serzh a call and say: "Bro, how much do I owe in taxes? I have*

decided to pay all my taxes from this day on. But I no longer want to deal with you. I don't wanna get phone calls at the end of the day. *I don't want, the thing, the Fund to come and ask for money, I don't know and so on.* I'm just going to pay my filing taxes, and I don't wanna see your face." *Until people come to this understanding, both the businessmen and the state, this is not going to change.*

ARA: Of course, I agree with you.

SARKIS: That's what it is. *But by the time they come to this understanding, people are suffering over there, and Armenia will be emptied 20 years later.*

ARA: That's where we're heading now. That's where we're heading now.

SARKIS: *That's the shit.* On an intellectual level, *I'm with you, I understand,* you're absolutely right. But on an emotional or practical level, *what can you do? One cannot help having pit on these people.*

That Sos village, when we turned the water on, you should have seen the happiness of those people. A 90-year old woman, I have the video. *The poor woman had come with her cane like this. She was sitting there the whole time, but then, as soon as the songs and dances began, the woman stood up and began dancing.* She was 90 years old. *We asked: "So, you got so happy, Mother?" "Of course, my son, what are you talking about? Even in the Soviet times, we had no water. That's it, from now on my kids, I don't know, I will not have to go every day and do I don't know what. We're doing the laundry at home and stuff." There was no limit to her joy.*

ARA: Now we're gonna end up with a bunch of fat people.

SARKIS: *What's that?*

ARA: We're gonna end up with a bunch of fat people. We took away their exercise.

SARKIS: *(Laughing).*

ARA: Now they're not gonna live to be 90 years old. Now they're gonna live to be 70.

SARKIS: *Well, now that's what it is. What you're saying is right, but what can you do? That government is shit.* We all know this. We don't talk. I don't talk about it publicly, but…

ARA: You know what's interesting for me is everybody knows it. Stepan even knows it. And, still, people just don't wanna face it. It's almost like a denial thing. If it's fucked up, it's fucked up. People have to talk about it. And people have to talk about it publicly. People have to take it upon themselves as a responsibility. By actually keeping quiet about it, you become an accessory to the crime.

SARKIS: We're doing a different thing. *You know, all kinds of things have occurred in the Fund's history.* Again, very frankly, openly *I'm talking to you: they've stolen money, eaten it, and what not. It has happened. Right now, as of today, that is no longer happening.* I think [U.]. During the last two years, *since Ara Vardanyan was appointed director*: You see, the guy is clean. *And he hasn't seen that kind of stuff in his family.*

ARA: *Maybe those who have eaten don't need money any more: they've got so much.*

SARKIS: *Maybe. No, now look, directors, stuff like that and so on…* I mean shit happening. *They've given contracts with kickbacks, so on and so forth. Now, after all, it depends on how a person was brought up, what that person has seen in his life. Ara Vardanyan now lives in the house his grandfather built in Soviet times, in nineteen sixty-something. His grandfather was…* He was the… *Chief of TV in Soviet times. Then, I believe, he was the head of the Department of Culture* [U.]. *Then he was, you know the Revolution Museum on the Republic Square, which has now become Armenia's…*

ARA: Ok, yeah, yeah.

SARKIS: *He used to be the director of that museum for years. But these people renovated their house six or five years ago. The guy didn't take a penny of public funds. His dad, Ara Vadanyan's dad,* he was the deputy Minister of Energy *in Levon's times, when all that stuff related to the energy took place, the electricity issue and so on. They subjected this man to…* They started a big investigation. Remember? *A few days ago* on the Minister of the [U.] between 1992 and 1995.

ARA: I don't remember. It's not ringing a bell. Anyway.

SARKIS: It was a big case. *The Minister of those years was sent to jail, a few others were jailed, so on and so forth, when the power changed. Ara's dad was taken to the KGB.* He stayed there one night. At the end of the day, there is a paper, where they *apologize to him,* ok?

Formally, for bringing him and having him spend a night. *They dropped everything, and the man got out with dignity. Now the same is Ara Vardanyan.* If that's what he saw in his family, *these people haven't stolen.*

The same thing is true about my family. In those years my dad, I don't know if you know, in the Soviet times, he stood up and told Demirchyan that there is corruption—I'm talking 86 or 87—*and: "Mr. Demirchyan, it's your fault," because* it's always to your pockets. *I was just kidnapped when I was a little boy, in Soviet times. They tried, but failed and so on. So, they wanted to kill the man, hurt the family. Can you imagine the Soviets?*

ARA: *Yes.*

SARKIS: *That's what we've seen in our families. When this* responsibility *was laid*— just don't steal… *If they didn't steal the country's entire thing…* I mean you're fucking kidding me.

ARA: That country would be better than America.

SARKIS: *Our budget today, which I don't know how many billions it is, 4 billion,* it can be 10, it can be 15.

ARA: Right.

SARKIS: *You know what I'm saying? If everyone pays 80% of what one owes in taxes…* They don't steal. *Now what happened? Inside the Fund, when you're saying that* everybody should have the responsibility, we took all responsibility. We're clean here. We're clean in Armenia. *We've done our job. Right now no one can get a contract with a kickback via the Fund, because* it's just too [U.] to do that.

ARA: But it's just in the last two years.

SARKIS: In the last two years [U.].

ARA: *No, when you were saying…*

SARKIS: Don't, don't write about it.

ARA: I won't write about that. But *when you were saying…* I know you're not allowed to say it's only been two years. *But when you were talking on TV,* you were talking about almost like the

history… That's the way it came up in your interview for *Horizon*. This is the history, this is from day one until now, here is here, here is this…

SARKIS: *No, look.* Starting from day one, *this is what happened. The Fund has a history of 19 years*, *20*. There's an objective side to it and a subjective side. *When the Fund was just starting, there were no* control mechanisms *yet. It was new.* Nobody know how to operate a fucking Himnadram. *When there are* possibilities *for stealing, you should create* mechanisms *to prevent them from happening,* control mechanisms*. So, with years, those control mechanisms kept increasing* to a point, that now it's only on the subjective side. *That is to say, if you are going to steal,* then it's the subjective decision of a [U.], *because all (the subjective mechanisms are in place, and these things have been developed in the course of 18 years. Now it is extremely difficult to steal money from the Fund, because there are lots of eyes on it.* There are all kinds of control mechanisms: *there is audit, this and that. Do you understand? There is this internal thing. For example, Vahe Jazmadarian. Did you see him on the Telethon?*

ARA: I didn't watch the whole thing, so…

SARKIS: So, there's a, *this guy…* Vahe Jazmadarian, he's the head of our control chamber, *which, as a person from the outside you may conclude: "Well, yes, it's yours" and things like, so on and so forth*. But the guy is more efficient than the auditor, *because, he's like you, it feels like you're talking to common folk and so on.* He does the same thing. *He comes to Armenia a month before the Board meeting.* He has a series of meetings with auditors, contractors, *I don't know,* bidding committee, so on and so forth. *But he also talks. And he's someone who…* he's been the head of the Credit-Suisse in France for 20 years. The guy is, like, 90. He has unfettered access to the president. *Whenever he wishes,* he just has to make a phone call, the president's team has his [U.]. *And this man within so many years managed to bring all the control mechanisms in line* with the same charities that operate in France, Switzerland *so on and so forth.*

ARA: You know where the Fund… First of all, the Fund will get more credibility is if this type of thing was being said to people.

SARKIS: To criticize…

ARA: I know that's the problem. So, then now what you have is you have the weight of 15

years, 16 years before you, carrying on your shoulders, and all you've got is just a little bit of thing: "I'm good now, but what about all this?"

SARKIS: *But they can't.*

ARA: *If they can't, then it means that the Fund should be dissolved, something should be launched.* Maybe that's what needs to be done. Maybe a totally new Fund needs to be started.

SARKIS: *Now look, the same presidents…*

ARA: Because you guys have some history on you that's…

SARKIS: We got to admit to it, bro [U.].

ARA: It's really bad. It's a big weight. It's like an anchor. How does a boat move, if the anchor is thrown still. You gotta cut the anchor off. But to cut the anchor off.

SARKIS: *Well, now look, for the past two years* we do our own polls. *We do most of it in Armenia, because Armenia* is a better indicator than… *How do you think the Fund works, whether it's clean and so on.* During the last three years… *The first time we started was three years ago.* It was horrible, bro. It was horrible. *In the past three years, this last one that we did,* it was much better. Much better. *I'm not saying that those doubts had disappeared. No. But at least, there were half as many now. You know what I'm saying?* At the end of the day *all these people… Armenia, if you look at it, is small, especially Yerevan.*

ARA: *They should know everything.*

SARKIS: *Everybody knows everything. You know what I'm saying?*

ARA: Of course.

SARKIS: *Whatever you eat one day, people will already be to be talking about what you ate in the streets the next day. Now, that people haven't been hearing those things for the past three years,* changes their opinion drastically. *For example, let me tell you a story. Don't write about it.*

ARA: Ok.

SARKIS: *Please.*

ARA: Fine.

SARKIS: Whatever we talk about is…

ARA: Um-hum.

SARKIS: *Ara Vardanyan himself* had to flee. Don't tell anyone.

ARA: This was recently?

SARKIS: It was recently, like two years… because he had pressure on him to give a large contract to a certain organization. Ok? And it came from one of the government officials. *Now…*

SARKIS: So, what happened? Bidding committee and so on… The guy got disqualified, *because* I mean… *bidding for the Fund has a number stages*: *In the first stage,* you have to prove, that you have experience to do this kind of project, *that if it's a hospital,* I mean, *the hospital falls under a completely different* [U.]. You have to have experience for building a hospital before you can do that. Then they have to check you against court documents, *to make sure there's no lien on him*; what kind of equipment you have, *whether you correspond to the* scoping *or not, whether you have tax issues or not.* So, *that's the first stage. The next stage is, like,* how much it's gonna cost, what material you can use, *how long it will take…* So, that's second, third stage.

We disqualified this man in the first stage, because he didn't have an experience building a hospital. *The guy had been building roads all his life. And* in the bidding committee, *in presence of the* ARS, Armenian Assembly, AGBU, plus *the members of* our bidding committee, *who are* construction experts, *that man stood up right there and said:* «Արա, քանի՞ գլխանի ես դու, այ լակոտ: Էս գործը ինձ են խոստացել: Ես էս գործը պտի անեմ, թքած ունեմ ես ձեր բոլորի վրա. *["How many heads do you have, you sucker. This job was promised to me. I am going to do the job, I don't give a shit about any of you.]* You're gonna give me the job next week, without any bidding committee." *Ara Vardanyan stood up and said:* «Քունեմ քեզ ըդտեղ, էդ բոլորիդ, որ քո մեջքի հետևը կանգնած ա: *["Fuck you and all those people who are covering your ass.]* They can suck my dick. Դե հիմա սիկտիր էղի: *[And now get the fuck out of here.]* «Արա, դու ո՞վ ես դառել, այ լակոտ» *[Hey, who the fuck are you, sucker?]* He is only, like, 33. «Դու գիտե՞ս՝ դու ում հետ ես խոսում»: *[Do you know who you're talking to?]*

ARA: I love when they say that.

ARA: So, anyway, '*you don't know who you're talking to.'*

SARKIS: *Yeah, 'you don't know who you're talking to, so on and so forth. Don't you have kids and stuff?* I mean ugly, ugly, fucking ugly. *And when Ara loses it, there's no turning back.* That's it, you know, like: "Քունեմ քեզ էլ, ով որ քո մեջքի հետևը կանգնած ա» և այլն *['Fuck you and all those who cover your ass' and so on]*, go fuck yourself." *But the guy is scared: he knows, he lives in Armenia* [U.]*. If they want… He doesn't know who that was.*

So he's, like… Threats. *He calls Armen Gevorgyan who is… the thing… of all the marzpets [regional governors]. This happened, that happened, so on and so forth. This man said this thing. And this man goes: "Dear Ara,* just leave town for a couple of days, undisclosed location. *These people are crazy,* you don't know what you're dealing with… *You've done the right thing, you've done it well, bravo for having faced him, so on, but* just, you know, to be on the safe side…" *The next day* he gets a cell phone call: "*Mr. Vardanyan, I'm very sorry. I misbehaved. You got me wrong: I didn't want that contract. I had simply misunderstood the Fund's requirements. I didn't know that prior experience was an issue.* So, *I apologize and let's move on."* So this kind of stuff happens, you know, even to Armenian…

ARA: Yeah, I get this once in a while. But they always end about that same tone. I just usually ignore them, until they come back another time and just say, ok, whatever…

SARKIS: Yeah, yeah, yeah, I mean, *even the Fund's chairman* who is, at the end of the day, not the last not the last person. *You know what I mean?* Even he gets threats, because the guy refuses to give kickbacks.

ARA: They're used to a different culture.

SARKIS: *Because, after all, that guy, too, has studied here.* Just like me, he came here in 1993, *he attended an American school* and he lived in an American family. *And these* values, *that he adopted*, coupled with the values from his own family…

ARA: *It's ok, little by little. But I have to say it again.*

SARKIS: When you say 'everybody should do.'

ARA: If the Armenia Fund was more transparent in the sense like the discussion we're having now, the talk we're having *between us*…

SARKIS: *Yes, how could you go ahead and say publicly that,* you know…

ARA: Do you know how much support you would get, if the Fund became like that. If people realized, yes… 'Cause everybody knows it happened. It's in the news, Sarkis. You just have to know how to read Armenian, read a little bit of Russian, and you just have to dig into the internet. It's all there. It's all there. It's not… This is not like WikiLeaks, this is on the internet right now. You just have to know where to look. And to deny that it ever happened or doesn't happen… It's impossible. That's why…

SARKIS: But how are we gonna talk about that, Ara. That's the thing.

ARA: Well, maybe… Maybe it depends on you.

SARKIS: *For me, as a Fund official, to* [U.]*.* Are you fuckin' kidding me?

ARA: No, you can't. You gotta get the top to allow you to say that. The problem that you have, Sarkis, is you're the person they control, basically, unfortunately. Around the table you can say what you want to. But once you get into that office, or you say something…

SARKIS: *I have told them, too.* They know.

ARA: No, I know they know it. That's not what I'm saying is.

SARKIS: *When the same thing was here… Bako comes or I don't know who else,* I talk to him, just like I talk to you.

ARA: Yeah, I know. But, Sarkis…

SARKIS: And they appreciate that.

ARA: They appreciate it, but, *after all,* if I appreciate it and I understand what's going on, you can't just take one person at a time, you gotta get it to the masses. Let's say, look, we had problems in the past—it's there. Everything is clear that it happened. But show us some things that happened in the last two years. Come prove to me that there has been theft in the last two years. Come, prove it. Yes, before it happened, we're now changed.

SARKIS: *We say that much. We do say that much. We do say that much.*

ARA: It's not being said. It's not… I've never heard it. I'm hearing it here today. But I've never actually heard it. But that would change… But then *the other thing, the second thing,* change the programs that you guys do.

SARKIS: Like what?

ARA: Get rid of the roads, get rid of the water, get rid of all that shit. And let the government know…

SARKIS: *Then what else shall we do?*

ARA: Find something… There's a lot things, I'm sure. I mean I can't think of it right now. *I'm sure there are many good things that Armenia needs to move forward.* But this is not taking them forward. This is taking them backwards, because what's happening is double resources are being poured in, and one's going to some personal wealth, and one you guys are having to dish out for, the real whatever has to be done.

SARKIS: *But no matter what you do now, that's what it is, Ara.* I don't think you're getting it, bro. *And now no matter what…* Let's say we decide to do some other projects, right?

ARA: Yeah, then they're gonna have to do the water, because if they don't do water…

SARKIS: No, *that's the thing, they won't do it, bro.*

ARA: No. How about education? Teach the people… You want a Fund that can… that won't take a lot of fund-raising, but have a great effect. Educate the people on their rights. Educate the people on their rights.

SARKIS: I hate trainings, I hate trainings.

ARA: Well, you know what? But people need trainings, because without trainings you go nowhere. Did you go…

SARKIS: *Training is the easiest way to pocket money.*

ARA: Did you go… Excuse me. Did you go to school?

SARKIS: Yeah.

ARA: Get an education?

SARKIS: Yeah, of course.

ARA: Well, this people need to go to school and get an education. They don't have the education that you have, your understanding that you have today. They don't have that, but you have that. If you can educate the masses not in a university setting: brochures… I mean, unfortunately, this is… People need to know their rights. One time Ghukasyan; I went to his office, it was 1999 with some journalist. I took them there. And he said… It was funny, I had seen the Prime Minister the day before, and over there I have a re… Zhirayr was at the time.

SARKIS: Zhirayr, yeah.

ARA: This is just on the cast, when Zhirayr was just gonna go out.

SARKIS: Yeah, yeah.

ARA: Just before that. It was May, May of 1999. So, I take this journalist and a photographer to see Zhirayr and then to see Ghukasyan. So, I go to see Zhirayr. And it was May and I have a tendency of wearing short pants and whatever, which is not, you know, wasn't very common in those days. So, I go to Zhirayr's office. I'm wearing short pants and whatever. So, Zhirayr goes: "Ara, I know you own a suit, you're coming to see the Prime Minister…"

SARKIS: Well, he's kinda right.

ARA: He is right, right? Ok. So, I said: "Yes Zhirayr, next time I come, I promise you I will wear a suit." "Ok, fine, you're forgiven." Now, we're gonna go to Ghukasyan. So, we're going to the president. So, I said let me wear a suit. I'm going there to wear a suit. And I'm dressed in a suit like you're wearing. The journalist has just a… no tie or anything, regular. And he looks at me and goes: "Ara," he goes, "No one recognizes this as a real country, you really don't have to dress like this, when you come to see me."

SARKIS: *(Laughing)*

ARA: He's like there's no wedding. There's no wedding. So, the bottom line is that these… that our country has a lot of room to learn. And what he said during that meeting, the reason why I

brought is up was he said people don't know what democracy is, because the question was…

SARKIS: *He's right.*

ARA: People are afraid of democracy. Ok? But the reality is people need to be educated on what democracy is. They need to be educated. And if you don't educate them, they're not gonna know how to…

SARKIS: *Ara, so much money is spent on education in Armenia.* USAID is, fucking… Millions of dollars get spent on voter education…

ARA: The whole point is that if you educate the people of what their rights are, Sarkis, they will make sure they get roads; they will make sure they get water; they will make sure they get electricity; they will make sure they get whatever services are entitled to them. If they understand that it's their right…

SARKIS: People have great apathy. *Big apathy!* You know why? *Because they participate in every election. Ok? Now Levon is not my thing, is not my favorite. Fuck Levon.* I don't like him.

ARA: I never liked him when he was the president.

SARKIS: Exactly. Me neither. *But how come all the people united around Levon?* Because people are fed up. Right?

ARA: Because… that's the reason why. Not because they like Levon.

SARKIS: Not because of it. *Now what happened? Innocent people, went and participated in the elections.* They voted for Levon, *didn't they*? Most likely he won the election.

ARA: Probably not.

SARKIS: Well, *whatever. Secondly…*

ARA: There were no candidates.

SARKIS: Ok. *But* at least, there should have been, like, the second, *thing, right? The stage,* in which it would be much more difficult for Serzh. *People went. What happened? They went and cast their vote, so on and so forth.* Whatever votes they gave, *it doesn't matter whether he would win or not. What happened? At the end they said that Levon received 10% of the votes.*

Then the mayoral elections took place. The same way. Who gives a shit what people voted for? *It was preceded by the parliamentary elections.* [U.] another parliament. *What happened? In the end,* only 10% go to these elections, because [U.]. We have reached a point of donor apathy, *who is a donor…* A classic political science case, *when they say* it doesn't matter how I vote, it doesn't matter what I can do. They have the power, they're gonna control, they're gonna rig it, so, *it's better if I take the election bribe*. *That's it! Done!* So, it doesn't matter, *no matter how much you educate the person…* Do you think they don't know their rights? Bro, they do know their rights. *But the question is* do they believe that they can actually change something? That's the problem. *That's why I'm saying,* it's all a matter of political will.

ARA: You're right. Can't argue with that.

SARKIS: *If it were someone other than Levon Ter-Petrosyan, someone else* with balls… *That's why I don't like Levon. Back then, when he wanted to return the Karabakh lands,* because he didn't have any fucking balls…

ARA: And I asked Zhirayr Liparityan, when I went over to get, identify Nazareth. On that trip, Zhirayr was on the plane sitting two seats back.

SARKIS: No kidding.

ARA: So, I went and sat next to him,and we talked, 'cause I've known him for a while. And I asked him about *giving the lands back*. He said: *"No…"* Around the same time, in 19… 2009, something was going on about… talking about *giving the lands back.* He said in our time we would have never done anything like that. I looked at him and I'm going—I didn't say anything, it was just like—you, idiot, it was you… And, on top of it, Zhirayr… I don't know if you've been throughout Lachin. You probably have.

SARKIS: Of course.

ARA: Have you ever gone to… not Istisu, small Istisu, on the other side of Istisu… From the… *The thing, when… Do you know that border over there that you have to cross to enter Lachin?*

SARKIS: *Yes.*

ARA: *If you turn left, there's a temple over there, an old temple.*

SARKIS: *Yes, yes.*

ARA: *I hope you've been there. If you continue on that road, you will see that all the bridges on the Goris side and the Lachin side have been damaged, blown up.* Do you know why it's like that? In 1993, when I was driving through Lachin to go to Karabakh, it was May. Zhirayr Liparityan had advised Levon-Ter-Petrosyan, and Levon Ter-Petrosyan agreed that we're gonna give back Lachin.

SARKIS: *Yes, there was such a thing.*

ARA: And they blew up the bridges. All of the bridges were blown up by us, the Armenians.

SARKIS: *No,* I know this shit.

ARA: And that's why we don't have bridges there because that was Zhirayr's *shit*: And all throughout, up and down, you see there's no bridges. They're all blown up.

SARKIS: *Of course! Wasn't it Levon who went to Karabakh and said: "Just as you captured Kelbajar, now go ahead and give it back."*

ARA: Yeah. Now what was the date of that? Which day was that? Was that June 14, June 15? Or was it before? 'Cause I heard it was in May. But I don't know.

SARKIS: *Oh, I can't tell you that.* It was the one time that we got stuck in Goris, because he was waiting for guys to come, *the Karabakh people.* And they never did. So, he flew to…

ARA: I know he flew in.

SARKIS: He flew in. That was the time. That was the only time he flew [U.].

ARA: Ok, so that would have been June 14. It was right after Monte died.

SARKIS: *Yes.*

ARA: Because Karo Kahkedjian, he was bodyguarding his group to care of Levon, while he was there. And then Karo gets killed, like, a month later or something.

SARKIS: Probably. That was… that was…

ARA: Ok, so that was the trip.

SARKIS: *Whatever they're circulating now about Kocharian saying*.

ARA: I've actually met somebody that was at that meeting.

SARKIS: Who?

ARA: I don't remember his name. I have his phone number. He said…

SARKIS: *In Karabakh?*

ARA: He was in Karabakh at that time. *Someone from Armenia.* He lives here now. He was at that meeting. And he even has a… He even has a picture with Levon.

SARKIS: Very few people were there.

ARA: He was at that meeting.

SARKIS: I have a part of that video recording.

ARA: You do? Of the meeting? Where did you get it? Or is that what they've been showing on television, like, during the elections? *Someone said that a few times on H1,* where they were saying, like: "Levon, go home. *Go, you're not… you…"*

SARKIS: *No, no, no.* No. *This was the situation. He had come.* He was trying to convince the guys to give up Kelbajar. All right? *Because Moscow is strangling us, I don't know,* all kinds of pressures*; Moscow will stop our bread supply;* there's, like, a… *this many freight cars of wheat is on the way.* it's gonna be turned back. So, basically, he was saying, *that* either we give it back or we face destruction. *That was his message, to which the Karabakh guys said:* "Fuck you." That really happened.

ARA: So, what part of the video do you have? Which, what conversation goes on?

SARKIS: *When he explains* what's gonna happen, if they don't give up Kelbajar. *But he was smart:* he doesn't name Kelbajar.

ARA: That would have been June, because in May they blew up the bridges. So, he was trying… And what I heard from somebody in Lachin who is the… I don't know what he was… *It wasn't the marzpet* ***[regional governor]****, it was the mayor of Lachin.* He later became a *marzpet*. He said that *"the Russians didn't allow." No… Yes: "the Russians didn't allow, the Azeris were*

surprised that the Armenians were ready to give it back, but the Russians, eventually, didn't let it happen." That's what he said.

SARKIS: It's not true. *The Karabakh people, Robert Kocharyan… er… It was him.* It was Robert Kocharyan. It was his decision to tell Levon Ter-Petrosyan to go fuck himself.

ARA: Ok.

SARKIS: So, *when they were saying no such thing had happened,* that's bull shit, *that has taken place indeed. And he did want to give Kelbajar back. He was telling them to pull back.* No agreement, nothing. *You just must pull back, because Kelbajar is a* sovereign territory of Azerbaijan, *stuff like that,* bull shit, *so on and so forth, the Russians will slaughter us, crush us, I don't know what,* we're gonna lose the war. That was his fucking message. So, *So, when Zhirayr Liparityan* denies *that,* it's so fucking hypocritical, bro.

ARA: Yeah, because he said, I quote, he said: "During our time we would never have done something like that."

SARKIS: Bull shit, bull shit.

ARA: When he said that. I didn't even want to say anything at that point. So, I had other questions for him. Ok, whatever. You can say what you want to, the record is the record.

SARKIS: Exactly. *Especially, even that last thing that they…* they were going to sign before the guy resigned… *What was he saying? We're giving the lands back* and then we talk about the status of Nagorno-Karabakh. *Come on, it's not right!* We're giving up something very tangible, and you're only fucking negotiating [U.] for a promise that something can happen [U.]. *Is it a kindergarten or what?*

ARA: So, was that video reposted anywhere? That video. Is it posted anywhere?

SARKIS: It shouldn't be posted.

ARA: No? But that would put Levon… *It would finish Levon.*

SARKIS: *Yes, but he is finished one way or the other. Yes, but what is it that I'm trying to say? That apathy kills. It kills.* That's the apathy that people think, believe… *Like my father-in-law who is unhappy with all this. He's unhappy both with Levon and everyone else,* because the guy

was living the dream, *because when the Soviet Union collapsed, there were cooperatives and stuff like that, and no monopoly whatsoever.* The guy was making money. *At the beginning he was in the computer business and then scrap metal…* So, he's totally disenchanted. *But the guy, if you talk to him today… I'm asking him: "Are you going to vote?" "No." "Why are you not going to?" Oh, come on now, what can I do: they're going to steal my vote anyway. At least I will know that I haven't voted."*

ARA: I've heard that a lot.

SARKIS: *"Otherwise I'll be playing their game, because then people will say he went and voted for Levon... the thing… he elected Serzh or Kocharyan."*

ARA: *It was different in Karabakh.*

SARKIS: *Karabkh is different. Yes.*

ARA: *I don't have citizenship. They allowed me, too, to vote at the presidential elections.* Of course, I didn't vote... That was Ghukasyan's time. I didn't vote for Ghukasyan. I voted for the person who was gonna lose for sure, but nonetheless. And I made sure I didn't fold my ballot. I just handed it to the guy, and he looked at it, and then folded and put it in the box.

SARKIS: *There is a different issue in Karabahk. Do you know what it was? We give about $50,000 worth of scholarship to the* State University *of Karabkh.* For the first time, *it was last year.*

ARA: See, now that's an honorable thing to do.

SARKIS: *Because most of these kids are the fallen freedom fighters' children or* at least somebody died in their family… *they have seen some hardship*. *The tuition there is not too high.* It's, like, $500 or, like, $800.

ARA: Yeah, it's not that much, it is 800.

SARKIS: Depending on *that thing…* So, we decided to give 50,000 of scholarship to these kids, so that, you know, to get education for free. *And this is what we did,* for the first time we went and we talked, decided to have a chat, like a forum with these students. So, *we left our ties at home,* you know, regular clothes, *especially that both me and Ara are young, so on. There were*

trustees from here and from different countries, as well. It was like a group of ten people. *All of us were wearing jeans and so on. We invited all the youngsters to the auditorium.* We opened the forum: "*Ask us whatever you want, guys.* You know we're gonna give the scholarship to you. Thank you very much for being here, for whatever your dads and your brothers sacrificed, you know. *This is a present for you, enjoy it.* Any questions, any questions—*political, economic, about the Fund and what not. Silence. Silence.* No questions.

ARA: They don't know what they're supposed to ask.

SARKIS: *We poked them, like, "what do you read?" Political issues and stuff like that. Three people got up* with their fucking obviously prepared questions.

ARA: Right.

SARKIS: *They asked some stupid ass questions. They failed it. We tried jokes, laughter and what not,* putting them on the spot.

ARA: I say again, Sarkis.

SARKIS: [U.]*. But I must tell you. I believe in Bako.*

ARA: *Me, too. He is my, my… My mother-in-law is a judge in Artsakh.* She's a, what's the name… *control [Court of Appeal], I don't know what*. It's like last *court*. And he picked her. He handpicked her. He also handpicked her brother, the *marzpet*. He called him—he was on vacation—and said: "I want you to be *marzpet*." She believes in him. He believes in him. And I know these people. I mean I am in their family. So*, no, he's a normal person*. *I know Bako, but in the current condition, Bako…* He can't be too direct. Unfortunately, nobody can, apparently. I mean, recently, I gave a… I left a letter for him, when he was here. And open… Not an open letter, a *closed* letter actually this was. I sent the same letter to Serzh, also. Serzh responded and thanked me or whatever and said, you know, since it's not, since you're not politically driven, and it's really a heart-felt concern or whatever, I respect that. But the fact is that they don't seem capable of doing what needs to really be done.

SARKIS: *It is difficult, of course. But let me tell you something,* I mean... *Again,* privately. *When Ara Vardanyan was appointed,* which was like two or three years ago, we went to Karabakh together, because *because Bako,* he wanted to see us. We sat down. *He said: "Look, guys,* this

is the deal, very straightforward." *He said: "You shall not steal this money." [He said: "I know there has been a bunch of shit before" and so on,* shit has happened*. "But," he said,* "I trusted you guys," *because all he had seen so far… Ara has been working for the Fund for the past 8 years.* He started just a regular guy. *He rose little by little.* And the first time, he is not a political figure.

ARA: Well, excuse me, it was a *big problem* in 2007, 'cause I even met with Ashot Gulyan, who's the…

SARKIS: Yeah…

ARA: The president of the parliament. And he told me all the problems they were having with himnadram. I never mentioned his name anywhere. But when I met with the administrator… with the territorial administration, same conversation, same thing that Ashot said, he said also. And this guy is a… the territorial guy is a complete ass hole anyway…

SARKIS: *Yes I've read it.*

ARA: He is a thief, like, beyond thief. So, I had no problem using for what needed to be written about that. And himnadram, when you ask about himnadram, I didn't get the phone call from… I got the phone call from him, he got the phone call from, he said, *the director of the Fund,* whoever was at that time. Maybe it was Vahan… Whoever could read English, because I wrote in English, and it was the next morning. And this was, like instant: I wrote it at night…

SARKIS: *Oh, it was… Vahe…*

ARA: *I don't know.* Somebody who knew English…

SARKIS: Yeah, *he was from here.*

ARA: Because what happened was I wrote it at night…

SARKIS: Vahe Aghabekyants.

ARA: Ok. The next morning…

SARKIS: *He was an Iranian-Armenian…*

ARA: *I don't remember what name he mentioned.* I don't even think he said… He said *the*

director. That's all he said. He said the next morning, 10 am, I get a phone call, and it's him… And he's going: *"Where are you?"* And I said… And I had just woken up, because we were up late. I mean, *it's the New Year time, I don't know*. I said: *"I'm in Martuni. What's up?" He said yes. Do you need me to come over? He said: "No, but what have you written?" This man went nuts. He got crazy. "What have you written on my behalf?" I don't know what, so on and so forth. I said: "Yes, but what's bad about it? I said: "You spoke very well, you said the right things." "Yes, but…" I asked him: "Do you want me to forward it to you? Give me your email address. Let them translate it for you. Sorry, it's in English." I sent it to him. No response followed.*

SARKIS: *Now look…*

ARA: And it's like, I mean, basically, I'm telling you again, Sarkis…

SARKIS: *No, there were other issues there. As far as that is concerned, when* [U.] *was telling you,* [U.]*…*

ARA: But at the same time they didn't believe, and Ashot even said this, they didn't believe that they were gonna cut any money from the Diaspora that year. They didn't believe it had gotten that bad.

SARKIS: *But do you know why?*

ARA: In fact, *there was also another question*. *Do you know Oshin? Oshin Keshishian? As far as I know, Vahan is related to him.* They're, like, related.

SARKIS: Wow.

ARA: Yeah, they're related.

SARKIS: *But Vahan…*

ARA: *Vahan, I know, left the thing early. But, anyway. Oshin told me then* that there was, like… they were gonna… Ghukasyan was gonna be suing the himnadram, because there was so much stuff missing.

SARKIS: *Well, look, yes, there were issues. It was the last year of the road or something.* She was withholding payments to contractors *or, I don't know, something like that…*

ARA: Maybe that's what it was then. That's why… That's what it was, 'cause they're withholding payments, and Ghukasyan was saying we're gonna sue the Fund: they gotta pay these people. That's what it was. But anyway... But the other *the problem* was, and this is what Ashot told me, and then the minister also told me. He said: *That's it. We… I said "this money that you're showing"…* He said: "We knew about one…" He said: *"We learned about the one million dollar, which was just for a show: they wanted to encourage people so that they give money."* That was the whole intention. But that's kind of deceptive. You know, I mean, when people find out about it, especially, it makes people feel really stupid.

SARKIS: Of course, of course. *At present, for instance, unless money is really money,* we don't announce it.

ARA: No.

SARKIS: *Because there is the problem of finding your way out of that mess afterwards.*

ARA: Yeah.

SARKIS: *But the problem was different that year. That year the Fund had serious issues with the government during Vahe Aghabekyants' administration, because* Vahe had different idea of how the Fund should operate. *He had gotten himself more into programs of economic development. And he was unable to show tangible results to the state… And, besides,* he was thinking about it this way: "*if I don't have the full amount for this whole program,* I can't start a project."

ARA: Right. Of course, that makes total sense.

SARKIS: It does. But just like, with any bank: *If all of its clients who have deposited money come and ask for the money,* then they will go bankrupt.

ARA: Exactly.

SARKIS: *The fund works the same way.* There's money flowing in and out all the time. *Now, if you keep waiting until the whole amount arrives and then start the program,* you're losing time, *because it's going to get more expensive, as dram fluctuates, so on and so forth*: Plus, most of the time you don't have the money right away. New York *has promised to build this hospital.* Let's say $700,000, but it gives you money in installments, ok*? Because fund-raising is done*

throughout the year [U.]*, and what not.* They don't have a lump sum, you know, like, that very moment. So, *what are you supposed to do? You know approximately.* You trust that it's gonna be collected, then transferred, then there you start the project, using other money that you have, you see progress on this project. *Then, when that money comes,* you take from this intended project, you put it to the other one, and you start the new project. And it goes like that. So, anytime, *if you stop the Fund* and look at it just as a snapshot, it's always in the red. The way it's been operating. *And all the Funds, most of them, are like that, because* there's always, you know, flow of money; *you pay the contractors, then you get the money*. So, we can't look at the snapshot. It's dynamic.

So, *that's how Vahe was doing—'unless I have the full amount I'm not going to start.'* So, in 2007, *no program was launched. The Karabakh government was frustrated, saying: "What's going on?* Why are you not doing it? You have the money. *He was saying: "Yes, but I don't have the full amount. I'm short 10,000." And in this period, with all these issues that…* You know, they weren't satisfied with the himnadram, because he was stuck.

So*, that's why, when the question arose as to who was going to be the next director, among the trustees of the board… the thing happened… for the first time, well, like, 'what are we going to do?'* What is the next guy? Who's gonna be? *They were always appointing political figures, like Vahan, Naira, I don't know, Raffi Hovhannisian, this and that, Vahe Gabrielian or whatever his last name is.* We don't… We need a manager, *because always the politicians come…* We don't need a *political figure*. *A politician… The Fund is not political,* anyway: So, *let's find* who is the manager. *And they understood that,* you know, it could be a guy from within the organization who had been managing it for the last seven years.

ARA: And understands, yeah…

SARKIS: And understands, you know, how the money comes and goes and whatever.

SARKIS: So, *they saw that, you know, there is someone, it is Ara Vardanyan.* He's nobody's guy, politically connected to [U.]. *The guy had been working at the Fund for seven years. Just as* [U.] *he began working,* slowly he rose to the ranks. *Now he had gotten to the position… He was the deputy director at that time. And Karabakh trusted him.* The guy was clean. So, for the first time there was a bidding, *the thing,* open competition [U.], *for the first time in the Fund's history*. I was having the fun of my life. So, *what happened? Around ten people applied,*

different guys. Some of them got disqualified, and there was a committee, *which… The selection inside the Presidium was made in such a way that the Armenian government would be unable to push its man, the Diaspora would be unable to push its man, Karabakh would be unable to push its man. With the difference of one or two votes,* they had to get the other guys' votes, one or two, in order to grab the guy [U.]. *It took a while, several months.*

ARA: So, proper bidding, basically.

SARKIS: Proper bidding *for the first time.* I mean I was fucking amazed, like, what the fuck, you know. So, *it happened, at the end they elected the guy. Finally, two candidates were left, which, at the end, they appointed Ara, by one swing vote. The other guy was not from the Fund.* He was an outside candidate. *But they decided* to move with Ara Vardanyan. *And after that when we had a meeting with Bako, he said: "Look, guys, it's very simple, don't you steal. Don't you steal! Because it's somebody else's money."* He was thinking that we'll… *like…*

ARA: Right.

SARKIS: *He says*: *"This is the Diaspora's money*. *You know very well how this money was raised—5 dollars, 10 dollars, 50, a million, whatever. But,* I mean, it's a pool of people, collected from… It's the people. *It's the money from these people's hearts; they have cut it from their family.* Don't!*" And then this is what he was bringing home: "Because if you steal, there are two punishments: the first is criminal, the second is moral. And," he said, "trust me, the criminal one is incomparably softer than the moral one. Do we understand each other?* Do you agree to the terms?" *"Of course, Mr. President." "Well, then, we will work together. But the day I find out about it,* you're gonna be out of the office right now, tomorrow, *and you'll get all those punishments."* I mean in that sense, *we believe in that man.* And that has been the deal ever since.

ARA: Good. Yeah. So, hopefully that's gonna work. But, again, like I said, if you guys can somehow politically do it this way, I can…

SARKIS: *You can't say all that to the people, bro.*

ARA: *You don't need to tell them.*

SARKIS: *Then who should?*

ARA: Listen, let me tell you something. If tomorrow that information comes out, which it will, ok?

SARKIS: *Oh, please!*

ARA: Then you're gonna have no choice… Not from our conversations. Just in general. When that information comes out, then you're gonna have no choice but… Then the whole Board is gonna sit down do what's on your mind, what you're thinking of. We need to get this out. And I have no choice. It's not like I want to do it. It's… We have to do it. If we don't do it, we're gonna be destroyed.

SARKIS: *But dear Ara,* let's say this conversation gets out…

ARA: Not our conversation. I'm not talking about our conversation. I'm talking about… for the Fund to start taking the position of… Two years working clean, and here's how it is. Yes, before that we had that anchor. We want to get rid of that anchor, because that anchor is really holding us back from really developing. Ok? So, now we want to work together with everybody. You'll get so many more supporters that are gonna appreciate that honesty. Even I would start giving a thousand dollars or two thousand dollars. And people, like, would start giving money, *if there is trust. But because* we know the stories from Manushak's day, we know the stories from Vahan's days, we know the story from Raffi Hovhannisian's days and whatever. That's what prevents us from actually getting involved. And, *I'll say it again, if possible, the kind of projects that should be…* And it's not something we can just talk about and figure it out right now. *Such projects* that it's not gonna be relieving civil servant and government structures from their obligations, because that has to be taught. What we're doing is we're giving very bad habits right now to them. We have a shortfall? *The Fund will… I mean…* They'll make up for the shortfall.

SARKIS: *But let me tell you something. For instance, in Karabakh,* it's another new thing. *It happened in the past two-three years. And this* [U.] to the *Prime Minister*. I don't know what you think about the guy, but at least…

ARA: *Is it Ara?*

SARKIS: *It is Ara.*

ARA: *Yes, I know Ara.*

SARKIS: *I had a good impression. Now I don't know what he is up to on the side.*

ARA: He loves money.

SARKIS: Maybe.

ARA: He loves money.

SARKIS: *But, at any rate.*

ARA: I've known Ara for 15 years now. He loves money. I know him up close. I can call him and go visit with him. He doesn't like me anymore as much as he used to, because I've been critical of him also, because the reality is reality.

SARKIS: *But look what the… For instance, sometimes, for instance, our initial estimation turns out to be wrong. For example, you begin, you do an estimate for the repair of some school and establish that the cost is, say, 200,000.* You get the donor commitment, *start the work,* they start tearing down the walls inside, *because… How does our program work?* We go in, *we demolish everything and build anew*: Unlike others that just...

ARA: Remodel.. Yeah, I've seen that many times.

SARKIS: *For instance, you know Togh village in Hadrut region.*

ARA: *Ok.*

SARKIS: *We repaired that school. That entire school* there is a rebar going in and out. *Because* it was not in a good shape, so, I mean, *this thick and, like,* the entire inside and out, *200,000 alone was spent on that*. So*, when, for instance, we started…*

ARA: It would have been cheaper to start new walls.

SARKIS: *Well that's the thing,* it wouldn't be. *A research was done, which, no…*

ARA: Really?

SARKIS: Yeah, yeah, really cheap.

ARA: Hm, ok.

SARKIS: It was close, but it was still cheaper to do the [U.]. *We started breaking the walls only to see that the foundation is not strong enough.* So, here's another 50,000 *or* hundred thousand. *The thing is you cannot just go to the donor and say:* «Give me another hundred», because *he will say: "What are you doing?"*

ARA: *And if he had known from the very beginning,* you put new walls up, cause that would have been cheaper.

SARKIS: *Yes, had we known, we would tell him and would do so. And that time the donor would be asked for 300,000.* Maybe he would have given that money.

ARA: Exactly.

SARKIS: But going back and saying: "We need more money." You don't do that. So, he'll lose trust. So, *the government of Karabakh asks: "How much are you short? 50,000?, 100,000?* We're gonna co-finance."

ARA: They always do.

SARKIS: Beautiful.

ARA: I've got a question for you really quick. We're gonna have to continue this at another time, 'cause my wife is gonna… She's *from Karabakh.* They don't forgive. *But do you remember? Years ago… It was years ago, some 7-8 years ago, when Louise Simone financed an 11-story building in Stepanakert.*

SARKIS: *Yes, yes.*

ARA: Is that a "Hayastan" himnadram project? No.

SARKIS: It was done directly through the government.

ARA: Yeah, it was a bad job. I reviewed that for her. It was horrible.

SARKIS: *There were issues also* on the way they were giving up, giving out the apartments.

ARA: Well, and they also gave it the wrong people

SARKIS: Exactly, that's what I'm talking about.

ARA: Even Ghukasyan's cook, Aghasi, he got an apartment. And it's, like, they said: "*Whoever doesn't have a house are prioritized." Aghasi had two houses. One next to the other…* It wasn't big enough, he had bought this.

SARKIS: *No, I remember that.* I mean, *I wasn't at the Armenian Fund back then, I was at the Karabakh office*. *But the thing was that* the apartments we were supposed to have given to people who lost someone in the war.

ARA: Exacxtly, *freedom fighters*. But when I went there, I found Vahram from Artsakh bank—he got an apartment, Aghasi got an apartment, and there was a bunch of, there was… like… And Louise was crazy over that. And, *do you know what's interesting? When I went to the Mayor's office to find out who the recipients of these apartments were,* they were saying: *"It's not our problem. It is up to Manoogian." I contacted Louise, and told her:* "Louise, you're gonna decide, who's gonna get a house." She says: "No, I'm just giving the money." You know, *Savi Tefenkian had issues*. *Her brother had issues with the school #1, and Savi with the school #4 or #3. I went to check out these schools for them.*

SARKIS: [U.]

ARA: She gave $150,000… Yeah, they did it on their own, and they trusted Anushavan and Ghukasyan. They were controlling supposedly. *They wanted Savi to give 250,000 for the school, but she refused, wanting to give only 150,000. Although* she was doing the right thing. $37,000 dollars is what they spent, the rest—*into the pocket*. *Her brother, Hakob, gave 100,000 for the other school.*

SARKIS: *The one they named after Richard?*

ARA: Yeah, *named after Richard…* No, *the one named after Richard* was Savi's.

SARKIS: *Yes, because* they did a coat of paint. *They didn't do anything else.*

ARA: They also did tiles that looked like this and they did some other things. I did the calculations on high side, like, I doubled everything of what it should be, it came out to 37,000 for Savi's school and about 25,000 for the other school. So, 75 went there and 125 went there, and then she comes back to me and she goes: "they need to do the heating stuff. They want

15,000 from me to put the pipes in." I said: "Savi, have you had enough yet?" I said: "$15,000 in Karabakh to put some pipes in? Come on! Give me a thousand dollars I'll put the pipes, I'll have the pipes put in for you." But she went and paid it anyway, because she wanted to be able to do this with Ghukasyan. I'll never forget that.

SARKIS: *Well, yeah, that happens quite often.*

ARA: I'll never forget that.

SARKIS: *Let me tell you something else. Look,* I don't want to trash any other organization. But you know Armenian Educational Foundation, don't you? *Hakob…*

ARA: Yeah, yeah, yeah.

SARKIS: *These people, they have a good heart, can't argue with that, because* they're contributing. *They give us money, too.* But they [U.]. They're claiming they've done something like a hundred something schools in Karabakh. You go, you see what they do fresh coat of paint, *they install a toilet bowl,* and they call it remodeling a school.

ARA: Right. And that's how the government does it, too. 30,000, which should be $3,000.

SARKIS: *But when it concerns the Fund, an inspector from the Department of Sanitary Epidemiological Control visits,* and he doesn't take bribes. *They don't accept bribes from the Fund.* You know it would be much easier for us—*here's your 100 bucks, go, get the fuck out of here*: *But he is, like,* no, no, no… *The* Fire Department *comes, I don't know, the construction code people come,* fucking thickness of tile, *I don't know what, both in Armenia and Karabakh Presidential control and who knows what, who, thousands of things like that. And this brings up a question: how about the other organizations?…*

ARA: *But do you know why they come? Because they want to make sure that as much money as they've received,* it's really, that much was not being spent, and not less, *because…* Do you remember CRS? It was the Christian Relief, *I don't know.* They were doing houses. The worst houses in the world. And they were complaining about other people. *I was visiting their houses; one could remove the bricks from the wall.*

SARKIS: *You don't have to go too far—AGBU. Where was it? In Matuni, I believe.*

ARA: Well, yeah, they've done work everywhere.

SARKIS: *They had built some houses.*

ARA: *In Martuni?* No. Maybe it's…

SARKIS: *Or Martakert.*

ARA: It must be Martakert. Martakert was a bunch of houses before you get to Martakert, *that they've built there. There's no such a thing in Martuni.*

SARKIS: *Man, those houses are horrible, Ara.*

ARA: Yeah.

SARKIS: They're horrible. They're fucking horrible.

ARA: *Samvel Babayan with his hands or his strength or I don't know what…*

SARKIS: *No, but that is something new.*

ARA: Ok. No, it's probably Martakert.

SARKIS: *Find out where that is.*

ARA: Ok.

SARKIS: *AGBU built private houses somewhere. Horrible…*

ARA: *Samvel Babayan built very beautiful homes near Krasni Bazar,* like outside… *Near Karmir Shuka for the Armenians who had come from Georgia. Ok? The lands around it were all rented out. They don't have to pay. They finally finished the construction of the houses,* they look nice. *You take a nail, and do this to the plaster…*

SARKIS: *Scratching it.*

ARA: *Scratching it. There was no cement in it. Again the bricks…* I have a video of this even. I walk up, I go like this [shows removal of bricks from the wall]…

SARKIS: *Yes, but what is my question? Why do they keep the Fund at such a high standard?*

ARA: *No, this has to apply to everyone.*

SARKIS: *I asked a question at the latest Board meeting of the Fund in May. And I wasn't the one who asked.* I made sure somebody asked that question, why is Armenia Fund kept in such high standards, *whereas in the other organizations* you don't do that? *Because the Fund has enough money, to do good construction.*

ARA: Everybody has to do *good construction.*

SARKIS: *And the person who comes from the Diaspora with 50,000 and he… How can you tell him: "No, don't come"? I say: "Wait a minute, bro."* "They have a construction code?" Of course, they do. *We have a Construction Ministry, don't we?* There is, like, construction, I don't know, department, *as a part of the President's administration.*

ARA: Right.

SARKIS: Within the administration. *It's there. Bro, by the time we have these people approve a project, smoke comes out of our asses. The angle of this, I don't know, is not 90 degrees, it's 85 degrees. Redo!* Ok, fine, *that's right.* This is how it should be. *But why do you do this only to the Fund?* Armenian Educational Foundation fucking the shit up, the AGBU *has screwed up.* Endless stories of… *Why don't you do the same to them? Well, you know, the Fund has a higher standard. Those more… the smaller ones will not even give that. Ara, I'm telling them, don't do that. You let them know with your actions that they should give it to an organization, which* has the higher standard, *that one shouldn't… Because see, if you look, there's overhead expense. The Armenian Educational Foundation has its overhead, the Karabakh program of the AGBU has its own overhead. In that case, all those overheads are spent. Give that overhead to the Fund: anyway, it's the same overhead of the Fund.* The beauty of Armenia Fund is *that we don't take interest from every amount*. As soon as our budget is set—*about a million dollars*, all in all—*any program that comes from outside,* if our budget is set, *we don't take overhead anymore. That's it, no more.* So, it's done at 0 overhead. *Perhaps half of the programs are done with 0 overhead, because we have already…*

ARA: You already have your workers, you already have your…

SARKIS: *That's about it. You know what I'm saying?*

ARA: *But you didn't say that on TV. You focused on the 7 %.*

SARKIS: *Well it is 7%, because* at the end of the day, *if you look at it,* on any given project comes to about 7%. *Because, what happens? We managed this school, which cost us a little more; so we didn't charge overhead on the other one. At the end, when you look back at the end of the year,* it's around 7%.

ARA: *Anyway, next time…*

SARKIS: *But please, make sure…*

ARA: Whatever we talked about here is not going anywhere. I promise you that.

SARKIS: I… *Because I…*

ARA: Whatever I have already… My research I've already done was long before you and I spoke, and it hasn't changed.

SARKIS: See, *because* the reason I decided to meet with you, *because I know that your heart is good*. *If I knew that you were* just bashing the Fund just for bashing, *I wouldn't meet with you.*

ARA: I would like to see, my desire is, like what we've talked about, I would really like to see the Fund come clean and start a new and restructure it. This was the Fund from independent Armenia, the day of independence. It hasn't changed its mission, it hasn't changed its anything. Reform needs to come. It needs to be a gradual…

SARKIS: *Yes, yes. We've been having these discussions for several years,* within the Fund. *The trustees, local affiliates and so on* as to how to move forward. *Not only how to increase the number, the* nature of programs, structure of the Fund.

ARA: Right, right.

SARKIS: *For instance, here,* on our Board, it's representations, which means *that three parties have seats, four churches have seats,* ARS, AGBU, Armenian Assembly.

ARA: But here's another problem. These people that are on your Board here, they can't give you advice.

SARKIS: *That's the thing.*

ARA: They don't even know what's going on in Armenia.

SARKIS: *That's the thing.*

ARA: Most of them haven't even probably been to Armenia.

SARKIS: That's what I'm saying.

ARA: Or, if they have, they've been there for a week.

SARKIS: *Or something else. The fact that these parties or churches have seats.* Is it to the benefit of the Fund?

ARA: What you need is you need the people… You need the people to, like you did the survey of is the Fund working well? You need to survey the same people if you were the president of the Fund for one day what would you do different. Or what kind of projects do you think are of the most importance. And put in the word of that it's not required that… the government doesn't [U.]. Give them some ideas. What would you like from the Diaspora. The Diaspora wants to be partners within the development of the country. How can the Diaspora help without stepping on the toes of the government? And whatever they're… 'Cause, again, I'm telling you, roads, water, light, *I don't know what, put them aside,* see what else is needed. And then by creating a positive atmosphere and things that will lead to the taxation you're talking about that they can collect because then they can do the roads, they can do the water, they can build the school. I've been advocating this for over sten years.

SARKIS: *Yes, I know, but…*

ARA: I mean this is, this is something that is turning into, it's creating this disease, it's almost terminal at this point. If it continues like this… Like you said, *20 years later, there will be no more people in Armenia.* But here's what I'm telling you, Sarkis.

SARKIS: There's gonna be breaking point at some point.

ARA: Sarkis, the breaking point is past. It's already come.

SARKIS: *No.*

ARA: The breaking point has already come, It's on right now.

SARKIS: *Do you know what will happen?* I think it's a generation issue. I'm sorry to keep you here, but it's generation, *because, in the long run,* when I look at my generation, *the corruption hasn't penetrated us to that extent, thank God. You know what I'm saying? Because we haven't lived in the Soviet times. I remember the Soviet Union only… I was 12 when the Soviet Union collapsed.* I don't remember jack. *I only remember that I was vacationing in Sochi with my parents.* That's the extent of my memory.

ARA: But see you come from a family of morals and ethics, but a lot of these kids that I see in Karabakh, for instance, you know what they'd like to be? *"I want to become a police chief…" an* eight-year-old…

SARKIS: *I know.*

ARA: *"I want to become a police chief so that I can sit around on a chair and take money."*

SARKIS: *That's right.*

ARA: And that's what they see. That's what works.

SARKIS: *Well, look, my generation in Yerevan,* high school-mates, classmates, *so on and so forth, are in ministries.* Some of them are in private, some of them are in public, *like, in the government.* These are bright kids, ok, *who haven't gotten* on the position to influence certain decisions. But on their level, *they…* they're putting up a pretty good resistance, ok, to all the things they see wrong. *Some endure it, some don't.* They leave the system, they go into private businesses. *But that game is on.*

ARA: But the percentage is so small, you have to also admit that.

SARKIS: *But these guys, who now hold offices, believe me, the time will come,* they're gonna rise up.

ARA: I hope so.

SARKIS: It will, it will happen, *because when I meet with these guys,* like, we go out to drink, *I don't know, all of our discussions are of political nature, ok? One works at the Commerce Ministry, the other is at the Defense Ministry, another one is somewhere else, in the Police Department and so on. That is to say, in the police, the ministry,* they're lieutenants, maybe

captains: *If they're work at the ministry, then they are heads of departments and divisions. You know what I mean?* They even jump into the, *for instance,* deputy minister. *We haven't gotten there. But it is going to happen, because as far as I can see, all these people in politics, starting with Vazgen Manukyan and finishing with Serzh Sargsyan, Robert Kocharyan, all of them are old Soviet apparatchiks.*

ARA: *Yeah,* yeah.

SARKIS: *These are people who are used to stealing, used to… Because* back then the [U.]. Nobody was watching you. *And are used to it.*

ARA: Instead of one, two came from Moscow, and people got one, and they got one.

SARKIS: *Yeah. But now…*

ARA: *No more.*

SARKIS: *But that's what they've learned. Why do you think this period was formed, which steals everything.* The same fucking reason. *Whatever these people have learned from the Soviets, they keep doing it. They cannot understand that, bro,* it's more beneficial to them, *to be able to collect taxes normally*. *For instance, how much does a minister get paid?*

ARA: *How much? A million drams a month at most.*

SARKIS: *No, not that much.*

ARA: *500?*

SARKIS: *They get $800.*

ARA: That's it?

SARKIS: That's it. 800, 1,000, 1,200.

ARA: *Judges are paid more.*

SARKIS: *A judges gets more. All right? But, you know what I mean, how can a minister today live off of $1,000?*

ARA: *How can one take care of one's family with $1,000, an average person…?*

SARKIS: *You can't. Here, the New Year is coming; we sent $1,000 to my wife's family so they can lay a table for the New Year's celebration. A New Year's table. That is to say, they'll pay off the bills, like gas, it's a private house.* Only the heating bill is fucking $200. *That's what they do, a New Year's table… And they're done. With $1,000. You know what I'm saying? But how does a minister live with his pay?*

ARA: *He works.*

SARKIS: He is a shit-eater. *He steals from the people.*

ARA: Yeah, of course.

SARKIS: *It's obvious* [U.], *right? But why should it be like this?*

ARA: It's not.

SARKIS: *No.*

ARA: *A minister should get $5,000-10,000 a month.*

SARKIS: *A president should get 50,000 a month.*

ARA: Yeah.

SARKIS: *Now, isn't 50,000 enough for him? It is enough. It is enough.*

ARA: Yeah. 600,000 a year is more than enough.

SARKIS: More than enough. *That's as much as the president gets paid here.*

ARA: But he is getting 6 million a year if not 10 or 20 or 50, *because he knows that chair he's sitting on may fall off* and he's gotta have something.

SARKIS: *But do you know how many people of my age I know whom I ask: "Why did you quit? Why didn't you continue?" Why?* Why did you? *Why did they break you? He said: "Because I can't live off of that salary." And I said: "Fine, then why don't you steal? He says: "I don't want to, it's wrong."* So, he goes to the private business. *Now, if the taxes were properly collected, that minister could be getting 20,000, couldn't he?*

ARA: Absolutely.

SARKIS: *And then these guys who are already clean and so on…* $20,000 is pretty good money in Armenia. *This is how…*

ARA: And you know what? *If they begin punishing them, saying that they'd been stealing from the government,* then what happens is they have to raise *the salary.* They have to, they have no choice, because they will *demand*. *Look, man, we have to live.*

SARKIS: That's it. Just political will. *So, when that guy comes and becomes president and who will say "get the fuck out of here"… And It doesn't take a lot: all you have to do is just send four people to jail…* Four people behind bars. *And that person,* [U.]*.* Government employees. *Today we know very well the taxation…* the chief of taxes*.*

ARA: *The one who was fired?*

SARKIS: *Whoever comes, it's all the same, whether it's his deputy,* [U.]*. All of these guys, Ara, keep pocketing, like there's no tomorrow.*

ARA: Yeah. *Look, Vahram I was talking about, Barseghyan, who was fired two years or a year and a half ago.* He was the head of taxation after, when they took him out.

SARKIS: *Yeah, ok.*

ARA: This man in North Hollywood, he has a trash company. Do you know what big business that is? Yeah, here. He's got businesses here. I know all about this guy. Yeah.

SARKIS: *That's what I'm saying. It must eventually take place,* but it's gonna take time, *because these Soviet people can't be*.

ARA: Well, *we'll see.*

SARKIS: *It's a matter of* vision*.*

ARA: I know. It's gonna… And we're impatient, unfortunately.

SARKIS: *Yes.* we're impatient.

ARA: That's not happening, and that's why we get these reactions also:

SARKIS: *Yes. But look, when, for instance, those same representatives of my generation, as soon as we reach a point, where* we can make a decision *to go this way or that way,* we do the

right thing. *Now,* let's face it, *our salaries are not too bad*. And that has been done with a purpose. *The Board of Trustees decided that* the salaries of the Armenia Fund employees should be higher than the rest of the government *or* private sector, whatever, *so that…*

ARA: So they can work clean.

SARKIS: *Now that $2,000 or $2,500 that Ara Vardanyan gets is enough for the guy.*

ARA: He can live.

SARKIS: He can live. *Yes, he still complains, because…*

ARA: Just barely, but he can live.

SARKIS: His brother recently passed away. *He is 35.* He had a heart attack. *Now he is the one who takes care of his two kids and his wife. His parents don't have a job.* He's, like, *taking care of five, three families*.

ARA: *Understandable.*

SARKIS: *It's enough for him.*

ARA: But just barely.

SARKIS: But just barely.

ARA: I know I remember we used to live off of $300 a month and then it went up to 500, now it's 1,500. And it's like… and we're just… *Nothing left to put aside*.

SARKIS: *Yeah, but why is it so? That's a question, too.* This is all a part of the same system, *because that same Dod can import whatever he feels like and put any price he wishes and sell it, because he doesn't pay customs, he doesn't do anything.* Nobody fuckin' cares what he does, as long as people are happy—*those above him*. It's all one big system. *Why is dram so expensive?* Why is dram so expensive? Do you think the real value is, like, 360. It's, like 600 or 700. *And you, as a domestic manufacturer,* why is your stone so expensive?

ARA: Because I have to pay taxes.

SARKIS: *Besides that.* Your dram is too expensive. *Right? The dollar is too cheap, which is not its real value, because as soon as you try to export,* when it comes out of Armenia, your stone

is much more expensive than the stone that comes from Italy.

ARA: Exactly. And James Tufenkian was complaining about the same thing. I was talking to him. And he says I can't do carpet sales, he's shutting everything down.

SARKIS: Exactly.

ARA: I mean he's shut it all down already.

SARKIS: *Because the whole economic system today, Ara,* it's been catered for import, especially catered for their interest. *With the help of the parliament and stuff, I don't know… so that the importers are content.* I'm an importer myself. *I have a small shop for kids' clothes. It's favorable for me. But* the moment *the dram becomes 600… the dollar becomes 600,* I will stop importing and will already start production. [U.] for many years. *I tried, but I realized that,* you know, exporting now, because *dram is very expensive*. *As soon as they normalize the* exchange rate, floating, the real floating exchange rate, *I'll shift to production, because I will benefit*. *But now dram is so expensive that…* The moment *my kids' clothes enter the market in Armenia,* I'd be selling it, like, $40. *It comes from China for $7, $6,* just because of the dollar rate.

ARA: *We, too. I have a share in Garun, a clothes factory.* And, of course, the director, Gohar, she steals everything. We know that for all these years. But, nonetheless… she's right, we can't compete with the outside market at all. They send a container in of fabric and stuff, *we sew and ship.* We lose money supposedly. We don't lose money, but we lose money.

SARKIS: *You would benefit more if you imported instead.*

ARA: *I would benefit more, if she paid us our share. I'll benefit more, if we sell those buildings.* I mean that's important reality.

SARKIS: Yeah, the unfortunate reality is that. *Now the production, they…* They're stifling the production of the country, so that importers can get a bang on their buck. *Now my shop is small;* it generates, like, $1,000 a month. I mean, helpless. *But these people,* I mean, multi-fucking-million dollars, *and each dram, when it changes* from to 360, *their sales for that month may increase by 100,000* in real value:

ARA: *Yes.*

SARKIS: *You know what I'm saying? That's the problem.* So, *So, when the question comes to… How is agriculture going to develop?* How is the milk in our milk collection unit *can generate money for people*. *No way, because Ashtarak Kat* has insisted in bringing in dry milk from Ukraine or Australia, *because it's cheaper. He prefers to import powder, rather than go all the way to some remote village in Tavush and get some 10 liters of milk from someone, then refrigerate it, then ship it to his Ashtarak Kat milk plant. That's why all these economic programs,* they're not gonna work.

ARA: Yeah, unfortunately. There is a lot of internal things that have to change first. Things have to really balance up.

SARKIS: *But that's the other side. But one should have pity on these people, bro. Let's say we don't do the water, as you say, we don't do the roads, don't do the schools.* Ara, at the end of the day, *that person who lives in a village in Karabakh, doesn't give a shit who your president is and what he does.* They don't give a shit. *Even if starves to death,* he wouldn't care. *According to you, if he starves to death,* he will. No, he wouldn't.

ARA: No, of course not.

SARKIS: *It's all the same to him. He's gonna get up* and he's gonna move to Russia.

ARA: Yeah, and that's what, unfortunately, it's still going on. Though, *Though, they say that due to these recent problems in Russia a lot of people… not a lot, but there are some people who have had to return.*

SARKIS: *But more often, I can tell you… We were now talking about water, right? In Tavush, there's a 15 km pipe, a canal, an irrigation canal, which supplies water, irrigation water to 6 villages. Some two or so years ago, we were talking to these villagers.* They were only able to cultivate 15% of their land. Ok? $750,000. Not more**.** *It was allocated by the French government, Hauts-de-Seine region, the governor of which is an Armenian.*

ARA: *You mean the one in that Armenian…* Like, that one… There's one city that everything is written in Armenian even.

SARKIS: *No, that's something else. It's the region of Hauts-de-Seine. Anyway, its governor is an Armenian.* So, *he has persuaded his government to donate $750,000 to Armenia* as a friendly

nation, *so on and so forth.* So, *they built that canal, 15 km long. I went there this summer.* We did a segment, *which was shown during the Telethon*. *The people of those 6 villages* cultivate 95% of their lands. Ok? They grow tobacco, and they grow corn. *They sell corn for cattle breeding and so on, plus, when you go to Dilijan, corn is sold to tourists everywhere.*

ARA: *Which was always imported from Iran.*

SARKIS: *Yes. Now it's locally grown.* Now it's local, *And they sell the tobacco to Masis Tobacco.* So, *these people live. You walk in their homes and see plasma TVs, because* they get paid real cash for it: *And people don't leave this village any longer. This year only one or two people from that village left for Russia,* when usually it's, like, in hundreds. *People come from neighboring villages,* they work on these fields for cash. *And there are a few people who have already returned from Russia.* [U.].

ARA: Yeah, I understand. *But, at the same time…*

SARKIS: *If you don't do it now, all these people will leave for Russia. Yes, you're right, it's the government's job,* we shouldn't be involving in it. *But it's not going to do it, bro.*

ARA: Well, that's what we have… Maybe we…

SARKIS: That's the fucking deal.

ARA: Maybe, it's kind of, we pressure them. We join hands with our brothers in Armenia and make them do what they have to do and show: here's what you have, here's what you don't have. Here are the resources that you have, here's your national budget, here's where the problems are. Fix these problems, divert that money to this.

SARKIS: *They won't do it, bro, they won't.*

ARA: Well…

SARKIS: *When I talk to these people…I go there about three times a year…*

ARA: We need to be, we need, as a collective voice, need to be that person with big balls, that goes in there and starts changing things and and it can be done. Listen, I've done a lot of things there that people haven't dared to come up, to meet, *whereas I didn't even have the right to do such things in Armenia or Karabakh*. No one dares to walk up and say. "*Who are you*

to do this?" No one, public officials. If I go to somebody's office and I ask him a question, *they open the door out of fear, talk out of fear, because they know…*

SARKIS: *No one does one's job, bro. Do you know how much money USAID has spent* on trainings, on legal awareness, *I don't know, the rights,* voter education... *Do you know?* Fucking tens of millions of dollars. Impact—zero. Impact—zero. *That's why I don't like these trainings. Most of the NGOs, non-profits of Armenia, which are Armenian,* they eat money off of it, they squander the money, *they write that they organized this many trainings.* They don't, 50% *goes* straight to their pocket. It's the easiest way to steal money for a non-profit is to do trainings. The moment Armenia Fund starts training, *you'll know they're pocketing money.* The easiest way to steal money.

ARA: Well, *in Armenia,* the easiest thing that I've learned to steal money on is roads, water and, whatever, construction. It really is.

SARKIS: You have to bring.

ARA: It's not… No, but it's not even you, guys, that are stealing the money. It's on the end of you get 5 bids in, all 5 super high bids, and those contractors that are going there, there are five bidders, let's say. They've already been pre-selected.

SARKIS: *That's right.*

ARA: And then they have to pay off the guy that's at the top. That's where it starts going in that direction. Or they develop… Or projects are created that benefit somebody that has some sort of *investments in that area: Tsaghkazdor, Sevan, I don't know what…*

SARKIS: Yeah…

ARA: You know there's that also.

SARKIS: *Well you're talking about the cartel thing. That's true.*

ARA: Yeah.

SARKIS: *It does happen, but at that time, of course, we don't put it on bidding.* We know the number that is roughly right, *because before that*...

ARA: I can guarantee you, any job that "Hayastan" *Fund* or AGBU or CRS has done, I could do it for 20% of what they did it for. I guarantee you that.

SARKIS: *You can't, Ara.*

ARA: Oh yeah. You don't know what things I've build that have cost almost nothing. Almost nothing.

SARKIS: I doubt seriously.

ARA: I have numbers, I have facts, I have things of that nature. I've done a lot of projects on my own, financing myself. Things that should have cost $10,000, I could do for a $1.000, $2,000. Because that's the way, it's just a matter of knowing how to do it to make it efficient. There's a lot of room to tighten up the shores and get a lot more done as opposed to doing this project and saying, ok, *we should manufacture this cup, which is $5*. Yeah, but I can get it for a dollar. I can get it for fifty cents, because there's a way to get it for fifty cents. It's a matter of how you do business also.

SARKIS: *Well, yes, but our programs are very large.*

ARA: *I know they are large. Even better. The larger it is…* you can even get it cheaper. When you buy in quantity as opposed to… one unit as opposed to a thousand units, there's always room for even more.

SARKIS: *Well, it's true, we've had that experience. For example, do you remember the time when the prices for iron dropped? But the price was still high in Armenia.* Remember that?

ARA: Aha.

SARKIS: So, *what happened? We had a water program, I don't remember the details. I think it was in Karabakh. Around the time of the bid, the price was high,* a lot more than what we had on it, even the world prices. *Everybody… we were… because iron, too, is a monopoly.* So, *what were they telling us? "We have imported a lot of metal at a high price, so we're not going to lower the price, we have to sell it at a high price.* We said: "You know what? Fuck you." *We brought iron from Donetsk, Ukraine, and removed its cost from the bid. We said:* 'We'll give you the pipes."

ARA: You just do the work.

SARKIS: You just do the work.

ARA: You can even pay them a little more to do the work. It doesn't matter he'll still make more.

SARKIS: *Yes.* So, *what happened? The cost went down by 40%.* We do that kind of stuff. *The same thing happened twice during the road project,* when we would buy the *bitumen* directly, *because,* again, *the monopolies there…*

ARA: Why didn't they…? I don't understand one thing. A lot of the times when they do the *roads, they have to mix cement with the asphalt. Why don't they do that in Armenia. Just cement.*

SARKIS: *Because the technology over there is different in a sense that* cement is not withstanding lower temperatures.

ARA: Is that what it is?

SARKIS: Yeah.

ARA: Because there's other places where they put, like, *a ton of asphalt…*

SARKIS: *Yeah, you are right.*

ARA: *They put 100 kg or 50 kg of cement. So, we're driving… because our road, the Lachin road, when you put a car jack, to lift the car, it sinks, the asphalt is so soft that it sinks.*

SARKIS: *Especially in summer.*

ARA: Yeah.

SARKIS: *Well, that's what it is.*

ARA: There's gotta be a better way to do that.

SARKIS: *Because, look, what the problem is. The roads that we build… There are several types of roads. For example, if you dig the Yerevan-Sevan highway, removing the asphalt, you'll find concrete underneath. That's called a first class road. Those roads, which we build in Armenia or*

Karabakh are not first class. There's no concrete underneath.

ARA: *Only rocks.*

SARKIS: *Only rocks, several layers of rocks,* if they do it correctly.

ARA: Unfortunately, yeah…

SARKIS: Unfortunately, *Unfortunately, there are a few places, where the road has problems, especially because the land is soft in certain places. In Martuni, Hadrut and so on. There's no rock underneath, and the soil is very soft.*

ARA: *It's clay.*

SARKIS: So, *if you fail to press down the ground properly…*

SARKIS: *Dear Ara, you know what I mean, there are things that, again… The question is, you know…* At the end of the day *all the questions have answers.*

ARA: *Yes.*

SARKIS: *Especially that for already the past few years,* you know, *it's not a problem* : *For instance, I gotta tell you this. I'm not sure if it was* Chorrord Ishkhanutyun *or* Hraparak *dailies that paid a visit to the Fund a few months ahead of the Telethon. They began asking Ara Vardanyan some questions, probably fancying that those were* difficult questions *related to accounting. Ara said: "Look, don't talk to me: you're not going to believe me anyway.* Our accounting office is three doors down. Go there, *sit there for two hours, do whatever you want. Then if you have any questions, write whatever you want."* They go there. *They go there, come back half an hour or an hour later: "Mr. Vardanyan, thank you very much, we've got nothing to write about." If it's* Chorrord Ishkhanutyun *that says such a thing… For instance, Ara Vardanyan won't be there tomorrow, and there will be someone else.* What's gonna happen?

ARA: It's going to change all of a sudden towards the worse or, maybe the better. Who knows? *Whatever.*

SARKIS: *All right.*

ARA: *All right, and this is what I had promised you.*

SARKIS: *Yeah,* what is it?

ARA: This is right now, at least for a little while for your eyes only. You said Godspeed. Here's a little bit of Godspeed for you.

SARKIS: Yeah?

ARA: Yeah.

SARKIS: *All right.*

ARA: *We'll stay in touch.*

SARKIS: *And as for whatever we talked about…*

ARA: *This one,* we didn't even meet today. Ok?

SARKIS: Ok.

ARA: Ok. *All right, take care and stay in touch.*

SARKIS: I appreciate it.