



March 17, 2007

MICROFINANCE AND A TRIP TO YEREVAN MARKET

Day 8 Diary from John Tocci

Well today is going to be an “easy” day. The staff is having mercy on us. No visits to people living in unheated bomb shelters with blown out windows. No storage container families. No children being pushed out onto the dirty streets to kneel in mock prayer begging for money. No children sniffing glue to get away. No watching beautiful kids live all day long in winter clothes inside and out. No people paving their apartment floors in layers of old newspapers, wrappings, and trash for insulation. No groups of women stitching furiously to earn a few “dram” to feed their kids. Yes, an easy day.

Microfinance For Small Enterprises

We are picked up at our hotel at the very civilized hour of 9 am by our big, friendly Armenian driver in the World Vision mini bus. He smiled readily and winked at me. I’ve assumed the shot gun seat for most of the past four days and have grown to appreciate his offensive and defensive driving skills. He knows that I know how good he is because he doesn’t speak any English and all I know of Armenian is “shot merci”, literally meaning “very thanks”, and “shot love” meaning very good.



Our Armenian driver

We are joined by the World Vision Armenian National Director, Mark Kelly. We get on our way. Our destination is the Office of SEF International, an independent microfinance institution set up by World Vision. The trip is, thankfully, a very short jaunt.



At SEF we are shown a great power point presentation by its Director, Dr. Vadim Usvitsky. Vadim is Russian and a highly educated economics and finance expert. I've been using the term "highly educated" a lot but its true of the World Vision people we have met. I have never encountered so many intelligent, trained and motivated people in a single organization.



SEF director, Dr. Vadim Usvitsky (left), with Mark Kelly (right) World Vision Armenia National Director.

We learn about the difficulties of navigating the bureaucracy of Armenia's government and central bank which governs the activities of lenders, no matter how small. SEF makes loans as small as \$100.00 and as large as \$5,000.00 to individuals and small enterprises trying to break the cycle of poverty and build a "prosperous" life. Since these folks usually have no collateral or business experience they are un-bankable by other sources. World Vision loans are based on character rather than collateral. Nonetheless, the loan process is extremely professional. Their record exceeds a 90% full repayment rate. All loan payments are made in cash by the borrowers. Most walk or drive, on a monthly basis, to the Yerevan or a regional office to drop off their small payments.

We leave SEF headquarters to visit a marketplace where several vendors are recipients of SEF loans. It is Saturday and the squares of Yerevan are swarming with vendors, booths, and people of all shapes. We pass under a plaza via a short tunnel lined on both sides with food purveyors who have set up full delicatessens offering freshly grilled meats and all sorts of unusual looking fare. A couple make shift massage parlors are interspersed.



Yerevan marketplace

The centerpiece to the market area is a large cast-in-place concrete building repurposed from a former Soviet movie theater. The floor area is approximately 75,000 sf. The cantilevered roof soars out about 80 feet beyond its support. What a massive piece of reinforced concrete and Soviet engineering!



Former Soviet movie theater, now marketplace

We meet with two women at their booths. The first vendor was operating from a 6 foot by 12 foot outdoor station crammed full of running shoes and women's boots and dress shoes. She pays 150.00/month, \$25.00/sf, for an unheated flea market-like space, what a great deal for the landlord! But, people pay a lot of attention to their shoes and clothes here. Previously I had been looking at the shoppers and vendors. Men were mostly dressed in tough guy black with three-quarter length leather coats being the "macho" uniform. The young women (young is being re-defined by the author each year, for now that means under 40, haha) are often dressed in spike heeled boots, tight jeans and short, stylish

jackets. Our feet look raggy in comparison. Anyway, I ask a dozen questions to get at the business facts. “What is your operating margin?” resulting in a “huh?” OK then. I try “How much do you buy for? Sell for? What is your best moving line of shoes? Do styles change quickly here? How do you control your inventory?” She smiles as I ask my questions. She is quite patient with this American gringo. We begin attracting quite a crowd of onlookers, mostly other shop owners. Suddenly, we are joined by two, thick necked, leather jacket guys who follow us for the balance of our market visit. We do learn that all transactions are cash. Naturally. We are told that that the landlord pays the taxes. Sure. We find out that credit cards are not in their foreseeable future. Reasons are obvious.



Shoe Vendor; Leather vendor

The SEF business representative allows us to question openly. He explains to us how he works with the small businesspeople to help them understand their own business. Cool. They are, however, prevented by government regulation from conducting formal business training. This is too bad.

We move on to our second vendor who is a larger borrower. She runs a booth selling leather goods, jackets, vests, coats, and pants. She does her own direct buying from Turkish manufacturers. She travels back and forth. I unleash another round of gringo questions (haha). Her margins are better. She’s very street schmart. She keeps records unlike the previous woman. She freely shows me her journals that record daily sales of between \$500.00 and \$3000.00 US. She pays \$500/ month for her 10 foot by 16 foot space or \$ 37.50/sf. Her merchandize area is inside the building though offering some protection from the elements but not all. The building is not heated. Stalls are divided by conduit frames with tarps. The front doors are tarps. Security, apparently, is provided by others.

Each businesswoman is effusive about World Vision’s help in making their business start and growth possible. More than 40% of SEF’s loans are made directly to women. The percentage of women operating

businesses is actually far higher though. Men sign the loan papers, as sign of their manliness, but it's clear that the real brains of these small enterprises are, in many cases, women. This is cool too. They make money, learn about good capitalism, feed their families and provide a needed product. Go team go.

We leave the marketplace and head for lunch at Mr. Toastee, an Armenian sub shop. Lila is sick today and trying to recover back at the hotel. It takes a lot for this lady to be put down for the day. I'm not feeling too good myself so I skip Mr. Toastee, sad but true.

The Partnership Between Eastern Europe's Churches and World Vision

After lunch we enjoyed a fantastic visit to Etchmiadzin Cathedral, the Headquarters of the Armenian Apostolic Church and heart of a religious compound known as the Holy See of Cilicia. This Holy See is one of two in Eurasia/Middle East that act as headquarters to this Christian denomination. We are joined by Karine Harutyunyan who is World Vision Armenia's Christian Commitments Manager. She is in charge of relations with the Armenian Apostolic Church which plays a huge part in the lives of people here. At the end of the Soviet era there were only ten priests left in the entire country, but today hundreds are studying here at the Holy See which includes a monastery, seminary, residence of the Holy Catholicos (the Apostolic equivalent of the Catholic Pope), cathedral, church offices and a museum.



The Holy See; Katarina, World Vision Director of Christian Life

Karine is administering World Vision's bible study curriculum. This curriculum is being used in collaboration with the major churches throughout six Eastern European countries including Armenia and Georgia. It involves church history and basic bible teaching with moral/ethics training. It is often the most fun for kids. We met the personal secretary to the Catholicos, a young priest who is World Vision's direct liaison for this program. He is totally enthusiastic about the training and teamwork with World Vision. Impressive.



Later we were guided on a private tour of the Holy See's museum. We viewed several sacred relics as well as paintings, embroidery, tapestries and ancient vestments.

What Has This Week Meant?

Faith is the foundation to humanitarian efforts and social justice. St. James (Jas 2:26) said, "faith without works is dead" The whole chapter, actually, is worth reading. The countries of Eastern Europe's history are deeply rooted in their Christian heritage. As a result, the church occupies a unique role in the life of the people and is, quite possibly, the best avenue for the moral re-education and restoration of normal interpersonal relationships in this post soviet era. The reason why we at Tocci support World Vision is their organizational excellence and heartfelt commitment to meeting the urgent needs of the whole person in the countries they serve, spirit, soul and body, while respecting the diverse cultures and faiths of these people. The noun, "these people" seems so clinical. These people are our brothers and sisters. When we see them "naked and destitute of daily food, if one of you (us) says to him, 'Go, I wish you well, keep warm and well fed,' but does nothing about his physical needs, what good is it?" What good is it indeed?

This week has been all about faith. Faith in action. Faith to restore hope for a better, warmer, and well fed future. We will now carefully consider how Tocci can team with World Vision in select programs to make a measurable difference. Thanks for following along with our journey. If you want to continue and join with us to multiply our efforts together, we welcome the company! Feel free to contact me or Lila directly.



Armenian Apostolic Cross; the budding at the ends symbolize a living (eternal) cross, the two spheres at the base represent the local church and diaspora (Armenian faithful who are dispersed around the world).