

Conversation between David McKenzie (The World Bank) and Alexander Berger (GiveWell) on 10/25/2012

Summary: GiveWell spoke with David McKenzie in order to learn more about potential giving opportunities in the areas of facilitation of migration from low-income countries to wealthier countries, providing consulting services to corporations in the developing world and providing venture capital to start-ups in the developing world.

Note: This is a set of summary notes compiled by GiveWell in order to give an overview of the major points made by David McKenzie in conversation; it is not meant as a word-for-word transcript.

Migration

Organizations that facilitate international migration

There are organizations that pair workers in poor countries with employers in rich countries so that the workers in poor countries can temporarily move to the rich countries to earn much higher wages.

Most current such organizations are either for-profit, international organizations (e.g. the IOM), or very small organizations that have a localized presence. There don't seem to be large organizations working on this that could absorb a large amount of funding from donors.

A neglected cause

Migration is a politically sensitive issue because migrants can displace local workers in rich countries. For this reason, development banks and non-governmental organizations (NGOs) avoid working on programs to promote migration. Thus, there may be a very large arbitrage opportunity for philanthropists to facilitate migration.

Offsetting effects

Because of governmental quotas, programs that facilitate migration may do so at the cost of barring other workers from migration. However, in some countries like Australia and some bilateral arrangements that certain European countries have, the government quotas are far from being met and so efforts to facilitate migration can result in more opportunities for migrant workers as a group.

Organizations for GiveWell to talk to about opportunities for facilitation

GiveWell can talk to Manjula Luthria at the Marseilles Center for European Integration, the International Office for Migration (IOM) and the Georgetown Migration Institute for more information on opportunities for facilitating more migration to countries with unmet quotas and the non-profit organizations that work on this.

Room for more studies

There have been many studies on the impact of migration programs on the migrants and their families. There is a paucity of research on which interventions and policies work well for facilitating migration and make it work best for the migrants.

National versus international migration

The financial benefits to migrants from moving from a poor country to a rich country are often an order of magnitude larger than the benefits to migrants of moving from a rural area in a poor country to an urban area in the same country.

Aiding small/medium enterprises

Consulting and management training services

A potentially area for improvement in the developing world is consulting and management training services for corporations.

There may be a market inefficiency in this area owing to an information problem: companies may not want to pay for consulting services unless they've seen that they work, but don't see that they work because they don't use them. Philanthropy could give corporations a taste of the benefits of good consulting services for free so as to solve this information problem.

Some organizations that are working in this area are Endeavor and TechnoServe. However, these are focused on a few organizations that are expected to grow fast rather than on a broader class of corporations.

There have been seven World Bank experiments evaluating matching grant programs in Africa intended to help firms access these consulting services, and all of the evaluations have failed to carry out the intended randomization. More research is needed to determine how to do this well.

Missing angel investors and venture capital

There is not enough start-up funding available for high-risk/high-return business endeavors in the developing world. This discourages innovation. A potentially promising area for philanthropy is provision of capital for high-risk/high-return business endeavors.

The World Bank is working providing funding to high-risk/high-reward endeavors in Latin America.

A few NGOs have tried working on this cause, but they appear to be struggling.

Most philanthropic funding for start-ups in the developing world has been provided due to a belief in the social value of particular products (such as eye-glasses) rather than by a desire to help businesses out in general.

