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## Misuse of fundraising activities by Armenian diaspora organizations for corruption and related criminal purposes

*In relation to the Conference Room Paper submitted by the delegation of the Republic of Armenia to justify the corrupt activities carried out by Armenian Diaspora organizations through abusing the entrusted power granted to them by ordinary taxpayers of several countries, the Republic of Azerbaijan would like to draw the attention of the distinguished participants of the Conference to the following facts which will be more than sufficient to exercise due diligence with regard to the activities of those organizations in the territories of UN Member States.*

### 1. Background

During the recent war between Armenia and Azerbaijan, Armenia mobilized its Diaspora organizations around the world to raise funds. These organizations operated in other countries under the guise of charities or non-governmental entities to collect funds purportedly for “humanitarian” purposes. As the Prime Minister of Armenia and Armenian Ministry of Finance recently admitted, however, these funds were instead transferred to the general state budget of Armenia. This blatant abuse of charitable status—which further heightens the serious risk of corruption, money laundering, and terrorism financing—implicates independent obligations on other States as a matter of international law, in addition to provisions of their own domestic laws intended to combat such illegal activity.

The US-based Hayastan All-Armenian Fund (the “Fund”) coordinated the donation campaign across multiple countries<sup>1</sup>. This is not the first time that the Fund has been involved in corrupt practices. There is a criminal case currently pending in Armenian court against *Ara Vardanyan*, the former Executive Director of the Fund, for misappropriation and embezzlement of the collected funds, which he allegedly spent on online gambling.<sup>2</sup> The other accused in the case is *Avetik Harutyunyan*, an Armenian official who allegedly abetted the embezzlement.<sup>3</sup>

Despite this history, the Fund spearheaded the “We Are Our Borders – All for Artsakh” Campaign (the “Campaign”) without oversight or transparency.<sup>4</sup> The Fund assured donors on the donation page of its website that “all donations received are *solely for humanitarian purposes* and shall be distributed in accordance with our mission statement and charter.”<sup>5</sup> In total, the Fund raised around 170 million USD from 73 countries for the Campaign between the start of the war on 27 September 2020 and 10 November 2020, when Azerbaijan, Armenia, and the Russian Federation signed the Trilateral Statement that put an end to military hostilities between Armenia and Azerbaijan.

<sup>1</sup> For example, the affiliated Armenia Fund has branches in 16 countries, including the United States, Canada, Brazil, Argentina, Great Britain, France, the Netherlands, Germany, Switzerland, Austria, Sweden, Greece, Cyprus, Lebanon, Syria, and Australia.

<sup>2</sup> See News.am, *Case regarding Hayastan All-Armenian Fund's former executive director inscribed to Yerevan court judge*, 27 April 2021, available at: <https://news.am/eng/news/641091.html> (“The criminal case related to former Executive Director of Hayastan All-Armenian Fund Ara Vardanyan has been inscribed to Judge Armine Meliksetyan of the Yerevan Court of General Jurisdiction, as reported the Judicial-Information System.”). See also Asbarez, *Hayastan All Armenian Fund Director Arrested for Embezzlement*, 3 July 2018, available at: <https://asbarez.com/173346/hayastan-all-armenian-funds-director-arrested-for-embezzlement/> (“Armenia’s National Security Service (NSS) on Tuesday placed Ara Vardanyan, the director Hayastan All Armenian Fund under arrest on charges of embezzlement and misuse of funds. The NSS said that Vardanyan has confessed to misappropriating the organization’s funds, including using Armenia Fund money for online gambling.”).

<sup>3</sup> See News.am, *Case regarding Hayastan All-Armenian Fund's former executive director inscribed to Yerevan court judge*, 27 April 2021, available at: <https://news.am/eng/news/641091.html> (“The other accused under the case is Avetik Harutyunyan, who is charged under the case according to which he, starting from March 22, 2004, serving as director of a company with 100% management of the Hayastan All-Armenian Fund established by Armenia, that is, an official, committed official fraud and assisted Ara Vardanyan in embezzling the particularly large amounts of property.”).

<sup>4</sup> The name “Artsakh” is used by Armenia to refer to the illegal puppet regime that had existed in the formerly occupied territories of the Republic of Azerbaijan. Any donation campaign with the word “Artsakh” in its title or content indicates a clear intent to unlawfully violate the sovereignty and territorial integrity of the Republic of Azerbaijan.

<sup>5</sup> Hayastan All-Armenian Fund, *We Are Our Borders*, available at <https://www.himnadram.org/en/we-are-our-borders-all-for-artsakh> (emphasis added).

The Prime Minister of Armenia has since admitted, however, that the majority of the collected funds—52 billion Armenian Drams or approximately 110 million USD, nearly 65% of the amount reportedly collected—was transferred to Armenia’s state budget.<sup>6</sup> Prime Minister Nikol Pashinyan conceded that this amount constitutes almost 50% of the total spending (120 billion Armenian Drams or approx. 230 million USD) of the Armenian Government during the period of martial law.<sup>7</sup> Armenian Minister of Finance *Atom Janjugazyan* also confirmed that the “donations were transferred to the state budget from the fund’s accounts, based on martial law and new expenses caused in connection with this.”<sup>8</sup>

This transfer of the funds from the Campaign, which directly contravenes the Fund’s Charter, was approved by the Fund’s Board of Trustees.<sup>9</sup> The Board includes the highest political figures of Armenia, such as the President, Prime Minister, President of the National Assembly, Foreign Minister, Minister of Finance and others.<sup>10</sup>

The Fund has repeatedly failed to provide any transparency into the transfer of so-called charitable donations for humanitarian purposes to the Armenian treasury. On 19 November 2020, the Fund’s Executive Director *Haykak Arshamian* refused to provide any details, telling reporters: “Let’s not talk about the amount of money at this moment, until the fund is audited.”<sup>11</sup> On 18 December 2020, Arshamian stated that he had asked the Ministry of Finance to specify in writing “how that money has been used and will be used,” admitting that the Fund had not yet received an adequate response.<sup>12</sup> On 29 January 2021, the Fund acknowledged “the public’s need to know and the concerns raised about the Fund’s good name,” claiming that it would conduct an independent “audit of

<sup>6</sup> See The Prime Minister of the Republic of Armenia, Press Releases: Government Approves 2020 State Budget Performance Report, 22 April 2021, available at:

<https://www.primeminister.am/en/press-release/item/2021/04/22/Cabinet-meeting-22-04/> (“I would like to call your attention to the fact that the government spent as much as 120 billion drams during the martial law. Of these 120 billion, only 52 billion was allocated from the Hayastan All-Armenian Fund, that is, less than 50% of expenses. From 1992 to September 2020, USD 247 million was raised through the Hayastan All-Armenian Fund. That is, donations worth USD 247 million had been collected with a view to implementing development programs in Armenia and Artsakh in the past 28 years. While USD 212 million was raised during the 44-day war alone which makes nearly 70% of the amount raised in 28 years.”).

<sup>7</sup> See *Id.*

<sup>8</sup> Alexandr Avanesov, *RA Minister of Finance: The decision to transfer part of the "Hayastan" All-Armenian Fund's funds to the state budget of Armenia was made on the basis of the decision of the Fund's Board of Trustees*, ARM Info, 9 December 2020, available at:

[https://arminfo.info/full\\_news.php?id=59107&lang=3](https://arminfo.info/full_news.php?id=59107&lang=3). See also Fact Investigation Platform, *How much money did the Hayastan All Armenian Fund donate to the Government? Why?*, 24 November 2020, available at; <https://fip.am/en/13889> (“[T]he funding of the costs referred to in the account of the donation amount has enabled the government to direct the funds envisaged for the financing of those expenses by the 2020 state budget to the financing of the newly emerged expenses arising from the martial law, which made up about 100 billion 978 million AMD (about 202 million USD) as of 19.11.2020”, the [Armenian Ministry of Finance] said in a written response.”).

<sup>9</sup> See Diana Ghazaryan, *Hayastan All Armenian Fund Director: Some Money Transferred to Government to Speed Procurement Process*, 19 November 2020, available at:

<https://hetq.am/en/article/124490> (“[Hayastan All Armenian Fund Director Haykak] Arshamyan said the Fund’s Board of Trustees decided to transfer some of the money raised to the government to make the procurement process faster and more optimal.”); Alexandr Avanesov, *RA Minister of Finance: The decision to transfer part of the "Hayastan" All-Armenian Fund's funds to the state budget of Armenia was made on the basis of the decision of the Fund's Board of Trustees*, ARM Info, 9 December 2020, available at: [https://arminfo.info/full\\_news.php?id=59107&lang=3](https://arminfo.info/full_news.php?id=59107&lang=3) (“The decision to transfer part of the "Hayastan" All-Armenian Fund's funds to the state budget of Armenia was made on the basis of the decision of the Fund's Board of Trustees.”).

<sup>10</sup> See Hayastan All Armenian Fund, *Our Trustees*, available at: <https://himnadram.org/en/trusties>.

<sup>11</sup> Diana Ghazaryan, *Hayastan All Armenian Fund Director: Some Money Transferred to Government to Speed Procurement Process*, 19 November 2020, available at: <https://hetq.am/en/article/124490>.

<sup>12</sup> Narine Ghalechian, *Sarkissian Still Awaiting Government Report On \$100 Million Donation*, Azatutyun, 18 December 2020, available at: <https://www.azatutyun.am/a/31007743.html> (The Fund “redirected more than \$100 million of those proceeds to the government. Hayastan’s executive director, Haykak Arshamian, told RFE/RL’s Armenian Service on Friday that he has asked the Ministry of Finance to specify in writing about “how that money has been used and will be used.” He said the fund has not yet received an adequate response that can be forwarded to President Sarkissian.”).

the monies raised by the Fund in 2020,” which would be made public.<sup>13</sup> The Fund did not provide any information about when the audit would take place or the report would be published,<sup>14</sup> and has reportedly failed to comply with Armenian regulations requiring it to “publish a report on donations and expenditures no later than March 25.”<sup>15</sup>

The Republic of Azerbaijan has repeatedly called attention to these unlawful actions. During the war, the Republic of Azerbaijan submitted reports detailing the Armenian diaspora organizations’ abuse of their charity status to all countries and international organizations, and urged them to take preventive measures consistent with their international obligations.

The Republic of Azerbaijan also appealed to the banks and international payment networks offering financial services to the Fund, as well as companies contributing to its so-called “humanitarian campaign,” to immediately end their collaboration with the Fund. As a result, based on irrefutable evidence of the Fund’s abuse of its charity status, several banks and payment networks ceased their cooperation with the Fund and launched due diligence reviews of its accounts. Many reputable companies provided written assurances to the Republic of Azerbaijan that they had discontinued their support of the Fund’s so-called “humanitarian actions.”

In response, the Fund has only engaged in further deception. The Fund removed its bank account details in various currencies from its website, changed the motto of its campaign by removing the phrases “All for Artsakh,” and blocked all users from Azerbaijan from entering its website ([www.himnadram.org](http://www.himnadram.org)). The Armenian diaspora organizations similarly modified their fund raising slogans by adjusting them to emphasize the “humanitarian context” to try to avoid any repercussions for their abuse of their charity status.

Even after the signing of Trilateral Statement, the Fund has continued its illegal activities by raising a significant amount of donations from the Armenian community and other taxpayers in different countries, purportedly to meet the “humanitarian needs” of people of Armenian origin displaced as a result of recent war. Around 30 million USD have been raised in just two telethons organized in USA and France.

## **2. Armenian Diaspora Organizations involved in the Hayastan All Armenian Fund’s “We Are Our Borders – All for Artsakh” fundraising campaign**

The following Armenian Diaspora organizations have contributed to the campaign:

### **2.1. Armenia Fund**

The Armenia Fund is currently the biggest fund that collects donations for the campaign. It has several affiliate branches in 16 countries (United States, Canada, Brazil, Argentina, Great Britain, France, Netherlands, Germany, Switzerland, Austria, Sweden, Greece, Cyprus, Lebanon, Syria and Australia).

Some of its current partners in fundraising activities are the following:

- Hayastan Foundation Canada Inc., **Canada**

<sup>13</sup> Tatev Khachatryan and Ani Hovhannisyan, *All-Armenian Fund Allocated 60% of the \$170 Million Raised to the Armenian Government: Financial Report Still Not Published*, hetq Investigative Journalists, 5 March 2021, available at: <https://hetq.am/en/article/128075> (“[The Fund replied on 29 January 2021:] ‘Given on the public’s need to know and the concerns raised about the Fund’s good name, the Fund, according to the Rule on Foundations, has invited an internationally recognized independent auditing firm to carry out an audit of the monies raised by the Fund in 2020, how efficiently they were used, and in terms of credibility. The results, once approved and certified by the Board of Trustees, will be made public.’”).

<sup>14</sup> *See id.* (“There was no answer as to when the audit will be carried out and the report published.”).

<sup>15</sup> *Id.* (“According to Article 39 of the RA Law on Foundations, foundations are required to publish a report on donations and expenditures no later than March 25 of each reporting year. This means that by the end of this month, the Fund must publish a detailed report on donations and expenditures. In case of non-publication or incomplete publication of the report within the established period, the Ministry of Justice shall apply the measures of accountability as provided by the RA Code on Administrative Offenses, up to filing a lawsuit with the court.”). *See also* Hayastan All-Armenian Fund, Reports, available at: <https://www.himnadram.org/en/reports> (listing the last audit report in 2019).

- Hayastan Foundation Toronto Inc., **Canada**
- Fundación Armenia, **Argentina**
- Fondo Nacional Armenia, **Argentina**
- Vereniging Armeniëfonds Nederland, **the Netherlands**
- Fonds Arménien de France, **France**
- Comitê Brasileiro para a Reconstrução da Armênia, **Brazil**
- Comité Suisse du Fonds Arménie / Armenien Fonds Schweizer Ausschuss, **Switzerland**
- Armenian Community, **Belgium**
- Armenien Fonds Hayastan – Deutschland, **Germany**
- Hayastan All Armenian Fund Australian, **Australia**
- Österreich-Komitee zur Unterstützung der Armenien-Fonds der Republik Armenien, **Austria**
- Hayastan All Armenian Charitable Trust Great Britain, **United Kingdom**
- Χαγιασταν Παναρμενική Οργάνωση Αλληλεγγύη - Panarmenian organization of solidarity, **Greece**
- Hayastan All-Armenian Fund **Sweden**
- Calouste Gulbenkian Foundation, **Portugal**

## 2.2. One Armenia Fund

One Armenia Fund is based both in the USA (Santa Monica, CA) and Armenia (Yerevan). It has raised around 3 million USD in donations for the Campaign.

## 2.3. Armenian General Benevolent Union – AGBU

The Fund is based in the USA (New York, NY) and ran a campaign - #Aid4Artsakh to raise funds for the campaign. The Fund has raised around 11 million USD for that purpose.

## 2.4. Armenian Canadian Medical Association of Ontario – ACMAO

The ACMAO is based in Ontario, Canada. Despite being a medical association, the membership is only expanded to those professionals or students that have Armenian origin and share the views and values of Armenian heritage.

It ran a fundraising campaign, “Donate to Artsakh,” which was accompanied by highly politicized anti-Azerbaijani rhetoric during the war. It currently runs a “Rehabilitation and Recovery: Medical Help to Artsakh and Armenia” campaign.

## 2.5. Fund for Armenian Relief – FAR

The Fund has offices both in the USA (New York, NY) and Armenia (Yerevan). The motto of the Fund is “FAR stands with Armenia and Artsakh”.

One of the placards shared in social media by the FAR affiliated organizations says: “Any activity that will save you money to help our banag”. Banag is “army” in Armenian language.

During his interview with the Armenia Media – Australia on 24 October 2020, the Chairperson of FAR in Australia, Kevork Vartanian, openly admitted to FAR’s participation in the military hostilities between Armenia and Azerbaijan through “volunteer bands.”

## 2.6. Armenian Relief Society – ARS

Based in the USA (Massachusetts, MA), ARS is well-known for its regular illicit financial transactions to the illegal separatist entity that existed in the formerly occupied territories of the Republic of Azerbaijan.

### **2.7. Tufenkian Foundation**

The Tufenkian Foundation operates in Armenia (Yerevan). It has been directly involved in the illegal settlement and economic development efforts in the formerly occupied territories of the Republic of Azerbaijan.

Most of the donations through this Foundation during the war period were marked as “for army” or “for army needs”.

### **2.8. Armenian Youth Federation of Western United States – AYF**

One of the founders of the AYF is famous Nazi general Garegin Nzdeh, who is considered a national hero in Armenia. The Federation announced a “With our Soldiers” campaign.

### **2.9. Americans for Artsakh**

Americans for Artsakh is a tax-exempt charity foundation based in Washington D.C., which supports the illegal separatist entity that had existed in the formerly occupied territories of Azerbaijan. It is currently raising funds under the motto “Supporting the Cause of the People of Artsakh”.

## **3. Abuse of AmazonSmile platform**

Armenian Diaspora organizations do not shy away from abusing global charity initiatives for their own malicious purposes. For instance, Armenian Diaspora organizations misused the AmazonSmile platform, which was designed to collect charity donations.

Specifically, Armenian community members called on all potential donors through social media networks to choose the Armenia Fund as a charity foundation at AmazonSmile with a view to directing the collected amount to the Campaign.

## **4. Abuse of bank and payment network services for collection and transfer of the illicit funds**

The services of following banks and payment networks have been misused and continue to be abused for collection and transfer of the funds raised through above-referred donation campaigns that undermine the territorial integrity and sovereignty of the Republic of Azerbaijan:

### ➤ **Banks**

- Chase Bank (for donations in USD)
- Deutsche Bank (for donations in EURO)
- HSBC Bank (for donations in GBP)
- Republican Bank Armenia (for donations in Russian Ruble and Armenian Dram)
- Allianz Bank Bulgaria
- Postbank Bulgaria (Eurobank Bulgaria AD)
- DSK Bank Bulgaria
- WESTPACK Bank (Australia)
- St. George Bank (Australia)

### ➤ **Payment networks**

- Mastercard
- VISA
- Paypal

Azerbaijan has appealed to the above mentioned banks to conduct due diligence to verify the beneficial owners, source of funds, nature and intended purpose of funds to address potential terrorism financing as required by international regulations.

#### **5. Commitments of UN Member States in preventing and countering the abuse of non-profit organizations, corruption, money laundering, and terrorism financing**

It is an undeniable fact—now confirmed by Armenian Government officials—that funds raised through these so-called “charity campaigns” for humanitarian purposes were, in fact, transferred directly to the Armenian state budget without oversight or transparency.

The managers of such charity entities abuse the power entrusted to them by the respective national authorities and trust of the donating taxpayers. These actions constitute grave violations of the national laws of countries granting charity status to such entities, and should be prosecuted as such.

These acts also implicate anti-corruption, money laundering, and terrorism financing obligations of both the source and destination countries of the collected donations. Such obligations derive from international conventions,<sup>16</sup> UN Security Council resolutions,<sup>17</sup> and the recommendations of standard setting organizations, such as the Financial Action Task Force. Indeed, the Financial Action Task Force recently recognized that the misuse of alleged non-profit organizations for the purpose of financing of terrorism is a crucial weak point in the global struggle to stop such funding at its source.<sup>18</sup>

Therefore, the Republic of Azerbaijan urges all UN Member States to exercise due diligence in relation to such entities registered in their territories, and to take all practicable measures consistent with their international obligations to prevent corruption, money laundering, and terrorism financing, actions that would undermine the sovereignty and territorial integrity of the Republic of Azerbaijan. Such measures include, but are not limited to, identifying and freezing or seizing such funds, exchanging information about such activities with the Republic of Azerbaijan, and prosecuting the offenders.

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<sup>16</sup> See, e.g., International Convention for the Suppression of Financing of Terrorism; United Nations Convention against Corruption; United Nations Convention against Transnational Organized Crime.

<sup>17</sup> See, e.g., UN Security Council resolutions 1373 (2001), 2178 (2014), 2195 (2014) and 2347 (2017).

<sup>18</sup> See, e.g., Financial Action Task Force, International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation: The FATF Recommendations, as amended October 2020, available at: <https://www.fatf-gafi.org/publications/fatfrecommendations/documents/fatf-recommendations.html>, Recommendation 8 (“Countries should review the adequacy of laws and regulations that relate to non-profit organisations which the country has identified as being vulnerable to terrorist financing abuse. Countries should apply focused and proportionate measures, in line with the risk-based approach, to such non-profit organisations to protect them from terrorist financing abuse, including: (a) by terrorist organisations posing as legitimate entities; (b) by exploiting legitimate entities as conduits for terrorist financing, including for the purpose of escaping asset-freezing measures; and (c) by concealing or obscuring the clandestine diversion of funds intended for legitimate purposes to terrorist organisations.”).