



# Intellectual Capital for Communities in the Knowledge Economy Nations, Regions, Cities and Emerging Communities



World Conference on Intellectual Capital for Communities  
- Third Edition -



# **Leveraging Talent Abroad for Home Country Development: Lessons of Pilot Diaspora Networks in Latin America**

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# 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
- A quiz: which country has the largest number of tertiary educated expatriates in OECD economies?
- Expansion of far-flung Diasporas – networks of expatriates abroad

# Migration Chains and Diaspora Networks

## How to take advantage of the talent abroad?

- Networks of expatriates as an opportunity
- Impact of expatriate talent
  1. Policy knowledge and influence: ideas and ability to put them in practice. India – initiating KPO and sustaining reforms in India. Initiate search networks and reforms ‘inside-out’
  2. Technological and other domain knowledge (Ramon Garcia example from Chile)
  3. (as a distant third) Capital: Investments and remittances

# Towards a virtuous cycle

## 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

# Is it the numbers game ?

## Numbers are significant

<b>Total Number of Expatriates in OECD Economies</b>		
	<b>Total number of expatriates</b>	<b>Of which highly skilled (%)</b>
Argentina	266,070	37.8
Brazil	351,878	31.7
Chile	200,366	33.0
China	1,649,711	39.6
India	1,929,199	51.9
Mexico	8,431,381	5.6
Source: Adapted from OECD, 2005		

# Is it the numbers game ?

**Do countries need large numbers of Diaspora talent to generate the Taiwan type dynamics?**

- **A hypothesis**

No. Small 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

## Back to reality (of normal countries)

- Most government initiatives to establish ‘brain gain’ networks have failed
- A lot of initial enthusiasm which dissipates  
e.g. Red Caldas of Colombia
- Major lesson: Expatriate networks need to generate transactions (demonstration effects), people get tired of discussion
- New sources of promising experience: South Africa, Armenia



# Back to reality

## Why Diaspora initiatives tend to fail?

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

# Global Scot

- A program to manage enthusiasm to get involved about 850 high-placed Scots all over the world
- Part of Scottish Enterprise – Scottish Economic Development Agency
- A program with annual budget of about 300 thousand pounds
- A highly successful network of expatriate professionals due to a diversity of early success stories

# Example of Success: Global Scot

## GlobalScot: Early Success Stories

- A company specializing in the creation of virtual characters for gaming software was able to make valuable connections with a number of global Scots during a trip to California for an exhibition. A non-executive director at the company described the contacts as “an absolute bulls-eye target for the type of business advice needed...people you would never dream of trying to reach as there would usually be about a dozen gatekeepers between you.”
- A GlobalScot member who is VP Production Procurement at IBM, donated one day a month to working with Scottish Enterprise’s electronics team, providing insight into the global electronics sector by advising on new product developments, growing and shrinking markets and new opportunities.

# Pragmatic Diaspora Initiatives

Redes de talentos para Innovacion in Chile,  
Argentina, Mexico ('tres caballos')

- Informed by promising practice: South Africa, New Zealand, Armenia
- Chile: strong domestic institutions, weak private sector innovation
- Argentina: brilliant individuals, domestic institutions as a handicap
- Mexico: Red de Talentos as a vehicle for meaningful collaboration within the public sector

# ChileGlobal: from capable public sector to new private sector

- ChileGlobal
  - www.ChileGlobal.org: first discussions, October 2005;  
Established June 2005 (meeting in San Francisco)
- Fundacion Chile as an institutional home
- Issues:
  - ‘everyone loves it’: risk slipping into the usual mode of conferences, events, databases with little tangible contributions;
  - Fundacion Chile as too restrictive, needs its own institution or autonomy within Fundacion Chile (reporting to the chairman of the board);
  - Need to develop a couple of ‘strategic pilots’ (e.g. facilitation of early stage venture capital)

# Argentina: from private champions to capable public sector

- An imperative of a long view: in the medium-term, a difficult trajectory
- A search network of committed exceptions: in the public sector, domestic private sector and Diaspora
- SECYT and RAICES as a problem in the short-run and the solution in the long-run. Diaspora search network as central in transforming the problem into the solution
- Multiple institutional home: Ministry of Labor, Centro Argentino, no single institutional anchor
- A strategic pilot: early stage venture capital and the focus on the deal flow
- Vibrant brain circulation networks already exist (more so than in Chile)

## Mexico: humble in the short-run, ambitious in the long-run

- Mexico: Red de Talentos para Innovacion (<http://www.reddetalentos.com>)
- Humble: bottom-up localized problem-solving networks organised around local chapters (Houston, San Jose)
- Ambitious: do not shy away from big issues (image of Mexico as a high-tech destination)
- But focusing on demonstration cases and success stories
- Two types of institutional homes:
  - TechBa in San Jose
  - CONACYT, IME and Ministry of Economy
- Will it survive the transition of the administration?  
Probably, but how?

# Conclusions

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