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# DEVTECH Sphere

DEVTECH SYSTEMS, INC.  
Summer 1997

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## RESIDENT SCHOLARSHIP

I am delighted to announce that John Devereux, Ph.D., will join DEVTECH as our Resident Scholar for the 1997-98 academic year. Dr. Devereux, an Associate Professor of Economics at the University of Miami, Florida, has conducted substantial research on issues related to trade and exchange rates in developing countries. As DEVTECH's Resident Scholar, he will continue the important work he is currently undertaking in two areas: the effects of exchange rate changes on prices, and the determinants of agricultural growth in developing economies, both with particular reference to Latin America. Updates on his research will be reported in the *Sphere*.

— Jorge A. Sanguinetti  
President and CEO  
DEVTECH SYSTEMS, INC.

## INDIVIDUAL V. COMPANY — HIRING THE BEST CONSULTANT

Many, if not most, officials in the World Bank and the Inter-American Development Bank (IADB) have a strong bias against hiring consulting companies and prefer to hire individual consultants. They have transmitted this bias to their member countries as well. The reason they give against the use of consulting firms is almost always the same: Consulting firms are more expensive — they charge indirect costs (overhead) on top of the direct costs and, on top of this, they want to charge a profit.

The reality is a bit more complex. Actually, when one consultant is needed to provide an expert opinion on a particular issue, a consulting firm might indeed be more expensive than an individual, provided that the client — who may be much more concerned with price than with the quality of the opinion — knows how to select the expert. But in many cases, the job at hand requires a large group of consultants, possibly for a long period of time. This is when consulting firms are not simply necessary; they are more efficient and less expensive. Why, then, the insistence on using individual consultants? There are several reasons.

**CONSULTING FIRMS CAN GUARANTEE  
QUALITY IN WAYS THAT INDIVIDUAL  
CONSULTANTS CANNOT.**

The most important one is the basic fallacy that firms cost more. The fact is that the cost of the consulting firm looks higher only because the overhead of the World Bank, IADB, or any other public-sector organization is not taken into account when their officials play the role of a consulting firm. Another common reason officials prefer to hire individual consultants is that it gives them the freedom to hire their own friends or relatives or consultants who can be more easily manipulated towards the production of desired results, not surprises. A third reason is that there is a strong prejudice against profit, even when profits are made in a highly competitive environment. This is why there is a preference for nonprofit institutions over those that are registered as for-profit. And a fourth reason officials may choose an individual consultant instead of a consulting firm is sheer incompetence. How many times have we observed that a given ministry obtains a technical assistance loan to transform an entire public administration function (education,

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# EXPANDING ENVIRONMENTAL MARKETS IN LATIN AMERICA

**E**conomic growth in Latin America is expected to increase two or three times faster than in the United States and Europe, according to a recent study by the editors of the *Environmental Business Journal*. This growth pattern will impact the need for increased infrastructure and environmental projects.

Typically, environmental projects in Latin America are closely tied to programs that create real economic value: energy, power, industrial capacity, water delivery, wastewater treatment, materials recycling, and resource development. The California-based Institute of the Americas notes that major demand for environmental products and services is currently from municipal and cooperative water authorities. Industrial demand will increase as new equipment and processes are installed to

meet recently enacted water and air pollution control regulations.

In the private sector, environmental technology projects will increase in petroleum refining and petrochemicals, power generation, mining and primary metal processing, cement, pulp and paper industries, and food and animal by-product processing. Argentina, Brazil, Chile, Colombia, Mexico, and Venezuela represent the bulk of Latin America's market for environmental products and services.

Obtaining financing is often a challenge, but international investors and lenders are increasingly optimistic about the economies in Latin America. Even Mexico, buffeted by the peso, is attracting increased interest from the financial community.

Financial packages tend to involve more than one investor, and pay-back

periods vary. Asian lenders and governments are often very competitive in the Latin American market because of their liberal, and lengthy, repayment schedules.

French, Japanese, German, and Canadian environmental firms are active in many Latin American coun-

**INDUSTRIAL DEMAND FOR ENVIRONMENTAL PRODUCTS AND SERVICES WILL INCREASE TO MEET WATER AND AIR POLLUTION CONTROL REGULATIONS.**

tries, but U.S. environmental technology is respected and is usually considered a valuable asset. U.S. environmental firms are exploring the Latin American markets with positive results, both individually and as active partners in joint ventures.

Several programs help U.S. businesses position their services and products in the Latin American environmental market. ETNA, the Environmental Technology Network for the Americas, is a free program that provides environmental technology trade leads to U.S. businesses. The program, funded by the U.S. Agency for International Development and managed by DEVTECH, sends trade leads from eight Latin American countries to 1,466 U.S. businesses. For more information, call ETNA at 202/663-2759. ♦

—George Cole  
Senior Business Advisor, ETNA

## RELATED INTERNET SITES

These sites provide information about doing business in Latin America and link with other pertinent sites.

### ORGANIZATION OF AMERICAN STATES — TRADE UNIT

<http://www.sice.oas.org> — *trade agreements, data, and opportunities in the Americas*

### LATIN AMERICAN TRADE AND INFORMATION NETWORK

<http://www.latinet.com/latinethom.htm> — *links to relevant websites, including chambers of commerce and Latin American businesses*

### CENTER FOR TRADE AND INVESTMENT SERVICES

<http://www.info.usaid.gov/business/ctis/index.html> — *information about trade opportunities by country and sector and links to related websites, including ETNA*

# GENDER AND DECISION MAKING

**W**e have higher participation rates except among low-income groups, and their participation has decreased.” “Investments in new technology have not improved the education system as we expected.” “When we invested in special programs we did not see gains in economic productivity.”

These were some of the observations expressed by players in discussions about strategic planning during a recent run of EPICS, the Education Policy Simulation, in Mexico City. EPICS is an interactive computer-supported simulation game that is used in training programs for policymakers. It provides a starting place for discussions about how gender differences can affect decision-making strategies in education policymaking.

## THE EPICS SCENARIO

EPICS presents the player-participants with a country scenario that simulates conditions in many low-income countries: Per capita income is very low — \$350 a year; 51 percent of the children enrolled in grade 1 do not complete primary school; literacy rates are 35 percent for males and 16 percent for females; only 2.2 percent of GNP is spent on education; and the primary education expenditure is 40 percent of the total education expenditure.

Through minimal investments in primary education, players can dramatically improve the education system and the quality of life in their country. The challenge is to find the hidden patterns and relationships among many possible policy options.

## MULTIPLE STRATEGIES

EPICS shows how policymaking at the national level plays out across four population groups in very different ways. Cultural and socioeconomic diversity is simply represented in the EPICS model by four population groups — boys, girls, urban, and rural. The urban boys represent those who have greatest access to education (and are highest on the socioeconomic scale) and the rural girls represent those who have the least access to education and are lowest on the socioeconomic scale. Urban girls and rural boys represent the children who fall somewhere in the middle.

Players are often surprised that the outcomes of the game show a broad range of responses. Policies favoring the status quo and boys’ education, for example, show increases in industrial and agricultural development, but little or no improvement in food production. On the other hand, policies favoring the underrepresented groups increase education for girls, improving overall health and welfare. Food production increases and the birthrate falls.

## GENDER DIFFERENCES

The outcomes of the simulation, which has been run in many countries, have shown that skewed sex ratios within groups can affect decision-making behavior. Also, the outcomes can be different depending on the male/female composition of groups. The EPICS simulation in single-sex and mixed-sex groups reveals substantially different outcomes in some cultural settings. The all-male and all-female groups had a high rate of agreement, while in the groups that were evenly mixed the perceived meaning of the discussions became garbled.

In Baluchistan, for example, both all-male and all-female groups showed high levels of agreement on investment decisions that yielded high output with very different strategies along male and female biases. Mixed-sex groups of six players in which one member was of the opposite sex also showed high levels of agreement with better outcomes. However, evenly matched mixed-sex groups (three males, three females) showed low levels of agreement and low results; decision-making behavior of these groups was uneven, with no clear strategy. This may be especially true within newly integrating cultures.

Gender differences depend on the situational context of the interaction. The characteristics of the participants in group interaction (e.g., their age, race, class), their task, their relationship to each other, the interaction setting, the topic of conversation, and the length of the encounter all influence the degree to which men and women display different styles of interaction. EPICS participants are able to discuss these issues openly during the debriefing session. ♦

—Christina Rawley  
Deputy Director, Women in  
Development Strategies  
and Resources (WIDSR)

*Note: The EPICS demonstration in Mexico City at the Comparative and International Education Society Conference on “Education, Democracy, and Development at the Turn of the Century” was co-sponsored by DEVTECH SYSTEMS through the WIDSR project of USAID’s Office of Women in Development and the Academy for Educational Development. EPICS packages are available through Project ABEL.*

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health, social security, justice administration, etc.) and wastes it by hiring individual consultants under the fantasy that they can do the job of a firm. One would not hire individual consultants to build a bridge or a power plant; why consider it to create or transform a system that is just as complex and vital?

Actually, a for-profit consulting firm tends to be less expensive by the pound even if it is more expensive by the day. The reasons are efficiency and productivity: Consultants in firms tend to produce more in less time. But cost is not the only consideration.

Private consulting firms can guarantee the quality of the product

they deliver in ways that a group of individual consultants hired by a ministry or an international organization cannot. A private firm that is seriously committed to a long haul in the market is seriously committed to cost efficiency and product quality; if one of its consultants fails for any reason attributable to its own management, the firm will carry the cost, not the client.

Thus, the challenge for those who need consulting services is to discriminate between the good consulting firms and the bad ones, and to understand that they only deceive themselves if they believe that they can improvise as managers of consulting teams. ♦

—*Jorge Sanguinety*

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