



We are always delighted to showcase the endeavours of Flannerys around the world, but few causes are as noble and worthy as the global micro-financing crusade being mounted by Matthew and Jessica Flannery in San Francisco, California. Their non-profit company *Kiva Microfunds* hosts the world's first person-to-person micro-lending website and enables ordinary individuals around the world to lend directly to highly motivated entrepreneurs in the developing world. The cumulative effect of these small but life-changing loans is phenomenal, and the story of Matt and Jessica is both compelling and inspiring.

At the centre of the action are Matt and Jessica Flannery, founders of *Kiva*, a web-based non-profit that helps individuals make loans to small businesses in developing countries. What makes *Kiva* different from other microlenders? "If you have \$10,000 to lend, you have many options," says Matt. "If you have \$25 to lend, this is the only option."

People are lining up. In fact, *Kiva* has so many lenders - more than 123,000 extending \$12.4 million to some 18,000 entrepreneurs in 39 countries - that it recently limited each participant to \$25 per business, "so that everyone has a chance to make a *Kiva* loan." After just a couple of years in operation, *Kiva* attracts over \$1.5 million a month, Matt says. The impact is bigger than it looks, notes Jessica, because "each loan is touching 15 people, whether it's other workers in the business, or family."

The process is simple. Visit *Kiva's* website at www.kiva.org. Read the stories and see the photos of borrowers. Like *MySpace* or *Facebook*, *Kiva* functions as a community, so you can browse through profiles of other lenders (complete with photos, hometowns, philosophies and portfolios) to see who's involved with what. The site's Journal section offers progress reports on the entrepreneurs (and their repayments) as well as recommendations. Then you can pick a business to help finance.

Kiva collaborates with 67 microfinance institutions around the world that recommend the borrowers and administer the loans. *Kiva* screens each institution, posting a rating (one star to five) - based on its repayment history, audits and independent evaluations - to help lenders assess risk. Loan terms range from four months to 18 months, and most lenders reinvest when their loan is repaid (they do not earn interest; *Kiva's* partner institutions do). Matt reports a repayment rate of 99.67%.

As CNN noted in a report last year, "If you've got 25 bucks, a PC and a PayPal account, you've now got the wherewithal to be an international financier." When you press the "pay" button, the site rolls over to PayPal - just as eBay does - and you never have to open your checkbook or wallet. Most importantly, PayPal have generously waived their customary transaction fee so the entire donation goes where it is needed.

Matt Flannery [photo courtesy of www.kiva.org]



The idea that lending money to the poorest of the poor can produce economic and social change has steadily gained traction since 1976. That's when economist and Chittagong University professor Muhammad Yunus started the Grameen Bank, giving credit to struggling cottage industries without collateral in Bangladesh. Other organizations around the globe have followed his lead, and when Yunus and his bank shared the Nobel Peace Prize in 2006, microfinance became an even hotter topic.

Under such circumstances, it's *fun* to lend money. Matt goes farther: he says this kind of philanthropy can become an addiction - although "most people feel like it's not a donation; it's a weird in-between." Because they'll see the money again, he says, "People feel good about that - it's there if they need it."

Significantly, the 16 full-time employees at *Kiva's* offices in San Francisco's Mission district are mostly in their 20s and 30s. (The organization has some 250 active volunteers.) This generation's idealism tends to be more global, more strategic, more entrepreneurial than previous generations, with a good deal of media/marketing savvy. Matt says his contemporaries are "not looking to make a lot of money, retire and give it away. We're looking to live our whole life in an integrated way. It's not a binary approach."

Kiva has received grants from foundations like Kellogg, Draper Richards and DOEN, but Matt says most of *Kiva's* costs are covered by an optional fee (10 percent of the loan) that lenders are invited to give.

In a sense, *Kiva* began with the couple's love-at-first-sight meeting. In 2000 both attended the interfaith National Prayer Breakfast in Washington, D.C. Jessica was a senior in philosophy and political science at Bucknell; Matt was about to get his Stanford bachelor's in symbolic systems and then a master's in analytic philosophy.

Jessica moved to California for a month in January 2001, to test the chemistry. She had, as she put it, "no car, no bike, no job. My debut at the Business School was as a temporary administrative assistant for someone who was ill." Later, as a staff member in the public management program, she helped launch the Global Philanthropy Forum. In 2003, Muhammed Yunus showed up as an unscheduled speaker.

For Jessica, the talk was a match dropped on an oil field. Yunus told the group of a recent plan to help Bangladesh's beggars with small loans. The women were given a special Grameen identity card - "so that people start looking at them in a different way," he said - and were allowed to borrow merchandise from local stores, returning what they could not sell.

He acknowledged that such ideas seem untenable initially, but urged the audience to think positively and boldly. "At Grameen, we don't have any legal instrument between the lender and the borrower, and it is a very scary thing when we are lending more than \$4 billion," he said. "Everybody asks, 'What will happen if nobody pays back?' I say, 'But everybody pays back, so why should I worry about it?'"

Jessica thought that Yunus's work "was the coolest thing in the world." With no relevant experience, she began talking to "anybody who would give me the time of day, who'd talk to me about microfinance." She found a mentor in Brian Lehnen, of the Village Enterprise Fund, which helps small businesses in East Africa.



Jessica Flannery [photo courtesy of www.kiva.org]

Six months later, she was in Kenya, Uganda and Tanzania, interviewing villagers about the impact of the loans. (Typical questions: "Do you take sugar with your tea?" "Do you sleep on a mattress?") "It was totally my dream job, and it never got old," she says.

While Jessica was in Africa, Matt (the couple married in August 2003) was a programmer at TiVo, dreaming of launching a start-up. He conjured different businesses - a DVD vending machine one day, online clothing rental the next. His pipe dreams remained smoke. So Matt took a brave step into his wife's obsession, starting with a trip to Africa in March 2004.

While the poverty and the problems were overwhelming, so were the business opportunities. “I liked the independent spirit of an informal economy,” he says. “It’s much more fun than formal economies. You could buy an entire business there for \$500—that was exciting.” The couple began to hatch their own microfinance scheme.

At the outset, lawyers shied away, Jessica recalls. “One day I called 47 lawyers. Finally, the 48th would talk to me.” Kiran Jain at Bingham McCutcheon helped set up *Kiva* as a nonprofit, and Jessica spent late hours in a law library doing research of her own. Since then, *Kiva* has had as many as six legal teams working pro bono.

Initial success came in October 2005. The couple posted seven businesses in Uganda, including a fishmonger, a clothes reseller, a goat herder, a produce vendor. They sent an e-mail to their wedding invitation list and waited to see what would happen. All seven businesses were funded in a weekend. “We were blown away; everything worked. It was better than we expected,” Matt says. How to get the word out? With the help of a friend down the street, they cobbled together a press release. It met with silence, or seemed to.

Then one morning when Matt went to his cubicle at TiVo, he found he had received nearly a thousand e-mails to his *Kiva* address overnight. Thanks to a posting on the political blog, Daily Kos, they had raised \$10,000 in one day. Suddenly, more than a million people had read about *Kiva*, and hundreds were actively discussing it online. *Kiva* - the Swahili word for “unity” or “concord” - was launched. By this time, Jessica was enrolled in Stanford’s MBA program. “I begged Matt to quit his job,” she says. It wasn’t a hard sell.

Success met with success. In the first year, the site featured a spinach farmer in Cambodia, a hot-dog-stand man in Nicaragua, a carpenter in Gaza, a beekeeper in Ghana and a fish seller in Uganda. When PBS’s *Frontline World* aired a 15-minute spot on *Kiva* in October 2006, loan volume increased tenfold overnight, from \$3,000 to \$30,000 per day. Their Internet server crashed for four days.

Despite the millions of dollars passing hands and an avalanche of legal challenges, the rewards and the landmarks of success remain

immediate and measurable, small and simple. “Instead of sleeping on a reed mat, someone could buy a blanket. Instead of mud walls, they have baked mud or concrete,” Jessica says. The couple recall the story of a loan officer who was met with tears when he visited one borrower. He was expecting her to tell him she was defaulting on the loan. Instead, her tears were joyful: this was the first year she had been able to buy school textbooks for all her children, not just one.

These small signs of success are heartening in a world where problems seem so intractable. But Matt warns against over reliance on microfinance. “Microfinancing alone cannot solve poverty. It will not build a road, build a hospital, relieve a community suffering a tsunami, or cure malaria,” he says. “Sometimes people sell microlending as a cure to poverty - it does a disservice. It creates a false expectation. Providing credit to the poor cannot solve poverty by itself. It addresses one need, not every need.”

Whatever its role fighting poverty, *Kiva* is transforming philanthropy. “We hope we’re giving the feeling of being part of a community,” a spokesperson says. “There’s something beautiful about that. The website has all these people with regular day jobs coming together and supporting something. I don’t want to be utopic, but when people come together, even with small amounts like \$25, it’s cheering to see how much money can be raised democratically.”

It’s also cheering to see that you don’t have to be a millionaire to make a difference. *Kiva*’s approach brings to mind a popular parable derived from a Loren Eiseley story. An older man saw a young boy walking along the ocean at low tide. The child was eagerly picking up beached starfishes and flinging them out to sea. “Son,” said the older man, “every day there are hundreds of starfishes stranded on the beach at low tide. You’re never going to make a difference.” The child lifted another starfish and threw it out to sea. “Made a difference to that one,” he replied.

