*Development 2.0? The Case of Kiva.org
and Online Social Lending For Development*

by

Alison Carlman

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Department of Sociology and Social Anthropology

Faculty of Arts and Social Sciences

Supervisor: Jacob MJ du Plessis

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Declaration

By submitting this thesis electronically, I declare that the entirety of the work contained therein is my own, original work, that I am the owner of the copyright thereof (unless to the extent explicitly otherwise stated) and that I have not previously in its entirety or in part submitted it for obtaining any qualification.

Alison Carlman

Date: November 2, 2009

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Abstract

This study explores the application of Web 2.0 thinking to development studies. It specifically addresses 'online social lending for development' as an example of 'Development 2.0,' the subject of an ongoing conversation between the fields of information and communication technologies (ICTs) and international development. The paper has two aims: to develop a definition of Development 2.0, and to explore an empirical example of a Web 2.0 model that seeks to alleviate poverty.

Reflecting on the literature pertaining to ICT for development (ICT4D), the investigator establishes preliminary principles of Development 2.0: facilitating citizen participation and voice, encouraging collaboration, increasing transparency and enabling relationships. These principles are then considered in the context of online social lending for development, with a particular look at Kiva.org, the microlending website at the center of the study. The empirical research for this case involved several months of interaction with some of Kiva's primary stakeholders in San Francisco, CA and Kisumu, Kenya. As a Kiva Fellow, the investigator engaged in participant observation, focus groups, analysis of secondary data, email interviews and weblog interviews with various people involved in the Kiva system. Stemming from this investigation, the author offers a descriptive and exploratory case study of Kiva's operations and its level of Development 2.0 integration.

With reference to this Kiva case study and the initial Development 2.0 principles, the investigator offers a new definition: *Development 2.0 is the application of Web 2.0 thinking to development studies. Development 2.0 practice takes advantage of networked social interaction and data generation, reaching the 'long tail' of the world's poor; it actively employs transparency, collaboration, and citizen participation with the aim of continual, reflexive improvement in sustainable human-centered development*. The author concludes that Kiva is a relevant example of Development 2.0, but it does not offer full transparency to all stakeholders, nor does it take advantage of the full possibilities of networked social interaction, which could lead to more holistic development for Kiva borrowers. The author argues that Development 2.0 principles have intrinsic value, and should be pursued as both a means and an end for ICT4D practice. The paper ends with a call for further research into Kiva, Development 2.0, and the practice of online social lending for development.

Opsomming

Hierdie studie stel ondersoek in na die toepassing van Web 2.0 beginsels vir ontwikkelingstudies. Dit spreek spesifiek 'aanlyn sosiale lenings vir ontwikkeling' aan, 'n onderwerp wat debat ontlok tussen die velde van Inligting en Kommunikasie Tegnologie (IKT) en Internasionale Ontwikkeling. Die verhandeling het twee doelwitte: om 'n definisie vir Ontwikkeling 2.0 te ontwikkel en om ondersoek in te stel na 'n empiriese voorbeeld van 'n Web 2.0 model wat die verligting van armoede nastreef.

Na 'n refleksie oor die literatuur wat met IKT's verband hou, stel die navorser die voorwaardelike beginsels van Ontwikkeling 2.0 vas: die fasilitering van burgerlike deelname en inspraak, bevordering van samewerking, verhoogde deursigtigheid en instaatstellende verhoudings. Hierdie beginsels word dan oorweeg in die konteks van aanlyn sosiale lenings vir ontwikkeling, met spesifieke ondersoek na Kiva.org, 'n mikro-lening webwerf wat sentraal tot hierdie studie staan. Die empiriese ondersoek vir hierdie gevallestudie het verskeie maande van navorser-interaksie met van Kiva se primêre rolspelers in San Francisco (VSA) en Kisumu (Kenia) behels. Die ondersoeker het as 'n 'Kiva Fellow' deur middel van deelnemende waarneming, fokusgroep onderhoude, benutting van sekondêre bronne, e-pos- en webblog onderhoude met verskeie persone betrokke in die Kiva stelsel in wisselwerking getree. Na aanleiding van hierdie studie, bied die navorser 'n beskrywende en verklarende gevallestudie van Kiva se werksaamhede en vlak van Ontwikkeling 2.0 integrasie aan.

Met verwysing na hierdie Kiva gevallestudie en die aanvanklike Ontwikkeling 2.0 beginsels, bied die ondersoeker 'n hersiene definisie aan: *Ontwikkeling 2.0 is die toepassing van Web 2.0 beginsels tot ontwikkelingstudies. Ontwikkeling 2.0 praktyk trek voordeel uit netwerk-sosiale interaksie en data-generering, wat die 'verste punt' van die wêreld se armes bereik; dit streef aktief deursigtigheid, samewerking en burgerlike deelname na; tot die bevordering van die aaneenlopende, refleksiewe verbetering in volhoubare mens-gesentreerde ontwikkeling.* Die ondersoeker kom tot die gevolgtrekking dat Kiva 'n relevante voorbeeld van Ontwikkeling 2.0 is, maar dat dit nie volwaardige deursigtigheid vir alle rolspelers bied nie, en nog minder van die geleentheid gebruik maak om voordeel te trek van die volle moontlikhede van netwerk-sosiale interaksie, wat tot meer holistiese ontwikkeling vir Kiva leners kan lei. Die ondersoeker argumenteer dat Ontwikkeling 2.0 beginsels 'n intrinsieke waarde het en nagestreef behoort te word in die praktyk as beide 'n middel tot en 'n einde vir 'IKT vir Ontwikkeling' (ICT4D). Die verhandeling word afgesluit met 'n oproep vir verdere navorsing oor Kiva, Ontwikkeling 2.0 en die gebruik van aanlyn sosiale lenings vir ontwikkeling.

Acknowledgements

I am grateful for this opportunity to acknowledge the support of several individuals who have each consistently gone out of their way to help make this study possible.

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This study, as are all my endeavors, is for the service of the gracious and compassionate God that I serve, and I am indeed humbly and sincerely grateful to have been given this opportunity.

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API	application programming interface
ICT	information communication technologies
ICT4D	information and communication technologies for development
ICT4D2.0	information communication technologies for development 2.0
IS	information systems
IT	information technology
K-MET	Kisumu Medical and Education Trust
MFI	microfinance institution
RSS	real simple syndication
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme

About the Appendix

The addendums for this study are a collection of different content-rich media. They include not only the study's data, but also photographs, videos and internet links to relevant web pages. Therefore, the appendix appears not at the end of this document, but on a website specifically designed to accommodate the various media. The website can be accessed by typing the following address into an internet browser:

www.AlisonCarlmanThesisAppendix.wordpress.com

For the sake of confidentiality, the website is protected. The wordpress home page will ask for a username and password. The username and password associated with this document are:

<div align="center">

Username: **PrivateReader1**
Password: **ict4d**
The password letters should be all lowercase.

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Previews of the appendix website can be found at the end of this document (p. 130).

Chapter 1: Introduction

This is a study exploring the emerging concept of Development 2.0. Development 2.0 is an application of Web 2.0 thinking to development; it is the result of ongoing discourses in the fields of both information and communication technologies (ICTs) and development studies. The purpose of the investigation is to develop a clearer picture of this emerging Development 2.0 concept, and to explore an empirical example of a Web 2.0 platform used in development. The result is an exploratory and descriptive case study of Kiva, an American-based non-profit organization that facilitates microlending over the internet. This investigation will explore Kiva's level of Development 2.0 integration and it will use the empirical evidence to propose a new definition of Development 2.0.

1.1 Background and Context to the Study

The World Bank (2008) claims that in 2005, 1.4 billion people were living in absolute poverty, in "a situation where the next meal (or its absence) means the difference between life and death." (Swanepoel & De Beer, 2006: 2). The millions of others who live on the verge of absolute poverty may be able to subsist, but they frequently live without access to proper nutrition, security, medical services, sanitation, and education (*ibid*.).

Those who study and practice in the field of development have been trying for decades to solve the 'problem of poverty.' The *dominant paradigm* in development studies has been to promote countries' economic growth in order to alleviate poverty. However, many critics point to a growing 'problem of development' (Theron 2008: 3), claiming that after years of interventions, poverty has not declined (Brett, 2000), and that many people are actually worse-off because of development (Theron 2008: 24). Criticism of the dominant paradigm is growing.

Development studies is now tasked with solving both the problem of poverty and the problem of development. The advent of the "Information Age" (Castells 2000) has created additional complications, as it has fostered a new *knowledge economy*. In the

knowledge economy, wealth is no longer created by labor but instead it is created through access to information (*ibid.*). This new global economy is leading to a new form of exclusion for the poor, called "information poverty" (United Nations, 1985). Many experts are looking to the expansion of ICTs in developing countries to solve the problem of information poverty. The question remains, however, whether those in the field of ICTs for development (ICT4D) will continue to pursue development in the manner of the dominant paradigm, or whether they can promote change in a different way. This investigation will demonstrate the existing potential for ICTs to engage in an alternative development paradigm, called *human-centered development*.

Human-centered development comes from an emerging line of thinking shifting the development discourses away from the dominant paradigm toward micro-level development objectives for the poor. Based on the writing of Max-Neef (1991), ul Haq (1994), Sen (1999), Bhattacharyya (2004), and others, this paradigm focuses the development discourse on individuals who have not only physical needs, but psychological and social needs as well. The purpose of human-centered development is to promote individuals' well-being by increasing their community solidarity and promoting agency – people's ability to live how they choose. This, these authors argue, is the key to alleviating poverty.

The majority of ICT4D theory and practice relies upon the dominant paradigm in development studies rather than engaging in micro-level development discourses (Avgerou, 2003). Zheng calls for a new approach to ICT4D that is "an alternative 'space'" for assessing development, focusing not on macroeconomic growth, but on "the effective opportunities people have to achieve what they consider to be valuable in life" (2009: 68). There is an important opportunity for ICT4D to more fully engage in alternative micro-development discourses.

This dissertation will explore a specific area of ICT, called *Web 2.0*, and the potential for Web 2.0 thinking to contribute to human-centered development. Web 2.0 refers to online social media that allow users to jointly create and manipulate content on the internet.[1] According to the World Bank's *2009 Report on Information Communication and Technology*, significant growth is occurring in the number of participants in online

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[1] Web 2.0 will be explored more in depth beginning on page 34.

social networks around the world. Operating on Web 2.0 internet platforms, these networks connect millions of users to information and to each other. Access to these networks is growing in the developing world (*ibid*.), which could mean significant growth opportunities for developing economies. However, beyond the macroeconomic potential of Web 2.0, there are emerging arguments that concepts like *disintermediation* and *citizen participation* within online social networks can have an important impact on micro-level human development. Citizens can become both users and creators of information, for example, and the poor can have a voice that has never been heard before. This study will illustrate that there are many opportunities for Web 2.0 to contribute to human-centered development.

1.2 Rationale

Thompson, in his paper *ICT and Development Studies: Towards Development 2.0* (2008)*,* calls this convergence of Web 2.0 and development studies "Development 2.0." Development 2.0 is an emerging concept; there is not currently consensus about what it looks like, nor is there a significant body of empirical research to show the impact of Web 2.0 models for development on the well-being of the poor (Thompson, 2008; Heeks, 2008; Zheng, 2009). Thompson, who was among the first to introduce the concept, calls for further research regarding Development 2.0. Specifically, his agenda involves the "development of a set of aims and definitive features that characterize Development 2.0," as well as "empirical examples of attempts to introduce Web 2.0 models to serve developmental aims" (2008: 833). The present investigation is a response to that call; it will examine *online social lending for development* as an example of a Web 2.0 model with developmental aims.

1.2.2   Why online social lending for development?

Online social lending for development[2] is an area of growing importance in the field of development studies (Hulme & Wright, 2006; Bonbright, Kiryttopoulou & Iverson, 2008). It is a combination of microfinance and social entrepreneurship; it is the idea that the internet can facilitate small-scale lending from socially-minded investors to small-scale entrepreneurs in an effort to alleviate poverty. By taking advantage of Web

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[2] Online social lending for development will be explored more in depth beginning on page 42.

2.0 networks, online social lending for development generates source capital for microloans in the developing world (and poorer parts of the developed world) where people do not have access to financial services. The empirical portion of this investigation is a case study of Kiva Microfunds, Inc., an American-based non-profit organization that facilitates online social lending for development. (See *Box 1.1*.)

Box 1.1: What Is Kiva?

Figure 1.1: The Kiva Cycle

Kiva is a non-profit organization that allows people to lend money via the internet to microfinance institutions around the world, which in-turn lend the money to microentrepreneurs. Here is how the basic process works:

1) Lenders browse online profiles of entrepreneurs and choose someone to lend to. When they lend, using a credit card or PayPal, Kiva collects the funds and then passes them along to the microfinance institution (MFI) who will manage the loan.

2) Kiva's MFI partners distribute the loan funds to the selected entrepreneur. In some cases they may have already disbursed a loan by the time that it is fundraised on the website, so the Kiva funds are then a reimbursement. Some partners also provide training and other assistance to the entrepreneur. MFI partners charge interest to their borrowers at varying rates. Lenders do not receive any interest.

3) Over time, the entrepreneur repays their loan to the MFI, and the MFI sends the money back to the lenders through Kiva. Repayments and other updates are posted on Kiva and emailed to lenders who wish to receive them.

4) When lenders get their money back in their Kiva accounts, they can re-lend to someone else, donate their funds to Kiva (to go toward operational expenses), or withdraw their funds. Kiva's operational expenses are covered by additional donations from lenders that are solicited after a lender makes a loan on the site.

(Kiva, 2005b and author's own comments)

As this box explains, Kiva.org[3] is a website that allows anyone with a credit or debit card to lend a minimum of \$25 to a micro-entrepreneur somewhere in the world, disintermediating financial capital in a way that has never been done before.

1.2.3 The fieldwork opportunity

The author of this dissertation applied and was selected to work as a *Kiva Fellow* during June, July and August of 2009. As a Kiva Fellow, the author was an unpaid, full-time Kiva representative at one of Kiva's 'field partner' microfinance institutions called Kisumu Medical and Education Trust (K-MET). K-MET is a community-based reproductive health and education organization in Kisumu, Kenya (see *Box 1.2*).

Box 1.2: Kisumu Medical & Education Trust (K-MET):
A development organization in Kisumu, Kenya.

Kisumu Medical & Education Trust, or K-MET, is a community-based organization founded by a group of Kenyan professionals in 1995 who sought to promote development of underserved communities through innovative health and education programs in Kenya.

KMET envisions "communities where health services are accessible, everybody enjoys quality reproductive health services and every child is wanted." Some of K-MET's activities include offering home-based care, post-abortion care, an outpatient clinic, nutrition and food security programs, training and supervision, reproductive health education, youth peer education, and vocational training for adolescent girls.

As part of their work for better health and education in Kenyan communities, K-MET has instituted a 'revolving loan fund,' providing small loans to volunteer community health care workers so that they can meet their own physical needs through private enterprise as they volunteer to meet the psychological, social, and health needs of their neighbors. These loans are primarily funded by lenders on Kiva.org.

(K-MET, 2009)

Kiva Fellows act as volunteer field staff to help facilitate the partnerships between Kiva and field partners like K-MET. As described above, K-MET offers microfinance as one of its many social programs. The Kiva Fellowship provided the author the opportunity for three months of significant interaction with a variety of Kiva's stakeholders: a Kiva field partner (MFI) and its microfinance clients (or 'borrowers'), Kiva lenders (through access to the Kiva website), the network of other Kiva Fellows (approximately 30 were

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[3] Kiva.org is a website run by the organization called Kiva Microfunds, Inc. In this paper, the organization will usually be referred to as Kiva, and the website itself will be referred to as Kiva.org.

in the field at the same time) and Kiva itself (which hosted a Kiva Fellows training course at their home office in San Francisco, California).

1.3 Research Objectives

This investigation is a response to Thompson's call for the development of a set of aims and definitive features that characterize Development 2.0, and for a discussion of an empirical example of a Web 2.0 model with developmental aims. This study involves a non-empirical, theoretical inquiry that establishes a definition of the Development 2.0 concept, and it also includes an empirical inquiry into the workings of an online social lending organization, Kiva, with specific reference to their work in Kisumu, Kenya. This is an exploratory study to describe what a Web 2.0 model for development could look like, to compare the principles and operations of Kiva to the potential benefits of Development 2.0, and to provide reflexive feedback about Development 2.0 principles and practice.

The objectives of this study are:
1. To establish key principles and a definition of Development 2.0 according to relevant literature,
2. To describe an empirical case of a Web 2.0 model to serve developmental aims,
3. To offer reflexive feedback about the Development 2.0 concept and the empirical case.

1.4 Research Questions

As argued above, there is a significant gap in the ICT4D literature relating to micro-development discourses. This investigation seeks to explore a Web 2.0 platform for human-centered development and to further develop Thompson's (2008) concept of Development 2.0. There are four specific research questions arising from the research objectives outlined above. The four questions are as follows:

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Question 1: *What is Development 2.0?* In light of literature on human-centered development and ICT4D, what does Development 2.0, an engagement of Web 2.0 and development studies look like? To answer this question, key principles and a definition of Development 2.0 must be established based on an exploration of related literature.

Question 2: *What is the nature of Kiva's operations, with specific reference to its work in Kisumu, Kenya?* An in-depth investigation of the empirical case is necessary for this query. In order to provide an adequate description of Kiva, the author must explore the organization's mission, vision, and operations, as well as its partnership with K-MET. It is also necessary to explore how Kiva employs Web 2.0 thinking and technology.

Question 3: *How do Kiva's activities relate to Development 2.0 principles?* How do the activities of Kiva relate to Development 2.0 and a human-centered perspective of development? Answering this question requires overlaying Development 2.0 principles on the Kiva model to determine its level of correlation.

Question 4: *How can the empirical findings of this exploratory/descriptive study inform the concept of Development 2.0?* Finally, this investigation will explore how the Kiva case study can inform the concept of Development 2.0. This process will involve a comparison of the findings from the literature review to the results of the empirical study, and ultimately, a new definition of Development 2.0.

1.5 Outline of Dissertation Structure

This investigation is an exploratory and descriptive case study of Kiva's work of "connecting people through lending for the sake of alleviating poverty," (Kiva, 2009e) and how it relates to human-centered development. Chapter 1, has been an overview of the research objectives and questions. Chapters 2, 3, and 4 provide an overview of scholarship across four disciplines, namely, (1) development studies, (2) ICT, (3) information systems or IS, and (4) the field of study where development, ICT, and IS converge – ICT4D. The literature review will offer insights into Development 2.0 and online social lending for development. It will end with a working definition of Development 2.0. Then, Chapter 5 describes the case study research design and

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methodology used by the investigator during her time as a Kiva Fellow. Finally, Chapters 6 and 7 present the study's findings and recommendations, including a revised definition of Development 2.0 and a call for further research.

More specifically, each chapter can be described as follows:

Chapter 1: Introduction. The introduction has provided an overview of the theoretical framework for the study. It introduced the problem of poverty and the problem of development in the Information Age, where ICTs are increasingly being called upon to fight 'information poverty.' The rationale for the study is based on Thompson's (2008) Development 2.0 research agenda. The research objectives and questions were established and here, in this section, the dissertation structure is briefly outlined.

Chapter 2: Development Studies and Micro-Development Thinking and Practice. Chapter 2 sets the development theory framework for the investigation. It first describes the dominant paradigm in development and its limitations. As an alternative, the micro-level human-centered development paradigm is proposed as a way of meeting people's holistic needs. The practice of human-centered development is discussed. The purpose of human-centered development is established to be the pursuit of people's well-being through solidarity and agency. This perspective is a lens through which the empirical case will be viewed in this investigation.

Chapter 3: Information and Communication Technologies for Development (ICT4D). Chapter 3 begins with a brief description of the Information Age, globalization, and post-modernism as the concepts relate to the field of ICT4D. The theory and practice of ICT4D are then discussed in the context of their macro- and micro-development potential.

Chapter 4: Web 2.0, Development 2.0, and Online Social Lending for Development. This chapter describes Web 2.0 and introduces the concept of Development 2.0. The topic of online social lending is also explained, with specific information about microfinance and social entrepreneurship. Summing up themes from the previous fields, three specific studies about online social lending and Kiva are thoroughly

reviewed. In closing, Chapter 4 proposes preliminary principles and a working definition of Development 2.0.

Chapter 5: Research Design and Methodology. In Chapter 5, the investigator defends the choice of a hybrid exploratory/descriptive case study of Kiva. The various research methods are then presented: (1) participant observation of the Kiva processes, (2) analysis of secondary data, (3) focus groups with Kiva borrowers, (4) email interviews with Kiva staff members, and (5) a weblog interview with Kiva Fellows. The system of analysis and ethical considerations are then discussed.

Chapter 6: Results. Chapter 6 presents the results of the study. It first addresses Research Question 2, describing the nature of Kiva's operations, starting with a brief history of the organization and a description of its use of Web 2.0 technology and principles. The chapter then addresses Research Question 3, (determining the extent to which Kiva applies Development 2.0 principles). The results are presented in terms of the four principles of Development 2.0 and with regard to the different Kiva stakeholders.

Chapter 7: Conclusions and Recommendations. The final chapter presents the author's conclusions and recommendations regarding Kiva, online social lending for development, and Development 2.0. The chapter addresses Research Question 4 by relating the empirical findings to the concept of Development 2.0. As a result of this exercise, the author offers a revised definition and explanation of Development 2.0. The chapter ends with recommendations for further research related to this investigation.

Chapter 2: Development Studies and Micro-Development Thinking and Practice

In light of the 'problem of poverty' described in the previous chapter, *development* is a field of study aiming to improve living conditions for people in poverty around the world. Theron (2008: 24) explains that "policy makers have long recognized the moral and practical importance of addressing the needs of people who lack access to adequate nutrition, housing, education, or opportunity," but unfortunately, to-date, these efforts have resulted in only "limited success." The dominant paradigm in development for the last several decades has focused on macroeconomic growth for 'third world' countries. But, as this chapter will argue, development is not just about economic growth; rather, it is "about people" (Theron 2008: 7).

Therefore, micro-development thinking that is holistic, and human-focused, will form the foundation for this investigation's concept of development. After first describing macro-development thinking and the dominant paradigm more in-depth, this chapter will outline the concept of human-centered development and describe the characteristics of human-centered development in practice. This micro-development perspective will form the basis for defining Development 2.0 and analyzing the Kiva case later in this dissertation.

This Chapter is divided into the following sections:

2.1 Macro Thinking in Development Studies: the Dominant Paradigm

The dominant Western paradigm in development studies is based on macroeconomic theories of growth and development. This section provides a brief discussion about neoliberalism, the dominant paradigm in development.

2.1.1 Modernization and dependency perspectives

The concept of development has been said to have its foundation in the beginnings of Western culture: rooted in the notions of truth, nature, progress, and human rights established by ancients such as Aristotle and St. Augustine, fostered by enlightenment thinkers such as Kant and Locke, and cultivated in the eras of colonialism and post-colonialism (Rist, 2002). Much of development theory has focused on macro perspectives – with the goal of developing the modern nation state, beginning with the modernization paradigm.

Modernization theory refers to a process of "bringing up to date" what were considered "traditional" or "pre-modern" societies (Coetzee 2001b: 30). Some experts like Hjertholm and Tarp (2000), point to the Marshall Plan[4] as the first major form of international development aid with its goal of redeveloping Europe after World War II. As the decades progressed through the cold war, many governments attempted to repeat the 'successes' of the Marshall Plan in the third world, hoping to *modernize* poor countries through the infusion of money, technology, capitalist systems and democratic ideals (Coetzee, 2001b). Civil society (in the form of non-governmental organizations) also took on the mission of reducing poverty and providing humanitarian relief to 'underdeveloped' countries through charity, missions, and education with the idea of providing immediate relief to the symptoms of 'underdevelopment' until a more advanced stage of economic development was attained.

The following decades saw a split in the understanding of the causes of poverty and the corresponding development 'solution.' In the 1960's the Marxism-inspired *dependency* theory arose (Peet, 1999: 14). This perspective suggested that poor countries are not simply at the bottom end of an inevitable trajectory toward growth, as the

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[4] Between 1945 and 1950, the United States gave Western European countries $18 billion in financial grants for the purpose of post-World War II reconstruction and infrastructure improvement. This plan for economic recovery was called the Marshall Plan (Peet, 1999: 40).

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modernization paradigm suggested, but rather that poor countries are poor because they have been systematically subjected to exploitation by rich countries upon whom they have consequently grown dependent (Hoogvelt 2001: 38). Both the modernization and dependency paradigms offered social and political explanations for why certain countries experienced underdevelopment; economists also have explanations.

2.1.2 *Neoliberalism – the dominant paradigm.*

Paradigms of macroeconomic growth play a large part in development studies. Smith, the father of "classical economics," focused on "natural liberty" in the "free market" (Peet, 1999: 25) and Keynes, after him, argued that government could intervene with a state's monetary and fiscal policies to keep an equilibrium in the economy (*ibid*.: 38). In 1944, two major Western institutions, the International Monetary Fund and the World Bank were developed in order to regulate the global economy. At first, these institutions widely-applied Keynesian principles of top-down macroeconomic management to developing countries (*ibid*.: 40). However, after the 1970s global oil crisis, the institutions changed and adopted neoliberal (or neoclassical) principles – promoting financial and trade liberalization, foreign direct investment, deregulation of markets, and privatization of state enterprises for developing countries (*ibid*.: 52). Neoliberal thinking grew to be the dominant paradigm in economic development discourses in the 1970s and 1980s. Although there are many critics of neoclassical economics as a solution for development (Stiglitz, 2002), this perspective, combined with elements of modernization theory, still represents the *dominant paradigm* in development studies today.

2.2 Micro-Development Thinking

Theron argues that the macro-development paradigms are problematic because they "oversimplified" the development process (Theron 2008: 7). The last three decades have shown that the dominant paradigm of development has lead to only limited success (Brett, 2000), with poverty actually deepening in some parts of world (Theron 2008: 24). Some critics even suggest that development efforts themselves have been the cause of deeper troubles (Ferguson, 1990), suggesting the growing *problem of development* (Theron 2008: 3). Therefore, counter-movements to these macroeconomic

development strategies developed, in order to correct both suffering associated with poverty and problems associated with previous development interventions. While considering the global context, alternative movements focus on the micro effect of development. For the purposes of this study, the term *human-centered development* will be used to describe this holistic micro-development focus.

2.2.1   *Human-centered development*

Ul Haq's (1994) theory of human development is a bridge between a macro and micro focus in development. Ul Haq argued that, rather than measuring a country's development in terms of its gross domestic product, other demographic and social indicators should be considered, including people's life expectancy and literacy rates (*ibid.*). He believed that human development involves the expansion of individual people's opportunities to live long, healthy, and creative lives, regardless of economic prosperity. The Human Development Report, based on ul Haq's indicators, is still a widely-used macro measurement of global poverty by the United Nations (UNDP, 2009). However, it does represent a shift away from a solely-macroeconomic focus in development. Ul Haq argues that development is the enlargement of all human choices, not just economic choices but social, cultural, and political choices as well (1994). This attention to the 'whole person' is at the root of most micro-development theories which similarly focus on increasing opportunities for individuals to improve their *quality of life*.

Quality of life.   Max-Neef (1991) agrees that the best development happens when people have the opportunity to improve their quality of life, and quality of life depends on the possibilities people have to satisfy their fundamental human needs. According to Max-Neef, these basic needs are "finite, few, and classifiable," and "the same in all cultures and in all historical periods" (*ibid.*: 18). What changes between different cultures and localities are not the needs themselves but the "satisfiers" of those needs, or the ways in which those needs are met.

Max-Neef lists nine basic needs for humanity, including both material and immaterial needs: subsistence, protection, affection, understanding, participation, idleness, creation, identity and freedom. Aside from the need for subsistence (physical survival), none of these needs is of higher priority than another. Max-Neef is sure to point out that "development does not exclude conventional goals, such as economic growth so

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that all persons may have access to required goods and services," however, the difference lies in meeting of all human needs rather than just that one as the purpose of development (*ibid*.). It is through realizing the full spectrum of human needs – physical as well as psychological and social – that people experience *increased human-ness* or *well-being*, according to this argument.

Well-being. Coetzee (2001a: 122) describes well-being as "increased human-ness," and the opportunity to lead a life of meaning. McGregor (in Vaitilingham, 2009) further defines well-being as having three specific dimensions:

- "[w]hat a person has (the material circumstances that they reach – and with which they seek to achieve future well-being).
- What they can do with what they have (their own subjective comprehensions of their current state of being – and their aspirations for the future).
- How they think about what they have and can do (the way that both of these dimensions are given meaning through their relationship with others in society)."

Like ul Haq, these authors each emphasize that development should give individuals opportunity to live a life of meaning, increasing their human-ness or well-being.

Capabilities and freedom. A major component of well-being is "what people are capable of doing and being" (Coetzee 2001a: 126). Sen gives these "doings and beings" the name "functionings," and functionings have two components: what people are theoretically able to do, and what they are actually able to do, based on what they value (Sen, 1999). For Sen, it is most important that people have the capability to live the life that they choose to value (*ibid*.). In order to do that, Sen argues that "the expansion of freedom" should be both "the primary end and as the principle means of development" (1999, xii). For Sen, Freedom is an expansion of human capabilities and human functioning (*ibid*.). People experience poverty when they are deprived of capabilities – when they don't have the ability to affect their own circumstances or the ability to function (*ibid*.). This perspective, called the *capabilities approach*, is an important component of many micro-development perspectives.

What all these human-centered development perspectives have in common is that the subject of development is a dynamic human being; it is not just a citizen that will benefit from a state's economic growth. When people's fundamental physical, psychological and social needs are addressed, then they are able to pursue a life of

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meaning. Max-Neef further differentiates this holistic perspective of human-centered development from the dominant paradigm in that each of these fundamental human needs "can and must be realized from the outset and throughout the entire process of development" (1991: 53). In this argument, the purpose of development is not to arrive at a point where development is achieved, but rather, to undergo a process where needs are addressed from the beginning, and through satisfying certain needs, other needs can be satisfied. Increased human-ness, well-being, and actualization of human needs should take place before, during, and after development interventions for all stakeholders, including the targets of development, the funders, and the practitioners involved in development practice. This idea of holism as both the process and the goal of development is at the core of human-centered development *practice,* the topic explored in the next section.

2.2.2   *Human-centered development in practice*

The practice of community development grows out of this macro-to-micro shift in development thinking (Theron, 2008: 144). Reflecting on the human-centered focus of development established in the last section, this section will introduce Bhattacharrya's community development framework, and then will discuss key components of micro-development practice. At the end of this section, this micro-development thinking will be related to the empirical case study in this investigation.

Solidarity and agency. Bhattacharyya (2004: 24) believes that development should involve "simultaneous action at both micro and macro levels," but this study will focus on his contributions to micro-development theory and practice, namely, his framework for community development. In his article, *Theorizing Community Development* (2004), Bhattacharyya proposes that the purpose of community development is the promotion of solidarity and agency (*ibid*.: 10). Solidarity is a sense of "shared identity" and "norms" within a community (*ibid*.: 12). Agency, on the other hand, relates to Sen's concept of "freedom" (1999), which Bhattacharyya (2004: 12) describes as "the capacity of people to order their world, the capacity to create, reproduce, change, and live according to their own meaning systems." Bhattacharyya (*ibid*.) sees development practice as a "positive response to the historic process of the erosion of solidarity and agency."

Bhattacharryya (2004: 21) explains that three principles, felt-needs, self-help, and participation are ideal methods for community development practice. The concept of felt-needs "implies that development projects should respond to people's needs as they see them" (*ibid*. 22). The concept of self-help is the idea that healthy people "are willing and able to take care of themselves, to reciprocate [and] to be productive. . ."(*ibid*.). Participation implies "inclusion in the process of defining the problems to be solved and how to solve them" (*ibid*: 23).

An asset-focused approach. The asset-focused approach in development is strongly related to Bhattacharyya's concept of "self-help." (2004: 21). An asset-focused approach is based on the idea that "recognition of strengths and assets is more likely to inspire positive action for change in a community than is an exclusive focus on needs and problems" (Mathie & Cunningham, 2003: 477). Kretzmann and McKnight (1996) also argue that development interventions should focus on the capabilities people have to help themselves, or to improve their own well-being. These authors suggest that development work should shift in perspective from a "deficiency orientation" (focusing on what people do not have) to "asset-based approaches," (focusing on the assets and resources that people do have). This capacity-focused development is intended to affirm and build upon material and immaterial assets within a community, and to rely on networks of relationships that people have available. The power of human relationships is an important element in the asset-focused approach to development practice.

Social and financial capital. There is growing interest in the idea that there are many resources or assets within a community, that, when invested as "capital," become capable of producing other resources (Flora & Flora, 2004). Flora and Flora (*ibid*.) established the Community Capitals framework, listing seven types of capital that are important for supporting sustainable community and economic development: natural, cultural, human, social, political, financial, and built capital. All of the capitals are equally important (*ibid*.), but two of the most important types of capital for this investigation are financial capital and social capital.

Financial capital, according to Flora and Flora (*ibid*.), is money that is used for investment rather than consumption. Financial capital is the most fluid of all the

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capitals; it is easily transformed into other types of capital (*ibid*.). Financial capital is the primary motivation behind microfinance, (providing financial services to the poor) which is the development practice facilitated by Kiva in this case study.

Social capital, according to Emery and Flora (2006: 21), "reflects the connections among people… the social 'glue' to make things, positive or negative, happen." Theron (2008: 99) describes social capital as the "assets that people access through social networks." The concept of social capital is strongly correlated with Bhattacharyya's (2004) concept of solidarity. Emory and Flora (2006: 23) assert that social capital, not financial capital, is "the best entry point" for "spiraling up" the development process – it can help facilitate the accumulation of the other types of capitals.

Participation. Participation is Bhattacharyya's "most recognized" principle for development practice (2004: 23). For development interventions to effectively meet people's needs and to lead to quality of life and well-being, many development theorists place the concept of *participation* at the center of development practice. According to Hanna and Picciotto (2002: 61), participation is about "involving people throughout the development process in a way that empowers." Empowerment – literally the giving of power – is a key component of participation. Stiglitz (2002: 165) explains that participatory practices in development must involve "open dialog and broadly active civic engagement" and all stakeholders must have a "voice" in policies and activities that affect them. Hanna and Picciotto (2002: 62) claim that participation by primary development beneficiaries and other stakeholders has been shown to improve the success of development interventions. Giving people the opportunity to participate in a meaningful way increases their capabilities and functionings.

In reality, it is never easy to draw in all stakeholders for participation. Several theorists have come to criticize the "tyrannies" of participation discourse (Cooke & Kothari 2001, as cited in Thompson, 2008: 827). The arguments, according to Cooke and Kothari, point to tyranny driven by decision makers who take control, groups, which are subject to 'group-think,' and the tyranny of the method itself, which can cause the group to bypass alternative opinions that could have arisen using other methods of decision making. These authors further argue that excessive allegiance to the principle of participation can "privilege local knowledge whilst ignoring macro-level power

structures" (*ibid.*). With these admonitions in perspective, development practitioners must still figure out how to give voice to all stakeholders in a development process. Stiglitz still insists that, "broadly participatory processes (such as 'voice,' openness, and transparency)" are necessary to promote "truly successful long-term development" (2002: 164). Practitioners must also be aware of how their methods and their decisions impact each of the stakeholders – and even outside parties – in the long term.

Sustainability. A major area of concern in the practice of development is sustainability. Bartelmus (1994) among others, suggests that neither poor countries nor rich countries operate in a way that is sustainable for future generations, and that development must take into account the way all people (both rich and poor) use finite natural resources. Sustainable development has a wide-range of meanings in different fields (Pezzoli 1997), but the consistent theme throughout each of these fields is the "sharing of opportunities between present and future generations and ensuing intragenerational and intergenerational equity in access to opportunities," according to ul Haq, who claims that sustainability is an essential component of the human development paradigm (1994: 18). The essence of sustainability is that opportunities that are available now to some people should be available to all people – not just in the present, but also in the future. This means that development practitioners must take into consideration their natural resources for any initiative – both environmental resources and human capital or human capabilities. Development is unsustainable if it relies too heavily on non-renewable resources. Development is also unsustainable if projects rely too heavily on external resources (such as funding or leadership) that cannot be guaranteed for the future. Sustainable development places an emphasis on interdependence between people and the environment. Development that focuses on local resources and self-reliance is more sustainable than development driven by outside resources (Bridger & Luloff, 1999).

Unintended consequences of development practice. Finally, perhaps one of the most important realizations of the past two decades is that the *problem of development* is not only about defining the causes of poverty or defining what 'improvement' must look like, but rather the challenge lies in addressing the unintended consequences that happen because of development interventions from development practitioners. Ferguson provides several empirical examples to argue that all development efforts

have unintended consequences – and furthermore, these consequences are not necessarily value-neutral (see Ferguson, 1990 and Ferguson, 2006). Sen (as cited in Alkire 2002: 183), agrees that unintended consequences of development practice must be anticipated and factored into decision-making about implementation. Development efforts that are intended to take place 'without borders' or apart from political situations may still have political consequences that have a huge impact on people's opportunities for human-ness and well-being.

2.2.3   *Human-centered development and this study*

The micro-development perspectives described in this chapter re-focused the field of development studies from economic growth to the pursuit of individuals' well-being. The chapter demonstrated that development should focus on humans as individuals with a dynamic range of needs beyond those of subsistence. It also established that the purpose of development is the promotion of solidarity (social capital) and agency (capabilities and freedom). Solidarity and agency can be achieved by means of self-help, (the poor are not just people who simply need 'developing,' but that they are people who have assets – different types of capital – and are able to make changes in their own lives), felt needs, (the poor identifying their own needs) and participation (the expansion of people's voice in situations affecting them). The argument has been made that quality of life and well-being, through solidarity and agency must be pursued throughout the process of development, not just as an outcome. Finally, development practice should rely on primarily renewable resources (sustainability) and must take into account the unintended consequences of any intervention. These are the themes behind what this author is calling human-centered development in this study.

Development practice is inevitably more complicated than development theory, but these themes should be the foundation for all development initiatives, including the ones in this investigation. The concept of human-centered development will provide the theoretical background for the 'development' component of the concept of Development 2.0 defined in this dissertation. Human-centered development will also be the lens through which the Kiva case will be examined. *Box 2.1,* on the next page, illustrates an example of the multi-faceted nature of poverty and development as experienced by the author during her Kiva Fellowship in Kisumu, Kenya. The blog entry offers an account

of a K-MET project, as described by the author during her Kiva Fellowship. It is an example of the micro-development issues that cannot be easily solved by just the injection of financial capital, or human capital or other once-off resource into a situation.

Box 2.1: The author's Kiva Fellows Blog post about the meaning of development in the context of Kiva and K-MET's work in Kenya.

The One Thing
10 July 2009
By Alison Carlman, KF8 – Kenya

As a graduate student of international development at an African university, I wish that the answer was as simple as finding the "one thing" to alleviate poverty. For marketing purposes, NGOs and 'experts' tell us that the answer is so simple, whether it's access to clean water, economic liberalization, universal healthcare, education, modernization, or microfinance. But 50 years of "development" in practice teaches us that it's not so black and white.

Kiva will be the first to tell you: microfinance is not the solution to poverty. Provision of financial services is simply an important part of helping people improve their lives; microfinance is only a "tool" that can help people to meet a portion of their basic physical, social, psychological, and spiritual needs.

I'm working with Kisumu Medical & Education Trust (K-MET), a reproductive health organization in Kenya. One of the many services that K-MET provides is reproductive health education and life-skills training to at-risk young girls ages 10-24. These girls are often young mothers, survivors of rape and unsafe abortion, children of polygamous families, girls who had to drop out of school and work as prostitutes in order to meet theirs and their families' basic needs.

A loan alone won't solve these girls' problems; they need counseling, support, marketable skills, food, day-care, education, encouragement, mentorship…. the list goes on.

K-MET works to empower these girls with information about their health and their rights; they are trained as peer educators to share the information with their family and friends. The girls go through an extensive 6-month program that includes drama, sports and poetry to explore these issues. But K-MET found that the information just wasn't enough. They saw that the girls were still dependent on men for income, and therefore still vulnerable to early pregnancies and HIV. So K-MET added extensive vocational training to the curriculum; the girls each learned marketable skills (hairdressing, tailoring, catering) so that they could earn their own incomes.

(Continued on page 21…)

(Box 2.1 continued…)

Unfortunately, after 60 girls graduated from the intensive K-MET program, only 12 girls were able to find jobs or to start their own businesses to meet their own financial needs. So back to the drawing board – K-MET began Safe Space, a 'phase 2' launching space for graduates to develop their business skills together using K-MET space and equipment, allowing them to save up their own income and move out on their own when they're ready. A 'pilot program' has been started with 12 graduates to help launch them into their own private businesses, which we *HOPE* will begin with Kiva loans in the near future.

But the girls have to be ready to run their own businesses. The microfinance textbook tells you that to get a microloan you must have economic opportunity. These girls were trained in entrepreneurial skills – they wrote business plans and marketing strategies. They even have significant income-generating abilities (in catering, hairdressing, and tailoring). But they are trying to operate their businesses in a slum – business is slow-going, and motivation is lacking.

Milena, the Kiva Fellow who helped launch the Safe Space before me, described her angst with getting the girls off the ground: "I would smile. I would pump my fists in excitement. I would lure them with cookies. Still, they seemed disinterested." Milena made a phenomenal effort, and I'm now here to continue what she helped to begin – if I can figure out how to help these girls find their own motivation. "Ok – hairdressing department, if you have three days where you meet your sales targets in a row, I'll finally let you give me mzungu (white person) braids you've been talking about."

On the books, the girls are ready. They are empowered. They have information. They have support. They have mentors and they have skills. But I wonder – will they make it? Will they leave the K-MET nest and go out on their own to successful businesses where they can support their families?

What other things need to happen in Kisumu and Kenya to provide the right economic, political, and social environments to enable their success? Joel, (my husband, also a Kiva Fellow) and I often speak of the opposing "poverty" and "prosperity" poles that each of us are tied to because of where we are born. He and I, only by chance, are fortunate to be tied to the "prosperity" pole that includes safety nets of insurance, education, and health. But how do things like the men's view of women in Kisumu keep these girls tied to a pole of poverty, despite whatever steps they make in a positive direction?

Development is not a one-sided issue. There is no 'silver bullet' to fight poverty. I stand behind the belief that microfinance is an important, powerful tool for development. But, as Kiva lenders, may we not give up the other valiant fights that we each believe in when it comes to freedom, equality, democracy, education, public health – and the many other pieces to the picture that is 'development.'

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Alison Carlman is in her 4th week as a KF8 Kiva Fellow in Kisumu, Kenya with K-MET. Join the K-MET lending team here, or click to see if K-MET has any fundraising loans posted! Alison is also an MPhil student at Stellenbosch University studying Community and Development. She is not totally excited about getting "mzungu braids" – but… whatever it takes…

(Carlman, A., 2009a)

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As the author's Kiva Fellows Blog entry demonstrates, development is multi-faceted, and part of bigger debates regarding social change. It is through a commitment to the principles of human-centered development at the micro level that one can then establish methods for macro-development practice. In that way, development can involve "simultaneous action at both micro and macro levels," as described by (Bhattacharyya 2004: 24).

The micro-development perspectives explored in this chapter provide an important foundation for looking at poverty in a global era. The concepts of human needs, solidarity and agency, participation, and sustainability are topics that are not just relevant to the field of development, but they also represent important conversations taking place in other fields, including information systems and information communication technology. These links will be explored in the next two chapters.

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Chapter 3: Information and Communication Technologies for Development (ICT4D)

This chapter begins by introducing three narratives that are shaping the expansion of information and communication technologies for development (ICT4D): the Information Age, globalization, and postmodern thinking. The chapter then presents key ideas in the literature pertaining to the study and practice of ICT4D. It will offer a look at ICT4D in terms of its macro-and micro-development potential, and the theoretical critiques and practical challenges of ICT4D implementation. The chapter concludes with a discussion of ICT4D engagement with the human-centered development paradigm.

Chapter 3 is divided into the following sections:

3.1 The Global Context Around ICTs and Development
    3.1.1 The Information Age
    3.1.2 Globalization
    3.1.3 Postmodern thinking
    3.1.4 The Information Age, globalization, and postmodernism and Development
3.2 Information Communication Technologies for Development (ICT4D)
    3.2.1 Macro-development potential of ICT4D
    3.2.2 Micro-development potential for ICT4D
    3.2.3 Major challenges and criticisms for ICT4D
    Theoretical critiques.
    Practical challenges.
    3.2.4 Summary: a micro-development approach to ICT4D

3.1 The Global Context Around ICTs and Development

Before further discussion of literature pertaining to this study, it is important to discuss the context in which current development discourse and practice are taking place. There are three major narratives that set the stage for studying and practicing development. These three narratives are the emergence of the Information Age, globalization, and postmodernism. This section will discuss each of the narratives, and will conclude with thoughts about how they relate to information communication technologies for development.

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3.1.1 The Information Age

The period from the late twentieth century through the current era is frequently called the 'Information Age,' a term that refers to the transition from the previous industrial age to a new world system where the *control of information* replaces the importance of labor for creation of wealth. The growing 'knowledge economy' has been brought on by advancements in ICTs, as well as an evolving economic system of global capitalism. According to Castells (2000), who is the author of the seminal three-volume work titled *The Information Age*, this new paradigm has caused massive disruptions in all areas of social life, including work and family relationships. It has also exacerbated economic inequalities between social groups and geographic areas. The 'winners' and 'losers' of the Information Age are determined by the emerging knowledge economy. A new set of conflicts is arising between those who have access to information (and therefore power to control it) and those who do not. The losers in Castells' narrative are "not so much repressed," but rather, they are "abandoned, declared worthless, and bypassed … by the global flows of wealth and power," according to Stalder (2006: 131), and they are sucked into the "black holes of informational capitalism" (Castells, 2000: 165).

According to Castells (2000), the rising flow of information is transforming social processes and power relationships into an emerging "network society." This network society represents is a shift away from hierarchical social systems. Instead, there is a rise of evolving systems that are characterized by numerous interconnected actors in highly dynamic, continuously developing open systems (called networks). The network society phenomenon applies not only to Western capitalist countries, but to all societies around the world that are "dealing with the challenges and opportunities of a world integrated and fractured as never before" (Stalder, 2006: 2). Some experts are not optimistic about the Information Age and changing power relations – "the pessimists challenge the optimistic accounts of utopian thinkers by implicating ICTs as technologies of control, surveillance, disinformation, propaganda and inequality" (Moodley, 2005b: 72).

Whether the changes are positive or negative, clearly, the global exchange of information is both building and breaking down social, economic and political structures in an unprecedented way. This dynamic of integration/fracturization is both a

product and a promoter of two other meta-narratives important for the context of this study: globalization and post-modernity.

3.1.2 Globalization

The changing patterns of social structures in the 'Information Age' are produced by, and reflexively contribute to globalization. Globalization is defined by Storey (2003: 107) as "the complex relations which characterize the world in the twenty-first century […] the relentless global flows of capital, commodities, and communications across increasingly porous territorial borders. " Giddens (1990: 4) defines the concept as the "intensification of world-wide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa." Both Giddens' and Storey's definitions describe elements of Castells' (2000) interconnected "network society," and each author brings up the importance of the diminishing borders between time and space.

The term 'globalization' can carry strong connotations – for some it simply describes the rise of a contemporary world economy and culture, but for others it is the scathing term for a dominating capitalist imperialism. Rodrik (as cited in Roberts & Hite, 2000: 19), argues that the stark differences in opinions about globalization "simply reveal the deep fault line between the winners and losers in that process." He claims that the divide is "between those who have the skills and mobility to flourish in global markets" versus those, who, like the 'losers' in Castells' 'informational black hole,' either don't have these advantages or "perceive the expansion of unregulated markets as inimical to social stability and deeply held norms" (*ibid*.). According to Kahn and Kellner (2006: 710), "for globalists, globalization is the solution and underdevelopment, backwardness and provincialism are the problem. For localists, the globalised eradication of traditions, cultures and places is framed as the problem and localization is the solution." Hard-lined pro- or anti-globalization ideology misses the complexities of the process; ironically, the people on either side of Rodrik's divide are often paradoxically winners and losers in the same game because of the myriad economic, cultural, technological, communication, travel, and migratory consequences of the process.

Ferguson (2006), demonstrates this paradox in saying that the results of globalization are far more complex than straight winners and losers. He claims that Africa, for example, does not exist in a global informational 'black hole.' He says that the continent is not defined only by information exclusion and its rudimentary form of globalization, but rather, "specific forms of 'global' integration on the continent coexist with specific and equally 'global' forms of exclusion, marginalization, and disconnection" in what could perhaps be considered an "advanced and sophisticated mutation of globalization" (*ibid.*: 41). Ferguson claims that Africans are, in fact, making use of dynamic networks that result from globalization, but these examples are just not as apparent as the "global forms of exclusion." Understanding globalization as a complex process in this manner, rather than simply as an evil agenda, is a more useful perspective for those studying social change.

3.1.3   *Postmodern thinking*

Further discussion of social theory as a context for ICT and development should not take place without an epistemological discussion about the nature of 'truth' and 'knowing' in contemporary social thought. In the late 1980's, scholars of many different fields critiqued the modern era, its emphasis on rationality and a scientific, objective truth. These critics termed the emerging age the 'postmodern era,' which came to be characterized by its abandonment of absolute truth in place of multiplicity, diversity, and fragmentation. Postmodernists tend to disagree with 'grand' sociological theories. They often reject structural understandings of society in exchange for a combination of theories which describe a multiplicity of truths.

For development studies in particular, postmodernism has "… brought into question the idea that the development process is dependent on increased rationalization" (Roberts & Hite, 2000: 18). This line of postmodern thought, coupled with several decades of 'failed' development projects, has led to a widespread belief that "no single form of social organisation can provide a template of what it means to be 'developed' or even 'rational'" (*ibid.*). The increased emphasis on participation and locally-driven approaches in micro-development theory may be, in part, a result of this postmodern understanding of social change. Rather than seeing the poor as simple victims of their social situation, new forms of development emphasize the capabilities and assets of

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those who seek change, and their ability to transform their own circumstances to attain their own vision for 'improvement.'

The debate about postmodernism and development also relates to the problem of heightened subjectivity and the negotiability of reality. According to Haralambos, Holborn and Heald (2008: 895), political apathy can be a dangerous result of this extreme subjectivity. They say that "the implication of the postmodernist view is that ideologies cannot be challenged because one definition of the real principle is as good as another" (*ibid*.: 894). To completely replace the judgments about 'right and wrong' with conclusions about the usefulness or efficiency of an action can lead to violations of social justice. This is an important point for development studies, because in practice, development practitioners often must make judgments that value one person's 'reality' over another.

Finally, according to Poster, (2006: 533) "on the eve of the 21st century there have been two innovative discussions about the general conditions of life." Of the two emerging themes, "one concerns a possible 'postmodern' culture and even society," he says, and "other concerns broad, massive changes in communications systems." Poster (2006: 534), describes how the two themes are intrinsically related:

> "[i]f modern society may be said to foster an individual who is rational, autonomous, centered and stable (the 'reasonable man of the law, the educated citizen of representative democracy, the calculating 'economic man' of capitalism, the grade-defined student of public education), then perhaps a postmodern society is emerging which nurtures forms of identity different from, even opposite to those of modernity. And electronic communications technologies significantly enhance these postmodern possibilities."

Whether or not they are ushering in a new "postmodern society" as Poster claims, ICTs are both instruments and outcomes of postmodernism and globalization, and they have far-reaching consequences for development.

3.1.4 *The Information Age, globalization, and postmodernism and development*

Postmodernism, the Information Age, and globalization are three inter-related concepts that strongly influence the fields of ICT and development studies. The changing economic backdrop to global capitalism, the growth in ICTs, the blurring lines between time and space, the increasing conflicts between local and global, social fracturization, and the increasing emphasis on subjective experience and

relative truth – these are conditions or conversations affecting the way people understand the purpose and practice of development. Worldwide travel is now easier than ever, as is the global transfer of capital and information. Development practitioners now have access to a wider variety of resources than ever before, but they also have the capability to do more harm to individuals than ever before. Development practice requires thoughtful engagement with the increasing tensions between the growth of technology and the growth of the digital divide; between the opportunities of the global and the importance of the local; between the validation of subjective experience and the moral imperatives of social justice.

Now that these three narratives have been addressed against the backdrop of development theory, literature on information communication technologies for development will be discussed, below.

3.2 Information Communication Technologies for Development (ICT4D)

There is an extensive amount of dialog on the growing 'digital divide' between rich and poor countries, under the assumption that in a knowledge economy, the rich will grow even richer because they can access and control information, and the poor will grow even poorer because of their lack of access to information (World Economic Forum, 2008-2009). Governments and development organizations at all levels are focusing on ICTs as a cornerstone for development.

3.2.1   Macro-development potential of ICT4D

As early as the 1980's, multilateral organizations like the World Bank and the United Nations Development Programme (UNDP) were focusing efforts to fight "information poverty" (United Nations, 1985). In their 2007-2008 report, the UN Conference on Trade and Development (UNCTAD) discussed a "new paradigm" of ICT4D, where "ICT innovations can create a new mode of organization of production and consumption providing for new economic opportunities and increased exchange of information," and where "ICT has generated new e-services that have the potential to contribute to greater economic efficiency, but also pose new challenges for security." The language used in this UNCTAD document emphasizes the economic impacts of ICT4D, and with it, the strong adherence to the modernization perspective. For

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example, it speaks of the possibility of "major technology leapfrogging" for underdeveloped countries (*ibid.*: 5). This is just one of many examples where the dominant paradigm and "assumptions underpinning modernization theory" are prominent in multilateral agencies, as well as national level discourse on ICT, as argued by Moodley (2005b).

3.2.2 *Micro-development potential for ICT4D*

There are also important arguments about the micro-development potentials for ICT4D. Hamelink (1996), among others, speaks of individuals' fundamental right to information. In this Information Age, knowledge and communication are important components of four of Max-Neef's fundamental needs: understanding, participation, identity and freedom (see p. 13). Hamelink (1996) suggests that in a 'network society' the right to information is a fundamental human right. From this perspective, the *access* to ICT itself is just as important for development as is the information that ICTs provide.

McNamara (2003: 2), on the other hand, warned that ICT-focused measures are at best proxies of deeper changes in poverty-related outcomes, and at worst distractions from them. Rather than simply measuring ICT presence in the developing world, McNamara and many other experts assert that the focus of the ICT4D field should be human development indicators (see p. 13), where ICTs are used as a *tool* and not as an *indicator* for development.

There are several development theorists who emphasize this emancipatory role of ICT4D. According to Moodley (2005b: 120), "the ability of the powerless to describe their own situation and to share experiences with others in similar circumstances is a powerful step in developing strategies to benefit the marginalized." Proponents of ICT4D believe that they can be a tool of liberation and empowerment by opening up spaces for new voices to be heard, especially voices that speak against the system, the government, or even globalization and the information economy itself. Madon (2000: 93) argues that "improved telecommunications and the internet seriously undermine the capabilities of authoritarian governments to restrict flows of information."

Other experts speak of ICT4D externalities that can bolster civil society. According to Garrido & Halavais (2003: 168), there has been a tremendous growth in cross-border networks among non-governmental organizations that not only bypass government policymakers, but often work directly against their reforms. Social movements can use ICTs to make connections between their own struggles to create an "international network of social resistance," (Garrido & Halavais, 2003) a fact that has some experts speaking about "virtual publics" (Jones & Rafaeli, 2000), "global citizenry" (Rheingold, 2000) and "global civil society" (Korten, Perlas, & Shiva, 2002).

Those who speak of the emancipatory role of ICT4D emphasize principles of empowerment, participation, and freedom. They believe that people can use ICTs as a tool to create their own meaning and to work toward their own development while simultaneously working against the structural causes of poverty and injustice. However, according to Moodley (2005a), there is still a dearth of strong empirical evidence to prove that this element of ICT4D can be credited for alleviating poverty. In its recent 2009 report, the World Bank (2009: 14), made a "clear call for rigorous and robust impact evaluations" regarding the socioeconomic impact of ICT4D, a statement reflecting many current conversations about monitoring and evaluation of development interventions.

3.2.3   *Major challenges and criticisms for ICT4D*

Theoretical critiques. There are several theoretical critiques to the logic behind ICT4D strategies. First, there is the argument that the advancements in ICTs are erroneously portrayed in a "virtuous cycle of productivity" where "knowledge gives mastery of technology, which increases knowledge, which leads to better technology, which further increases knowledge, etc." (Johnson, 2003: 30). This technological determinism is a perspective closely related to the modernization paradigm; therefore, it should be subject to the same scrutiny as the paradigm itself (Ferguson, 1990; Escobar, 1995). There is no empirical evidence to show that technology is developing along a 'virtuous' trajectory toward some productive end. Rather, ICT growth takes place in the context of existing social, economic, and cultural inequalities – inequalities that influence the direction and development of technology. Therefore, ICT4D practice requires that technology is not viewed as power-neutral, absolute benefit. Rather, it must adhere to existing literature on

development (Thompson, 2008), and practitioners must take into account the unintended outcomes of ICTs.

Furthermore, despite the rhetoric about ICTs providing 'voices to the voiceless,' some experts argue that ICTs will still be a hegemonic force for Anglo-centric and capitalistic globalization. Just as technology is not power-neutral, neither is the information that is presented. The delivery, format, and source of information all carries a wealth of cultural, social, and political messages (Burkett, 2000: 698). The constant presence of information from a dominant perspective can be equally as damaging as lack of access to information at all. Madon (1999), asserts that research on indigenous communication has focused on using indigenous media to promote foreign innovations, but not enough research has focused on the creation and distribution of indigenous knowledge. This Western-focused distribution of information can reinforce existing asymmetrical power relations without empowering any new voices to be heard.

Practical challenges. There are also practical challenges for ICT4D. Clearly, the most important challenges facing the success of ICT4D initiatives in Africa, in particular, involve access and capabilities. People cannot directly benefit from growth in ICTs if they cannot access the technology itself, are not empowered to, cannot afford to, or do not know how to use it. Information itself is not knowledge; information is not an asset if people are unable to comprehend it due to illiteracy or language literacy. Furthermore, if people have access to technology, and even if they have the training, they may not have the need or desire to use it (Burkett, 2000: 685), an argument which relates to Bhattacharyya's (2004) concept of "felt needs." There are social and cultural resources that must accompany the capability to take advantage of accessible technology.

Finally, many authors make the argument that the growth of ICT may not benefit the poor, but will actually hurt the poor, directing important resources away from the most immediate problems. A narrow focus on ICTs in development can distract strategies and funding from other fundamental issues surrounding poverty and inequality, in fields where there is no surplus of resources to meet all of the needs. Moodley (2005b: 104), explains how a development agenda only focusing on ICTs is ineffective. Furthermore,

> "[t]he premature celebration of ICTs contributes substantially towards the creation of the 'information society,' which ignores the single most important reason behind underdevelopment – people are not poor because they are ignorant, but because they are embedded in social structures which are deeply unjust – politically, economically, and socially. Emphasizing a single technology approach for resolving problems which are deeply embedded within the social fabric is unlikely to achieve much success."

When it comes to global networks and ICTs, there are strong arguments for investigating whether ICT4D interventions are doing more harm than good for the poorest of the poor.

3.2.4 Summary: a micro-development approach to ICT4D

The digital divide, while it may be more of a symptom than a cause of poverty, is a dilemma that cannot be ignored. This chapter has argued that ICT4D strategy is only effective, sustainable, and worthy of resources if it is integrally linked to broader, more comprehensive development strategies (McNamara, 2003), that are based on sound human-centered development theory (as reviewed in section 2.2, beginning on p. 13).

A micro-development approach to ICT4D would not measure success in terms the number of television households, cell phone owners, or internet users alone, but in terms of the technology's accessibility and contribution to social progress (Madon, 2000; and Zheng, 2009). Zheng (2009: 68) argues that applying Sen's capabilities approach to ICT4D "calls for an alternative 'space' for assessing e-development," moving beyond a focus on economic growth "to consider and operate in a space that focuses on the effective opportunities people have to achieve what they consider to be valuable in life." This investigation will demonstrate how Development 2.0 serves that purpose. The concept of Development 2.0 will finally be explored in-depth in the next chapter.

Chapter 4: Web 2.0, Development 2.0, and Online Social Lending for Development

This chapter follows up on the earlier claim that micro-development discourses are related to discourses in the fields of information systems and ICT, with specific regard to Web 2.0. This chapter will begin with a discussion of Web 2.0. It will then introduce the concept of *Development 2.0*, a term Thompson (2008) uses to refer to a field of study where Web 2.0 thinking is applied to development. Thompson, as the first (and one of the few) authors to discuss this concept, is cited extensively in this chapter. The topic of online social lending is then explored, with specific information about microfinance and social entrepreneurship. Three studies about online social lending and Kiva are then thoroughly reviewed. At the end of the chapter, the author offers preliminary principles and a working definition of Development 2.0.

Chapter 4 is divided into the following sections:

4.1 Web 2.0

The advent of the internet and its networks of information was arguably the most groundbreaking advancement in ICTs in the 20th century. According to Kahn and Kellner (2006: 704),:

> "[t]he internet constitutes a dynamic and complex space in which people construct and experiment with identity, culture, and social practices. It also makes more information available to a greater number of people, more easily, and from a wider array of sources, than any instrument of information and communication in history."

But the internet, like other ICT innovations, poses certain threats to society. Arguments have been made that the internet discourages personal face-to-face relationships and that it might "extend structures of Western imperialism and advanced capitalism to the ends of the earth" (Kahn and Kellner, 2006: 704). It is with these possible threats in mind that one must analyze the role of the internet in development.

4.1.1   What is Web 2.0?

The first decade of the 21st century has seen an important new iteration of information and communication technology called Web 2.0. Web 2.0 is the name for this new paradigm in social media that allows users to jointly create and manipulate content online. The term Web 2.0 was popularized by O'Reilly, (2005a) who asserts,

> "[w]eb 2.0 is the network as platform, spanning all connected devices; Web 2.0 applications are those that make the most of the intrinsic advantages of that platform: delivering software as a continually-updated service that gets better the more people use it, consuming and remixing data from multiple sources, including individual users, while providing their own data and services in a form that allows remixing by others, creating network effects through an 'architecture of participation,' and going beyond the page metaphor of Web 1.0 to deliver rich user experiences."

Web 2.0 technologies are often characterized by collaboration, disintermediation, and networked social interaction.

Examples of Web 2.0 include peer-to-peer (p2p) networks, blogs, social networking websites, wikis, and RSS (real simple syndication)[5]. Wikipedia, the online

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[5] Wikipedia, a Web 2.0 platform itself, offers some of the best explanations of each of these Web 2.0 platforms. According to a 5 October 2009 search for each term:

- p2p networks are "distributed network architecture [that are] composed of participants [who each] make a portion of their resources (such as processing power, disk storage or network bandwidth) directly available to other network participants, without the need for central coordination instances."
- A blog, "(a contraction of the term *weblog*) is a type of website, usually maintained by an individual with regular entries of commentary, descriptions of events, or other material such as graphics or video."

encyclopedia that allows any person to write or edit an article is a prime example of what Burrows and Beer (2007: 2.5) call the "open and collaborative" practices of Web 2.0. These authors explain that with Wikipedia, users are both "producers and consumers" of information, as part of an online 'participatory culture' where users are increasingly involved in *creating* web content as well as *consuming* it" (2007: 2.1). Some IT and IS experts consider other non-internet technologies and systems to be part of the Web 2.0 umbrella. For them, Web 2.0 is more about the ideas behind projects like Wikipedia, rather than just the technology itself.

4.1.2 *Potential benefits of Web 2.0*

Web 2.0 can be related to several human development principles. First, Web 2.0 networks have the potential to enhance users' social capital and solidarity through both online communities and the facilitation of offline (real-world) relationships. Furthermore, Poster (2001) and Turkle (1995), two important thinkers in the realm of information systems and society, are proponents of Web 2.0 because, in part, of its potential to 'democratize' the knowledge society. Not only does Web 2.0's "architecture of participation" (O'Reilly, 2005a) allow for more voices to be heard, but it also can provide the opportunity for people to speak out against an otherwise dominant or oppressive voice.

In this 2008 article about Web 2.0 and development, Thompson elaborated upon the revolutionary possibilities of Web 2.0: "In its ability to generate an alternative physical infrastructure and network-enabled social life, Web 2.0 poses an implicit challenge to all existing forms of state monopoly, rent-seeking and cultural control—whilst providing a platform for private economic activity" (2008: 830). According to Thompson (*ibid*.: 824),

> "[t]he link between ICT as technical enabler (artifact) and the resulting social behaviours (ideas, ideologies) that are thus facilitated has never been more marked, and the shift from some early conceptions of ICT as top down, totalising instrument of efficiency and automation to the opposite view of ICT as enabler of bottom-up collaboration, diversity and multiple truths is now readily apparent."

- A wiki "is a website that uses wiki software," allowing for collaborative "creation and editing of any number of interlinked Web pages… within the browser."
- RSS, or Real Simple Syndication, "is a family of web feed formats used to publish frequently updated works—such as blog entries, news headlines, audio, and video—in a standardized format." (Wikipedia, 2009)

Thompson clearly believes that Web 2.0 has important emancipatory possibilities. If ICTs are indeed "enablers" fostering "bottom-up collaboration" than it is possible that Web 2.0 can contribute to solidarity and agency, among other core principles of human-centered development.

4.1.3   Warnings about Web 2.0

Just as there are divisions in the field of ICT4D, there are debates about the liberating potential of Web 2.0. According to Kellner and Durham (2006: 451), there are those who are skeptical, who argue "that capitalism is colonizing and controlling new media," calling Web 2.0 media "new sources of profitability, domination, and social control." Kellner and Durham propose that "there are both democratizing and empowering aspects" of new media, but there are also "more troubling features, such as threats to privacy and democracy and the empowering of corporations over individuals" (*ibid*.) What is clear is that whether this emerging paradigm of Web 2.0 is positive or negative, it is clearly a new terrain worthy of critical engagement and active exploration.

4.2 Web 2.0 & Development

Thompson, in his article, *ICT and Development Studies: Towards Development 2.0* (2008), contends that Web 2.0, like any ICT4D initiative, should be seen as a tool for development that should reflect decades of research and thought in development studies. If it is to be used for development aims, ICT should be subject to both policy- and practice-level development critiques (*ibid*.). His argument, however, does not end there.

Thompson further asserts that not only should ICT4D be subject to development theory, but *development should also be answerable to debates in the field of ICT*. This is the unique argument in his paper. He claims that ICT debates "are arguably able to challenge the way in which development practitioners conceptualise longer-standing, more 'internal' discussions about the purpose and practice of 'development' itself" (2008: 824). Thompson has a novel assertion: that Web 2.0 thinking can and should inform development studies. He claims that characteristics of Web 2.0 should drive increasing calls for "much more plural and collaborative" development studies. In

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particular, he cites debates about participation, critical modernism, clinical economics, and new institutional theory. Responding to Thompson's article, Silva and Westrup (2009: 61) further this argument, asserting that ICT and Web 2.0 thinking can inform other development debates, including:

- "the role of markets versus institutional development;
- managerialism versus local development;
- participation versus inclusion;
- technology as driver versus sociotechnical development;
- environment as context versus environment as sustenance."

There is clearly an interplay of ideas between the fields of ICT, IS and development studies that can have implications for ICT4D in practice.

4.2.1 *Characteristics of Web 2.0 that apply to development.*

Thompson's article provides an important basis for the questions addressed in this study. What are the characteristics of Web 2.0 that can inform development studies? Web 2.0 is an emerging technological and social paradigm, and "like many important concepts [it] doesn't have a hard boundary, but rather, a gravitational core," according to O'Reilly (2005a). Paul Anderson (2007) uses O'Reilly's concepts to develop a set of six key Web 2.0 characteristics. Those characteristics are outlined below, along with brief descriptions and specific examples of how the author of this dissertation relates the principle to current development discourses.

1. Individual production and user generated content. This Web 2.0 concept describes the growing trend of self-publication by 'citizen journalists' - where 'news' becomes more of a conversation that represents a plurality of (sometimes conflicting) views, rather than monolithic source representing a dominant voice (Anderson, P., 2007). The development of a powerful civil society requires this type of free exchange of ideas by 'citizen' members. O'Reilly (2005b) describes "trusting users as co-creators," using the Web 2.0 platform as an equalizer between participants in a network. This concept emphasizes the possibilities for entrepreneurialism, where Web 2.0-thinking is an important way of engendering and supporting new platforms for transformative economic exchange at grassroots level in development (Thompson 2008: 829).

2. Harness the power of the crowd. This Web 2.0 concept says that the collective can often generate a better solution than any single individual could on his own; specifically when many individuals act individually to produce something that has a collective result, (as opposed to people working in groups towards a group solution). Salter (2003: 129), claims that the "nonhierarchical, open protocols; open communication; and self-generating information and identities" associated with Web 2.0 networks reflect related principles of New Social Movements[6] in development studies. ICTs can enable new approaches for both civil society and governance, enabling stakeholder participation in "consensus building and implementation processes" (Willard, 2009).

3. Data on an epic scale. This Web 2.0 idea is about the massive amounts of content and information created by users. This data can be used to provide reflexive feedback about a system. There is a growing concern over *who owns and controls information* in the Information Age. This idea reflects the concept of 'disintermediation' of information, where data is 'freed' and then re-organized in a way that is more useful to users. Brown and Duguid (2000) warn that the mass disintermediation of the web could actually lead to centralization of information (and thus, re-centralization of power). This warning reflects current debates about globalization strengthening the already dominant forces in the economy and cultural climate (as discussed on pp. 25-26).

4. Architecture of participation. This Web 2.0 principle claims that the way a service is designed can actually improve and facilitate mass user participation and can lower barriers to service use. Specifically, the service itself improves through normal use. To the user this appears to be a side effect of using the service, but in fact, the system has been designed to take the user interactions and utilize them to improve itself (Anderson, P., 2007). Thompson explains that, "by definition a network has no center," and that "those included within such a network are therefore, by their very inclusion and participation, challenging established channels of inclusion and participation" (2008: 828). A development project founded on a platform of participation should have built-

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[6] New Social Movements are, according to Pichardo (1997: 411), "new forms of middle-class radicalism," resulting from the shift "to a postindustrial economy." They are social movements that differ from those of the working-class movements of the industrial age, instead reflecting the "postmaterial age." The same author claims that these movements tend to "call into question the structures of representative democracies that limit citizen input and participation in governance, instead advocating direct democracy, self-help groups, and cooperative styles of social organization."

in feedback loops[7] that allow for continual input by development subjects who are treated as equals. The result should be the continual improvement (O'Reilly, 2005a) of the development project or system.

5. Network effects. Related to C. Anderson's Web 2.0 concept of the "long tail," [8] the network effect is a general economic term used to describe the increase in value to the existing users of a service as users interact (Klemperer, 2005). Every time users make contributions through blogs or use services that aggregate data, the network effect deepens. This network effect is driving the continual improvement of Web 2.0 services and applications as part of the architecture of participation. But it can also lead to the "lock-in" of technology products that become so ubiquitous that they prevent superior products from being adopted (Anderson, P., 2007). This relates to development debates about standards, indicators, and impact measurement – with the growing demand to compare development results, adoption of universal indicators could stunt the growth of more dynamic measurements (Byrne, 2009).

6. Openness. Web 2.0 places an emphasis on open standards, using open source software, making use of free data, re-using data, and working in a spirit of open innovation (Anderson, P., 2007). Web 2.0 also exhibits a spirit of transparency for users and data. There are increasing demands for transparency and openness when it comes to development organizations that are responsible for delivering aid to the poor. Open standards, increased transparency, and choice of information are arguably generating a "new economics of intellectual property," according to Thompson (2008: 831).

The ideas above are just a few examples of how the characteristics of Web 2.0 relate to development studies. In his paper, Thompson (*ibid.*) gives more in-depth examples of

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[7] A feedback loop is the term for a mechanism in a system where an output from an event in the past influences the same event in the future.

[8] The "long tail" principle, according to Chris Anderson (2005), is about "economics of abundance – what happens when the bottlenecks that stand between supply and demand in our culture start to disappear and everything becomes available to everyone." The term refers to the long tail of a population distribution where 80% of a population is accounted for by the first 20% of items in the distribution – and therefore the least-frequently occurring 80% of items in the 'long tail' are more important as a proportion of the total population. Anderson insists that this principle represents the future for industries that continually provide access to people at the "shallow end of the bitstream"(Anderson C. 2006).

how Web 2.0 thinking relates to other development debates, a conversation which he titles "Development 2.0." The purpose of this dissertation is to further explore theoretical and empirical angles of the "Development 2.0" concept.

4.3 Introducing Development 2.0

Thompson (2008: 832) describes Development 2.0 as "a strand of research that seeks a conscious and sustained dialogue between Web 2.0 models and ways of thinking, and the broader debates and structural concerns within development studies." Development 2.0 is related to ICT4D, but it is more about Web 2.0 ideas and behaviors than it is about the technology implementation itself. For Thompson (*ibid.*), Development 2.0 is a self-reflexive way of thinking about development: "Development 2.0 considers the implications of developees' resulting Web 2.0 social behaviors and expectations on the way in which 'development' is shaped and discussed." In this sense, Development 2.0 is about empowering the poor to determine the appropriate course of development.

Others have called this synergy of ideas "ICT4D2.0" (Heeks, 2008). There are several ways one could understand these two terms. For example, one could understand Development 2.0 or ICT4D2.0 simply as the use of the internet and Web 2.0 technologies in development interventions – a combination of the two fields. A more sophisticated perspective would relate to the "1.0, 2.0" jargon from the information systems field;[9] this understanding involves the application of ICT principles to development in order to introduce a *new and better iteration* of development practice, (hence the '2.0'). Heeks takes the latter approach, explaining that "ICT4D1.0" marginalized the poor and had a supply-driven focus, but ICT4D 2.0 centralizes the poor, with the demand driving innovation. He claims that "where ICT4D 1.0 — fortified by the 'bottom of the pyramid' concept — characterized the poor largely as passive consumers," ICT4D2.0 sees the poor "as active producers and innovators" (*ibid.*: 33). In the present study this author will also adhere to the latter concept referring to Development 2.0 as a 'better iteration' of development, not just a combination of ICTs or Web 2.0 technology and development.

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[9] In the field of information systems, new versions of software are often given the same name but a subsequent prefix, depending on the nature of the upgrade. Using Windows 1.0 as an example, updates with minor improvements might become Windows 1.1, whereas an overhaul of the software operations and interface might become Windows 2.0.

Between the few writers on the topic, there is not a consensus about what Development 2.0 or ICT4D2.0 looks like (Thompson 2008, Heeks 2008, Zheng 2009). As the concept is still in its fledgling stages, Heeks further points out that there is little empirical research to show that Web 2.0 models for development actually can lead to "better development" that contributes to holistic well-being for the poor (Heeks, 2008: 26). Thompson claims, however, that those who study from a Development 2.0 perspective will at least share an interest in "engendering a networked and plural form of social and economic exchange as an 'engine' for a form of self-determined development that relies less on donors and international programmes, than on releasing individuals' own capacities for innovation and entrepreneurialism" (Thompson, 2008: 832). This is along the same line as Heeks' (2002) assertion that the poor can be active producers and innovators, generating new sources of income through ICTs. Heeks (2008) and Silva and Westrup (2009: 60) claim that "innovation within and by the poor is a key focus of an ICT4D2.0 strategy and shares many characteristics with the principles of the [Web 2.0 technology itself]."

According to Thompson, there is need "to understand and prove the links between enabling network infrastructure and Web 2.0-enabled social and economic behavior" in search of a Development 2.0 perspective that "increasingly engages with people's demands to participate, peer-to-peer, in the information society" (Thompson, 2008: 12). In that vein, Thompson makes a call for further research including case studies of situations where Web 2.0 technologies are used for development means. This investigation serves as a particular example to that aim.

Online social lending for development is one application of Web 2.0 concepts and technologies to development practice. The next several sections will narrow-in on literature pertaining to online social lending for development. The literature reviewed in these sections will provide the final context for the author to establish a working definition of Development 2.0 at the end of the chapter.

4.4 Online Social Lending for Development

What is online social lending for development? The concept grows from two major fields, namely, microfinance and social entrepreneurism. Each of these fields is briefly addressed at the beginning of this section. The combination of these two ideas, (facilitated by the expansion of ICTs) has lead to the umbrella concept of online social lending for development, which will subsequently be defined. Three important studies that have focused on online social lending for development are then reviewed in-depth, in order to glean principles and best practices for the topic. Following the review of all this literature, the final section in Chapter 4 presents a working definition and key principles for the concept of Development 2.0.

4.4.1 Microfinance

In the late 1990's, Mohammed Yunus' Nobel Peace Prize-winning idea was that microcredit (small loans) could benefit people with small businesses to help them lift themselves out of poverty. While informal lending schemes have existed for centuries, Yunus was one of the first people to formalize and popularize the concept of microfinance (Morduch, 1999: 1571). Microfinance is a broad term for financial services for the poor; it encompasses the provision of a variety of services, including loans, savings, money transfers, micro-insurance, and microcredit.

There has been a significant amount of growth and attention in the field of microfinance and microcredit. The idea behind microcredit is that an investment into an income-generating activity can produce exponential returns in the economic situation for an entire household (Morduch, 1999: 1597), especially as microfinance interventions tend to target women and communities. Microfinance institutions (MFIs) frequently rely on social capital between lenders in the form of group loans, where group members guarantee each others' financial commitments using their "social assets" in lieu of any type of formal collateral (*ibid*.: 1579). The poor have been shown to have high repayment rates – in some cases above 95 percent – because they value their access to financial services (*ibid*.: 1571).

In many cases, successes in microcredit and microfinance have caused experts in development studies and economics to "rethink assumptions" about how the poor can

manage their assets and about how institutions can overcome perceived market failures (Armendariz & Morduch, 2007: p. x). Engelbrecht (2009), however, argues that a holistic social development approach must accompany microfinance in order to reduce the financial vulnerability of the poor. There are also microfinance debates about whether or not microfinance can reach the poorest-of-the-poor, and whether or not microfinance programs are actually reducing global poverty (Midgely, 2008). Furthermore, there is also no current consensus on how to measure and evaluate the impact of microfinance (Goldberg, 2005).

The particular development intervention at the heart of this investigation involves the provision of microcredit to the poor facilitated over the internet. Kiva.org is an online platform connecting individual lenders MFIs around the world. It allows any individual to lend as little as $25 to microentrepreneurs (through MFIs).

4.4.2   Social entrepreneurship

Social entrepreneurs are individuals who invest in opportunities for social change. From the turn of the millennium, the term *social entrepreneurship* has become a buzzword (Bornstein, 2007: p. ix). According to Dees (2001: 1), social entrepreneurs act as "change agents" in the social sector by:

- "[a]dopting a mission to create and sustain social value (not just private value),
- recognizing and relentlessly pursuing new opportunities to serve that mission,
- engaging in a process of continuous innovation, adaptation, and learning,
- acting boldly without being limited by resources currently in hand, and
- exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created."

Social entrepreneurs must first identify an unjust social power gap, or a "stable but inherently unjust equilibrium" that is causing suffering for a group of people, according to Martin & Osberg (2007: 35). Next, in order to alleviate this gap, they must identify an opportunity by "developing a social value proposition, and bringing to bear inspiration, creativity, direct action, courage, and fortitude, thereby challenging the stable state's hegemony." Finally, the social entrepreneur works innovatively to find a solution to the problem, to forge "a new, stable equilibrium that releases trapped potential or alleviates the suffering of the targeted group." The work of social entrepreneurs can range from starting businesses or non-profits, to engineering or other design work, or even launching social awareness campaigns.

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The difference between an entrepreneur and a social entrepreneur is that the social entrepreneur does not seek to generate profit for his or her investors. Instead, social entrepreneurs innovate in the name of "grand societal transformation" (Martin & Osberg, 2007: 34). The online philanthropy markets and online social lending platforms discussed in the next section are born out of this concept of social entrepreneurship.

4.4.3   Online social lending

There are a number of social entrepreneurship organizations that are using the internet to facilitate financial exchange between socially-minded individuals and people who need money – either particular development projects or the poor themselves. Under the headings of online social lending, or online social giving, many of these organizations claim to offer 'peer-to-peer' transactions. Some websites provide ways for people to make targeted donations (not loans) to causes they care about – examples are globalgiving.org and donorschoose.org. Others offer ways for people to lend directly to beneficiaries – for example, microplace.org, lendingclub.com, prosper.com and Kiva.org. Each of these sites varies in its offerings; some are for the purpose of poverty alleviation in developing countries, and others simply offer what they consider peer-to-peer lending between any two interested parties.

Online social lending *for development* is a targeted combination of microfinance and social entrepreneurship. It is the idea that the internet can facilitate small-scale lending from socially-minded investors to small-scale entrepreneurs with the specific mission of alleviating poverty. There are three recent studies about online social lending and online social lending for development that will be reviewed in this section.

The Hulme and Wright study. The first important study is from Hulme and Wright in 2006. Called *Internet-Based Social Lending: Past Present and Future*, the Hulme and Wright study discusses social lending not as a new concept, but as a re-emergence of the earlier concept of 'friendly societies'[10] providing members-only financial

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[10] Hulme and Wright describe 'friendly societies' as "an evolution of the centuries old communal organisations of gilds… similar to freemasonry societies, [but made up of] wage earners or artisans

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services in 17th century Europe. They claim that this re-emergence is taking the form of 21st century online communities. The authors believe that the concept of social lending is reviving within the financial sector as "a direct response to social trends and a demand for new forms of relationship" in the 21st century. They claim that because these social lending schemes embrace specific social trends "that are definitional of our age" these social lending schemes are likely to become "increasingly important in the future" (Hulme & Wright, 2006: 7).

One of the most important social trends that these authors cite is "the notion of the individual within community" with "horizontal power relations" (Hulme & Wright, 2006: 7). They claim that the horizontal, not vertical structure of social lending schemes "legitimates and enables connectivity between members, thereby providing a foundation and utility for community formation and social interaction." These 21st century online communities are a result of the globalized, postmodern, networked societies described on pages 27-28 of this dissertation. Hulme and Wright claim that social lending schemes "can be understood as specifically 21st century communities of financial interest based on an intersection of individualism and community and a system of opting-in or voluntary participation in the community" (*ibid.*) via the online social lending network. A globally-minded, postmodern individual can choose to 'connect' to other people in his or her network by lending; he or she chooses to lend or not to lend based upon his or her personal preferences.

Other cultural trends attracting people to online social lending are "transparency," and "broader ethicality" (Hulme & Wright, 2006: 7). These authors believe that the transparency afforded through these systems facilitates relationships because of the "good faith" between the individuals (*ibid.*). These authors believe it is no mistake that the online social lenders are utilizing technology in this way, as they are part of a generation that fundamentally supports the underlying ethical and social principles in the social lending model (*ibid.*). Each of these trends is relevant to the current study and will contribute to the definition of Development 2.0 later in this chapter.

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rather than merchants or professionals" that served the purpose of "mutual support and financial assistance" for the members (2006: 13).

The Ashta and Assadi study. The next relevant study is from March 2008, *Do Social Cause and Social Technology Meet? Impact of Web 2.0 technologies on peer-to-peer lending transactions* (Ashta & Assadi, 2008). Ashta and Assadi's paper "aims to scrutinize whether the peer-to-peer websites make use of the social Web 2.0 tools to encourage mutual exchanges and cooperation between peers to lend and borrow money or whether they rather centralize the loan transactions" (*ibid*.: 5). The authors' premise was that successful peer-to-peer social lending sites should reduce transaction costs and lower interest rate loans to poor people. They conducted a survey of major social lending sites to determine to what extent they used "peer-to-peer" Web 2.0 technologies.

In their assessment of Kiva.org, Ashta and Assadi (*ibid*.: 14), determined that Kiva.org is "not interactive and does not promote peer-to-peer connections," calling Kiva simply an "intermediary" between the borrowers and lenders. The research design for this study involved a cursory online examination of the different websites themselves and did not enquire further into user (borrower or lender) experience, which is a limitation of the study. However, the important finding from the study is that Kiva.org is not a perfect Web 2.0 model, according to these authors' criterion. This finding will be discussed in Chapter 7 as part of the results and analysis about how Kiva relates to Web 2.0.

The Keystone group study. The third study is a more comprehensive one by Keystone Accountability (the Keystone group) regarding online social lending, called *Online Philanthropy Markets: from 'Feel-Good' Giving to Effective Social Investing?* (Bonbright, Kiryttopoulou, & Iverson, 2008). The Keystone paper discusses "online philanthropy markets," which it describes as, "an internet phenomenon through which individual citizens and institutions can engage with citizen-led organisations and micro-entrepreneurs all over the world to invest their money, time or expertise to improve human and environmental wellbeing" (*ibid*.: 6). The study sought to answer two main questions, the first being, "will online markets repeat the flaws of traditional systems of private charity and public aid, or do they have the potential to change the way citizen-led initiatives change the world and make it much more effective?" The second question that the investigator posed is, "how can markets act to mobilize both more and better resources and relationships for development?" (*ibid*.). Keystone conducted

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online surveys and interviews of 24 online philanthropy markets, Kiva being one of them, and based their conclusions and recommendations on this data.

This study identified four areas where online markets are beginning to demonstrate transformative potential in mobilizing new and better resources for development. These opportunities reflect benefits for both donors (or lenders) as well as the recipients of funds.

One opportunity that the group mentioned is the potential to "foster ongoing interactive communities of like-minded people around ideas or causes they believe in," which has the "potential to transform one-off donations into long term relationships of support and mutual benefit" (Bonbright, *et al.,* 2008: 7). Long-term relationships can lead to more consistent support of an organization and its beneficiaries. A second opportunity for online philanthropy markets is that they can enable organizations "to reach and interact with donors and supporters far beyond their normal reach through a range of Web 2.0 technologies" (*ibid.*). Better donor engagement can also involve more informed giving, the next opportunity that the Keystone group describes.

The third opportunity that Bonbright, *et al.,*(2008: 7) identify is that these markets are "[e]nabling recipients to use the power of multimedia and the Internet to communicate the growing contribution of their work to sustainable social change by ongoing reporting in credible, accessible and engaging ways." Online philanthropy markets can *crowdsource*, (acquire user-generated data), from the beneficiaries, making them a main source of impact data (*ibid*.: 50). This constituency-reported data can then be presented to donors, leaving it to them to decide how to act on the information (2008: 11). "The assumption behind this is that the more informed markets and donors are, the more effective will be their investments,"(*ibid*.). The "ability to build online communities and to directly involve constituents" puts online philanthropy markets "in a privileged position for creating the first constituency-validated reporting framework widely applicable in the developmental sector" (*ibid*: 50). As different online philanthropy markets develop the modes for measurement and reporting, data will opened up, leading to new standards of transparency among organizations doing development work.

Giving 'voices to the voiceless' is an important result of this "real-time transparency," according to the Keystone group (Bonbright, *et al*.: 13). Transparency "is a powerful democratizing force that enables users from almost anywhere in the world to connect with one another, with no regard for age, race, or gender," they claim (*ibid*.). The study cites Communications professor Mitra Ananda, who "links this expansion of 'voice' to a palpable expansion of power. For those marginalised groups previously kept out of discussions about social investment (or, indeed, anything else) the opportunity to participate represents an 'upending' of traditional power structures" (*ibid*.).

Finally, if online philanthropy markets take advantage of the opportunities for new dynamic reporting, then the fourth opportunity can be realized: online philanthropy markets have the potential to "[enable] donors to become real investors in sustainable social change rather than simply providers of occasional short term relief"(*ibid*.: 7). More than just giving donors something to feel good about, these markets also have the ability to train givers to see their funds as "investments for sustainable improvement in wellbeing" rather than just simple emergency aid (*ibid*.: 9). If funders make educated choices about their investments, then they are able to truly participate in a more human-centered development process – a move that is edifying to both the donors and recipients of funds. This is an important argument that will contribute to the conclusions and recommendations for this study.

Bonbright*, et al*. claim that while their surveys revealed "diversity, creativity and innovation," they did not find that any of the online social lending markets "fulfilled their transformational promise" based on the potential opportunities that the group had identified (*ibid*: 3). Their main conclusion was that, "online markets need to shift from sellers of 'feel good' highs to drivers of excellence in effective developmental programmes and projects" (*ibid*: 43).

The most important outcomes of the Keystone study for the purposes of this dissertation were the opportunities that the group outlined for the beneficiaries of online philanthropy markets. These findings offer important insight relating to Development 2.0, and will be reflected in the definition of the concept in this chapter, and in the conclusions and recommendations offered in Chapter 7 of this dissertation.

4.4.4 *Micro-development potential of online social lending for development*

Online social lending takes advantage of the opportunities afforded by Web 2.0 technology, and it also takes advantage of the current trend of social entrepreneurism. It has the potential to offer socially-minded individuals the opportunity to learn about effective ways to use their money, and then to choose how it is used – making them participants in the process of development along with the organizations facilitating the lending. Furthermore, the networked platform opens up possibilities for recipients to collaborate in their own development by using their own voice, offering feedback, and participating in relationships. The Web 2.0 platform has the ability to reduce power relationships between donors, recipients, and the organizations in-between by facilitating social interaction that might not have been possible before. While there are not any organizations that take full advantage of the opportunities available to online philanthropy markets according to three recent studies, the authors insist that great potential still exists for online social lending for development.

4.5 Towards a Synthesis: Web 2.0, Development 2.0, and Online Social Lending for Development.

This literature review has covered four main intellectual domains – development studies, computer science/information systems, ICT, and ICT4D. Heeks claims that researchers need more "spaces" that bring these domains together, which has "yet to be achieved and remains the key intellectual challenge in understanding ICT4D2.0" (2008: 31). In this dissertation, the author argues that online social lending for development is a space that brings the domains of development, IS, ICT, and ICT4D together. She further argues that the reviewed literature involving microfinance, social entrepreneurship, and online social lending for development have made important contributions to the Development 2.0 concept, and can further influence the definition of Development 2.0.

Concluding this review of literature, the investigator asserts that there are four Web 2.0 principles that are most important for development – forming the core of Development 2.0:

1. Facilitating citizen participation and voice. The architecture or the design of a Development 2.0 project should act as an equalizer; it should be a platform that facilitates beneficiary participation and voice, reducing barriers to entry and leading to continual improvement of the project. There should be a plurality of citizen perspectives interacting to improve the system, and the expansion of voice should lead to the expansion of power to citizen participants.

2. Encouraging collaboration. A Development 2.0 initiative should encourage all stakeholders to create, share, edit, categorize, exchange, and report information. Problems should be solved by 'crowdsourcing' from constituents and other stakeholders in the project. Any Development 2.0 project should use innovative tools to connect stakeholders in order to bring about real and sustainable improvements in human well-being.

3. Increasing transparency. Development 2.0 initiatives should be transparent, where the inner-workings of the system are open and available to all stakeholders. Stakeholders can use this data to critically analyze the system to determine whether it is in-line with their social and ethical principles. Development 2.0 initiatives must find practical and cost-effective ways to increase transparency without oversimplifying the data.

4. Enabling relationships. Development 2.0 initiatives should promote solidarity and foster ongoing, interactive, communities. Operating through a platform of social networks, Development 2.0 should build social capital and foster relationships based on trust and mutual benefit.

Therefore, the investigator offers the following working definition of Development 2.0:

> *Development 2.0 is the application of Web 2.0 principles to development studies – facilitating citizen participation and voice, encouraging collaboration, increasing transparency and enabling relationships – with the aim of initiating new iterations of development that improve human well-being.*

This definition and the four core principles of Development 2.0 will form the basis of the analysis for the case of Kiva.org.

Chapter 5: Research Design and Methodology

This chapter will present the design and methods of a case study meeting the second objective of this investigation: to explore an empirical example of Web 2.0 thinking applied to development practice. The investigator conducted fieldwork between the months of May and August, 2009 as part of an exploratory and descriptive case study. The fieldwork took place at Kiva's San Francisco, California, headquarters at Kiva Fellows training in May, 2009, and also in Kisumu, Kenya, at the site of Kiva's field partner, Kisumu Medical and Education Trust (K-MET) from June to August, 2009. Data collection methods during this period involved (1) participant observation in the Kiva processes as a Kiva Fellow, (2) analysis of secondary data, (3) focus groups involving Kiva borrowers, (4) email interviews of Kiva staff members and (5) a weblog interview with Kiva Fellows.

Chapter 5 will be divided into the following sections:

5.1 The Fieldwork Opportunity

The author of this study, interested in the ICTs and development, became a Kiva lender in August 2008. At that time, there was growing hype around Kiva's so-called person-to-person lending platform; Kiva had been spotlighted by Bill Clinton and Oprah Winfrey, among others, and was featured in several major American news outlets (Kiva, 2009b). The author's interest in the website led to her application and acceptance to be a Kiva Fellow, an opportunity that provided her with an in-depth look into the workings of the organization, and a wide range of access to all of the organization's stakeholders. Kiva chose the microfinance institution (MFI) field partner where she was placed, and required her to attend a one-week training session at the organization's San Francisco, Californian location. See *Box 5.1* for more information on the investigator's work as a Kiva Fellow.

Box 5.1: Working as a Kiva Fellow in Kisumu, Kenya

My opportunity for access to Kiva and its partner, K-MET, came as I was accepted into a Kiva Fellowship for 2009. A Kiva Fellowship consists of a 10-to-12-week volunteer placement as a full-time Kiva representative at a "field partner" microfinance institution. I was part of the 25-person "KF8" class that trained for one week in San Francisco in May 2009. Following training, I was placed in Kisumu, Kenya, along with my husband, Joel Carlman, who is also a Kiva Fellow. The various Kiva Fellows all work closely together via email and the Kiva Fellows Wiki to problem-solve and share ideas from around the world during their placements.

During my June, July, and August, 2009 placement, I worked toward deliverables defined by Kiva and K-MET in order to maximize K-MET's partnership with Kiva. My primary role was to facilitate connections between Kiva's borrowers and lenders, through borrower interviews, profile postings, YouTube videos, journal entries and blog entries on the Kiva Fellows Blog. I also was assigned to a K-MET 'special project' to work with 12 adolescent girls in K-MET's 'Safe Space' as they worked to start their own businesses in a Kisumu slum. [As described in *Box 2.1*, p. 20]

I spent a portion of each day working in the K-MET offices, and a portion of each day working at K-MET's field sites or walking in the Kisumu communities to meet and interview Kiva borrowers. I became a familiar face at K-MET meetings of the 'revolving loan fund' recipients, and I was invited to visit the entrepreneurs in their homes and places of business.

This Kiva Fellowship gave me unprecedented access to the Kiva organization itself, to the Kiva Fellows network, and to a Kiva MFI and borrowers in Kenya. I was able to use these connections to gather data for my dissertation.

(Field Notes, 18 May)

5.2 Case Study Research Design

The investigator determined that the *case study* research design would best suit the research questions and the empirical setting for this study. The study is intended to examine a phenomenon (a Web 2.0-driven development intervention) in its complete context rather than attempting to control for outside variables. Therefore, a case study design that involves "discovery rather than confirmation" (Merriam 1998: 19), was determined to be the most appropriate way to investigate the phenomenon. This study is exploratory in nature, seeking to gain familiarity with the phenomenon (Welman, Kruger, & Mitchell 2005: 23), as well as descriptive in nature, seeking to describe and compare the phenomenon (Gerring, 2004: 347) to the emerging concept of Development 2.0. Therefore, this is an exploratory and descriptive case study.

Kiva as a single representative case. In this particular study, Kiva is studied as a single representative case. Yin (2003: 43) explains that one "rationale for selecting a single-case rather than a multiple-case is that the investigator has access to a situation previously inaccessible to scientific observation." This type of study is "worth conducting because the descriptive information alone will be revelatory" (*ibid*). Kiva.org is unique in that there are no other organizations doing Web 2.0-mediated social lending for development at the same scale. To the investigator's knowledge, there has been no known in-depth study to describe the dynamics of this type of web-driven social lending; therefore the investigator, who has a unique access to the organization as a Kiva Fellow, argues that Kiva is a worthwhile single case for exploration.

Possible limitations of case study research design. There is a great deal of debate in the scientific community regarding the generalizability of case studies. While Gerring (2004: 342) proposes to define a case study as "an intensive study of a single unit for the purpose of understanding a larger class of (similar) units," many researchers question whether or not case study conclusions can be applied to different situations. The limitations of this study design, therefore, are that it is a single representative case of online social lending for development and the concept of Development 2.0, but its specific findings might not represent the reality for other

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cases of online social lending for development, or even for other individuals within the different Kiva stakeholder groups who were not part of the investigation.

5.3 Mixed Methodology

The challenge of a Kiva case study is to develop a methodology that covers the wide range of operations and perspectives involved in the 'Kiva system.' One type of data collection would not be appropriate for all of the main Kiva stakeholders, which the investigator determined to be borrowers, lenders, Kiva staff, K-MET and Kiva Fellows. Therefore, this investigation implements a strategy of mixed methods for data collection. Each method was chosen because of how it best revealed information from the related source or stakeholder. *Figure 5.1* is timetable outlining the research process during the fieldwork period.

May 18	...	June 15	June 22	June 29	July 6	July 13	July 20	July 27	Aug 3	Aug 10	Aug 17	Aug 24	Aug 31
KIVA TRAINING MAY 18-22		KIVA FELLOWS PLACEMENT IN KENYA JUNE 15 – AUG 31											
			Participant Observation May 18 – Aug 31										
Analysis of Secondary Sources May 18 – June 30													
								Focus Groups August 4 - 18					
										Staff Email Interviews Aug 10 - 26			
											Fellows Web Interviews Aug 18 – Sep 2		

Figure 5.1: Timeline of the Research Process

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As outlined in *Figure 5.1*, above, the research methods employed in this study are:

1. Participant observation as a Kiva Fellow
2. Analysis of secondary data (Kiva documents and online artifacts)
3. Focus group interviews with Kiva/K-MET borrowers in Kenya
4. Email interviews with select Kiva staff
5. Weblog interview with recent Kiva Fellows

The next five sections will follow this outline of the research methods. Each section will discuss the strategy and tactics of data collection for the particular method.

5.3.1   *Participant observation*

As described above, the investigator was selected to serve as a volunteer Kiva Fellow in June, July, and August, 2009. This unpaid fellowship began with a one-week training and instruction period in May 2009 at the Kiva offices in San Francisco, CA. The investigator was trained along with 25 other individuals on the values and operations of Kiva, as well as the work required of her in the field. The Fellowship consisted of an 11-week placement at Kisumu Medical and Education Trust (K-MET), a Kiva partner microfinance institution in Kisumu, Kenya. The Fellow worked full-time in the Kisumu offices and field sites of the partner organization, facilitating Kiva processes (interviewing borrowers, for example) and helping with a K-MET project focused on adolescent girls in Kisumu (described in *Box 2.1* on pp. 20-21).

This Kiva Fellowship afforded the investigator significant access to both the Kiva and K-MET organizations. As a Kiva Fellow she was allowed (and encouraged) to interact with all stakeholders of the Kiva system, the borrowers, lenders, Kiva Staff, K-MET staff, and other Kiva Fellows. In this case, the investigator took on the "participant-as-observer" identity, as described by Burgress (1984, as cited in Cassel & Symon 2004), where the investigator formed relationships and participated in activities but made no secret of an intention to observe events. Both organizations, Kiva and K-MET, signed consent letters agreeing to allow the investigator to collect data during her Kiva Fellowship placement. (These consent letters are viewable on the appendix website.)

The investigator kept a research log with field notes to record her interactions and observations as they related to the study. According to Brewer 2000 as cited in Cassel and Symon (2004), the participant's experience is a legitimate source of data in

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participant observation. Due to her other responsibilities, the investigator was not able to record every detail of her fieldwork, but she paid special attention to record what she considered 'evidence' relating to the research questions. (The research journal/field notes are also viewable on the appendix website.)

Possible limitations in participant observation. According to Cassel & Symon (2004: 161), participant observation holds limitations in that "people are likely to react to the researcher's presence (or participation) in a way that would not have naturally taken place." While the investigator was clearly an outsider by nationality in the research setting, her presence was not unusual for either organization, and neither organization considered her research the primary reason for her presence. She was, therefore, able to observe genuine processes in the day-to-day operations of Kiva at the Kiva Fellows training, and the Kiva/K-MET partnership as it progressed in Kenya. This 'natural presence' involved extensive full-time responsibilities for the investigator, however, limiting her ability to keep comprehensive field notes during her 11-week Fellowship.

5.3.2   *Analysis of secondary data*

The investigator sought to include information from important documents relating to Kiva's founding, Kiva's principles, and Kiva's operations as part of this case study. Therefore, secondary data analysis was included in the data collection process. Each of these documents was obtained during the Kiva Fellows training period or it was accessed from the Kiva.org website. There were also two academic journal articles written by the Kiva founder that were included as data.

The following documents were part of the analysis:
- Kiva.org webpage: What is Kiva? Overview
- Kiva.org webpage: The Kiva Story
- Kiva.org webpage: How Kiva Works
- Kiva.org webpage: Kiva Fellows
- Flannery, Matt. 2007. "Kiva and the Birth of Person-to-Person Microfinance." *Innovations*.
- Flannery, Matt. 2009. "Kiva at Four." *Innovations*.

The process of this secondary data analysis involved reading through the documents and identifying themes that related to the research questions, as described by

O'Leary (2004: 179). The investigator looked for themes relating to the concepts of citizen participation, collaboration, transparency, and relationship building. This was necessary in order to establish Kiva's relationship to Development 2.0 principles. The investigator also sought to identify other Web 2.0 - related themes that were not part of the original definition of Development 2.0, in order to look for alternate principles that relate to Development 20.

Because this was an exploratory/descriptive case study, there was not a need for extensive content analysis in order to prove or disprove meanings behind words used in the documents. Instead, the examples and narratives were coded by-hand by the investigator, and recurring themes and examples were considered in the analysis of the case.

5.3.3   *Focus groups with Kiva borrowers*

Next, the investigator sought insight into the borrower experience with Kiva, specifically relating to the four principles of Development 2.0. This was the most important (and extensive) component of the case study fieldwork, because it related to the beneficiaries of the development initiative.

During her first 6 weeks as a Kiva Fellow, the investigator observed that K-MET borrowers (a group consisting of approximately 300 people), knew little-to-nothing about Kiva's relationship to K-MET and their own loans. Therefore, she decided to teach K-MET borrowers about the Kiva process and the story behind their loans. Data collection would naturally ensue as a 'response' to the lesson; the investigator gathered insight from borrowers about their desire to participate, collaborate, learn more about, and build relationships through the process of receiving a loan through Kiva and K-MET.

After a few weeks in the field, the investigator determined that a focus group would be the best way to collect data with this population. Amoakkohene (2004: 117) asserts that the focus group "is the method with the greatest potential for conducting research in the African context due to its group-centeredness." The investigator had experience conducting individual interviews with this group of borrowers as part of

her Kiva Fellows work; she decided that the most natural setting for getting honest opinions from this population would be a group interview. A group setting would also help facilitate the collection of the most data given the investigator's limited resources and the language barrier between the English-speaking investigator and the Dholuo-and English- speaking borrowers. [11]

The investigator held three focus groups during the month of August, 2009 in West Kolwa Nyalenda, a slum area of Kisumu, Kenya. The population was relatively homogeneous in terms of age, gender, income, and geographic location, which was representative of the group of K-MET members. Because of the respondents' homogeneity and repetition of data that resulted, it was determined that three groups was an adequate study of the population (Kitzinger, 1994: 105; Stewart, Shamdasani, & Rook, 2006: 58; and Amoakohene, 2004: 117).

Selection of participants. It was determined that the focus groups would be held immediately after the weekly meeting of K-MET borrowers in Kisumu, attended by approximately 200 of the 300+ K-MET borrowers each week. During the meeting a K-MET staff person introduced the investigator (who was not unfamiliar to the borrowers, having been present at the previous seven meetings). The staff person then explained that she was holding a focus group interview after the meeting and that participants would be reimbursed for their transportation costs. A list of invited borrowers was then read.

Initially the investigator chose to develop a systematic simple random sample of the K-MET borrowers so that the three focus groups would overall be representative of the population of interest, as described by Stewart, *et al*., (2006: 51). Using a table of random numbers, she selected fifteen names to call on at the weekly borrower meeting, hoping that 8-12 of the 15 members would be present and willing to stay after to participate in the focus group. However, on the day of the first focus group, only 3 people of the 15 people whose names were called were present at the meeting. The investigator then randomly chose ten other names to read, and those borrowers were present at the meeting. Those were the participants of the first group.

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[11] Dholuo is the main language spoken amongst the Luo tribe in Kenya and Tanzania, and the everyday language for most Kisumu residents.

The investigator later discussed this selection method with K-MET staff, and it was determined that inviting participants by any means (whether off a table of random numbers, inviting them to self-select, or choosing arbitrary pews in which borrowers were seated, etc.) would all be equally as random - and the group was homogeneous enough that virtually any combination of members would provide a good sample. Furthermore, as Stewart, *et al.,* (2006: 45) describe, it is inappropriate to generalize far beyond the members of focus groups, so "the sampling frame need only be a good approximation of the population of interest." Therefore, for the second and third groups, an introduction was made at the borrowers' meeting, and the first ten people who came to sign up at the front were the ten allowed to participate.

There was ample borrower interest to participate in the focus groups, likely for a variety of reasons. First, the prospect of receiving payment (an unknown quantity at the time of the announcement) was most likely an incentive.[12] The investigator made an effort to have the payment described as "minimal; enough to reimburse you for transportation costs" in order to reduce the incentive which could attract otherwise-uninterested participants. Secondly, the investigator had been known to conduct individual interviews with new borrowers and to take their photographs during her work as a Kiva Fellow. These activities were intriguing and exciting to many of the borrowers, and so there was a general interest and positive relationship between the investigator (and previous Kiva Fellows) with the borrowers.

Immediately after the borrower meetings, the selected participants were invited to meet outside, where the investigator and a K-MET translator explained the research and the rules and expectations for the focus group. The investigator explained the following:

> "I am a student doing research about your loans, and would like to ask you some more questions. Debra will help translate the discussion. Only people who have loans with K-MET can participate. The questions will take place as a group discussion in a room at the K-MET clinic. It will take approximately 1 hour. Your transportation costs will be covered. Participation in the conversation is NOT REQUIRED and does not change anything about your relationship with K-MET or your loan. [Added after first group:] Unfortunately, no children can be allowed in the discussion room"

> (See 'Focus Group Instructions' on the appendix website.)

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[12] The stipend, 100 Kenyan Shillings was worth approximately $1.33 at the time, and amounted to one day's wage for many of the participants.

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After this introduction, participants walked with the investigator and translator to the K-MET clinic to conduct the conversation.

Focus group setting. The focus group discussion took place at the nearby K-MET clinic, which had an open room belonging to an HIV/AIDS support group. The room was void of posters or distractions, and the chairs were set up in a circle. This was a good venue because it was convenient, quiet, accessible, familiar to some, and allowed participants to concentrate and discuss the topics without distractions. The drawback of the room is that it had poor circulation and grew to be hot quickly.

Focus group translation. The focus groups were facilitated by both the investigator and a K-MET staff person who acted as a translator. The investigator chose to have a translator present during the focus group who could "subsequently facilitate concurrent data analysis, the redirection of questions to focus group participants, and the opportunity to validate findings through participant feedback," as described by Esposito (2001: 573). This K-MET staff person, the Food Security Coordinator, was frequently present at K-MET borrower meetings, conducting work with some borrower groups related to food security. A native Dholuo speaker, she had experience translating conversations between English and Dhulou, and she occasionally translated for Kiva Fellows at the borrower meetings.

The investigator met with the translator prior to the focus groups to demonstrate the Kiva system on the computer, and to explain the study objectives. She also explained her goals for the translator; she clarified that the translator was to step away from her role as a K-MET staff person, and to let participants respond to questions that she might know the answer to. During this meeting, the translator also reviewed the script for the 'How Kiva Works' lesson and she gave her input on the discussion guide. The translator helped the investigator choose terms that were culturally appropriate for the K-MET borrowers. All this was done to minimize the threat of miscommunications during the focus group (Esposito 2001: 576).

Focus group facilitation. A second Kiva Fellow working at K-MET, Joel Carlman, the investigator's husband, also participated by acting as a 'teacher' giving an initial 'How Kiva Works' lesson. (The script for the lesson is available on the appendix website.) The investigator chose to not act as both a teacher and a facilitator during the focus groups in order to minimize the power relationship between her and participants. She emphasized her role as a student from the beginning and continued to call herself a student through the course of each discussion. Joel Carlman, the Kiva Fellow 'teacher' gave the lesson, and it was explained that if participants had specific questions about the information, they had to address them to the 'teacher' before he left. The investigator saw her role as asking questions of the participants, probing them for different responses, and encouraging interaction amongst the group members (Amoakohene, 2004: 177).

Focus group discussion. When the participants reached the discussion room, each received a name badge. The meeting began with another set of introductions about the investigator, re-iterating messages from earlier about her relationship to the participants and her objectives for the discussion. Then, the investigator distributed consent forms that were signed, and she showed the participants the digital voice recorder she was using. (See pp. 68-69 for more information on ethical considerations during the data collection process.)

After the introduction, Joel, the Kiva Fellow 'teacher' was invited to give a demonstrative lesson about 'How Kiva Works,' and the investigator sat amongst the participants. The 'teacher' used three posters with a drawing of a computer with a sample profile on the screen, and photos of actual lenders on the bottom (see *Figure 5.2* on the next page). Each participant was given a handout with the sample profiles to read along with the teacher during the lesson. The Kiva Fellow used these posters to describe how different lenders from around the world read about a business person on the internet and send money to K-MET, and then how K-MET distributes that loan money to the business person. The Kiva Fellow also emphasized the repayment process, describing the flow of repayments from the business person back through K-MET to the "owners of the money," so that it could be re-lent to a different business person. Participants were encouraged to ask questions of the teacher, and he remained until there were no more questions.

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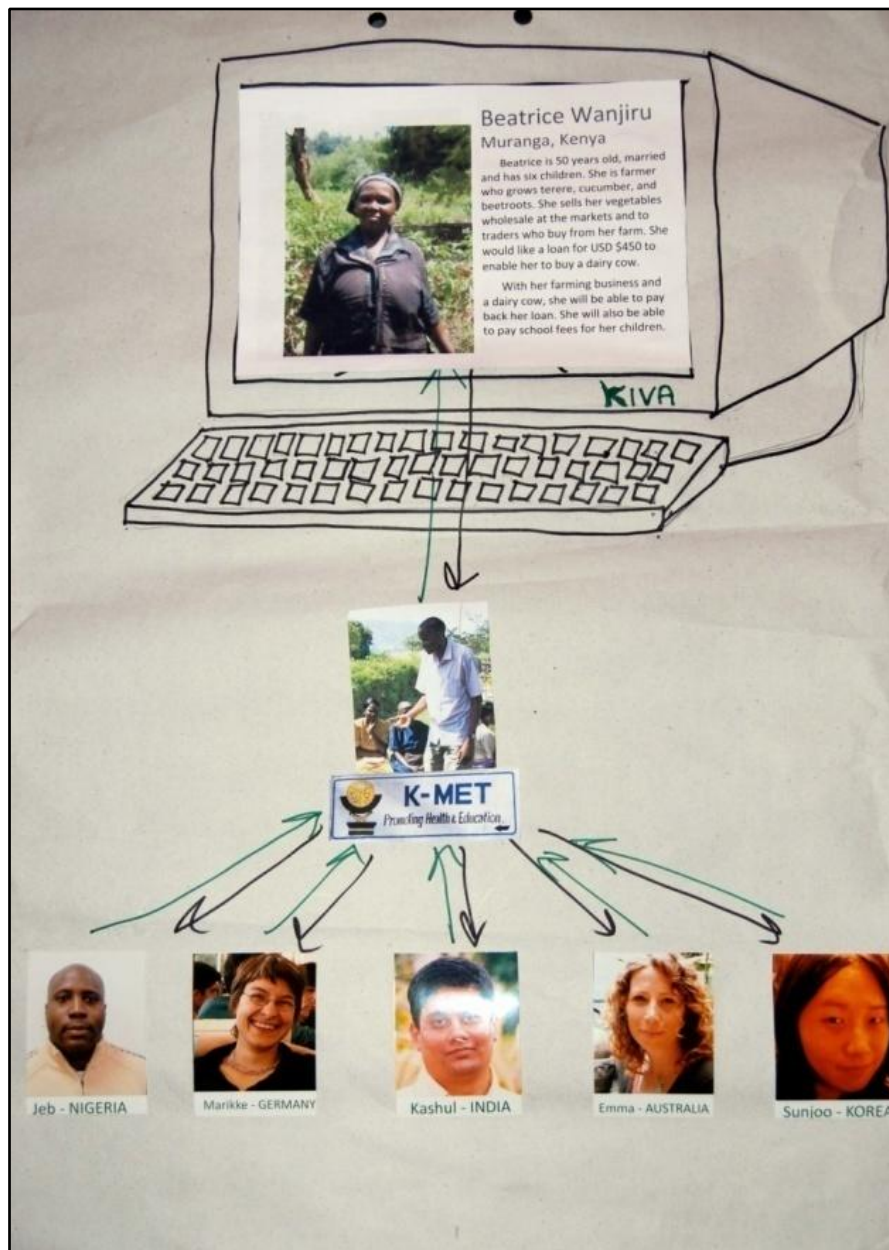
Figure 5.2: A Poster Used to Explain Kiva During Focus Groups

When the Kiva Fellow was finished and there were no other questions for the 'teacher,' the investigator asked questions of the borrowers relating to the information they had just learned. The investigator used a pre-determined discussion guide that grew directly from the research questions as recommended by Stewart, *et al,* (2006: 60), but conversation was allowed to evolve from there (*ibid*.: 61).

The focus group discussions were recorded by means of a digital voice recorder and then they were transcribed within 24 hours by the investigator, who included her

observations in the transcript. (The exception to this was the third focus group which was transcribed several days later due to the investigator's illness.) The participant names were removed from the transcript and were replaced with codes – the participants will be referred to by these codes in the results section of this paper.

Possible limitations of focus group method. Beyond the limitations mentioned above, the author acknowledges that there were limitations because she was known as a representative of an organization that funds K-MET loans. This inevitably created some power imbalance. While the investigator never handled money, did not act as a loan officer, and never did more than ask questions about people's loans during her work as a Kiva Fellow, her presence still related to money. The investigator attempted to compensate for these power relations in a few ways. First, from the week that the focus groups began, she no longer conducted Kiva interviews (or other Kiva business) at the borrower meetings – she allowed the other Kiva Fellow to do this work alone. Secondly, during the discussions she emphasized twice that she did not have the ability to change anything about anyone's loans. Thirdly, during the focus group discussions, she called herself 'student' and the other Kiva Fellow 'teacher,' and sat with the 'students,' deferring all loan-related questions to the teacher while he was present and to the other participants after he had left.

Furthermore, because the participants of the second and third groups self-selected to participate, the sample population may have been composed of a group of more outgoing or engaged Kiva borrowers. Again, the investigator believes this not impact the results of the exploratory study because, as Stewart, *et al.,* (2006: 45) explain, "the sampling frame need only be a good approximation of the population of interest."

Finally, there were logistical limitations to the focus group research, as the investigator had intended to conduct a fourth discussion comprised of five participants from earlier groups. The agenda for this discussion would have an interactive discussion of the Kiva system using an internet demonstration involving the participants' actual profiles. Unfortunately, the day prior to the discussion the Kenyan government declared the day a national holiday in order to finish conducting its census, and the investigator no longer had access to the participants or the location. It was impossible to reschedule this discussion because of time limitations.

5.3.4   *Email interviews with key Kiva staff*

The fourth type of data collection involved email interviews of key Kiva staff members.   The investigator sought the opinions of Kiva staff regarding their organization and its relationship to Development 2.0 principles.   While the investigator had access to the Kiva President and other key staff people on management, the access was restricted to brief email interviews because of the limited amount of time these people were able to devote to her research.   Honoring a request from her Kiva Fellows supervisor, she pared the interviews down to fundamental questions that were emailed by the supervisor on her behalf to the interviewees.   The interviewees were Premal Shah, the President of Kiva, Sam Mankievicz, Kiva Chief Technology Officer, and Gerard Niemira, Kiva Customer Service Manager.   Access to these key Kiva staff people would not have been possible by any other medium due to time and geographic constraints.

A benefit of these single email interviews was that the subjects were able to respond in their own (limited) time at their own pace.   Maho (2006: 1289), explains that this can help generate high quality data, but it also means that "emailed questions must be much more self-explanatory than those posed face-to-face, with a clear indication given of the responses required." In the case of the interview with the Chief Technology Officer, the investigator had to include extensive explanations of her definition of Web 2.0 which may have narrowed a particular respondent's interpretations, "thereby constraining" his responses (*ibid*.: 1290).

Overall, several studies have shown that email interviews can elicit the same quality of responses as produced by more traditional methods (Denscombe 2003 as cited in Maho, 2006: 1291).   The email medium could even be preferable in some cases, providing interviewees with "opportunity for reflection and editing of messages before sending," which, according to Maho, "contributes to the production of a closer fit between ideas, intentions, and [the respondent's] expression in writing" (*ibid*.: 1291).   In this case where two of the three email interviews required a synthesis of ideas, the investigator felt that the email medium was adequate, eliciting satisfactory responses.

5.3.5 *Kiva Fellows weblog interview*

Finally, the investigator sought to explore the wealth of opinions and experiences of her Kiva Fellow colleagues who had worked in similar placements at microfinance organizations around the world. As the last form of data gathering, she chose to survey members of the Kiva Fellows seventh and eighth classes, (KF7 and KF8), a group of approximately 50 people who were currently serving or had served in the field in the past six months. The investigator had participated in Kiva Fellows training with 25 other members of the eighth class, but had never met the members of the seventh class in person. However, this group of colleagues was used to interacting with each other via mass emails, the Kiva Fellows Wiki, and compulsory contributions to the Kiva Fellows Blog hosted on Wordpress.com. Therefore, a survey/interview that took place via a Wordpress.com blog was an appropriate medium for this population.

The weblog interview took the form of a Wordpress.com weblog, which is available for viewing at http://fellowsonlineinterview.wordpress.com. The homepage on this site is a list of instructions and links to five pages that each feature a question. The participants were asked to respond to the question using the 'comments' feature on the webpage. Each of the first four questions describes a principle of Web 2.0, and then asks the participants to "make a conceptual leap from the internet to poverty alleviation" as they describe how Kiva does or does not promote that principle, based on their experience. The fifth question asks for their opinion about whether "lending is connecting."

The investigator piloted the weblog interview by emailing five of her colleagues to contribute responses and to provide feedback. After three satisfactory interviews were completed by this pilot group, she emailed the rest of the KF7 and KF8 classes with an introduction to her research, an invitation to participate, and the link to the weblog. The Kiva Fellows were given three weeks to respond, and the investigator sent a "reminder" email four days before the deadline to remind them to participate.

Possible limitations of weblog interview method. Some limitations may have influenced data collection in this study. Online conversations are prone to external distractions that can interrupt the flow of an interview, leading to disengagement with

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the interview itself (Illingworth, 2001: 14.5). It is possible that this was the case for several Kiva Fellows who only responded to one or two of the five questions in the online interview. Furthermore, while the best practice in an online interview would be to probe with follow up questions (Maho, 2006: 1290), the investigator chose not to ask follow-up questions of the respondents in order to be respectful of their time, therefore limiting the depth of some of the data.

Three potential participants in particular told the investigator in personal conversations that they weren't able to participate during the given time period because of time restrictions or low internet availability during the period. Several of the researcher's other Kiva Fellow colleagues told her that they intended to participate in the study, but they never did. In the end, 13 of the approximately 50 possible Kiva Fellows participated in the study.

5.4 Data Analysis

As this is a descriptive and exploratory study, the investigator's strategy for data analysis was to develop an adequate case description as it related to the concept of Development 2.0. The investigator used the technique of "pattern matching" to link the data to the study's four main propositions; pattern matching involved "the specification of a theoretical pattern" (Development 2.0 principles, in this case), "the acquisition of an observed pattern," (the Kiva data, in this case), and "an attempt to match these two" (Trochim, 1989). The investigator also looked for "rival patterns" (Yin 2009: 139), or alternate explanations, which were other Web 2.0 characteristics exhibited by the empirical case that were not included in the initial definition of Development 2.0.

The process of data analysis was continual due to the exploratory nature of the study. As the investigator gathered data through participatory observation at the beginning of the study, she used it to sharpen her inquiry and to ask further questions throughout the fieldwork (Green & Browne, 2005: 77). She examined ideas expressed by certain stakeholders against experiences and statements of other stakeholders. The results of this analysis are presented in the next chapter.

5.5 Ethical Considerations

The main ethical considerations in this study revolved around the fact that the investigator had both implicit and explicit obligations to various stakeholders; she was equally aligned to Kiva, to K-MET, to lenders, to borrowers, to other Kiva Fellows, (including her husband/co-worker), but she was also committed to conducting truthful and impartial research. The investigator was very aware that her actions in any capacity during her eleven weeks in Kenya (as a Kiva Fellow, a K-MET volunteer, or a researcher) would impact her other roles and responsibilities. She made a consistent and concerted effort to act in a forthright manner with each of the stakeholders involved in the study.

Formal, written permission was granted by Kiva as well as K-MET in order to conduct the investigation. Permission from K-MET had to be granted by a member of the Board of Trustees of the organization. The investigator also requested permission from K-MET to use a staff person as a translator during working hours. She financially compensated K-MET for the use of their room during the focus groups, and she offered a small stipend, 100 Kenyan Shillings (approximately $1.33), to focus group participants in exchange for their time. All of this was done to make sure that the investigator was not taking advantage of any of the people or organizations that she interacted with.

The investigator took special care to clarify her role as a researcher to borrowers involved in the focus group interviews. Several times she clarified that neither she nor K-MET nor Kiva would change the loan amounts or loan terms based on the borrowers' participation in the focus group interviews. A one-page letter describing the study and the use of a recording device was given to each person and explained in Dholuo in order to assure that participants understood what they were doing. The investigator showed the participants the digital voice recorder that she was using, and was explained that when she wrote up a report, she would change their names in the report. Each participant signed the letter, or worked directly with the translator, who signed on his or her behalf if he or she was unable.

It was important to the investigator that the study was edifying to both the borrowers, who are the subjects of development, but also to the organizations who are involved in the process. Therefore, she used the focus group as an opportunity not only to collect information from Kiva borrowers, but also to give them information about something that was affecting their lives – the stories behind their loans. Furthermore, prior to finishing her Kiva Fellows placement, the investigator produced a preliminary report on her research, and met with the K-MET stakeholders to discuss her findings from the focus groups. (This report is also available on the appendix website.) K-MET received her recommendations and assured her that the borrowers' comments would be heard. K-MET's Executive Director later recounted the story of coming across a focus group participant in a Kisumu market, and the participant asked the Executive Director to make sure that other borrowers knew about where their money came from. The Executive Director claimed to be committed to finding ways to implement this and other recommendations made by the investigator.

The investigator has committed to providing the interested parties with a copy of the completed dissertation. The Kiva Fellows who participated in the study, as well as Kiva staff will be able to access the document if they choose. Throughout the study, the intent has been to analyze Kiva's work in a real-world context and to provide reflexive feedback that could benefit the different parties related to the organization, especially the borrowers, leading to 'better development.'

Chapter 6: Results

The purpose of this chapter is to present the findings from the empirical study; the author's conclusions will not be presented until the final chapter of this document. This chapter is divided into two parts. Part 1 (Section 6.1), addresses Research Question 2, describing the nature of Kiva's operations, starting with a brief history of the organization and then a description of its use of Web 2.0 technology and principles. The data provides several examples of how Kiva reflects the Web 2.0 model and integrates Web 2.0 technology.

After a detailed description of Kiva's operations and principles, Part 2 (Section 6.2) addresses Research Question 3. This involves relating Kiva's operations to Development 2.0. The results of the Kiva comparison are presented in terms of the four principles of Development 2.0 and in regards to the different Kiva stakeholders. Throughout this chapter, the data is referenced as it is appropriate for each medium.[13] The full transcripts, documents and web links are available via the appendix website.

Chapter 6 is divided into the following sections:

> 6.1 Results Part 1: Kiva's Operations and Principles
> > *6.1.1   Kiva's beginning and its core operating principles*
> > Kiva's beginning.
> > Kiva's core principles.
> > *6.1.2   Kiva's operations*
> > The Kiva lender experience.
> > The Kiva borrower experience.
> > Kiva logistics.
> > *6.1.3   The Kiva/K-MET partnership*
> > K-MET as a field partner.
> > The functioning of the Kiva/K-MET partnership.
> > *6.1.4   Current and future Web 2.0 integration for Kiva*
> > Kiva and Web 2.0 thinking.
> > Kiva and Web 2.0 technology.
> > Overall Web 2.0 integration.
> > Future integration.

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[13] Kiva Fellows who participated in the Kiva Fellows online interview are referred to by the name that they provided during the interview. For the borrower focus groups, the names of borrowers were changed to reference codes for the purpose of anonymity. The researcher's field notes are referred to by date, with all notes taking place in the year 2009. References to the three staff interviews are made using the surname of the staff person.

6.1 Results Part 1: Kiva's Operations and Principles

6.1.1 Kiva's beginning and its core operating principles

Kiva's beginning. Kiva was started by two Americans, Matt Flannery and Jessica Jackley, and their Ugandan colleague, Moses Onyango. During a visit to East Africa in 2004, Jackley and Flannery had the opportunity to experience microfinance first-hand on the continent. From that experience, they had three realizations which became the core of the organization they would someday create:

- "[w]e are more connected than we realize… distance means little in the world of communication today
- The poor are very entrepreneurial… the spirit of entrepreneurship is as strong among the global poor as it is in Silicon Valley
- Stories connect people in a powerful way"   (Kiva, 2005d)

Flannery (2007: 32), explains that the "emotional impact of a close confrontation with poverty combined with [his] more intellectual interest in business problems," and he and Jackley came up with a business plan for the organization that is now Kiva. According to Flannery, "we had both grown up sponsoring children in Africa through our church and families" – and after his experiences in Africa, he thought, "why not extend the core of that idea to business?" He and Jackley were interested in focusing

on microlending instead of charity donations, because it "seemed like a dignified, intellectual, and equitable extension that appealed to us at [that] point in our lives. Instead of benefactor relationships, we could explore partnership relationships" (Flannery, 2007: 32).

Kiva's core principles.   Flannery and Jackley's idea underwent several iterations before it launched in 2005 as the operation that is now known as Kiva. Today, Kiva's vision is: "Everyone connected. Everyone empowered" (Flannery and Shah, 2009). Kiva's mission is "to connect people through lending for the sake of alleviating poverty" (Kiva, 2005e). Kiva's seven core beliefs are:

- "Power of Microfinance
- Partner Relationships
- Transparency
- Spread of Technology
- Lending is Connecting
- Sustainability
- Industry Inclusion"

Kiva claims to be "the worlds' first person-to-person microlending website, empowering individuals to lend directly to unique entrepreneurs around the globe" (Kiva, 2005e). As described earlier (p. 44), there are other websites that feature microloans between individuals, but none of them operate with the same mission or at the same scale that Kiva does.

Kiva further claims to provide a "data-rich, transparent lending platform," where they are "constantly working to make the system more transparent to show how money flows throughout the entire cycle, and what effect it has on the people and institutions lending it, borrowing it, and managing it along the way" (Kiva, 2005e). Transparency not only "gives users the ability to make increasingly educated decisions about where to place funds" (Flannery 2006: 56), but transparency was also their solution towards combating potential fraud, which they knew they would eventually encounter. However, neither Flannery nor Jackley guessed that their first run-in with fraud would involve their co-founder, Moses Onyango, their Ugandan partner who helped bring Kiva to life.

Flannery describes how a Kiva Fellow working in Uganda in 2007 uncovered a fraudulent scheme involving Onyango, who had constructed a set of false loan agreements and was channeling Kiva money for personal use while writing counterfeit borrower profiles and journal updates. Flannery explains that for Kiva to break the news of this fraudulent partnership to its borrowers, it would have meant a sudden default rate of 25 percent on the site, an extremely damaging state for the fledgling organization (2009: 34). However, Kiva decided to tell the story anyway, and the lender base responded with overwhelming gratitude and re-lent the money that Kiva refunded. As of 2009, according to Flannery (*ibid*.: 35), six microfinance relationships have been closed from the group of 120 Kiva partners − and all of the information is still on the website for users to read.

According to Flannery (2009:35), after this experience with transparency, Kiva is willing to share any information as long as it meets two criteria: "first, the information must be verified and cannot fall into the realm of gossip or speculations. Second, the information cannot violate a particular individual's personal right to privacy." He claims that for Kiva, "all of our information is fair game" (*ibid*.). Kiva has now instituted a much more intensive process of due diligence through a partnership with auditors at Ernst & Young beginning in late 2007.

6.1.2   Kiva's operations

This section will provide a brief overview of Kiva's operations. The investigator had the opportunity to learn about the organization and its intricacies during her 3-month Kiva Fellowship, but it is beyond the scope of this paper to report on all the nuances of the organization. This section is not a comprehensive look at the way the organization operates, but it provides basic context for understanding the data in the following sections.

The Kiva lender experience. When a potential lender learns about Kiva.org, he or she can log-in to the website and browse entrepreneur profiles on the site, reading about their business. Also available on the site is information about the borrowers' lending MFI, which receives a one-to-five 'star rating' from Kiva based on several performance factors. The person can choose an entrepreneur and lend increments of $25 through the entrepreneur's MFI by using PayPal on the Kiva website.

If a borrower pays back the loan over the next 6-12 months (or if the MFI guarantees repayment of the loan), then during the course of the loan repayment period, lenders will receive automated messages from Kiva reporting on repayments, and the lender receives his or her money back in small increments into his or her Kiva account from the partner MFI. The lender may also receive journal updates about the borrower from the MFI via email.

The Kiva borrower experience. On the opposite end, borrower experiences vary greatly depending on the MFI and location. Generally, a borrower approaches an MFI for a loan, and the MFI vets the client for his or her credit worthiness. If approved, the borrower is often part of a cell group of clients, and his or her loan is guaranteed by fellow members. The MFI then collects the client's profile information and photo, and posts it on the Kiva website. Sometimes the MFI waits until the loan is funded on the site before distributing it to the borrower, and in other cases, the MFI distributes the money right away to the borrower and then is reimbursed by the monthly Kiva payment that reflects the amount raised on the website (Flannery 2009). See *Box 6.1* for a breakdown of statistics about Kiva borrowers, lenders, and MFIs.

Box 6.1: Kiva Borrowers, Lenders, and MFIs as of November 1, 2009

Total value of all loans made through Kiva:	$100,033,685
Number of Kiva Lenders:	583,935
Number of countries represented by Kiva Lenders:	185
Number of entrepreneurs that have received a loan through Kiva:	245,637
Number of loans that have been funded through Kiva:	142,305
Percentage of Kiva loans which have been made to women entrepreneurs:	82.67%
Number of Kiva Field Partners (MFIs):	106
Number of countries Kiva Field Partners are located in:	49
Current repayment rate (all partners):	97.87%
Average loan size (This is the average amount loaned to an individual Kiva Entrepreneur. Some loans - group loans - are divided between a group of borrowers.):	$405.06
Average total amount loaned per Kiva Lender (includes reloaned funds):	$171.18
Average number of loans per Kiva Lender:	4.90

(Kiva, 2009b)

Kiva logistics. Kiva lenders do not earn any interest on their loans and Kiva does not charge any interest, nor does it charge lenders for the services associated with online money transfers and currency exchange fees. MFIs choose the interest rates that they charge their clients, and MFIs are also responsible for covering banking fees associated with sending money back to Kiva. MFIs also cover currency devaluations less than 20%, but Kiva recently instituted stop-loss protection, assuring that lenders would cover the currency exchange risk above 20%. Lenders are at risk of losing money if their borrowers default. For more information about Kiva's financial model, see *Box 6.2*.

Box 6.2: Kiva's financial model

Kiva has two streams of finance through the organization, its loan volume, and its revenue. The loan volume, or the money that is lent via the Kiva website goes directly from lenders to MFIs, and neither Kiva nor their partners take any portion of that money.

Kiva's operating expenses are covered by additional revenue, which comes from three sources - optional lender fees, 'float,' or expired gift certificates. Optional lender fees are tax-deductible donations that lenders can choose to add on top of their loan to cover Kiva's expenses . . . five out of ten users choose to donate an additional 10-15 percent of their loan amount to Kiva. The 'float' comes from interest accrued during the time the money is received from lenders and distributed to the MFI at the end of the month. Finally, Kiva can collect unused gift certificates as allowed by law after a certain period, and this money becomes revenue for the organization.

Kiva has operational sustainability goals and goals for a low 'leverage ratio.' In 2005 Kiva was operationally self-sufficient with these three sources of income, but since then it has raised growth capital from a small number of foundations and donors that have brought the organization from a few people to a staff of 35 people. Kiva sends at least $8 to low-income entrepreneurs for every $1 spent on operations.

The vast majority (80% in 2007) of lenders re-lend their money after being repaid by borrowers, so the total loan volume continues to grow as lenders re-lend, make new loans, and recruit new users to the site.

(Flannery, 2007: 51; Kiva, 2009a; Kiva, 2009b; and Flannery, 2009: 37)

In general, the money transfer process is more automated than it originally appears to many visitors to the Kiva site; money does not go directly from a lender's bank account to a borrower's bank account. Instead, the MFI receives monthly payments from Kiva, based upon the clients that it posted for fundraising on the site. During the life of a loan, MFIs are supposed to send at least one journal update about the borrower and the impact of the loan on the borrower's business. Currently there is

only a 25% chance that lenders will receive a journal update about their loans, which means that many MFIs do not have a reliable strategy for posting journal updates. Journal updates go directly to the lenders' email accounts, and lenders have the opportunity to leave comments on the borrowers' profiles as a response to the update.

Kiva claims that the benefit of the Kiva system, above, is that users "get a unique experience connecting to a specific entrepreneur on the other side of the planet" and that "microfinance partners can do more of what they do, more efficiently" when people lend using Kiva.org (Kiva, 2005e). In reality, MFIs do benefit from the interest-free capital that Kiva provides, but there are some staff-related costs associated with being a Kiva partner, including responsibilities for posting photos, profiles and journal updates. The next section about the Kiva/K-MET partnership will detail some of the responsibilities associated with being a Kiva partner.

6.1.3   The Kiva/K-MET partnership

This section will provide a snapshot into the Kiva/K-MET partnership. It will address some of the partnership challenges that the investigator encountered during her Kiva Fellowship in order to give the reader an idea of how one partnership operates. Much of the information in this section comes from an unpublished report by Joel Carlman, called *A Primer on the Kiva and K-MET Revolving Loan Fund Partnership,* submitted to Kiva and to K-MET as a final report on his Kiva Fellowship (which took place during the same months as the author's Kiva Fellowship).

K-MET as a field partner.   As described in *Box 1.2* (p. 5), Kisumu Medical & Education Trust, or K-MET, is a community-based organization founded by a group of Kenyan professionals in 1995 who sought to meet the needs of individuals without adequate health and education programs in Kenya. K-MET is not a traditional MFI partner for Kiva in that it is not a mainstream MFI; K-MET is a community-based organization that offers microcredit to its beneficiaries in order to meet its social objectives. K-MET does, however, have some of the same responsibilities and benefits of any 'average' Kiva MFI partner.

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K-MET's main focus is reproductive health and education. One of K-MET's main development projects is the 'revolving loan fund,' which provides small loans of about 10,000-90,000 Kenyan Shillings[14] to volunteer community health care workers who are 'K-MET members.' These K-MET members can use the loan to boost their own businesses so that they can have the resources to make regular volunteer visits to sick 'clients' in their neighborhoods. These loans are primarily funded by lenders on Kiva.org.

There are approximately 500 K-MET members who have received loans from the organization since the inception of the revolving loan fund in 2006, the same year that Kiva and K-MET began their partnership (Carlman, J. 2009: 4). K-MET was among Kiva's first group of partner institutions. During the author's Kiva Fellowship, Kiva lenders were the primary source of capital for the revolving loan fund, although both Kiva and K-MET were working to find other sources of funding to balance out K-MET's portfolio. Kiva's current policy (which was instituted after the beginning of the K-MET partnership) is that Kiva only provides 30% of the overall lending portfolio, in order to protect the MFI partner and their clients. J. Carlman explains that "as one of Kiva's first partners, K-MET may be a little bit behind on what the current standards are for newly admitted field partners," in regard to this and other newer Kiva policies (*ibid.*: 6).

The functioning of the Kiva/K-MET partnership. Both the investigator and J. Carlman found that there were some issues with data inaccuracy with some of K-MET's loans – mostly involving different loan duration, loan amounts, and disbursal dates for borrowers that were different than was reflected on Kiva.org. Kiva was concerned about this inaccuracy and provided that feedback to K-MET, who has since resolved most of the issues causing the unintentional errors. In several cases the problems were due to misunderstandings about Kiva policies. In the same report, J. Carlman points out a few other known issues in the partnership, such as "sporadic" implementation of the client waiver[15], confusion about accounting issues, approximate

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[14] 10,000 – 90,000 Kenyan Shillings is equal to approximately $133 - $1,200.

[15] The client waiver is a form that a Kiva borrower signs which gives Kiva and the MFI the permission to use their words, their story, and video or photos of them on the internet. Ideally, Joel Carlman explains, "the waiver should be presented to each new borrower of the MFI and the borrower should be

but not actual reporting of borrower repayments to Kiva site[16] (which is not against the terms of the agreement, but is not ideal for either organization), and K-MET providing an insufficient number of online borrower journal updates (*ibid*., 2009).

K-MET has one staff person working full-time to coordinate the revolving loan fund, and there are approximately four other staff members – including the Executive Director of the organization – who have regular input into the operations of the fund and the Kiva partnership. The burden of the Kiva partnership weighs heavily on the shoulders of the Revolving Loan Fund Coordinator – this person is responsible for the management of the loans as well as the profile posting and journal updates. K-MET had relied on Kiva Fellows to help do some of this work for the majority of the partnership, but following the author's placement at the institution, K-MET decided to find more institutionally sustainable ways to implement the partnership. This included the utilization of local volunteers and K-MET members (borrowers) to help collect the borrower information and photographs for profiles and journal entries – without the help of Kiva Fellows. Kiva provided K-MET with some extra computers and cameras to help facilitate this process, but K-MET was responsible for implementation. As of November 2009, feedback about the success of this transition to local resources was not available.

J. Carlman describes that after his Kiva Fellowship, it was "still unclear" to him "how the Kiva/K-MET partnership has affected K-MET's plan for institutional sustainability" (2009: 5). The plan for using local volunteers, above, was an

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given the opportunity to sign or refrain from signing *without their decision affecting whether or not they can receive a loan from [their MFI]*." (2009: 9). The waiver was instituted after the inception of many partnerships and from the investigator's conversations with other Kiva Fellows, it seems to be implemented sporadically. It is Kiva's policy that all Kiva borrowers sign a client waiver.

[16] 'Reporting' is a Kiva term for the process of submitting financial reports to Kiva on a monthly basis detailing the specifics of borrower repayments. As it stands now, automatic repayments are made from the MFI to Kiva to Kiva lenders under the assumption that the borrowers pay back regularly. Some MFIs do not have the capacity to input individual borrower repayment/default information, which may mean that they 'guarantee' a loan on behalf of their borrowers – which is not entirely transparent to lenders. J. Carlman explains some of the drawbacks of not 'reporting' for both Kiva and the MFI: "Kiva profiles also often represent approximate, rather than exact disbursal dates for loans . […]This means that even if a loan is paid back early, the Kiva system repays lenders at the prescribed, automatic pace rather than reflecting reality. In this way, K-MET is subject to additional currency risk by holding onto funds that will eventually be paid back to Kiva." Furthermore, he adds, without 'reported' information , it is challenging to assess the programme's sustainability, set interest rates for loans, and identify weak points in the process" (2009: 11-12).

important move towards project sustainability, but there are still several other issues to be resolved before the whole revolving loan fund or even the institution could be sustainable. J. Carlman explains that "one of the missions of K-MET is to become completely sustainable, but it seems likely to me that currently, the microfinance programme is a slow drain on resources [. . .] rather than contributing to K-MET's overall operating budget" (2009: 5). K-MET is caught in the familiar microfinance debate between raising interest rates to make the project a source of sustainable income for the institution, or to keep interest rates low in order to meet the organization's social mission.

The issues raised above are present in many Kiva/MFI partnerships, and they are evolving; K-MET's condition could be very different today than it was the day that J. Carlman's Kiva Fellowship report was written in August of 2009. The purpose of describing the details of this partnership has been to provide a snapshot about the technical challenges that MFIs can face in working with Kiva. Some of the challenges are a result of Kiva's commitment to transparency, which requires transparency on behalf of the MFIs as well. Other challenges come from miscommunications, misunderstandings, and other challenges faced in any partnership between organizations. While K-MET does not represent a 'typical' Kiva partnership because it is not a traditional MFI, it does reflect common problems that can exist in the relationship. Kiva has microfinance partnership managers based in San Francisco who occasionally visit the partners, but Kiva frequently uses Kiva Fellows to be the first line of personal communication between Kiva and the MFI to work out these types of issues.

6.1.4   Current and future Web 2.0 integration for Kiva

In a slight shift of focus, this section will explore to what extent Kiva integrates Web 2.0 concepts and technology. It will look at the organization from an institutional level as well as a technical level.

Kiva and Web 2.0 thinking. At the institutional level, Kiva's Chief Technology Officer, Sam Mankievicz, describes "all of Kiva as a platform/marketplace, bringing together interested lenders and borrowers in ways that are only possible because of the network" (Mankievicz interview). This is in-line with O'Reilly's (2005b)

definition of Web 2.0 as "network as platform . . . making the most of the intrinsic advantages of that platform." Mankievicz claims that the Kiva "business model itself is very Web 2.0," because "having someone from the US contribute $25 of a $600 loan to a farmer in Africa wouldn't even be close to cost-effective without the internet." In that regard, this author agrees that the whole concept of Kiva is a strong reflection of Web 2.0 because it takes advantage of the "opportunities of the platform" (O'Reilly, 2005a).

Furthermore, in a presentation about Kiva and Web 2.0, Kiva founder, Flannery, and President, Shah, described how Kiva is providing microfinance funds to the "long tail" of microfinance clients in the world (see the footnote on p. 39 regarding the 'long tail' concept). The clients that Flannery and Shah refer to work with the "extremely small, opaque, unsustainable" MFIs that do not have the ability to secure favorable commercial funds. Kiva is able to partner with these MFIs, and to help them build a bridge towards sustainable sources of funds beyond grants and unfavorable debt. Flannery describes Kiva's ideal portfolio as a "combination of very established MFIs," and the less-established MFIs "who are a risk to other microfinance investors" – the ones in the long tail (Flannery 2007: 48). The concept of the long tail implies that these harder-to-reach clients, when given access to the network, can be strong contributors to the Kiva system, and can benefit from access to the platform. From a developmental perspective, this long tail implies providing access to the poorest-of-the-poor who don't have access to other resources they need, or to smaller non-governmental organizations like K-MET, whose mission is broader than just microfinance, for example.

Finally, on a conceptual level, Kiva reflects Web 2.0 in that it thrives as a result of user referrals. The viral popularity of the Kiva concept is what has driven its growth – not marketing or advertising. Mankievicz says, "We depend on lenders to attract other lenders" in order to spread the word about the site. While media relations has been an important part of the organizations' growth, there is "no marketing department in the traditional sense and certainly no budget there" (Mankievicz interview). The concept of user-driven (or citizen-lead) growth is at the core of Web 2.0.

Kiva and Web 2.0 technology. As to the actual Web 2.0 technology that is used, Mankievicz provides five major examples of Web 2.0-driven technical integrations. First, he explains, *"we integrate a bunch of external services (PayPal, YouTube, Amazon s3/cloudfront, Google maps, salesforce, xe, recaptcha, akismet, and probably more…)*[17]*."* This is an example of the 'collaboration' principle of Web 2.0. Next, Mankievicz explains that, "we expose our data in ways that can be consumed by other services. The API [application programming interface][18] has made that more explicit this year, but even from the very beginning we had RSS feeds" (*ibid.*). With this idea, Mankievicz is most likely referring to the "openness" that characterizes Web 2.0. His example is Kiva's API, where Kiva opened its data to be re-used by the public in any form that they choose. Some of the features that private users have created have then been integrated on the Kiva.org website. Furthermore, Mankievicz explains that "the site itself doesn't have a whole lot of ajax or complex JavaScript[19] in it, except for small doses on a few key pages," meaning that it is accessible to outsiders wanting to access the growing content on the site. Finally, he says that, "I guess we allow lenders to upload a picture of themselves and publish their own profile pages, but that seems more like a feature to me than big technology piece."

Overall Web 2.0 integration. While Kiva's business model is closely related to Web 2.0, and Kiva uses Web 2.0 technology, recall that the study by Ashta and Assadi (2008) revealed that Kiva is not a perfect Web 2.0 model (see p. 46). Firstly, the Web 2.0 technology and features on Kiva.org impact the various Kiva stakeholders differently. The Chief Technology Officer explains that "the implementation of Web 2.0 technology itself has been much more complete, much more automated on the lender side of the equation" (Mankievicz interview). It is not just that borrower

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[17] It is not necessary to describe each of these websites/services to understand Mankievicz' point. It will suffice to say that Kiva engineers have integrated information and software from various different companies to work on the Kiva.org site.

[18] An API is an application programming interface. Kiva's API is a set of programming instructions for accessing Kiva.org's online data about loans, borrowers, etc. Kiva Fellow morrisctm described Kiva's API as "essentially an open source tap into all the data in Kiva's system that doesn't violate anyone's privacy" (Kiva Fellows online interview). Kiva released their API in order to allow outside software developers to create their own programs that use the Kiva data. Some examples of outside projects that use Kiva's data are http://kivadata.org and a Kiva iPhone application.

[19] Ajax is shorthand for asynchronous Javascript and XML. In this situation Mankievicz presumably mentions Ajax and Javascript because these web development tools can sometimes prevent indexing and searching of web content to outside programs.

interaction is limited compared to the lender experience; borrower interaction and borrower experience via the website is simply non-existent. There are no ways for borrowers to interact with each other using Kiva.org itself. The limited borrower integration that does take place is mediated through other Kiva stakeholders.

Future integration. As for how Web 2.0 will change Kiva in the future, Mankievicz (*ibid.*) offered a few examples, many of which are intended to improve the lender's user experience. The first idea is, "better personalization/recommendations" for lenders. Kiva is looking toward automated suggestions based on individuals' lending patterns and preferences. Next, Kiva also hopes to "do a better job of keeping lenders engaged with the stories in-between repayments," including higher journaling rates and other features that maintain lender interest and activities while their borrowers are repaying. Kiva is also working on "integrating Kiva with communities that already exist." After this interview took place, Facebook announced that Kiva would be one of the four initial charities present in its new "virtual gift shop" where Facebook users buy virtual credits (with real money) to donate to (or lend via) its charity partners (McCarthy, 2009). This is just one example of how Kiva can integrate with other existing online communities.

There are also a few plans for future Web 2.0 integration that impact other stakeholders' experiences with Kiva. For example, Kiva is working towards "better feedback loops" for lenders about their "social returns," or borrower outcomes (Mankievicz interview). Kiva is currently working towards a system of social performance monitoring of its partner MFIs, which will rate each MFI by its social performance, a metric that will be derived from Kiva's own data as well as data from key partners in the world of microfinance evaluation. Kiva will also be looking to implement "better feedback loops" for lenders about the types of loans lenders prefer (*ibid.*). In this sense, Mankievicz says that Kiva "hasn't really done much to get the potential wisdom from our crowds," when it comes to user data. Finally, Kiva is working on "optimizing information exchange with MFI's systems" in order to "reduce their cost of Kiva by fitting in with their existing systems and operations" (*ibid.*) This Web 2.0 style integration could help MFIs lower their costs, and could further lower borrowers' interest rates on Kiva loans.

The first part of this chapter has served to answer Research Question 2: *What is the nature of Kiva.org's operations, with specific reference to its work in Kisumu, Kenya?* The findings offered several examples of how Kiva reflects the Web 2.0 model and how it integrates Web 2.0 technology. This information is an important basis for Part 2, next, which compares Development 2.0 principles to the organization.

6.2. Results Part 2: Kiva and Development 2.0

As Part 2 of this chapter, this section will present the results relating to Research Question 3: *How Do Kiva's Activities Relate to Development 2.0?* As a brief review, this study's working definition of Development 2.0. is as follows:

> *Development 2.0 is the application of Web 2.0 principles to development studies – facilitating citizen participation and voice, encouraging collaboration, increasing transparency and enabling relationships – with the aim of initiating new iterations of development that improve human well-being.*

The results will be presented in relation to the four (re-ordered) principles: *encouraging collaboration, increasing transparency enabling relationships, and facilitating citizen participation and voice.* The data naturally divided further into sections relating to different Kiva stakeholders. Therefore, the findings will be presented in terms of how Kiva does or does not reflect specific Development 2.0 principles for each of the five main stakeholders: Kiva borrowers, Kiva lenders, Kiva staff / the organization itself, Kiva Fellows, and partner MFIs.

6.2.1 *Encouraging collaboration*

Flannery and Shah, Kiva's founder and President, both claim that Kiva operates under several Web 2.0 principles. One of the principles that they claim to follow is to "crowdsource against constraints" (Flannery and Shah, 2009). On a macro level, the whole Kiva platform operates as a form of 'outsourcing' microlending; rather than leaving the task to a small number of capital-lending organizations. Kiva takes advantage of its over 100 thousand individual lenders, and is able to distribute risk and deliver risk capital unlike any commercial funding source (Flannery and Shah, 2009). The Kiva system allows borrowers to access other people's capital for the

purpose of their own entrepreneurial ventures. This is a unique interplay of the concepts of microfinance and crowdsourcing. Kiva Fellow Rob describes this as "perhaps one of the greatest forces that Kiva has harnessed, the socio-cultural market trend of volunteerism and 'greater good consumerism'" (Kiva Fellows online interview).[20]

On a more micro, operational level, "crowdsourcing against constraints" primarily means that operational limitations such as staff time or staff expertise are often 'outsourced' to interested volunteers such as Kiva Fellows, Kiva interns, and translation/editing volunteers. This helps save on administrative costs for the relatively new non-profit organization. Kiva's Chief Technology Officer lists some of the outside parties that collaborate to drive and improve the Kiva system. "Volunteers, interns, corporate labor" are just a few that have "been tremendously helpful." He acknowledges that Kiva has "done a better job of facilitating/empowering" some more than others, but that nonetheless, outside, unpaid workers have provided valuable work for Kiva.

The Kiva Fellows program is one of those forms of crowdsourcing, where skilled individuals volunteer to work as Kiva field staff, according to Rob in the Kiva Fellows online interview. Kiva Fellow Nancy describes the Kiva Fellows Wiki as an example where "Kiva Fellows can create, share, edit, categorize and exchange information, even though we are spread out across the world." The Kiva Fellows frequently share resources via email and the Kiva Fellows Wiki, and are thereby widening the knowledge and resource base available to MFI partners. MFIs benefit from the knowledge transfer that happens between Kiva Fellows; as Fellows work together to problem solve from disparate locations, they are able to share their solutions and best practices with their host MFIs.

Kiva also encourages collaboration from the wider "Kiva community" on a large scale with their volunteer editor program, the volunteer translator program, and the developers' API. "These are areas where there are few barriers to entry and high

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[20] The participants in the Kiva Fellows online interview each chose a name to identify themselves. Most of them gave their first names, so they are all referred to by either their first names or by the other code-word that they chose.

participation," claims Kiva Fellow Morrisctm. However, Morrisctm also says "they still have not reached a critical mass where I would consider that they are "crowdsourcing" or strongly encouraging collaboration in other areas.

Kiva's Chief Technology Officer, Mankievicz explains that "Kiva hasn't done much to get the potential wisdom from our crowds" when it comes to collecting or generating user data from lenders, however. As described on pp. 79-80, Kiva does have plans to use this data in the future, but this has not been an immediate priority for the organization.

There is little that can be said about Kiva's crowdsourcing as it relates to Kiva borrowers. There isn't a Kiva-wide policy about encouraging MFIs to also crowdsource from borrowers for the constraints they experience, but this as a tactic that was taken on by K-MET during the author's Kiva Fellows placement. K-MET found it difficult to collect information for journal updates due to limited staff resources. Therefore, K-MET decided to organize groups of leaders among the borrower groups that would collect the information themselves, using tools developed by Kiva Fellows. This type of crowdsourcing looks to the borrowers, or the 'target' of the development initiative for solutions, and is in-line with theory behind Development 2.0. As volunteer borrowers themselves are working together to collect information for journal updates, the voice that is represented in borrower profiles and journal updates may be closer to the 'citizen voice' that is the aim of Development 2.0 interventions. K-MET is a community based organization, and not a for-profit MFI, so this 'crowdsourcing' solution would not work across the board for all Kiva partners. However, the idea that Kiva borrowers are viewed as having assets and abilities that they are given responsibility to contribute and to solve problems, along with the idea that they are a valid 'source' of resources are each important concepts that can be transferrable to other MFIs.

6.2.2 *Increasing transparency*

Another Web 2.0 idea that Kiva claims as a guiding principle is to "be radically transparent," because "transparency leads to accountability which leads to trust" (field notes, 21 May). Flannery claims that transparency was "our best weapon against the

challenges of growth," explaining that "this model thrives on information, not marketing" (2006: 56). The organization demonstrated their commitment to the principle during their first crisis with co-founder Moses Onyango. Since then, Kiva has demonstrated commitment to transparency in both times of crisis and in day-to-day operations.

On an organizational level, the Chief Technology Officer claims that, "from the beginning, Kiva has exposed our data in ways that can be consumed by other services" (Mankievicz interview). A Kiva Fellow named Sarah also argues that as an organization, Kiva is transparent. "I also think that Kiva is very transparent about their organization including internal processes, repayment, challenges they face, and a huge amount of information about exactly where all the money is. They also make a big effort to make sure this information is not only available but readily available" (Kiva Fellows online interview).

Much of the focus on transparency for Kiva is this organizational or institutional transparency. This macro-level "business" transparency is important, but Development 2.0 doesn't seek transparency for transparency's sake. The important question that the investigator sought to answer was, "transparency for whom?" (field notes, 20 May). In the case of Kiva, all stakeholders should benefit from the organization's transparency, especially the borrowers, who are the 'subjects' of development from this organization. The next sections will review how Kiva's policies and operations relate to the principle of transparency, and how that affects different stakeholders.

Transparency and Kiva lenders. Kiva's institutional transparency primarily affects lenders who are contributing finances, staff and fellows who are working with the organization, and MFIs who are partners to the organization. While the benefits might 'trickle down' to the borrowers, the primary stakeholders in institutional transparency are the lenders.

Kiva claims that it wants lenders to be able to make informed choices, therefore they want to be forthright about data inaccuracies and defaults (field notes, 21 May). Sarah, above, claimed that Kiva frequently makes information "readily available," to

lenders, and she gave the example of customer conference calls during the launch of United States MFIs. However, during the online Kiva Fellows interview, Andrea made the point that "information is available" to lenders about how the Kiva process actually works, but "if you take your everyday average lender, how much do they really understand the information and the numbers they can see?" For example, she asks, "do lenders really get that their $25 didn't actually go directly into the pocket of 'fill in the blank weaver' in Vietnam? Do lenders really understand that an MFI with a 0% delinquency rate may actually have many late and delinquent clients?" These details about the logistics of the Kiva system are not hidden, but it takes some desire on the part of the lender to learn how the Kiva system actually works. This could be considered a 'lack of transparency' with Kiva lenders.

In October of 2009, an online debate developed beginning with a blog article by Roodman (2009), who brought up many arguments about transparency for lenders. A major issue was that most Kiva borrowers receive their loans before their information is posted and the money is fundraised on the Kiva site. (This was not new information, but like Andrea's statement, above – it was not readily apparent on the homepage of the site, either.) At least eight other bloggers posted 20 blog responses to this article (Ogden, 2009), and numerous readers posted comments about issues relating to lender transparency on Kiva. Flannery himself wrote a 'guest entry' on Roodman's blog addressing some of the issues that Roodman had raised. That week, the organization replaced the "How Kiva Works" diagram on the website (*Figure 1.1*, p. 4), which Flannery called "oversimplified to a fault," with the following new diagram, (*Figure 6.1,* on the next page) in order "to address this problem, in the short term" (Flannery, 2009a). The new diagram included more detail about the loan process. Flannery explained that this was a situation "where constructive criticism has contributed to a strengthening of Kiva as an organization" (*ibid*.). The online arguments are examples of varying opinions on Kiva's transparency with lenders, and also the organization's willingness to adapt in the face of criticism from this group.
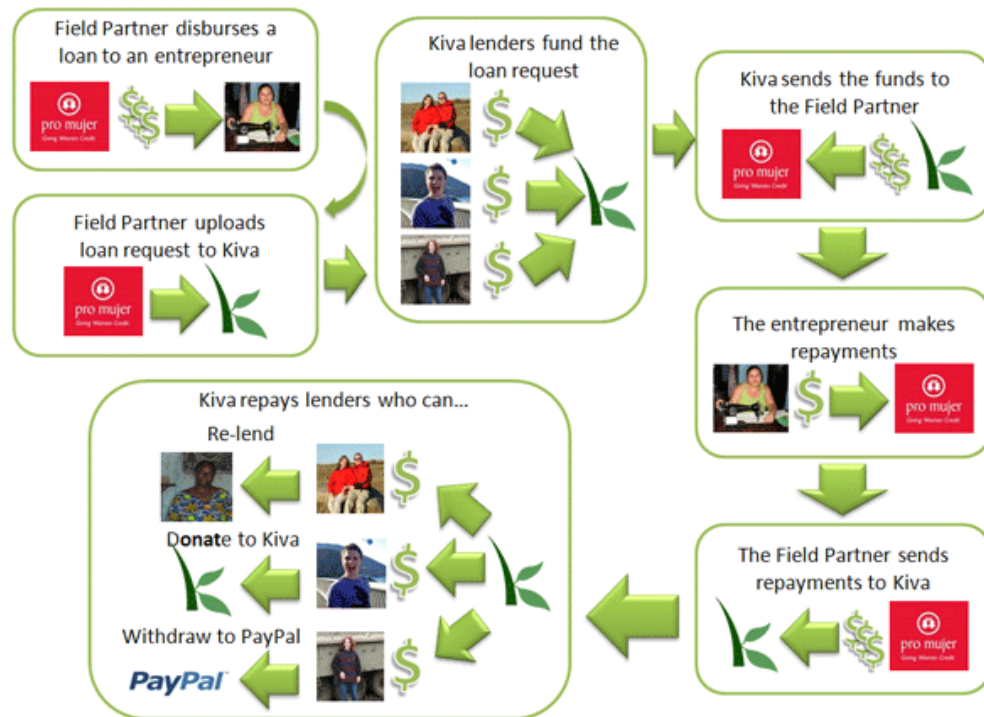
Figure 6.1   The New "How Kiva Works Diagram" from October, 2009

Transparency and Kiva's partner MFIs. Kiva is transparent about its dealings with MFIs in that if there is a problem with the MFI or its clients, the website will reflect it. Records of defaulting clients or untrustworthy field partners are not hidden away but are left on the site for users to read about the details of the situation. Kiva claims to be different from many international development organizations in that "the platform will deliberately show the negative as well as the positive stories" so that all stakeholders understand the reality involved with microfinance and with partner relationships (Flannery 2006: 56).

Kiva's commitment to transparency can affect MFIs (and subsequently clients of the MFI, or borrowers) in that MFIs are also asked to deal transparently with Kiva. Many Kiva Fellows gave the example that Kiva Fellows actively work to promote transparency at their MFIs during their Fellowships:

> "[a]s a fellow having had transparency banged into my head during training, I have tried to pass it along to my MFI. My MFI isn't transparent about anything…. In my dealings with MFI staff I try to make sure that they are always as transparent with each other as possible and understand the concept of return on information."
>
> (Kiva Fellows online interview: Morrisctm)

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Another Kiva Fellow, Nate, explained that "my partner was not very fond of being too transparent," and surmised that it could be "because the MFI thought that if things weren't cookie-cutter perfect then maybe Kiva would not agree to help them fundraise." But Nate insisted that Kiva values the transparent relationship with an MFI over "perfection." He gives this example: "if an MFI became more transparent on issues such as repayment default rates instead of guaranteeing loans all the time," (i.e. paying on behalf of defaulting clients in order to keep the MFI default rate low) then "Kiva won't punish the MFI for it; in fact Kiva applauds the transparency so much that an increase in default rate of, I think, up to 15% won't have an affect on the [MFI's star] rating!" (Kiva Fellow online interview: Nate).

Overall, Kiva's policy of transparency has the potential to affect transparency within partner organizations because of the staff interactions and the policies of the partnership. While some MFIs might not like having their default rates published on an online forum, the argument from the literature is that transparency is inherently beneficial, even in cases where reputations are at stake.

Transparency for Kiva staff and Kiva Fellows. Kiva Fellows claim that they are treated as valued Kiva representatives in the field, and they have access to a large amount of information about the organization that might be considered 'internal' or 'private' in other organizations. "I'm blown away by the amount of information we received and how we are to share information with all parties involved," explained Kiva Fellow Rob. Kiva Fellow Sarah said, "As a Fellow, I felt totally involved in the organization and as if I was trusted with the truth about the organization." In this sense, the fellows benefit from the organization's commitment to transparency.

Nancy claimed that Kiva Fellows also have the opportunity to work transparently during their fellowships: "Kiva Fellows share their experiences and views about development issues in the parts of the world where they are serving, offering insights [on the Kiva Fellows Blog] from an on-the-ground perspective, which others are free to voice opposing views or experiences" (Kiva Fellows online interview). This un-

edited weblog does offer the opportunity for transparency about the Kiva process, but it's not to say that some Kiva Fellows don't feel some need to protect the organization that they represent. This author, for example, chose to ask permission before publishing a blog article about how little K-MET borrowers actually understood the Kiva process (see the blog article in *Box 6.3*). While Kiva staff ultimately gave her permission to publish the article, this 'hesitation' is probably not uncommon for Kiva Fellows in the field who might feel an obligation to represent Kiva well, despite the 'truths' they uncover in the field.

Box 6.3: ***The researcher's Kiva Fellows Blog post identifying some gaps in the Kiva system.***

Explaining Kiva
28 August 2009
By Alison Carlman, KF8, Kenya

" It's this place, on the computer… like a bulletin board… where people post stories…"

Explaining Kiva isn't easy. It wasn't easy for me to explain Kiva to my Mom, (no offense, Mom) – so imagine me trying to explain Kiva to a Kenyan farmer who's never touched a computer and never even heard of 'the internet.'

As lenders, some of us hope that Kiva borrowers daydream about us in the way that we daydream about them. After all – we feel this connection with people half a world away because we've read their story and seen their photo – and we've shared a part of ourselves with them – a portion of our income, and perhaps a photo or a peak into our lending philosophy.

But as a Kiva Fellow it was my experience that many times borrowers know very little about their lenders. There are several reasons for this. The first – as I have alluded to – is the sheer difficulty of explaining Kiva to someone who has never heard of the internet, and cannot imagine how someone from Canada could know who they are. There is a steep learning curve along the road to understanding Kiva. (Read Matt Flannery's blog article about an encounter gone wrong in this regard). Furthermore, many times loan officers have so many other important facts to cover (about loan terms, social agendas…) that a thorough explanation of Kiva can be a tremendous burden for the staff. Borrowers already have a whole borrowing experience based around their MFI's brand and procedures – it is a lot to learn about a whole other partner organization and its system.

Like you, I could easily come up with 10 reasons why it's difficult to explain Kiva to borrowers. I understand why someone would say, "why should we burden these already over-burdened people with more information about the loan? Won't they be better off if it's simplified for them?" But I didn't actually know– ***would the lenders be better off with a simpler explanation***? I decided that I'd like to ask the borrowers myself – "how important is it to you to know the story behind your loan?"

(…Box 6.3 continued.)

As part of my research for a larger Kiva case study, I conducted formal focus groups with Kiva borrowers in Kisumu directly related to this issue. Another Kiva Fellow gave the participants a 20-minute demonstration explaining the Kiva system using charts, handouts and photos, and when he left, I lead a discussion inquiring into the borrowers' reactions. Here's what I heard:

- "I didn't know it [the money] was meant to be taken back and given to other people. Now I feel encouraged after knowing this and I am going to work hard to pay back for other people to have it, and for me to have it another time."
- "I'm very grateful and actually feel that there is love outside there for people… to lend money to people they have never met and don't know apart from just reading their profiles on the internet. It makes me encouraged. Because I feel at least someone outside also thinks about me…"
- "Through support, I think even me I want to work hard to be among the bottom people [lenders] who are lending also, because me I have been supported."

Kiva has left it up to the MFIs to decide how they want to deal with explaining Kiva. Kiva's first policy on this is "do no harm" – they have implemented a client waiver so that Kiva borrowers at least know that their photo and story will be viewed by many people around the world. But, as in many things, Kiva trusts the MFIs to come up with solutions to implement the Kiva partnership as they know their clients and capabilities best.

There are MFIs who do explain the complete Kiva system, and the growing presence of Kiva Fellows in the field also helps to enhance the borrower side of the connection. I've left my results and recommendations in the hands of my MFI to decide how they will respond to their clients' feedback. In the meantime, you can expect that Kiva Fellows and MFIs are constantly working to come up with local, relevant, creative ways to connect us all through lending for the sake of alleviating poverty.

As for me, I'm taking to heart the words of a borrower who does know about Kiva. She said that she wanted to tell lenders to "go on making support to other people." She's trusting that as she pays back her loan, the money will go to someone new who is in her shoes.

She wants to tell you, "thank you a thousand times" and she says, "these people, may God bless them, and if I could just see them with my own eyes, the embracement I would give them, no one would be able to imagine. I'm unable to express my gratitude. I am very happy."

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Alison Carlman is finishing her 11th and final week as a Kiva Fellow in Kisumu, Kenya with K-MET. She assures you that her Mom is actually really smart.

3 Responses to "Explaining Kiva"

1. *Vicki* Says:
   Another interesting view of the KIVA program. I would think that it is important for the borrowers to understand that the lenders not only give financial support, but believe in them enough to trust that they will be successful in their endeavors. Good for their self-esteem? Thanks for sharing again Alison! You are an amazing woman.

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(…Box 6.3 continued.)

2. *Jan & John* Says:
   Wow, thanx for sharing… those borrower reactions "Now I feel encouraged" and "love outside there for people…". And thanx for helping to make our world smaller and more loving by trying to explain Kiva. jan

3. *Unilove* Says:
   Alison, such a touching and thoughtful post… Speaking for myself, when I lend, it is with an open heart and a hope and belief in the borrower… thank you for sharing…
   Unilove aka Lisa
   Kiva Fellows fan

   (Carlman A., 2009b)

Transparency and Kiva borrowers. The investigator found that in practice, Kiva's core principle of transparency was not always properly communicated or shared by all of Kiva's staff or partner organizations. The investigator found through personal interactions with K-MET's Kiva borrowers that these individuals knew little-to-nothing about Kiva and where their loan money comes from. During Kiva training, a Kiva staff person told the investigator that "usually in Kenya, it's best to not tell borrowers that their money is coming from 'mzungus' [white people] because they think that 'mzungus' don't need to be paid back" (Field Notes, 20 May). Furthermore, when approached about the subject of borrower transparency, a member of K-MET management questioned why one should explain the Kiva system to borrowers. Essentially, the K-MET staff person asked, "why should we burden these already over-burdened people with the information that the loan money first comes from different people and then goes to K-MET? Can't we just tell them it comes from K-MET?" (field notes, 29 July). Clearly, Kiva as an organization, its staff, and its MFI partner all held different perspectives about the importance of transparency when it came to the Kiva borrowers.

Therefore, the primary purpose of the focus groups was to introduce the Kiva system to the borrowers, and to determine whether or not Kiva borrowers even had a desire for participation, collaboration, transparency and relationships as a result of their interaction with their Kiva partner. When given the option of transparency, did they even want to know about the money behind their loans? After the "Kiva lesson"

during the three focus groups, participants were asked how they felt after having learned about the Kiva process. The full transcripts are available on the appendix website, but below are some representative responses from the three focus groups (many are in the words of the translator) [21].

Many participants said that they were surprised to learn about the Kiva process, because they thought that K-MET's revolving loan fund came from a donation to K-MET that did not need to be repaid. "She is surprised, so surprised that this money comes from different people, not just from K-MET. Because she also thought it was a donation. But now she is going to work very hard to ensure that she pays back that money. She feels encouraged. Yeah." (GR2P10).

The majority of the participants said that they felt encouraged to know the story behind their loans. For example,

> "she feels quite encouraged and insists that she's going to teach her group members and tell them exactly where the money comes from. The money that then helps her to assist her patients when she goes out for home visits. And she feels actually people love her, outside there, if people can come all the way from India just to donate some money to her, it feels great."   (GR2P8)

Most of the respondents said that the information made them want to work harder to repay their loans. "GR2P2 says she's…grateful, and she says now that they have understood the process that the loan goes through, it will even make them add more effort to repay their loans in order that they can get it again." One participant (GR3P8) even expressed a desire to become a lender himself: "Through support, I think even me I want to work hard to be among the bottom people [on the chart] who are lending also, because me I have been supported."

Overall, the participants expressed that they believed it was important for borrowers to have more information about the Kiva process. The translator explained, "Alison, they are saying that they wish they could get such information before they are given the loan. That way they are aware of what they are getting into…they are saying it's like, it should be a must that they are getting this information."

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[21] Each focus group participant was designated a code in order to keep their identities confidential. The code refers to the group and the participant; GR2P2 is Group 2 – Participant 2. The responses are generally in the words of the translator.

Many of the focus group participants asked more detailed questions about the Kiva system. For example, some asked, "do they get interest, the lenders?… are they ordinary people, or are they tycoons, those who have a lot of money?" (GR3P6). "Is it possible to have a situation whereby somebody doesn't have any lender interested in their story?" (GR3P4). Other participants were concerned about sustainability of the system: GR3P2 said, "now that there's not any interest that these people get, the lenders get, is there an agreement between the lenders and K-MET so that they can continue giving K-MET money to give them?" GR3P8 said, "I want to ask how can these people continue in partnership, because… lenders, organization, and then the borrowers… how can they continue? Because you find that if they leave an organization they go to another one, there are so many changes. " This borrower was concerned that a complicated system relying on individuals tied to organizations might not be sustainable in the long run. Others were interested in ensuring that there was fairness and accountability in the process:

> "[w]hat he's saying is, at times the interest rates are too high for the borrowers. So if there was something specific or a process which would ensure that the borrowers are not, uh, they don't pay a lot of interest, at the same time, it would give room for the lenders to continue to giving the organizations some money." (GR3P6)

After prodding and probing for dissenting opinions, the investigator found that the vast majority of borrower/participants expressed an interest and a desire to learn about the Kiva process. Other Kiva Fellows who have experience interacting with borrowers claimed that the majority of the borrowers they meet "don't care where their money comes from" (Kiva Fellows online interview: Laura). This opinion is contrary to the data established by this study with this set of borrowers in Kisumu, but it could be an accurate reflection of the situation in other communities, or it could reflect a presumption based upon attempts to explain the Kiva system to borrowers in other ways than was done in this study. However, in this setting, these Kiva borrowers expressed a desire for transparency from Kiva and K-MET.

In the email interview, Kiva's President, Shah, said "it is very important to us that over time, the borrowers funded on Kiva are getting increasing amounts of value. In the short term while Kiva is still young and refining its model, the first and most basic principle is 'do no harm'." For him, this means the implementation of the client waiver, so that, "in all cases, Kiva borrowers should be aware that their image and

data is being used for fundraising and marketing purposes by the MFI." According to him, "Kiva's Field Partners, through the Fellows Program and other measures, have made solid progress in the last year around borrower protection and informed consent. Once we nail the basics, in the medium to long term, I would like to see Kiva's MFIs expand to giving borrowers funded on Kiva get [*sic*.] some kind of tangible value."

Kiva's managers are aware of the information void when it comes to Kiva borrowers, and they desire for borrowers to "get increasing amounts of value" out of the system. While the initial 'do no harm' principle around the client waiver is extremely important, it isn't clear that Kiva and MFI staff yet believe that much more needs to be done to increase transparency for borrowers' sake. Right now, it seems that the beneficiaries of the transparency are mostly the other stakeholders, especially lenders.

6.2.3   *Enabling relationships*

The next Development 2.0 principle explored in this case study was that of enabling relationships. According to Bonbright *et al*. (2008), one of the strengths of online social lending projects is the ability to facilitate relationships via the internet between stakeholders. However, in the same paper the authors determined that Kiva didn't maximize the opportunities available to form those relationships (see p. 48 of this dissertation). While the term 'relationship' is a complicated one and could have several definitions, the investigator chose to look at how well relationships are enabled in terms of what level of communication and interaction is facilitated between stakeholders.

One of Kiva's core principles is that "lending is connecting." When asked about the reality of this statement, Kiva Fellow Rob said, "I would have to disagree with . . . one semantic issue . . .   the word 'is.' Is lending connecting? No. Does lending enable and help connecting? Most definitely" (Kiva Fellows online interview). For Rob, it was a stretch to say that lending is the same as connecting. He claimed that the phrase is "a great tag line but it does come with some artistic license" (*ibid*.) Instead of getting too wrapped up in different interpretations of the words 'is' and 'connecting,' the author and Rob both chose instead to talk about communication and interaction. Rob said further, "has Kiva facilitated the conversation between these four groups? Absolutely. It is easier for these groups to interact. They are all able to

grow because their voices are now heard" (Kiva Fellows online interview: Rob). The rest of this section will describe to what extent the stakeholders are able to interact and communicate via the Kiva system.

Relationships for borrowers. As was explained earlier on p. 58, many times Kiva borrowers do not know anything about the Kiva system. If Kiva MFIs are not explaining the Kiva system to borrowers, then there is no chance for a relationship to be formed or facilitated via the Kiva website. A signature on a client waiver allowing MFIs to use a borrower's photo and story does not mean that borrowers understand Kiva. Kiva Fellow Morrisctm says that "even in signing the waiver a borrower may have no idea what they're getting into let alone that they are 'connecting' with someone." "Maybe the connection can be stronger if the borrower is aware of their existence on Kiva," says Kiva Fellow Nate. But according to Kiva Fellow Sarah, the problem is, "there is not much incentive for the MFIs to [explain Kiva to the borrowers] and it is both costly in terms of time and some MFIs worry that borrowers won't think they need to pay back this 'foreign' money, so there is actually a disincentive to explain the connection to borrowers" (Kiva Fellows online interview).

When asked about whether or not they would like to communicate with other stakeholders in the Kiva system, borrowers at K-MET in Kenya demonstrated a desire to have some sort of communication. GR1P7 said that she wanted to tell the lenders "that they are grateful, because these loans seem to be eradicating hunger." GR2P2 added, that "the lenders are doing something that even her own relatives were unable to do when she was down. Because she's been able, she's actually uplifted her life, and now somebody can say that she lives well. She's very grateful." Many of the participants also wanted to tell the lenders "to go on making support to other people" (GR3P7). One even expressed a desire "to let [the lenders] know how their funds have been used and how we're refunding them" (GR3P8). This borrower essentially described the 'journal updates' before the Kiva process for journals was explained to him.

According to Kiva Fellow Nancy, borrowers have, "time and time again, expressed their deep gratitude to their lenders, and I have even seen a woman break down in tears when expressing that gratitude and wonder that someone she doesn't even know

should give her such help through a loan." Kiva Fellow Morrisctm says that while "it's great to hear" this story, he feels that this example, from his experience, "definitely seems like an exception not the rule" (Kiva Fellows online interview).

K-MET borrowers in the focus group responded positively to the idea about communicating with other borrowers; "they are saying that they would be glad to talk to [other borrowers]. Mostly to share their experiences and also to tell them where the money comes from. So that they both understand" (GR2). In general, the borrowers' reactions depended on the information they knew about Kiva. When K-MET borrowers understood the Kiva system, they expressed that they were interested in communicating with the other stakeholders.

It's possible that as borrowers are better connected to technology, that they can benefit from Kiva-enabled relationships even more. Kiva Fellow Andrea worked with a new partner MFI in the United States. In the Kiva Fellows online interview, she quotes an American borrower who sent the following message to his 326 lenders:

> "I can't begin to express the gratitude to all those who helped give fruition to my dream. Your combined efforts have helped create a vehicle of opportunity not only for me and my family, but also for the families of whom I employ and the community I serve. What we have accomplished here together is a testament that as a community anything is possible and that community is not defined by geography, ethnicity, or other categorization of people, but by the innate willingness of people to want to help other people."

This same Kiva Fellow explained that one American borrower "even sent out a marketing plug to all of her lenders asking for referrals." It is possible that in the future, these types of communications might be more common on Kiva. However, if better access to technology enables more connections, Kiva Fellow Laura questions whether true connections between borrowers and lenders can ever be realized via the Kiva platform, explaining that "people with computers are not necessarily part of the poverty we are trying to alleviate." Several Kiva Fellows commented that technology and language continue to be a challenge to creating lasting relationships between Kiva stakeholders.

Finally, Kiva's President acknowledges that as far as relationships go, the Kiva experience is lender-centric. However, for the future, he said that he would. . .

> "like to see technology bring down the 1-way communication barrier we see today on the site. It would be wonderful if borrowers, motivated by discounted pricing and curiosity of other cultures, would connect with lenders via Skype, cell phone or other video messages. It's wonderful to see this in one off cases on Kiva today – I'd like this to become the standard interaction in the long term." (Shah interview)

The Kiva Fellows and borrowers interviewed as part of this study seem to agree that more interactivity would be an important improvement.

Relationships for Kiva lenders. This section enquires to what extent the Kiva platform enables relationships for lenders. "Lending is connecting for lenders to borrowers," according to Morrisctm in the Kiva Fellows online interview. This connecting acts as an emotional incentive for lenders, relating to Max-Neef's abstract needs for affection, understanding, participation, creation, and identity. Kiva Fellow Andrea describes one aspect of the lender experience:

> "As a lender something drew you to that borrower you chose; maybe you liked the picture, maybe the client lives somewhere you've visited or always wanted to go. My 92 year-old grandmother chose to lend to a hairdresser in Ghana because she owned a salon in New Jersey for years. That's powerful stuff."
> (Kiva Fellows online interview)

For lenders, learning about the person they are lending to can be a connecting experience.

From the beginning, Kiva's founders wanted to focus on relationships that were partnerships ("partnership" is a core Kiva value, see p. 72), rather than benefactor relationships. Flannery claims that when it came to lenders, he wanted to appeal to their "interests, not their compassion" (Flannery 2007: 40). However, in practice, lenders view Kiva relationships in a different light. According to Kiva's Customer Service Manager, "some see themselves as a patron, in the spirit of the child-sponsorship model. Others see themselves as a business partner. Most just want to help in some way" (Niemira interview).

Many lenders may feel like there is a connection, but that doesn't mean that there is actual interaction or relationship taking place. Kiva Fellow Laura claims that "journaling creates a false perception of the relationship" and Kiva Fellow Sue says that "Kiva's comments option gives a false sense of relationship building to the lender" because many lenders get the impression that the updates and responses to comments come from the borrowers themselves. However, Laura acknowledges that

this "perception of relationship has certainly furthered Kiva's mission." Sue believes that if the comments feature was made more user-friendly for MFIs to use, they might then make the effort to deliver the comments to the actual borrower. Then there might be some actual communication taking place between lenders and borrowers.

Kiva lenders can, however, build relationships with each other via the Kiva platform, and lending teams were one of the major examples given by Kiva Fellows in this regard. Kiva Fellow Laura discussed relationships created amongst Kiva lenders through a "hometown lending team." She described how lenders in her hometown "met up in person a few times a year and are constantly exchanging ideas, hosting debates and encouraging lending to one another via the Kiva platform." This is an example of how the online platform has been successful at facilitating offline relationships for lenders.

Relationships for Kiva Fellows. Kiva Fellow Nancy describes "many intimate connections with Kiva loan clients" as the "most rewarding aspect" of her Kiva Fellowship. The "fieldwork" experience gives Kiva Fellows the opportunity to get to know people in another part of the world on both a professional and a personal level. For Kiva Fellow Laura, "lending HAS meant connecting… to other lenders, and to an extent, to borrowers." But for her, lending has most importantly "connected [her] to an initiative and to an organization and cause [she] believe[s] in." Furthermore, Sarah explains that Kiva has facilitated "lasting friendships" for her with other Kiva Fellows. While Kiva Fellows are generally not the target for relationship-building in the Kiva system, real-world relationships are enabled by Kiva for Kiva Fellows.

Relationships for MFIs. Kiva is able to create relationships and networks between different partner MFIs, including those who might be in competition with each other. The Kiva Fellows gave several examples of this during the online interview: Nancy's MFI "had apprehensions about the [new foreign currency exchange policy], and Kiva encouraged them to communicate with other partner MFIs to perhaps come up with an alternative policy recommendation." Kiva also holds an annual "Kiva's Summit of the Americas" where Latin American partners "are invited to a one-day conference to jointly discuss Kiva policy and procedures, share experiences, and get to know each other," according to Andrea. Rob described how he was able to work with another

Kiva Fellow at a competing MFI to problem-solve about internal microfinance management software that both MFIs used.

Kiva also uses fellows to maintain the relationship between Kiva and MFIs. Kiva Fellows "put a very human face on Kiva throughout the MFI office" - even though "Kiva" itself is a small staff of only 35 employees working mostly out of San Francisco, USA. MFIs are generally able to communicate better with Kiva if they have a Kiva Fellow on-site working with them in a day-to-day capacity.

Finally, Kiva Fellow Velizara argued that the Kiva partner responsibilities themselves can promote positive relationships for MFIs and their clients. According to her, gathering journal updates is a way to encourage communication between borrowers and their MFIs, which can lead to more of the borrower's voice being heard, and a more helpful and "healing" relationship between the MFI and the borrower. In that sense, the Kiva platform can be a tool for creating better real-life relationships involving the MFI.

Real-world community building for Kiva stakeholders. Whether it is a real relationship or just an impression, the 'connection' is what has helped Kiva grow as an organization, lending over 100 million dollars to entrepreneurs (Kiva, 2009b). "It is this personal, intimate connection between individuals – knowing that your loan is going to Maria Dominquez to help support her banking business, that draws increasing numbers of people who may have never considered giving to FINCA or Pro-Mujer, to begin a sustained program of lending" (Kiva Fellows online interview: Nancy). In that sense, Kiva has been successful *through* enabling relationships between different stakeholders. The extent to which Kiva has enabled relationships for all of the stakeholders varies, however.

Kiva Fellows have the opportunity to think creatively about how to better connect different Kiva stakeholders. "It would be interesting for a borrower to interview their investor(s) asking them questions to see how their lives have changed as a result of making a loan!" (Kiva Fellows online interview: Sue). Kiva as an organization also has an opportunity to use its connections creatively. Kiva has held conferences that bring together stakeholders in different parts of the world. Kiva Fellow Laura gives

the example of a 2008 conference in Philadelphia attended by lenders, volunteers, Kiva staff and a borrower from Samoa. She says that, "if only some MFI representatives had been there it would have been the perfect realization of Web 2.0's goal of real-world community building."

As a summary of this section's findings, the following diagram illustrates the different levels of relationships that Kiva facilitates. Based on the qualitative data from this study, the author has assigned a numerical value to the level of interaction/communication that is facilitated via the Kiva platform. (See *Figure 6.2* and the accompanying explanation on p. 102). While not all members of each stakeholder group experience the same levels of relationships, this diagram represents the potential for interaction based on anecdotal experiences described in the data.
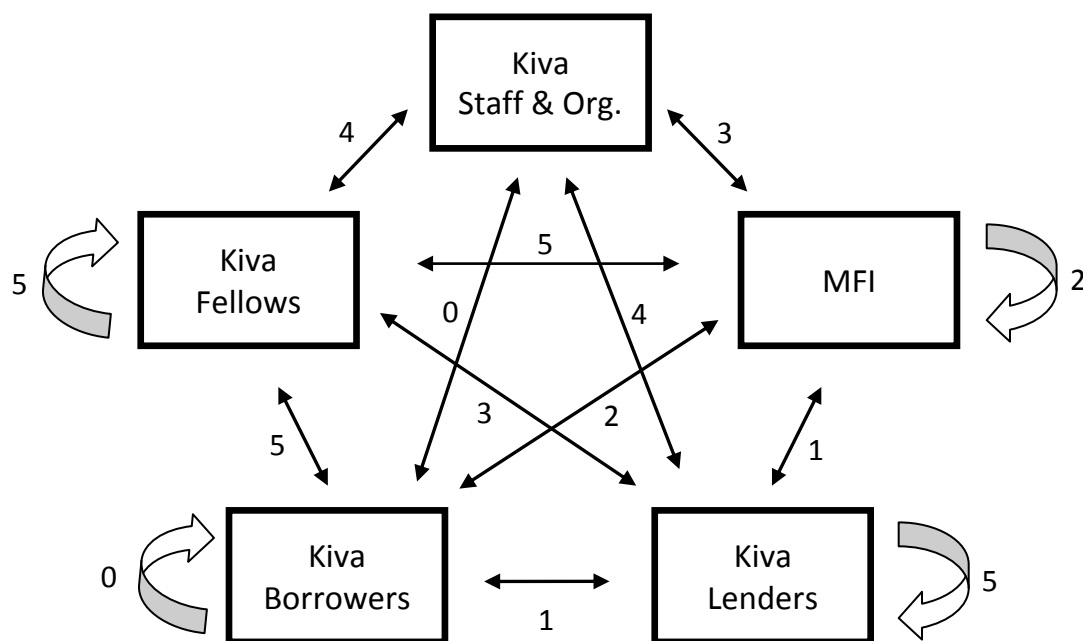
Figure 6.2: Potential Relationships between Stakeholders via the Kiva Platform

The following is an explanation of the assigned values:

    0 = the Kiva platform provides almost no opportunity for communication or interaction

    1 = the Kiva platform rarely allows for communication or interaction

    2 = the platform may promote some additional interaction beyond what would
           have otherwise taken place

    3 = the Kiva platform promotes interactions that would not have otherwise taken place

    4 = the Kiva platform promotes significant online communication or interaction

    5 = relationships that are facilitated via Kiva go beyond online interactions to real-
           life relationships.

6.2.4 Increasing citizen participation and voice

The final Development 2.0 principle explored in this case study involves citizen participation and voice. There were a variety of opinions expressed during the study about how well Kiva increases citizen participation and voice, especially regarding different stakeholders. As for the organization as a whole, according to Kiva Fellow Liz, "Kiva does an excellent job of facilitating broad participation," because "Kiva took something that had previously been institution-to-institution and made it into something close to person-to-person" (Kiva Fellows online interview). In this sense, the very fact that Kiva's existence was "the beginning of broad individual participation in microlending on a global level"(*ibid*.), Kiva has increased citizen participation. Furthermore, the fact that Kiva provides capital to citizens who are allowed to use that money develop their own businesses – citizens who do not just participate, but direct their own 'development' – there is evidence of increasing citizen participation and voice.

Kiva does make effort to engage public participation in organizational decisions. "Let's also look how Kiva [the organization] communicates with its constituencies – periodic phonecalls between the organization and its lenders, [Kiva staff] & Fellows working with MFIs, blogs, tweets, etc – all of these are two-way conversations designed not just to push information, but also to solicit feedback," according to Kiva Fellow Liz. "Sure, there's a dynamic created by the lender-borrower relationship, and Kiva is not a democracy (nor should it be necessarily)," she argues, "but Kiva does an excellent job of involving the voice of multiple constituencies, albeit with varying levels of participation" (*ibid*.).

As previously indicated, participation itself is not an end in development; it is a means to other forms of empowerment – especially for the poor. Kiva's vision is, "Everyone connected, everyone empowered." This vision statement gives the idea that empowerment for all stakeholders is the end goal for Kiva. The question that this study was most concerned with relating to participation is, 'in what form does this empowerment take place through the Kiva system today?' The next several pages will provide a look into the level of participation and voice experienced by different Kiva stakeholders.

Participation for borrowers. Ideally, if Kiva is a true model of Development 2.0 then the poor would experience some freedom as a result of participation in the system. However, according to Morrisctm in the Kiva Fellows online interview,

> "If you consider the four Kiva constituencies . . . there is a clear difference between the Kiva staff, fellows, lenders and borrowers. Borrowers have virtually no 1st person participation in the larger Kiva conversation. All their stories and journal updates are told through the eyes of MFI staff or Kiva Fellows."

Kiva's Chief Technology Officer explains that there are some "real challenges, (technical and non-technical) to bringing [Web 2.0 integration that the lenders experience] to the developing world" (Mankievicz interview). It is clear that the lack of equilibrium regarding user experience (users being both borrowers and lenders in this situation) does not reflect a lack of motivation to include all stakeholders in the process, but it has simply been the result of operational challenges. Kiva Fellow Liz argues that some of these issues will be resolved and some simply will not because of the nature of the business. But for now, Kiva Fellow Sue rightly quotes A. J. Liebling, saying, "freedom of the press is guaranteed only to those who own one."

Laura, in the Kiva Fellows online interview, argues that "it is true that borrowers do not share their voice in the same way that lenders and other stakeholders do… however, their voices are being heard in a more effective way than ever before." Kiva Fellow Liz agrees, saying that "the fact that the story is out there and published is perhaps a more significant fact than who typed it." Kiva Fellow Morrisctm explains that "as the cost of computers and internet access drops, borrowers will be further included in the Kiva conversation," but right now, he and Kiva Fellow Sue agree when she says that

"unfortunately, most of the borrowers have low literacy levels and don't have access to technology. They cannot tell their own stories in their own voices."

Next, Kiva Fellow Nate discusses the issue of technology. He says that "in the meantime, the Kiva Fellows, in a way, try to provide the voice for the borrowers on Kiva's platform via journal updates and [the Kiva Fellows Blog]." In this vein, Kiva Fellows and some MFIs are making the transition from third-party written profiles and journal updates to first-person video interviews where the borrowers speak for themselves. However, from the author's perspective as a Kiva Fellow, this video addition seems to be more for the purpose of engaging lenders with videos than it does for disintermediating the borrower's voice and representation on the site.

Some Kiva Fellows expressed caution about the impact of monetary exchange on participation for the borrowers. "The borrower is the ultimate recipient of funds and thus dependent on the [other] constituents for its ability to participate" (Kiva Fellows online interview: Rob). Other Kiva Fellows expressed the same concern, that money causes an inherent "disequilibrium and inequality in the conversation that Kiva cannot avoid" (Kiva Fellows interview: Laura).

Aware of the disequilibrium experienced by Kiva borrowers through the system, Kiva's President does claim that it is important to the company that over time, Kiva borrowers "get increasing amounts of value" for being Kiva borrowers (Shah interview). He speaks more of financial incentives than he does about active participation for the sake of empowerment, however. For him, the financial incentives could lead to more participation, like borrowers writing their own journal updates, for example.

Contrary to the evidence presented in this study from the K-MET borrowers' focus groups, there are Kiva stakeholders who believe that borrowers don't want to have a voice. As part of the conversation that took place on the Kiva Fellows online interview, a Kiva Fellow born outside of the United States questioned whether or not borrowers actually want to be able to tell their own stories in the first place, claiming that "having a voice is quite an American concept," that might not be shared in other parts of the world (Kiva Fellows online interview: Velizara). Kiva recently began providing loans to MFIs in the United States. The addition of American MFIs and clients to the Kiva

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system adds a new dynamic to the issue. According to Andrea, a Kiva Fellow with Kiva experience in both Guatemala and the United states, "the US clients are much more excited to participate in a conversation with the lender and with Kiva. Obviously this stems from access to and understanding of the technology and also money." This statement reflects arguments about ICTs and capabilities on p. 31 of this study.

Andrea further insisted that exercising one's citizen right to express his or her own opinion depends on much more than just the availability of the technology to do so; that it also required the desire to speak for oneself or to tell one's own story. Despite her point above about the US clients and their access to technology, she argues that "the world has a long way to go before the mere existence of technology equals citizen voice," she says. Andrea is referring to people's 'felt need' to speak for oneself and to tell one's own story in order to gain from the ability to participate. The development theory established in this paper says that development interventions should give people both freedom and capabilities so that they could exercise their freedoms, if they so choose. Therefore a development intervention like Kiva that provides both economic and social support as well as a possible medium for citizen participation could still be a powerful tool for empowerment – so that those who choose to exercise their voice are able to do so.

A final, important finding in this vein comes from Kiva Fellow Velizara. Velizara challenged the concept of having a voice in online social lending for development, saying that in the case of some MFIs, the borrowers' stories are actually a "product that sells," and being heard may not be empowering for some individuals. Especially if the MFI involved is a for-profit entity, then the borrowers' stories might not be told for their own benefit, but perhaps for the benefit of others. Flannery's experience with Moses Onyango taught him the same thing: "stories are worth something . . . you can make a pretty penny, all you have to do is tell a good story" (2009: 40). In this regard, stories can be both positive and negative assets for the poor.

Participation for lenders. Kiva considers Kiva lenders its prime audience – its "users" and "customers" (Field Notes, 21 May). Niemira, Kiva's Customer Service Manager, speaks on behalf of the Kiva lenders within the organization. From his perspective, the most important part about the work that Kiva does is "subverting the

traditional failing banking model and giving that power back to the people, via the internet" (Niemira interview). In this case, "the people" involved in Kiva's model are all of its stakeholders – Kiva's staff and MFIs who facilitate processes, along with the lenders and the borrowers who are active in the practice of microfinance. In Kiva's model, lenders in particular have more participation and voice (because of their ability to make choices about who to lend to) than they would in any other formal banking or lending scheme.

Kiva's Chief Technology Officer explains that the Web 2.0 integration has been "much more complete, and much more automated on the lender side of the equation," demonstrating the organization's priority of promoting lender participation. Kiva Fellow Nancy describes, "lenders are invited to respond with comments to journal updates, giving them an opportunity to increase the feeling that they are truly participating in the development process – that their voice is valued and coveted in the process."

Furthermore, lenders, staff, Kiva Fellows, and MFIs are able to participate on lending teams, a platform that "facilitates idea generation and inter-cultural, -national, and -disciplinary discussion" that equalizes participants within the team (Kiva Fellows online interview: Laura). There have even been popular lending teams that are developed for the express purpose of criticizing Kiva, and they are allowed to exist and to express their opinions.

However, Kiva Fellow Liz argues that "if anything, it's the lenders' voices which are constrained – lenders can have only a short profile, and conversations is limited to lending teams or comments on a loan (hence development of the off-platform Kiva Friends.org[22])." Kiva did not create KivaFriends.org, but it follows the discussions on the site, and takes them "very seriously and takes their criticisms and suggestions to heart," according to Kiva Fellow Nate.

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[22] Kiva Friends.org is a third-party website that acts as a watchdog group as well as a collaborative forum for the lender voice.

While there is some debate about the extent to which Kiva facilitates lender participation, there is consensus that lenders are able to participate much more on the Kiva platform than some of the other key stakeholders, especially Kiva borrowers.

Participation for Kiva Fellows. Many Kiva Fellows expressed satisfaction with the amount of participation and voice they are afforded in the Kiva system. Kiva Fellow Nancy explains that, "the Kiva Fellows blog. . . viewed by countless world citizens [. . .] allows anyone to make comments, share ideas or opinions, about the content of the blogs." Likewise, "the Kiva Fellows YouTube channel offers videos that give a view of microfinance in action in various countries around the world . . . without a dominant voice." Kiva Fellows generally have the most voice and participation beyond Kiva staff themselves. They have the same benefits that the lenders have, but they have access to the Kiva website and software and are able to speak on Kiva's behalf in many ways.

Participation for partner MFIs. There is a great range of variance when it comes to the type of engagement and participation desired by MFIs. MFIs have their own profile pages on the Kiva website where they are allowed to describe their organization however they like, as long as it fits in the prescribed design of the webpage. In the author's experience with K-MET, the MFI was invited to change its profile page as often as it liked to update lenders with new information. Kiva Fellows frequently take on the role of marketing their MFIs to the lender community by writing MFI-related posts on the Kiva Fellows Blog, and other general networking on behalf of the MFI. There are even examples of MFIs contributing articles to the Kiva Fellows Blog, but this is not typical for most MFIs.

Are Kiva stakeholders being heard? Does Kiva facilitate citizen participation and voice? The data says yes, depending on who are the 'citizens' being discussed. The data reveals that not everyone has an equally influential voice, nor can everyone participate equally on Kiva. Kiva borrowers, the ultimate beneficiaries of the Kiva system, have the least opportunity for participation via Kiva.org. "Kiva is trying to and hopefully will eventually create a network devoid of hierarchy and a 'center'," allowing for all voices to be represented equally, "but they are still far from it," says Morrisctm (Kiva Fellows online interview).

6.2.5 Other results

The fieldwork revealed that there were three other Web 2.0 principles that related to Kiva's system of online social lending for development, beyond the ones that the investigator initially tested for. These were concepts that were present in the literature review, but were not noted as being central to the concept of Development 2.0 until they were reinforced by the data. The first was the concept of "continual improvement" as it relates to sustainability in development (discussed on p. 18). The second is the idea of being a data-rich resource, relating to P. Anderson's concept of "data on an epic scale," (see p. 38). The final concept from the literature that re-emerged after reviewing the data was that of the 'long tail,' (discussed in the footnote on p. 39) Each of these principles is discussed in terms of the empirical data, below.

Continual improvement and sustainability. There was a wealth of information revealed about Kiva's goals for continual improvement. Shah, in his email interview, explained his short-term and medium-to-long-term goals for borrowers, describing his hopes for continued improvement for different users. Mankievicz, in his interview, also gave several examples of how the engineers hope to make better use of available data to improve the Kiva system. For an organization that is forward-minded, continual improvement is an intrinsic benefit of the Web 2.0 platform. Furthermore, the adaptability offered by the Web 2.0 platform is a key component of sustainability. Several of Kiva's main stakeholders expressed concern over sustainability. As described on p. 94, borrowers wanted to ensure that Kiva would continue even if there are changes at the partner organizations. K-MET, Kiva's partner MFI also expressed strong concern for sustainability of the partnership and was striving to find sustainable ways to meet its requirements given local resources. Kiva sees itself as a bridge to offering MFIs and their clients more sustainability, explaining, "it is difficult for MFIs to move form donor dependence to the capital markets all at once. We began to see person-to-person debt capital as a bridge for MFIs on a journey from donor dependence to tapping into the capital markets" (Flannery 2007: 37). Kiva stakeholders seemed to agree with the idea that sustainability was a core component of an effective development intervention – and that 'improvement' of the Kiva system would allow for better sustainability.

Generating rich data. Another key finding was Kiva's focus on a being a "data rich platform." According to Flannery, "a data-rich system is inherently transparent" (2007: 55). Part of Kiva's initial product philosophy was, "whenever it is possible to collect data from the field, we collect it. Over time, we will display as much information about our partners, lenders, and borrowers as possible and let the users decide where the money flows" (Flannery 2007: 40). In a Kiva Fellows training presentation, Flannery and Shah explained that one of the by-products of this type of focus is that Kiva is now generating "the world's largest database of microfinance investments" (Flannery and Shah, 2009). Kiva hopes to build on opportunities associated with "increasing returns on data" to benefit a variety of stakeholders. In-line with the concept of crowdsourcing, this data is continually growing and readily available via the Kiva API for other experts or amateurs to analyze and re-purpose. Specifically, MFIs could use this database to build credit-worthiness to access funds from other sources, borrowers could use Kiva as a public credit bureau, and Kiva itself and other partners could use the data to examine the social impact of microfinance (Flannery and Shah, 2009). Furthermore, Kiva has in mind to make use of user-generated data, in combination with data generated by partners, in order to develop a rating system for MFIs' social performance. The concept of generating a substantial amount of rich data is an important principle relating to Web 2.0 and Kiva's work for development.

The long tail. Flannery and Shah insisted that taking advantage of 'the long tail' is an important principle for Kiva (Flannery & Shah, 2009). Kiva diversifies its portfolio to include some of the "messiest" MFIs, ones who cannot access commercial capital from traditional funders. Kiva does this because these MFIs are the ones serving the poor who truly have no other access to financial services. Providing access to this large portion of previously under-reached population is an important concept for Kiva. 'Inclusion' of this group of 'long tail' citizens as part of the 'network' is an important part of the work that Kiva promotes.

The discussion of these three new concepts concludes this presentation of the study's results. The results chapter is an important foundation for the next chapter, Chapter 7, which contains the investigator's conclusions and recommendations.

Chapter 7: Conclusions and Recommendations

The purpose of this study has been to explore the concept of Development 2.0 and to relate it to Kiva. This conversation is important because it is an example of micro-level development thinking applied to the field of ICT4D – a field that traditionally follows the dominant discourse in development. In this chapter, the author will argue that Kiva does engage in micro-level development to some extent, as it exhibits each of the principles of Development 2.0; however, the author concludes that the Development 2.0 benefits are not equal for all Kiva stakeholders, which is a shortcoming in the Kiva model. This chapter will offer recommendations for Kiva, and will discuss the possible limitations of online social lending for development. It will also address Research Question 4, by offering reflexive feedback from the empirical study to the theoretical concept of Development 2.0, resulting with a revised definition of the term. The study will end with recommendations for further research involving Kiva, online social lending for development, and Development 2.0.

Chapter 7 is divided into the following sections:

7.1 Conclusions and Recommendations for Kiva

Kiva's overall perspective on ICT4D relates to both macro and micro perspectives for development. One of Kiva's core principles is 'the spread of technology,' which reflects some level of technological determinism, assuming that new technology is good for the poor. Kiva's microfinance mission also focuses on the primacy of economic solutions for alleviating poverty – relating to the dominant paradigm. However, Kiva is taking the steps towards offering its beneficiaries some of the potential benefits of the Web 2.0 platform. At the institutional level, if Kiva were simply being compared to other organizations and corporations, it would be 'off the charts' when it came to transparency and efforts to foster collaboration, participation

and relationships. However – because Kiva is aiming not just to be a successful organization, but to a much higher development calling, to 'alleviate poverty' – Kiva must meet the higher standards that come from human-centered development theory. Human-centered development should be an integral part of the organization's strategy. If Kiva takes on a more Development 2.0 perspective, ascribing inherent value to the principles of *collaboration, transparency, relationships* and *participation* alongside the value it places on financial capital, the organization would move closer to the human-centered development paradigm.

7.1.1   Improvements for Kiva borrowers

In this next stage of growth, Kiva should focus on 'client service' for the borrowers, considering borrowers to be 'customers' just as lenders are right now. This can happen with a commitment toward continual improvement of both borrower and lender experiences related to the site. An important tactic to this aim would be a more thorough promotion of Kiva's existing core principles to its partner MFIs. Kiva's principles might well be in-line with Development 2.0, but if they are not shared by all Kiva staff and partners, the benefits will not reach all of Kiva's stakeholders. If MFI partners understand and take on the vision of transparency and connection to the extent that Kiva intends, borrowers may benefit more than in a strictly financial sense.

Moving beyond financial incentives. Kiva does speak of improving the borrower experience with the Kiva system. Kiva's President believes that financial motivations (i.e. borrowers getting a discounted rate for taking a Kiva loan) would be a primary motivation for initiating relationships via the Kiva platform. His idea is that if Kiva borrowers receive financial incentives, those benefits make them "increasingly excited about being funded on Kiva and it may even drive them to supply their own journal updates" (Shah interview). Financial capital is an important asset for borrowers, but it is not the only asset that the Kiva platform can offer. Flannery speaks of an "emotional" return versus financial returns in terms of *lenders*, (Flannery 2007: 54), but might there be a similar set of 'emotional' (or psycho-social) incentives versus financial returns for *borrowers*? The focus group data in this study implies that borrowers may not need financial incentives or motivation; information and the opportunity to connect with their lenders are incentives themselves.

It was Flannery and Jackley's original idea to allow lenders to receive interest, in order to shift the lender/borrower relationship "from a charitable relationship into a business relationship; empower the poor by making them business partners." Flannery believes that this shift is made by the exchange of both money and information. . . "when you receive repayment with interest from an entrepreneur in the developing world, you learn something: you can have a transformational impact in this world by relating to others as a business partner. This information is a key tool in bringing about social change" (Flannery 2007: 54). The investigator agrees with Flannery that information is key to transforming relationships and to bringing about social change, but she further argues that the information has an intrinsic value in and of itself and does not necessarily need to be accompanied by money. Inclusion in the Kiva process through learning and participation has a potential value that Kiva has not fully embraced. For lenders – if there were actual borrower participation in relationships, that 'information' and 'connection' would far outweigh the monetary returns of an interest payment, and the 'information' would be truer to the borrowers' perspective than ever before. Increasing this interaction might also have the effect of creating more dignified relationships, which seems to be Flannery's goal.

Both the founder and President of Kiva have made a commitment to providing a richer Kiva experience, Shah through his desire to give borrowers financial incentives, and Flannery in his desire to give lenders financial incentives. The author again argues that information and voice, while they have no financial value, are significant incentives for both the lender and the borrower in the Kiva system. Flannery himself says, "The human need to socialize can be harnessed to drive social change" (2009: 46). It would benefit all of Kiva stakeholders to further implement transparency and participation via the Kiva platform.

The lesson here for Kiva and for other online social lending for development schemes is that Development 2.0 principles themselves have intrinsic value - both as processes and as outcomes (as argued on p. 19). It is clear how financial capital is an incentive, but this study suggests that information, voice, and relationships can also be an incentive for borrowers – in the form of social capital. After all, Emery and Flora (2008: 23) argued that social capital, not financial capital, is the best entry point into development. According to this argument, the increased social capital (via collaboration,

transparency, participation, and increased relationships) may enable the poor to make better use of financial capital when they receive a loan. The future financial incentives that Shah envisions might not be necessary if Kiva can use its communication platform meet the borrowers' other needs by promoting solidarity and agency.

Rather than waiting for the right time to implement more borrower interaction in the future, Kiva should look to its current system and capabilities to make that happen. The purpose of development isn't to arrive at a point where development is achieved, rather, to undergo a process where needs are addressed from the beginning, and through meeting certain needs, other needs can be met.

Technical recommendations. As for technical changes that Kiva could make to these aims, Kiva should push towards first-person video interviews and self-written profiles where the borrowers speak for themselves *for the sake of citizen participation and voice*, not just for the purpose of providing entertainment or educational value to lenders. As Kiva Fellow Sue suggests, "the borrowers will be truly able to participate and share their voice when Kiva adds a digital storytelling feature to the website," perhaps a "Kiva Borrowers Blog," facilitated by handheld digital devices. Kiva could also improve the borrower interactivity on the site, which may be as simple as making the lender comments easier to access, so that MFIs can more easily share communication between lenders and borrowers. There might also be a way of allowing borrowers to respond to comments or comment on their own profiles, even if it means submitting it via the MFI to guarantee authenticity. This might lead to more solidarity amongst Kiva participants.

Kiva should also encourage its MFIs to experiment with locally-relevant ways to engage borrowers. At a very basic level, MFIs could come up with local ways to provide access (or at least information about how to access) their exiting profiles online. A sample solution for K-MET is available on the 'Extras' page of the appendix website.) Kiva MFIs should experiment with borrower education about Kiva, and enlist a local corps of volunteers to help the MFI meet the demands of the partnership while expanding the voice of the borrowers on the site. This is the type of engagement that would lead to more borrower more solidarity and agency. K-MET instituted some initial practices in this regard, by using volunteer borrowers to help them collect

borrower profiles and journal updates. The ideas that Kiva borrowers are viewed as having abilities (assets), that they are given responsibility to contribute and to solve problems (capability and agency), and that they are seen as a valid 'source' of local (sustainable) resources are all important perspectives that are transferrable to other MFIs. The point is for the borrowers to become 'authors' of their own development. Furthermore, it will benefit the sustainability of the MFI to "crowdsource," making them less dependent on Kiva fellows and staff in order to maintain the Kiva partnership.

Expanding on the idea that the borrowers themselves have assets, the borrowers seemed very motivated by the fact that their money is re-lent. In a way, when the borrowers themselves pay back a loan, they become loan funders, contributing to each others' loans. It could be powerful if borrowers who are able to understand and access the website could make recommendations about how they hope lenders will re-lend the money. In this way, their experience could somehow echo the gratification that lenders can experience when making a loan. Finally, if lenders understood how important this element is to borrowers, perhaps they would be more likely to re-lend again, as well.

In a similar vein, it is important that citizens living in developing countries also have the opportunity to lend, if they have the means. Flannery acknowledges that "Kiva has been U.S. centric . . . multi-language and multi-currency support are an integral part of our future" (2009: 46). One can imagine the implications for collaboration and relationship if a Nigerian lends to a borrower in his own neighborhood – to a shop that he or she can then visit as a customer. This investigator believes that these types of Web 2.0-facilited-turned-real-life relationships are an ideal outcome of Development 2.0 in practice.

7.1.2 *Improvements for Kiva lenders*

An important recommendation for Kiva regarding lenders is to find ways to help lenders make educated choices about their investments, about the good and the bad that comes from their participation. As was described on p. 115, "online markets need to shift from sellers of 'feel good' highs to drivers of excellence in effective developmental programmes and projects" (Bonbright *et al.* 2008: 43). Fortunately, Kiva is underway with some plans to initiate a scoring system about MFIs' social

performance in their microfinance practices. This author believes that this is a wise and important endeavor for Kiva to pursue.

7.1.3   Recommendations regarding Kiva Fellows

Finally, Kiva should encourage Kiva Fellows to creatively work with local MFIs and borrowers to come up with ways to encourage borrower interaction. After engaging in the Kiva Fellows online interview for this study, Kiva Fellow Shereef had this to say:

> "[t]hrough this survey I have begun to understand my own role as a Kiva Fellow more. They explain to us that we connect all stakeholders, and that we can run with that concept in any direction. The real service we can do to further Kiva's goal is connect the borrower to the lender."

If Kiva Fellows are more actively educated and engaged in all of Kiva's core principles, and if they understand the value of the human-centered development perspective embodied by Development 2.0, they would be an even more valuable 'crowd' to 'source' ideas and experiences from relating to Kiva's work in the field.

Overall, if Kiva aims to be a successful organization in terms of its developmental aims, the author recommends that Kiva's staff and partners more fully embrace Kiva's core values of participation, transparency and connecting, both as process and goals of the Kiva system. In doing so, the organization would fall closer in-line with the tenants of Development 2.0, ideally leading to better development for all.

7.2 Possible Limitations of Online Social Lending for Development

It is important to re-iterate two points about online social lending for development as conclusions from this investigation. First, online social lending markets and organizations might not work to their full potential if the poor they are meant to reach do not have the 'capabilities'—the skills and social and cultural resources necessary to engage in participation. If there is not a 'felt need' to participate, interact, or to engage with other stakeholders or technologies, then the mere presence of these opportunities might not be enough to bring the poor the intended development outcomes.

Secondly, these markets must be sure to adhere to pro-poor principles when it comes to telling borrowers' stories. Only by having a set of values in place can online social

lending markets avoid commoditization of borrowers' stories. Especially for for-profit entities who do not have an explicit social mission. It is possible, because of this potential exploitation, that online social lending might not always be the best method for pursuing development objectives such as citizen participation and voice for the poor. Engagement with Development 2.0 principles can be a way for online philanthropy markets to understand their responsibilities to the poor and their relationship with various stakeholders, but there must be a commitment on the part of the organization to uphold these human-centered principles as part of their business practice.

7.3 A Revised Definition of Development 2.0

Research Question 4 inquired about the reflexive feedback that the case study could provide for the emerging concept of Development 2.0. An initial literature study revealed four core principles, which the author used to develop a preliminary definition of the term. The Kiva case study then further revealed the importance of three core concepts which were not included in the initial working definition. The additional concepts – *continual improvement, data gathering, and the 'long tail'* – were discussed on pp. 108-110.

As a conclusion to this investigation, the author proposes the following revised definition of Development 2.0:

> *Development 2.0 is the application of Web 2.0 thinking to development studies. Development 2.0 practice takes advantage of networked social interaction and data generation, reaching the 'long tail' of the world's poor; it actively employs transparency, collaboration, and citizen participation with the aim of continual, reflexive improvement in sustainable human-centered development.*

Each portion of this new definition is a reflection of arguments made in this study, either in the reviewed literature or the empirical case. The author offers the following breakdown in defense of the definition:

Development 2.0 is the application of Web 2.0 thinking to development studies.
Thompson (2008: 832), who introduced the topic of Development 2.0, describes it as "a strand of research that seeks a conscious and sustained dialogue between Web 2.0

models and ways of thinking, and the broader debates and structural concerns within development studies." Development 2.0 falls in line with Zheng's (2009: 68) call for "an alternative 'space'" for assessing development, focusing on "the effective opportunities people have to achieve what they consider to be valuable in life."

Development 2.0 practice takes advantage of networked social interaction. . .
'Networked social interaction' relates to the type of non-hierarchical relationships (Castells, 2000) that Web 2.0 promotes (Anderson, P., 2007). Social capital, or social networks, are an important type of community capital (Flora & Flora, 2004) and an asset (Kretzmann & McKnight, 1996) for the poor. Effective use of social networks helps to build solidarity within a community (Bhattacharyya, 2004), which is the goal of human-centered development.

. . . and data generation, . . . Development 2.0 projects have the potential to collect massive amounts of user-generated data (by way of citizen participation), and then can return that data via reflexive feedback loops (O'Reilly, 2005a). Rich and accessible data opens up possibilities for transparency and collaboration for the sake of improving the development system (Anderson, P., 2007).

. . . reaching the 'long tail' of the world's poor;. . . Development 2.0 should engage the 'long tail' of the world's population – the poor who represent 80% of the world's population and consume 20% of the world's resources (UNEP, 2007). This includes engaging the harder-to-reach poor who have not seen improvement under other development interventions. Development 2.0 initiatives should aim toward the "hard to reach," because there is significant potential within this messier 80% in the 'long tail' (Anderson, C., 2006).

. . . it actively employs transparency,. . .Development 2.0 initiatives should be transparent, where the inner-workings of the system are open and available to all stakeholders. This "freeing" of information (Anderson, P., 2007) allows for beneficiaries to have the capability to control their own development (Sen, 1999).

. . . collaboration,. . .Development 2.0 should allow all stakeholders the opportunity to create share, edit, categorize, exchange and report information. Collaboration can

promote individual agency as well as group solidarity. As a form of collaboration, problems can be solved by 'crowdsourcing' (Anderson, P. 2007) from constituents and other stakeholders, giving them ownership over their own development (Bonbright *et al*. 2008: 50).

. . .and citizen participation. . . The 'architecture' or design of a Development 2.0 project should act as an equalizer (Thompson 2008: 829), facilitating beneficiary participation and voice, and reducing barriers to entry. There should be a plurality of citizen perspectives interacting to improve the system (Anderson, P., 2007), and the expansion of voice should lead to the expansion of power to citizen participants (Bonbright *et al.* 2008: 13).

. . . with the aim of continual, reflexive improvement . . . User-generated feedback should lead to continual improvement (O'Reilly, 2005a) of the Development 2.0 project or system. Development 2.0 projects should be flexible enough to adapt to changes and input from different stakeholders.

. . . in sustainable human-centered development. Sustainable human-centered development is the ultimate goal of Development 2.0 practice. Human-centered development promotes people's solidarity and agency by means of self-help, felt needs, and participation (Bhattacharyya, 2004). It is through continual, reflexive, sustainable improvement of practices promoting solidarity and agency that Development 2.0 can work to alleviate poverty.

The presentation of this revised definition concludes this investigation.

7.4 Recommendations for Further Research

The author has proposed a definition of Development 2.0 – based on relevant literature and a particular empirical situation – that includes several core principles. Are there other core principles that could be included? What are some alternative definitions of Development 2.0? Like Thompson, this author calls for other empirical studies

involving Web 2.0 and development in order to refine the concept and to further inform development practice.

As a response to this study, more case studies involving borrowers in different geographical regions would be useful determine whether borrower responses to the Kiva information are different for different groups of people. A further look into a region's culture of democracy and participation would be an interesting companion to a case study of this type, in order to determine ways to implement Development 2.0 in cultures without a historical 'voice' in politics and development. A survey of different borrowers' participatory capabilities, the cultural and social precursors for participation, would also be relevant to understanding the true potential for Kiva and Development 2.0.

There are still plenty of research opportunities surrounding Kiva itself, as the organization is now being called upon as a model for other development organizations and charities. For example, a formal study to evaluate the social impact of participation with Kiva.org in different regions would be invaluable. The present study limited its scope to the stakeholders' interaction with the Kiva.org website, but did not include data about the impact of the *loans* on the holistic needs of the borrowers. It also did not address the interaction and social capital developed between borrowers outside of the web platform. There are several possibilities for directions related to this evaluation.

There is also a wide opportunity for measuring the impact of Kiva loans on overall development. Kiva is currently in the midst of planning to develop social performance monitoring metrics based upon their partners' information as well as the data on the site in order to better inform stakeholders about MFIs' social performance. There is the possibility for research not only about this new endeavor, but also about the other opportunities for this 'epic' amount of microfinance data/content being continually created and stored on Kiva.org.

Finally, the investigator recommends that a study be conducted relating to the possibilities for citizen participation on Kiva. This would involve a look at different Kiva MFI partners' initiatives to engage borrowers in the Kiva system, like K-MET's example of using borrowers to collect journal information. While all practices will not be transferrable to all MFIs, a better body of examples about 'how to encourage active

participation and collaboration' would be vital to promoting Development 2.0 principles to MFIs.

Whatever the specific agenda, further inquiry into the topic of Development 2.0 is sure to offer valuable insights about the practice of development and the possibilities of information and communication technologies for changing the way people work, learn, interact, and solve problems in the Information Age. This investigation has demonstrated the potential for engagement of ICTs and the human-centered development paradigm. The author has proposed that the Kiva model of online social lending for development is an important example of Web 2.0 thinking applied to development. The Kiva case exhibited both successes and shortcomings in terms of promoting micro-development principles, and it provided practical insight into the concept of Development 2.0. The author ultimately argued that ideal Development 2.0 practice should take advantage of networked social interaction and data generation, reaching the 'long tail' of the world's poor; it should actively employ transparency, collaboration, and citizen participation with the aim of continual, reflexive improvement in sustainable human-centered development.

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Appendix

The appendix for this study is on a website specifically designed to accommodate various media. The website contains the study's data and consent forms, along with photos, videos, and samples of the author's Kiva Fellows work. The website can be accessed by typing the following address into an internet browser:

www.AlisonCarlmanThesisAppendix.wordpress.com

For the sake of confidentiality, the website is protected. The wordpress home page will ask for a username and password. The username and password associated with this document are:

<div align="center">

Username: **PrivateReader1**
Password: **ict4d**
The password letters should be all lowercase.

</div>

The log-in page will look like this:

The following two pages contain previews of the appendix website.

Alison Carlman

Appendix to Masters' Thesis

Home   Data   Kiva Work Samples   Consent   Photos   Videos   Extras

Data

The data below can be accessed in a .pdf format by clicking on the link.

Field Notes/Research Log

Link to Kiva Fellows Online Interview

Focus Group Transcripts:

- Focus Group 1 – August 4
- Focus Group 2 – August 11
- Focus Group 3 – August 18

Focus Group Instructions

Kiva Fellow Focus Group Script How Kiva Works

Email Interviews

Documents for Analysis – Including:

- Item 1: Kiva.org Webpage: What is Kiva ? Overview
- Item 2: Kiva.org Webpage: The Kiva Story
- Item 3: Kiva.org Webpage: How Kiva Works
- Item 4: Kiva.org Webpage: Kiva Fellows Page
- Item 5: Matt Flannery's First Article in *Innovations*
- Item 6: Matt Flannery's Second Article in *Innovations*

Preview 1: "Data" page on appendix website

Preview 2: "Videos" page on appendix website