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Clinton Launches Micro-Lending Drive

With thousands of small businesses wiped out by the recession, former president Bill Clinton Wednesday launched a micro lending initiative aimed at helping owners in the nation's hardest hit regions stay afloat.

The move, dubbed Kiva City and announced at the Clinton Global Initiative America conference in Chicago, extends small-business lending strategies used to fight poverty in some of the world's poorest nations to Detroit, Milwaukee, Pittsburgh and other big American cities.

Led by Kiva.org, an online microlending firm based in San Francisco, and Visa Inc., the initiative seeks to raise awareness of microlending in underserved neighborhoods by rallying support from community leaders. The strategy was initiated in Detroit, where a group including local church leaders and bankers has already hosted a series of BBQs and other networking events.

Microlending connects entrepreneurs with pools of lenders, who contribute as little as \$25 each. The loans, which are typically about \$7,000, are used to pay rent, buy equipment or cover other daily operations, rather than major capital investments.

"In this economy where lending has tightened up, these kinds of alternative sources of capital are becoming more and more necessary," says Kiva president Premal Shah.

For instance, Shah says a home-based daycare business may require a few thousand dollars for permits, staff and toys, but isn't likely to qualify for a traditional bank loan. "Right now, there's just not enough access to microfinance on the ground to serve these needs," he says.

According to a study by the Economist Intelligence Unit, commissioned by Kiva and Visa, as many as 15,000 small businesses in the nation's largest metropolitan regions were closed between 2006 and 2008. Parts of Ohio, Florida, Pennsylvania and Michigan experienced the biggest losses, the study found.

Shah says the initiative will target communities identified in the study, which was also released Wednesday.

Since 2005, Kiva has overseen \$223 million in lending to more than 577,000 entrepreneurs in 59 countries around the world. It first started offering microloans in the U.S. two years ago.

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