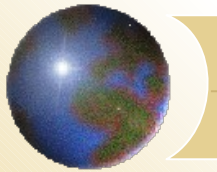


# How Can Talent Abroad Help Build Institutions at Home?

## Lessons from Various Generations of Diaspora Initiatives

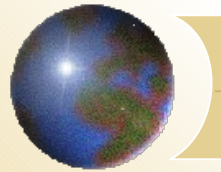
**Yevgeny Kuznetsov**  
**Senior Economist**  
**Knowledge for Development Program**  
**World Bank**

**Diaspora Strategy Workshop**  
**Dublin**  
**January 27,28 2009**



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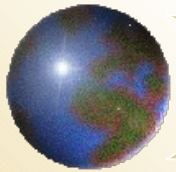
1. *Why and What? Diasporas' Impact*
2. *Can we learn from disappointment? Potential vs. reality*
3. *Is it the numbers game? Heterogeneity of diasporas and home country institutions*
  1. *How to get stakeholders hooked up? Towards a new generation of diaspora initiatives*
  2. *What is our failure/success story? Benchmarking framework*
  3. *Conclusions*



# 1. Motivation

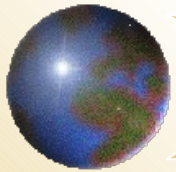
## Market for the highly skilled

- ✦ *Will become even more globally integrated*
- ✦ *Increasing returns to skills will continue to favor spatial concentration: clustering phenomenon*
- ✦ *The brain drain will increase, both from developed and developing countries*
- ✦ *Expansion of far-flung Diasporas - networks of expatriates abroad*

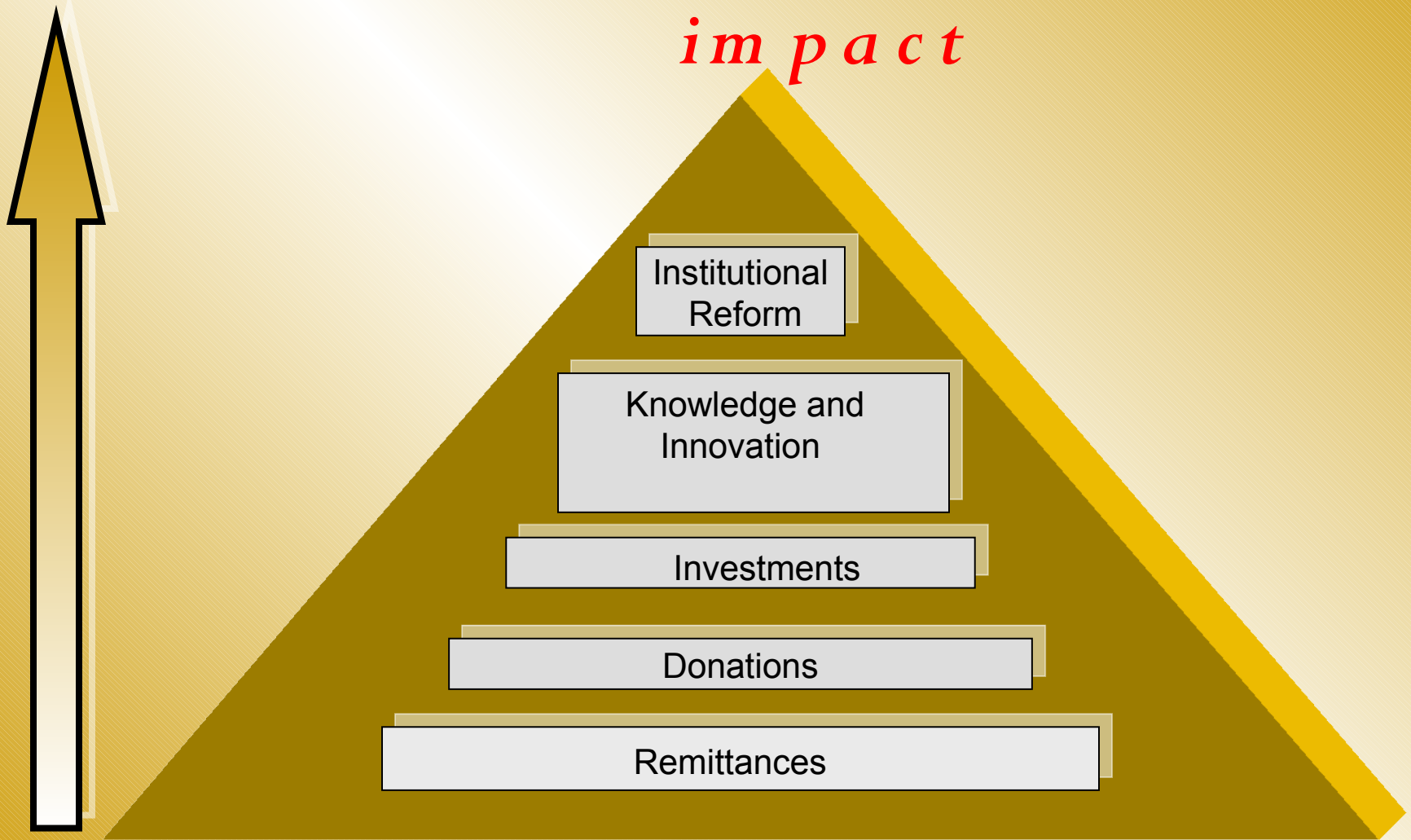


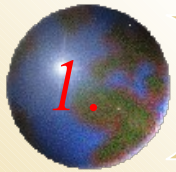
# Four Scenarios for the Talent

- ◇ Be productively employed in the country: *growth of innovation clusters*
- ◇ Leave the country and be lost for it: *brain drain*
- ◇ Leave the country yet be engaged in projects at home: *brain circulation*
- ◇ Leave and come back: *return migration*



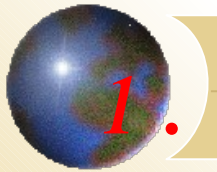
# *Hierarchy of Diaspora impact*





# 1. *Diversity of talent (and respective Diaspora networks and initiatives )*

- ❖ *Scientific*
- ❖ *Technical*
- ❖ *Medical professionals*
- ❖ *Entrepreneurial and managerial*
- ❖ *Cultural*



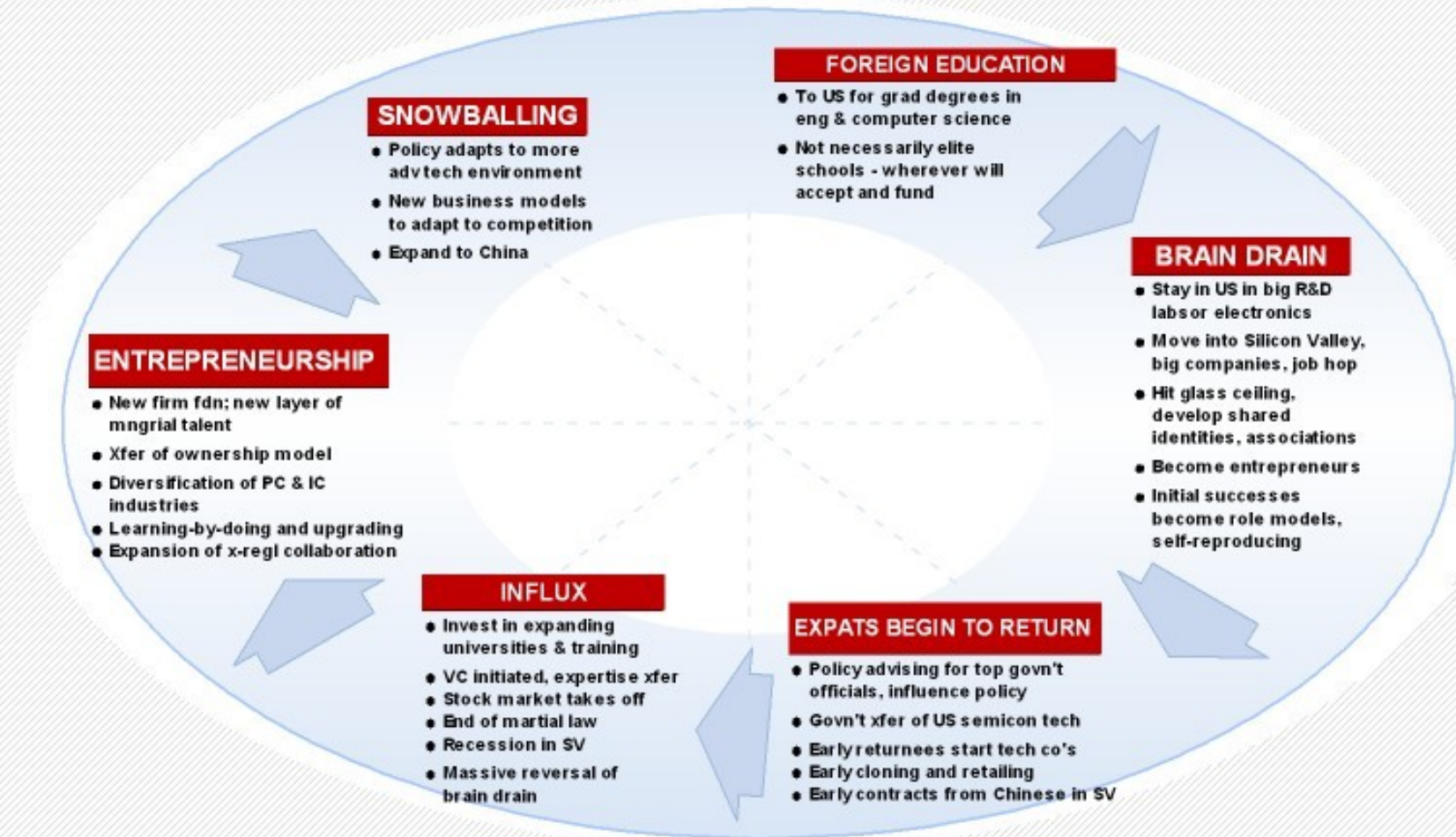
# 1. Example of a virtuous cycle

## Incremental Institutional Development:

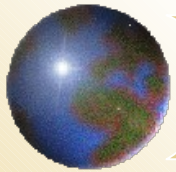
### Emergence of venture capital industry in Taiwan

- ⊕ *Massive foreign education and brain drain in the 60's and 70's*
- ⊕ *Industry and financial sector dominated by large firms. Culture of risk-taking and experimentation virtually non-existing*
- ⊕ *Silicon Valley as a role model: successful entrepreneurs from Diaspora and the government decide to promote venture capital industry*
- ⊕ *First venture capital fund is established. Government contributes to equity. Expatriates reallocate to Taiwan to manage the Fund. Diaspora in Silicon Valley open up market*
- ⊕ *Demonstration effect of the success triggers establishment of other funds*

# Taiwan Technology Workers

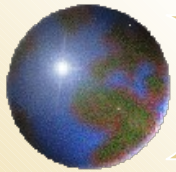


Source: Annalee Saxenian, University of California, Berkeley



## 2. Back to reality (of normal countries)

- *Experience of most government initiatives to establish 'brain gain' networks have been disappointing*
- *A lot of initial enthusiasm which dissipates.  
e.g.: Red Caldas of Colombia, SANSA of South Africa*
- *Major lesson: Expatriate networks need to generate transactions and projects (demonstration effects): people get tired of discussions*
- *New sources of promising experience: South Africa, Chile, Argentina, Mexico, India*
- *Can transactions lead to broader issues of institutional development?*



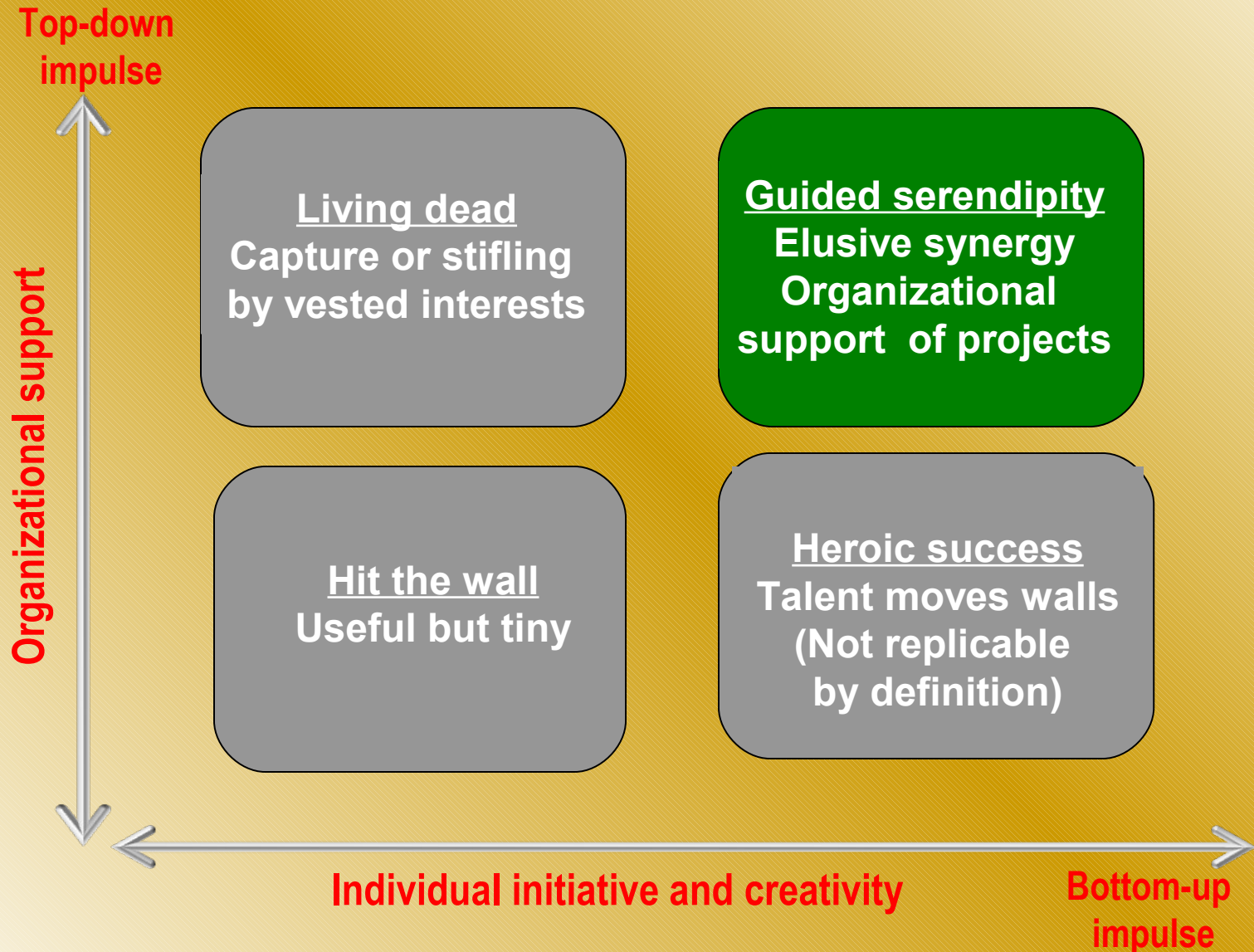
## *2. Back to reality*

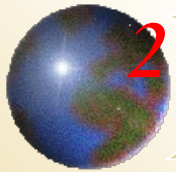
*Why Diaspora initiatives tend to fail?*

- *Easy to start: a lot enthusiasm*
- *More difficult to maintain momentum: enthusiasm tends to evaporate*
- *A need to produce win-win situations for everybody*



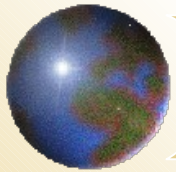
## 2. *Diaspora Initiatives: Tension Between Individual Creativity and Organisational Logic*





## 2. First Generation of Diasporas Initiatives

- ✦ *Studies, conference, and databases vs. projects that last*
- ✦ *'Tiny flowers blooming': a lot of promise once tiny but then hit the wall*
- ✦ *Projects of philanthropic nature and financial transfers (Armenia and other countries)*
- ✦ *Excitement with technology: digital networks*
- ✦ *Focus on matchmaking. But the opportunities need to be created before one can match anything*
- ✦ *Institutional fragility: once individual champions are gone, the program becomes a 'living dead'*



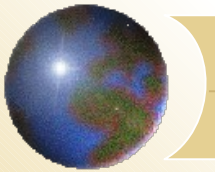
## 3. *Is it the numbers*

*game?*  
Do countries need large numbers of  
Diaspora talent to generate Taiwan's type  
dynamics?

*No. In all Diasporas of highly skilled can be very productive as well.  
But the virtuous cycle is limited to certain dynamic segments of society.  
Search networks linking exceptions from public sector, private sector  
and the Diaspora.*

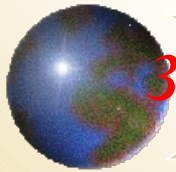
### **Reform inside-out**

- *Focus on exceptions first*
- *Exceptions form search networks. Some sort of a critical mass  
emerge*
- *This critical mass becomes an **Archimedian lever** to promote  
further change*



### 3. *Is it the numbers game?*

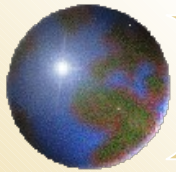
- *Promising practice: Chile Global: a network of about 100 successful professionals of Chilean origin in the US, Canada and Europe*
- *Tangible contributions of Chile Global: co-founding of high-tech firms in Chile (example: Intersink)*
- *Synopsis creates a software development center in Chile (Raul Camposano - Chief Technology Officer of Synopsis - is a member of Chile Global)*



### 3. From the humble to the ambitious: incremental institution-building

*Humble part: two examples from Chile Global*

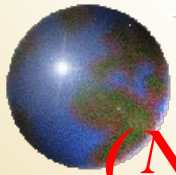
- *Internships of university students from Chile in firms where members of Chile Global are owners/manager. The firms provide salary and shares travel expenses.*
- *Members of Chile Global are peer reviewers for innovation programs administered by CORFO (economic development agency). CORFO pays the costs.*
- *Chile Global programs does not incur any costs: it leverages resources of others. An incentive to be lean and mean.*



### 3. *The ambitious (and the most interesting) part*

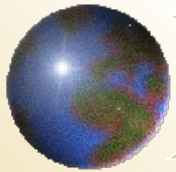
*Members of Chile Global who grandfathered the internship evaluate results and notice that:*

- *Chilean students are far above their US peers in technical skills but lack project management skills. Could we (the diaspora) help to enhance the university curriculum?*
- *All students were given their own projects and performed well. Yet none found its own start-up on return to Chile - an astounding disappointment. Can we get involved with university incubators?*
- *The same dynamics with peer reviews mechanism. Discussion of a future programs of CORFO and how to address critical gaps in the innovation system.*



## 4. India: Health Services Delivery (Non-communicable diseases in Bihar)

- *A new agenda for India's diaspora: new solutions for big challenges of India*
- *Innovative service delivery in health, education, and transportation*
- *'A new beginning' for Bihar: a reformist provincial government reaches to Bihar's diaspora (which is huge)*
- *Focus on non-communicative diseases*
- *Ministry of Overseas Indian Affairs as a platform*
- *Humble: involve diaspora in training for service providers (summer stays)*
- *Ambitious: engage diaspora to come up with new organizational solutions*

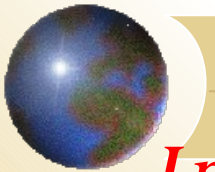


# *Reliance on Heterogeneity*

**Heterogeneity of  
diasporas of the  
highly skilled**

**Heterogeneity of  
home institutions**

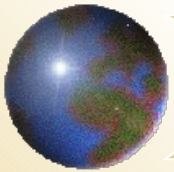
**Institutional  
development  
of home countries**



## 4. Ghana: Transforming Notional Investment Opportunities into Projects

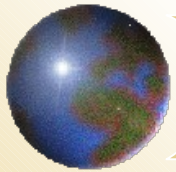
- Partnership between IntEnt (an incubator) and Africa Recruit (skill mobilization program)
- Ghanaian Investment Promotion Center (GIPC) as a support structure: facilitates, but does not manage
- Venture capital logic: an optimistic estimate:  
732 diaspora members completed in-take interview
- 287 admitted into incubation phase
- About 60 actually invested
- More likely just one out of hundred project leads result in anything tangible

*Humble: a sense of promise with (few) emerging success stories*  
*Ambitious: can this initiative enhance capabilities of GIPC?*



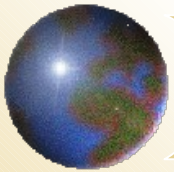
## 4. *What is Diaspora Initiative?*

- *What are we doing? Activity with the beginning, end and specific objectives. A portfolio of projects.*
- *Is it worth doing? Cost benefit perspective: 'get' and 'give'*
- *Can we get it compared? Can we benchmark it vs. others and say whether we succeed or fail (many initiatives cannot)*
- *Are we learning anything? Failure is perfectly normal (it is a new area after all) but what are we learning from it?*



## 4. A new (second) generation of diaspora initiatives

- ◇ *A platform to develop specific professional and business projects*
- ◇ *A platform to link exceptions in the government, productive sector and diaspora*
- ◇ *Strategic pilot: start small but with a high growth potential (being humble and ambitious at the same time)*
- ◇ *Venture capital logic: out of large number of deals, only small percentage results in actual project*
- ◇ *Guided serendipity: slight touch intervention*



## 4. *Tentative Conclusions*

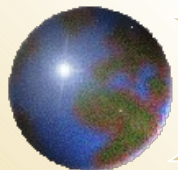
*If the program shows promise it is:*

- *full of surprises on every turn: the need for a continuing redesign*
- *some activities must fail*

*Two issues*

*Accountability: costs of success?*

*Continuous adjustment: how do we learn?*



## 5. Benchmarking

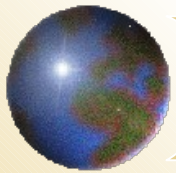
*Objective of benchmarking: to find out-of-the box, non-obvious solutions, while not shooting in the dark in all directions;*

▪ *Components of benchmarking:*

-- *Identifying activities and skills*

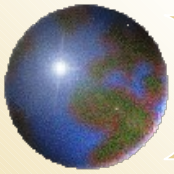
-- *Assessing them using a framework*

▪ *For instance, Mexico's and Argentina's networks of talents have dynamic techno-entrepreneurs as a quasi-full-time staff. Any implications for Chile Global?*

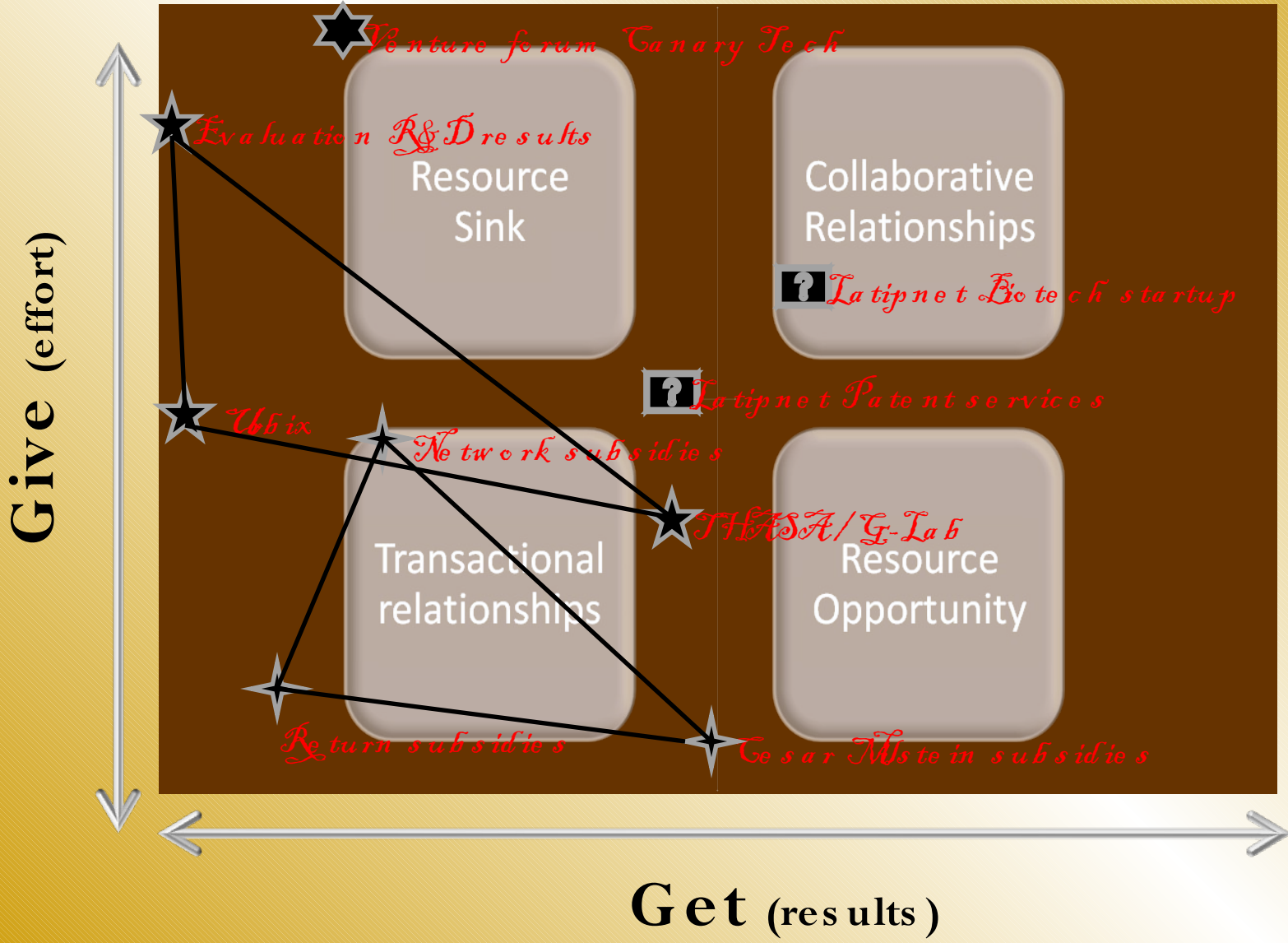


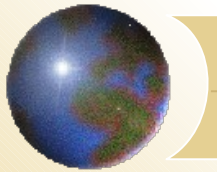
# 5. Benchmarking framework





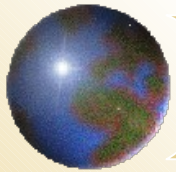
# 5. Example of Argentina





## 6. Conclusions

1. *Diasporas can be very useful for home countries but to develop their potential, concerted effort is required. This concerted effort takes time.*
1. *Institutions at home, not diaspora' commitment is the binding constraints everywhere.*
1. *In the **short term**, individual champions and tangible success stories (demonstration effects) are the key.*
1. *In the **longer-term**, institutions of the home countries are the key (diasporas are not a panacea)*
1. *Focus on **pragmatism**: relying on individual champions to develop institutions in home countries*



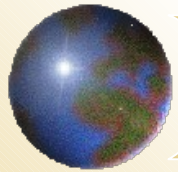
## 6. Conclusions

### Ambitious Humility

*Start from easy win-wins - identify 'resource opportunities'*

*Be humble: focus on mundane transactional relationship first*

*Yet ambitious: aim for long-term collaborative relationship (when everyone gets hooked up)*



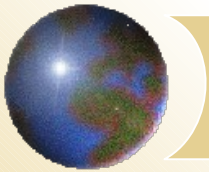
## 6. Conclusions

### Venture Capital Logic

*Tolerate failure 'resources sink' activities are unavoidable  
But learn from failures and from others : benchmark  
Every stakeholder learns its own lesson (government vs.  
diaspora members) from the benchmarking exercise: that's  
the beauty of it*

*The less developed the institutional environment the more  
venture capital logic applies (Ghana example)*

*Diaspora initiative as a portfolio of activities, some fail, some  
succeed*



Thank you

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