Texila International Journal of Management
ISSN: 2520-310X
DOI: 10.21522/TIJMG.2015.11.01.Art013

# The Investment Process: Reflections on the Public Sector of Guyana

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***Abstract***

*The decision to invest is one of the most complex choices made by managers in both the private and public sectors globally. It involves not only initial expenses but also cash flows throughout the investment's useful life, all while bearing inherent risks. A well-structured investment decision requires thorough evaluation processes that consider economic, social, and environmental factors to ensure sustainability and efficiency. In the public sector, investment projects are critical for driving national development and improving the quality of life for citizens, particularly in developing countries like Guyana. These projects typically involve infrastructure development, technology acquisition, and capacity building, all aimed at addressing pressing societal needs. The study and proper conceptualization of these projects are therefore crucial, as errors in planning or execution can lead to resource wastage and missed opportunities. This article aims to reflect on the investment process, with a particular focus on Guyana's public sector. To achieve this, we employed theoretical and empirical research methods, including analysis and synthesis, induction, deduction, logical history, and documentary analysis. The research draws insights from the National Public Investment System (NPIS) of Guyana, which emphasizes structured planning and multi-year budgeting to optimize resource utilization. The study concludes that in public sector investment projects, it is essential to consider not only activities, tasks, resource allocation, and economic or environmental impacts, but also the lasting social benefits that extend beyond the project itself. These benefits must align with national development goals, ensuring equity, inclusivity, and sustainable growth for future generations.*

***Keywords:*** *Investment process, Investment project, Project Evaluation.*

## Introduction

Decision making between various investment projects requires a thorough cost-benefit analysis, which is essential for any sector of a country's economy. In the public sector, this analysis helps identify investments or activities that yield the greatest social benefit. Without it, national financial resources could be allocated to projects that do not meet these goals. Therefore, evaluating the investment process must adhere to scientific principles and established procedures. By considering the public sector's operational environment, lessons can be drawn from existing literature.

The success of any investment project begins with proper planning and projections. However, a deep understanding of the concepts involved in the investment process is essential. A correct study of this process benefits project managers and the companies and businesses that interact with society.

***Received: 23.12.2024*** ***Accepted: 20.01.2025*** ***Published on: 28.02.2025***
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Understanding the public sector evaluation process is crucial. This article reflects on the necessary elements involved in the investment process, with a focus on Guyana. The public sector in Guyana is structured into more than thirty budgetary agencies, distributed across ten administrative regions. The country's public investment system, called the Project Cycle Management System, was designed to systematically incorporate all relevant elements of each project stage to promote efficient management of public investments.

To achieve the research objective, we employed several methods: analysis and synthesis, induction, deduction, historical logic, and documentary analysis. These theoretical and empirical methods allowed us to systematize the concepts of project, investment, investment project, and investment evaluation process, while considering the specificities of Guyana's public sector and summarizing the stages of the investment process.

## The Process of Evaluating Public Investment Projects

In the literature, various definitions of investment, projects, investment projects, and the investment evaluation process exist for both the private and public sectors, as provided by prominent economists. This research focuses on the public sector.

A project can be defined as a set of data, calculations, and drawings organized methodologically to provide parameters on the nature and cost of a task or work [19]. Additionally, it is described as a careful analysis of an idea that may emerge from individuals or groups in the public or private sectors, aimed at creating a productive unit of goods and services that benefits stakeholders and the target population [12]. The PADID Guide defines a project as a planning process involving interconnected activities designed to produce specific goods or services within a defined budget and time frame [15]. Another perspective views a project as a temporary effort undertaken to create a unique product, service, or result [2, 18]. All these definitions share the idea that projects, being temporary with a start and end date, must succeed and fulfill their intended purpose.

However, there are notable differences between public and private projects. Private-sector projects focus on investments that allow qualitative and quantitative assessment of the advantages and disadvantages of resource allocation. These projects aim to determine the socioeconomic and private profitability of initiatives, always seeking optimal investment opportunities and returns [7].

In contrast, public projects are designed to produce and/or distribute goods, services, or products to meet the needs of groups that lack the resources to address them independently. These projects are characterized by specific spatial and temporal parameters, with outputs delivered free of charge or at subsidized prices to maximize collective well-being [6].

In the authors' view, a project whether public or private should be understood as a group of tasks involving resources, activities, and outputs carried out over a defined period within a specific region, space, community, or society. The ultimate goal is to address a clear need or problem affecting a particular group of people.

Having established the concept of a project, it is essential to define what constitutes an investment project. Investment refers to the total expenditure of financial resources to acquire durable tangible assets or production tools, also known as capital goods, which the organization uses over several years to fulfill its social objectives [16]. Additionally, investment can be understood as the allocation of financial resources to create, renew, expand, or improve a company's operational capacity [24].

However, investment decisions involve allocating capital to projects with the expectation of future benefits [25]. Investing entails financial expenditures to acquire tangible and intangible assets, such as fixed assets, financial instruments, and deferred activities like market research, advertising, and research and development [9]. These expenditures aim to secure resources that will generate returns over time.

An investment project is a plan that, when provided with capital and inputs, can produce goods or services beneficial to individuals or society [3]. A key characteristic of investment decisions is that the cash flows extend over time, often several years, and frequently involve creating productive capacity through investments in buildings, machinery, export initiatives, and more [4].

In light of these definitions, an investment project can be seen as a structured plan executed to achieve economic or financial objectives by producing goods or services under optimal conditions and ensuring a return within a specified time frame. Such projects may be public or private in nature.

Public investment projects aim to allocate public resources to foster economic growth and meet social development goals. Examples include infrastructure development (roads, railways, energy), acquisition of technology (ICT, defense), and organizational capacity-building [5]. These projects seek to enhance collective well-being and often deliver goods or services either free or at subsidized prices.

The evaluation of investment projects is a critical process to determine their economic and social profitability. It ensures that resources are allocated to the best alternative while addressing human needs efficiently and safely. A well-structured project evaluation outlines necessary steps, guarantees resource optimization, and ensures the project's profitability. This process is essential for decision-makers, enabling them to accept or reject initiatives based on detailed profitability analyses.

The investment process itself is characterized by allocating resources over the long term, with the expectation of recovering these resources and achieving economic, social, and environmental benefits [4, 8, 11 & 22]. Public investment emphasizes these non-financial benefits.

In preparing an investment project, it is essential to address an unmet need, and guarantee returns commensurate with the investment. This involves ensuring that the project's cash flows exceed initial expenditures over the time horizon and are resilient to macroeconomic factors [1].

According to the National Public Investment System of Guatemala, the public investment process consists of activities such as identification, formulation, evaluation, prioritization, resource allocation, execution, monitoring, and Ex-Post evaluation. This framework ensures the efficient and equitable use of internal and external resources, including savings, donations, and debt [17].

Similarly, the National Investment System (SNI) underscores the importance of equipping decision-makers with a portfolio of high-quality investment initiatives to optimize public resource allocation [13]. By focusing on efficiency and equity, public investment systems aim to select projects that maximize societal benefits.

On the other hand, the evaluation of public sector investment projects is a structured methodology encompassing conceptualization, design, execution, and evaluation [14]. This process emphasizes objective-oriented guidance throughout the project lifecycle. The national public investment cycle comprises four key phases, which involve interactions among actors from the state, market, and civil society:

1. Planning of public investment.
2. Allocation of public resources to sectors and projects.
3. Implementation and management of public investment assets.
4. Ex-Post evaluation of investment.

The investment process begins with project identification, which involves specifying the problem to be addressed. During this stage, the need or issue is analyzed to define the desired good or service. Decisions at this point include whether to abandon, postpone, or deepen the analysis. Approval of the investment initiative occurs progressively, with each stage requiring satisfactory completion before advancing. Budget resources are allocated accordingly.

Project formulation follows, involving the sequential development of pre-investment stages to provide technical and economic insights into the feasibility and desirability of the project. Throughout the process, technical feasibility and economic viability are assessed, and alternatives that fail these criteria are discarded. The most viable alternative undergoes further analysis and, if deemed feasible, proceeds to execution.

The responsibility for identification, formulation, and evaluation lies with applicant institutions or sectoral leaders. After sectoral entities evaluate the alternatives, a technical-economic analysis is conducted, which includes reviewing project documentation such as profiles, pre-feasibility studies, feasibility studies, or final designs [13]. Key aspects of this analysis include the methodology used, project definition, evaluation of alternatives, cost analysis, financing, and alignment with sectoral policies. The resulting analysis informs a recommendation on project viability and includes technical-economic observations for improvement.

From a macroeconomic perspective, public investments are a critical tool for governments to foster economic development and address social mandates, such as ensuring basic service provision. Public investment prioritizes sectors that drive development goals and improve quality of life, particularly in developing and low-income countries. However, selecting appropriate projects is essential to avoid failures that could negatively impact society.

The evaluation and selection processes are pivotal in guiding decision-makers. To streamline this, the National Investment System (SNI) organizes the public investment process into four subsystems [13]:

1. **Technical-Economic Analysis**: Reviewing and qualifying investment initiatives (IDIS) formulated by public enterprises, central government entities, and others.
2. **Budget Formulation**: Allocating financial resources for approved projects.
3. **Budget Execution**: Monitoring and managing project implementation within budget constraints.
4. **Ex-Post Evaluation**: Assessing project outcomes to ensure objectives were met.

Each subsystem includes organizations, rules, and procedures to ensure planning processes in public institutions align with economic, social, and environmental development goals, incorporating risk management strategies.

The technical economic analysis includes the review and qualification of three types of investment initiatives. Investment (IDIS) formulated and evaluated by public companies, institutions at the central level of

the administration, regional governments and municipalities:

1. Basic studies.
2. Programs.
3. Investment projects. In the formulation and execution of public projects, it must have teams of qualified professionals in this field.

This training is conducted directly by analysts from the central level and the Ministry of Finance. Recently, the Ex-Post evaluation has been considered the execution phase of a project, addressing only short-term results, such as costs, execution time, and compliance with technical specifications (size, product, location, etc.). Additionally, initiatives that are already in operation are evaluated to verify whether the projects generated the expected social benefits and costs.

In general, the evaluation process for a public investment project (PIP) consists of three phases: social evaluation, value-for-money evaluation, and private evaluation [23].

However, the public evaluation of projects, unlike private evaluation, considers all the costs incurred by society to carry out a given project and the benefits generated for that purpose [20]. The main objective of public project evaluation is to provide investors with information regarding the use of public resources. Thus, the determination of costs and benefits should translate into comprehensive community welfare, improved quality of life for inhabitants, or practical solutions to complex problems.

To support the evaluation of public investment projects, it is necessary to rely on certain criteria that allow for contrasting, comparing, and interpreting the observed results based on explicit or implicit patterns. For this purpose, the following basic criteria are used [21]: coherence, relevance, significance, cost-benefit analysis, and the evaluation of resource efficiency.

## Material and Methods

### Research Design

This study followed a non-experimental research design. To meet the objective and goals, the following methods were used: analysis and synthesis, induction, deduction, historical logic and the documentary analysis. These theoretical and empirical methods allowed us to systematize the concepts of project, investment, investment project, investment evaluation process, considering the particularities of the Guyana public sector, in addition to summarizing the stages of the investment process.

## Discussion

### Financial Management of the Public Investment Evaluation Process in Guyana

The National Public Investment System (NPIS) of Guyana is a framework designed to manage investment projects effectively, under the oversight of the State Planning Secretariat (SPS), a division of the Ministry of Finance. A core responsibility of the SPS is preparing the central government's investment budget.

Following Guyana's Fiscal Management and Accountability Act, the NPIS incorporates a multi-year budgeting approach [10].

This requires that the annual budget be accompanied by expenditure and investment projections over a four-year horizon, promoting long-term planning and financial accountability.

The NPIS is composed of norms, instruments, and procedures that structure the public investment process in Guyana. It is influenced by administrative policies and the monitoring practices of multilateral agencies, which strengthen the system through programs that track the execution of investment projects. Public investment, as defined by the NPIS, involves deploying government resources to strategically develop areas that enhance GDP growth and improve the population's living standards.

From an institutional perspective, the Ministry of Finance is central to planning and budgeting, with the SPS managing the investment budget and monitoring projects. Within the SPS, the Project Cycle Management Division (PCMD) handles the operational tasks related to investment project oversight. Additional entities also contribute:

1. **Ministry of Finance (Budget Division)**: Oversees the preparation and consolidation of the annual budget.
2. **Office of the President**: Assists in macroeconomic projections, identifying budgetary constraints, and defining national objectives.
3. **Line Ministries (Budget Agencies)**: Prepare, present, and execute investment projects under the guidelines provided by the SPS.

To ensure progress and accountability, the SPS established a committee that regularly assesses and monitors the investment process.

The budgeting process in Guyana begins in July and comprises four main phases:

1. **Budget Circular**: Issued by July 5, the circular provides budgetary agencies with guidelines and deadlines. Its preparation generally spans the month of June.
2. **Preparation of Budget Proposals**: Between July 5 and September 15, agencies develop their budget proposals.
3. **Discussion and Finalization**: From September 15 to November 15, proposals are reviewed, consolidated, and submitted to the Cabinet for approval.
4. **Presentation to the National Assembly**: Ideally presented in early December, the budget is often delayed, sometimes reaching the National Assembly as late as March of the following year.

As part of public administration reforms, the Ministry of Finance, led by the PCMD, has developed and published manuals and guides for preparing Guyana's multi-year investment plan and managing the NPIS. These materials are reviewed and approved by the Cabinet for implementation.

## Conclusions

The public investment evaluation process requires identifying the criteria and concepts involved in this evaluation, allowing for the contrast, comparison, and interpretation of results based on explicit or implicit patterns in each evaluated project.

Public investment projects in Guyana consider not only the planned tasks, activities, and allocated resources but also ensure that these projects provide social benefits that extend beyond the project's useful life.

The NPIS in Guyana must be managed through an instrument that allows for the transformation of ideas into concrete projects, functioning effectively while considering the budget programming period in accordance with the approved phases for public investment.

## Conflict of Interest

The authors hereby declare that there is no conflict-of-interest issue related to this research work.

## Acknowledgment

I thank God the Almighty for giving us time and circumstances to perfect this present manuscript. Special thanks to all the participants who generously shared their time and insights. Lastly, I sincerely thank the co-authors for their expertise and support throughout all aspects of the study and for their assistance in co-writing and reviewing the manuscript

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