**Guyana: Economic Performance and Outlook   
(The Recent Scramble for Natural Resources\* )**

***Distinguished Professor Clive Y. Thomas***

**APRIL 2012**

  \*(Excerpted, edited, revised and updated from opinion pieces written mainly during 2011)

***Contents***

***Page***

***A: Performance of the Guyana Economy in the 2000s, and Outlook[2]***                                                    2

1. Performance: Guyana’s Economy, 2000–2011                                                                                           2
2. Outlook:Downside Risks                                                                                                                         6
3. Outlook: Upside Potentials (The Scramble for Minerals)                                                                            11

***B: The Guyana-Norway “Partnership” to Exploit Guyana’s Rainforest Potential[3]***                              20

1. The Low Carbon Development Strategy (LCDS) as Development Framework                                               20
2. The One-sided Guyana-Norway, Memorandum of Understanding (MoU)                                                     22
3. The Hydro-power Solution!                                                                                                                    25

***Note***:  This section should be read in conjunction with Clive Thomas, ***The LCDS, Guyana-Norway Agreement and Environmental Issues Related to Climate Change and Global Warming.*** November 29, 2009 to August 1, 2010 (for availability see Introduction)

***C: Looting Guyana: Polemics on the Scramble for Minerals and Other Natural Resources [4]***             28

1. The Scramble for Minerals                                                                                                                     28
2. The Hydropower Debacle                                                                                                                       30
3. LCDS: Fraud, Deception and Opportunism                                                                                               32

***D: The PPP/C Legacy (1992-2011): Weak, Volatile and Distorted Growth [5]***                        34

1. The PPP/C Legacy (Jagan and Jagdeo)                                                                                                    34
2. Unrelenting Poverty                                                                                                                              36

[1] Main Source: Sunday Stabroek News April 3, 2011 – May 22, 2011.

[2] Main Source: Sunday Stabroek June 11, 2011 – November 20, 2011.

[3] Main Source: WPA’s Dayclean Elections Special, November 2011.

[4] Main Source: WPA’s Dayclean Elections Special, November 2011.

[5] Main Source: WPA’s Dayclean Elections Special, November 2011.

***List of Tables***

***Page***

1: Guyana’s Growth Rate (old and new series)                                                                                                   3

2: Guyana Growth Rate (Budget Targets vs. Outcomes)                                                                                      3

3: Macroeconomic Performance and Outlook (2015)                                                                                          5

4:  Guyana Goldfields Resource Estimates                                                                                                        14

5: Annual Real GDP Growth (1992-1999)                                                                                                        20

6: Annual Real GDP Growth (2000-2011)                                                                                                        20

***List of Graphs***

***Page***

 1: Guyana Growth Rate (2000-2011)                                                                                                             2

**Introduction**

Because of mounting requests I have put together in this Folder, excerpted, edited, revised and updated material from opinion pieces I wrote mainly in 2011. The Folder focuses on the performance of the Guyana economy since 2000 and the recent scramble for Guyana’s natural resources. The main sources are my published columns in the Sunday Stabroek during 2011 and articles submitted for publication in WPAs Dayclean Elections Special, November, 2011.

For readers with a deeper interest in these matters I refer to the following additional publications:   
¬ “The LCDS Guyana – Norway Agreement and Environmental Issues Related to Global Warming and Climate Change”: by Clive Y. Thomas, 2010.

¬ “State of the Guyana Sugar Industry and Its Reform”: by Clive Y. Thomas, 2011

¬ “Too Big to Fail: A Scoping Study of Small and Medium Scale Gold & Diamond Mining in Guyana”: by Clive Y. Thomas, 2009.

Copies of these are available on request to the Administrative Officer at the Institute of Development Studies (IDS). Email: [n40paul@yahoo.com](mailto:n40paul@yahoo.com) or tel 592-222-5409 or Fax 592-222-5551.

**A: Performance of the Guyana Economy in the 2000s and Outlook**

The material in this Section (A) briefly reviews the performance of the Guyana economy during the 2000s and examines its prospects over the near-to-medium term.

**1: Performance: Guyana’s Economy, 2000-2011**

During last year a number of persons had invited me to offer an opinion on the prospects and outlook for the Guyana economy over the near-to-medium-term.  Most of the persons raising this query, I suspect, had a political interest in my response. My response then was to draw attention to what economists describe as the downside risks facing the economy and compare these to the upside expectations or potentials which are likely to be there over the near-to-medium-term.

It would be useful to begin with a recap of the recent performance of the economy. The graph below illustrates the behaviour of the growth rate of real GDP, between 2000 and 2011. Of note, the recently announced National Budget 2012 reports a growth rate of 5.4 percent for 2011, up from both an original projection in last year’s Budget of 4.6 percent and a half-year 2011, Ministry of Finance Report estimate of 5.1 percent. The 2010 growth rate was also revised upwards to 4.4 percent after appearing in Government documents as 3.6 percent more than a year later. No clear justifications were provided but they are used in this text as the official statistics (see comments below).

 Given the persistent pockets of poverty, lack of productive jobs and self-employment opportunities, together with the pressures and strains on the livelihoods of the vast majority of Guyanese, economic growth has been generally disappointing. Three of the years in the 2000s (2000, 2003, and 2005) have witnessed negative growth rates, and three of the other years (2006, 2007 and 2011) growth rates have reached 5 percent and over. For eight of the years growth rates were less than 4 percent. Of note, growth rates have only exceeded 5 percent in the years since 2006, that is, after the GDP calculations were rebased, using 2006 prices as against the former 1988 prices.

Major issues of data quality arise. First, because after catastrophic natural events the GDP notoriously does not fully account for the environmental degradation incurred, but when recovery from the disaster gets underway this is more fully captured in the GDP estimation. 2005 was the year of the Great Flood and economic recovery from this is captured in the improved GDP performances for 2006 and 2007 (a swing in the real GDP growth rates from minus 2 percent in 2005 to annual increases of 5.1 and 7.0 percent respectively for 2006-7).

Additionally, there is another data quality consideration to keep in mind. After the recent rebasing of the GDP (moving from using 1988 prices as the base year to 2006 prices as the new base year), statistically, the GDP calculations have shown substantial increases in their overall sizes and their components (from about two-thirds to three-quarters); plus improved growth performances after 2006. Table 1 below presents the GDP estimates shown in the graph above, with additional information on the growth rates for the period 2007-2009 (for which we have separate official data) based on available estimates, using both 1988 and 2006 prices.

**Table 1: Guyana’s Growth rate (old and new series)**

|  |  |
| --- | --- |
| **Year** | **Growth Rate (Real GDP by industrial origin)** |
| 2000\* | -1.4 |
| 2001\* | 2.3 |
| 2002\* | 1.2 |
| 2003\* | -0.7 |
| 2004\* | 1.6 |
| 2005\* | -2.0 |
| 2006\* | 5.1 |
| 2007\*\* | 7.0 (5.4 @ 1988 P’s) |
| 2008\*\* | 2.0 (3.0 @ 1988 P’s) |
| 2009\*\* | 3.3 (2.3 @ 1988 P’s) |
| 2010\*\* | 4.4 (revised for Budget 2012) |
| 2011\*\* | 5.4(revised for Budget 2012) |
| **Note:**   1)      988 prices      2)               \*\* = 2006 prices  **Source:** Government of Guyana official statistics | |

It is also useful to observe that in the period 2008-2010, the government had budgeted for growth rates, on average, above four (4) percent, but these target growth rates were not met, based on the published budget data provided in the following year.

**Table 2: Guyana Growth Rate (Budget Targets vs. Outcomes)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **2008** | **2009** | **2010** |
| Budget target: | 2.8 | 4.7 | 4.4 |
| Actual growth rate: | 2.0 | 3.3 | 3.6 |
| Variance (%) | 58 | 34 | 18 |

As I had observed elsewhere, the variances for the three years have been high. Their mean value is 37 percent. While this certainly indicates that targeting has erred on the size of over-estimation (by more than one-third of the actual outcome), it should be observed there is a downward “trend” in this overestimation, in that its size has fallen from 58 percent in 2008 to 18 percent in 2010! Indeed the Government has subsequently (in 2012) revised upward its 2010 growth rate to 4.4 percent, thereby eliminating the overestimated target rate!

**Macroeconomic Outlook to 2015**The near-to-medium term outlook for Guyana contains many risks for maintaining macroeconomic stability. In this regard, the revision of the GDP estimates from base year 1988 to 2006 prices has created a situation of potential false security for the Authorities.  The statistical reality is that, in so far as using the new base year (2006 prices) results (from that fact alone) in a substantial increase in the GDP values when compared to their 1988 base year price estimates (as well as an increase in the rate of real GDP growth), then the improvement in data quality should be commensurate with this upward statistical impact on the new GDP data (based on 2006 prices), if the latter is not to mislead decision makers. Both the government and the IMF in reviewing the economy’s macroeconomic outlook have studiously avoided taking note of this consideration and instead keep referring, in an unqualified manner, to improving macroeconomic ratios during the post-2006 period knowing full well the potential for mis-statement when the rebased GDP is used as the denominator.

Despite this rosier picture, which is being presented risks remain to be addressed. It may be in part recognition of this that the IMF has urged on the Authorities “fiscal consolidation as a priority” even with the “statistically” improved macroeconomic ratios.

Apart from my concern about the likely self-deception in using possible inflated GDP ratios over the near-to-medium term, the fiscal situation still remains troubling for several reasons. First, despite large scale privatization over the years, the public sector remains an unusually high proportion of GDP. Second, given this circumstance, several large public sector enterprises have been strongly underperforming, especially GPL ― electricity, and Guysuco ― sugar, (see my articles on the State of the Sugar Industry listed in the Introduction). Subsidies to Guysuco in the 2012 National Budget are G$ 4 billion and to GPL G$6 billion. Third, significant mismatches have emerged between the inflows and outflows to the social security system (National Insurance Scheme) along with the substantial impairment of its assets portfolio as result of bad investments in CL Financial the Trinidad and Tobago (Clico) and the Stanford groups of companies. To these concerns should be added a fourth: the highly unstable inflows of grant funds that has emerged in recent years. Indeed some of these flows the government had not only publicly announced as committed, but had budgeted for, as in the case of the 2011 National Budget. The aid shortfalls have been very disruptive.

In light of the above circumstances I interpret the near-to-medium term as a period comprising worrying risks of a possible return to debt distress in Guyana. The projected deficit of the non-financial public sector in the National Budget for 2011 was 3.5 percent of GDP and the actual outcome was 4.4 percent. In 2010 the deficit had reached 4.3 percent of GDP exceeding the earlier Budget estimate of 3.2 percent, despite the strong performance in tax revenues, which have been yielding an annual average increase of about 12 percent over the past decade or so.

Further, the currency has also depreciated in real terms during 2010, after appreciating during the years 2004-9. The IMF analysis of the real effective exchange rate (REER) in 2010 suggests this is moderately above the equilibrium level, by between 9.5 and 11.5 percent depending on the method used in the estimation (external sustainability or macro-balance approach). Table 3 below summarizes some relevant data.

**Table 3: Macroeconomic Performance and Outlook (2015)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2007** | **2008** | **2009** | **2010** | **2011(1)** | **2012(1)** | **2013-2015(2)** |
| Real GDP growth rate (2006 Prices) | 7.0 | 2.0 | 3.3 | 3.6 | 5.4 | 6.0 | 4.6 |
| Overall fiscal balance(3) | -4.9 | -4.7 | -3.4 | 4.0 | -3.5 | -3.2 | 3.0 |
| Investment/GDP (%) | 21 | 19 | 17 | 17 | 21 | 20 | 26 |
| Inflation rate (end of period) | 14 | 6.4 | 3.7 | 4.4 | 3.3 | 5.4 | 5.4 |
| NPV(4)Public debt-to-GDP ratio (%)(5) | 42.0 | 41.0 | 48.0 | 48.0 | 48.0 | 47.0 | 48.0 |
| NPV(4)public debt-to-revenue ratio (%) | 152 | 159 | 170 | 180 | 158 | 161 | 172 |
| Total debt/GDP (%)(5) | 60 | 62 | 61 | 61 | 85 | 61 | 62 |
| External debt (US$)million | 718 | 834 | 933 | 1043 | 1206 | 1131 | - |
| External debt/GDP (%)(5) | 42 | 44 | 45 | 47 | 53 | 52 | 52 |
| Domestic debt (G$)billion | 69 | 75 | 87 | 101 | 146 | - | - |
| ***Notes:***     1. Estimate/projection                  2. Projected average 2013-2015 (PRSP)                  3. Percent of GDP                  4. Net Present Value                  5. GDP at 2006 prices | | | | | | | |
| ***Source:*** Official Statistics and IMF Country Report # 11/152, 2011. | | | | | | | |

**2: Outlook: Downside Risks**

When economists speak of “downside risks” they refer to the probability that events which are unfolding might be beyond the control of the Authorities and therefore can have adverse effects on the economy, falsifying their predictions downward.  When they speak of “upside expectations or potentials”, they are referring to the probability that positive effects on the economy, which may also be beyond the control of the Authorities, could lead to the upward revision of current predictions. It should be noted that these categorisations are not hard and fast.  A downside risk could turn out to be, unexpectedly, an upside expectation and vice versa.

I shall present about ten (10) downside risks and at least four (4) major upside expectations, which I see on the near-to-medium term horizon for the Guyana economy. The upside expectations are potentially huge and I truly believe therefore that the country needs an intelligent, creative and inclusive political administration after the recent national elections (November 28, 2011) to pursue the effective management of Guyana’s development process.

**Global Economic Recovery**The first of the downside risks stems from the fact that, in this highly globalised world economy, no country can predict its economic future without first assessing the prospects for recovery from the global economic and financial crisis and economic recession. There are four threats to Guyana that cannot be ignored as each of these could separately and together substantially slow or reverse the economic recovery we are now witnessing. These are 1) the threat of global de-stabilization posed by Middle East instability, particularly the Arab spring and the Iran-Israeli-USA confrontation 2) rising oil prices, which now threaten to reach pre-crisis levels or higher. The rise in oil prices is driven by the economic recovery itself as well as the instabilities mentioned at 1) above, 3) the nuclear accidents in Japan, which have precipitated concerns about nuclear energy that will affect both oil prices and global efforts to combat climate change and global warming and, 4) the persistent sovereign debt crisis in several European Union countries: Portugal, Ireland, Italy, Greece and Spain (the so called PIIGS economies).

**External Savings**If the performance of the global economy poses the first downside risk, then the second lies in the consideration that the largest share of investment in Guyana comes from flows of external savings into the country. The data show that over the past five years 2007 to 2011 external savings flows averaged 11 percent of GDP; while for the same period national savings averaged 8 percent. The share of investment in GDP for the same period was 19 percent. Total FDI inflows over the past five years have been reported by the Government (National Budget 2012) at over US$1 billion.

External savings have come from two principal sources. One is overseas development assistance (ODA) and the other is foreign direct investment (FDI).  FDI is normally private-led, while ODA has been bilateral (between the Government of Guyana and another country) or multilateral (emanating from an international organisation). The historical evidence suggests that both these capital flows tend to be pro-cyclical. That is, they tend to rise when times are good and to decline when the economic situation goes into reverse.

Because capital flows to Guyana are linked to the global economic environment, the downside risk of global economic reversal and interruption to capital flows into the country are linked.  This, however, does not mean other factors do not play crucial roles in determining capital flows to the country. Thus, if the economic, political or social environment in Guyana is seen as “inhospitable” to capital inflows, these would be affected, irrespective of the state of the global economy.

In my view the greatest risk is that, donor governments and organisations will seek to cut-back on their ODA, as part of a more general drive to “cut-spending” at this stage of the global economic crisis and recovery. We can already see evidence of this in the efforts of several donor countries and agencies to rationalize their ODA offerings in the Caribbean region and the departure of some aid offices from Guyana.

**Remittances**In the 2000s remittance flows to Guyana have played very crucial roles in the performance of the economy. I have written about this in earlier SN columns and I shall not repeat much of the information here. The available data show that during the 2000s, the average annual rate of growth of remittance flows to Guyana had exceeded 40 percent.  While the data may be suspect to some readers, it does suggest to me that this rate of annual growth has no connection to growth rates and/or changes in wealth of the Guyanese diaspora living in the various economies where they work and live. No economy in North America, Europe or the Caribbean has performed so creditably as to make migrants afford remittance transfers at such an extraordinarily high rate. This holds true particularly when we consider the bleak economic situation in these countries post 9/11/2001 and after the global economic crisis erupted in Q3 of 2007.

In recent years (2003-2009) remittance flows have been estimated in the region of US$300 million per annum.  This sum is ten (10) times larger than that recorded in 2000. These flows represented just under one-quarter of the GDP (calculated on the base of the then used 1988 prices) and more than one-third the value of merchandise exports for those years. Compared to FDI flows, remittances during that period were about 1.9 times as large, while for ODA flows they are 2.3 times as large.  Parenthetically, it should be observed that the estimated total global FDI flows has risen to US$1.2 trillion in 2010, after a decline of well over one-third in 2009. The World Bank/IMF estimated a global total of US$1.3 – 1.5 trillion for 2011, rising to US$1.6 - 2.0 trillion during 2012.

For this reason, I have speculated that remittance flows seem to reflect more of transactions in the organized criminal segment of the parallel/ underground economy than legitimate earnings of legitimate workers in the Guyana diaspora living in North America, Europe and the Caribbean.  If this is true, remittance flows would not be solely dependent upon economic growth and expansion in these economies. Transnational criminal networks and national interdiction policies will have important roles to play.

**External Trade**Guyana is an exceptionally open trading economy. Merchandise exports (US$1129 million – FOB) and imports (US$1771 million – CIF) averaged about 125 percent of GDP (US$2265 million) for 2011. If services were added the ratio would be much higher.  Because of Guyana’s dominant trading structure, future uncertainties in regard to the major traded items will clearly have a profound effect on the short-to-medium term risk assessment of the prospects for the economy.

**Export earnings**Export earnings for the economy are the combined result of the quantity of items exported and their unit prices in overseas markets.  For our principal exports (bauxite, sugar, rice, gold and timber) the quantity exported is primarily a function of the supply of these industries, plus any available stocks. The prices obtained, however, are largely dependent on those ruling in international markets, where our exporters have little or no influence.  Guyana is the proto-typical price-taker in international commodity markets.

The chief exception to this broad-brush portrait is trade in gold.  Exports of gold, except from large-scale mines, are for all intents and purposes taken to be the value of the gold declared and sold by small and medium scale miners to the Authorities, legally prescribed to make these purchases.  Estimates of the difference between gold declarations and gold production (and hence overseas sale) vary, but most observers believe the difference is significant.  Consequently, we may hypothesize that the economic benefits from gold exports to the national economy will be larger than those measured solely on the basis of gold declarations.

In my judgement the key short-to-medium export risks are 1) that export supplies may be disrupted for a range of reasons, including: weather and weather-related; mismanagement; industrial relations challenges; and unforeseen pests and diseases afflicting agricultural produce; and, 2) a sharp reversal of gold prices in the international market.  Much of the present inflated level of gold prices is based on global anxiety and apprehension about the future recovery of the global economy.  If confidence grows, worldwide, we can expect gold prices to stabilize around the real long-term trend where the influences of precautionary and speculative purchases of gold are moderated.

**Imports**Turning to imports, the main downside risk is a spike in the prices of two categories of imports: “food, beverages and tobacco” and “fuel and lubricants”.  In recent years these imports have been volatile and there is a well-based fear that, if and when global recovery proceeds, the import prices of these items will rise sharply.

A case in point is that the value of fuel and lubricants imports in 2009 was equal to US$297 million, but by 2011, this rose to US$559 million. Going further back to 2008 when oil prices peaked, the value of fuel and lubricants imports was below last year’s at US$424 million!

**Stalled Projects**There is also the downside risk of stalling, facing a number of major public projects scheduled to come on stream in the near-term. These include:  
• The Sugar Modernization Project (I have referred readers to my extended discussion of this in the Introduction: State of the Guyana Sugar Industry and Its Reform)  
• The road to the Amaila Falls site and the Amaila hydropower project itself  
• The drainage/irrigation and flood control works, which should have followed the Great Flood of 2005  
• Project payments due from Norway for Guyana’s avoided deforestation under the Guyana-Norway agreement.

A brief comment on these follows.

**Sugar Modernization**I have referred readers to my extended series of articles on Guyana’s sugar industry and the wider agricultural sector in these columns. For now it is sufficient to note that the Sugar Modernization Project had started as long as a decade ago!  The original target was for it to come on stream in 2008.  Even for an agricultural project this is a long delay.  Meanwhile, average output of sugar for the five year period (2005 – 2009) was one-fifth below what obtained for the five year period (2000 – 2004) when the project commenced. When we also take into account last year’s (2011) very poor performance of the industry (only 236,506 tonnes of sugar after a projected output of 300,000 tonnes), there must remain a very high level of risk attached to expectations of the future performance of sugar ― a major plank in the Guyanese economy. Indeed, continued subsidies to the industry (G$4 billion in the 2012 National Budget) is a source of great worry as there appears to be no end to the company’s distress in sight.

**Amaila Falls Hydropower**At last reporting the road to Amaila Falls project has effectively stalled with the appointed Contractor to build the road to the project site being dismissed. At the point in time when this happened all the timelines and schedules for completion of the road design, roadways, bridges, river crossings, and access way for transmission lines, which the Contractor was legally bound to maintain, had been violated.

**Drainage and Irrigation**Recent press reports indicate that the East Coast Demerara Water Conservancy (EDWC) project planned under the Conservancy Adaptation Project is only now getting underway; more than half-a-decade after the Great Flood of 2005, which generated the need for the studies to guide interventions in the East Coast flood control system. It has been reported that there is much concern among the engineering fraternity about the engineering designs of the proposed remedial projects.

**Guyana-Norway Agreement**After years of brokering the Guyana-Norway Memorandum of Understanding (MOU), which provides compensation for Guyana’s avoided deforestation, no significant payments have as yet been transferred to the Guyanese Authorities. The responsible authorities (Governments of Guyana and Norway and the IFIs involved – IADB and World Bank) have been blaming each other for the delay.  
   
It is reasonable therefore, to infer that, if these difficulties with the above-listed projects due to come on stream in the near-to-medium term persist, the prospects for Guyana’s future economic performance remain in jeopardy.

**Social-Political-Macroeconomic Stability**I have referred to the macroeconomic outlook in the very first presentation of this document. At this stage I would add two additional areas of significant risk. The first is, as the economy goes forward, macro-economic stability will be dependent on several crucial considerations. One is the avoidance of investment bubbles (the most likely areas for these are in the commercial and residential real estate sectors); second, following the earlier collapse of the CL Financial and Stanford Groups, there is no repeat in other exposed financial firms (great importance therefore has to be attached to financial soundness and banks’ stress indicators published by the Bank of Guyana and the IMF); third, growth of the public debt does not become uncontrollable as a result of exogenous shocks (economic, socio-political or natural). The single best antidote to the growth of public indebtedness is economic growth, but, as I have indicated economic growth during the 2000s has been anaemic; it did not contribute significantly to public debt stabilization. The second area of concern is that social/political unrest arising out of the November 28 national elections persists.

**The National Insurance Scheme at Risk**In conclusion of the downside risks it would be useful to offer a brief comment on the risk that confronts the social security system ― perhaps the country’s most important bulwark against social and economic distress. From press reports and various economic commentaries it has become clear that the national insurance (social security) scheme is at risk of turning to the state for bailouts with which to fund its outstanding liabilities. If this eventuates then the pressure it would put on government finances will adversely affect the country’s prospects. Thus the Kaieteur News (April 4, 2012) reported its Chairman as stating how the NIS “presently stands [it] would become unviable unless it simultaneously increased its revenues while controlling (my emphasis) expenditures”.

Just after the mid-2000s it had been reported that the contribution rate to the NIS Scheme equalled its expenditure rate (see the 38th Anniversary Press Release of the NIS.) Given this circumstance, reforms/adjustments to the Scheme had become urgent since then.

And indeed, this was recommended in both the 2001 and 2006 actuarial reviews of the Scheme since then it has been reported that 1) the Scheme’s investment portfolio has been further weakened because of the huge losses associated with its holdings in the CL Financial Group in Trinidad and Tobago and The Stanford Group in Antigua and Barbuda 2) non-compliance in payments into the Scheme of workers’ contributions by businesses; these have reached humungous proportions (recently estimated around G$500 million), and 3) the Scheme is foundering in a bureaucratic morass of backlogs, delays, verifications and challenges to the settlement of entitlements (resulting in a torrent of users complaints).

Concerns have also been voiced about mismanagement, corruption and negligence. Recently, the Georgetown Chamber of Commerce had pledged to put peer pressure on local businesses, which are not complying with the NIS regulations. The government has also indicated that it will not accept contract-tendering from non-compliant businesses. Such actions reflect the serious difficulties that lie ahead for the NIS. It is also instructive to note that the IMF in its recent Public Information Notice (PIN) (March 2011) has also echoed concern about the NIS Scheme as the economy goes forward.

**3: Outlook: Upside Potentials (The Scramble for Minerals)**

**Features**I shall begin the discussion of the upside potential/opportunities facing the Guyana economy by first indicating the features required to constitute an upside potential/opportunity, and then proceed to examine these more carefully. It is important to stress at this stage though that; overall, I am looking for signs of development, which would have a significant, and not a marginal impact, on the course of performance of the economy.

Additionally, to qualify for consideration as an upside potential/achievement it is necessary that there is, all things considered, a high probability of the project or scheme under consideration coming on-stream over the near-to-medium term. Second, given the size of the Guyanese economy and its needs, significant resources should have already been mobilized and committed to preparatory and start-up costs for the project/scheme. I introduce this requirement in order to rule out those projects and schemes, which are only at a preliminary stage of discussion/ consultation with no firm/binding commitment for their financing. Third, when the scheme/ project does come on-stream, it must have the potential to significantly alter the size and/or composition of the country’s GDP, thereby significantly improving its performance. Finally, the project/scheme must involve technological development and/or transfer in the widest sense. This can be attained through a variety of means ― the use of new methods and/or techniques utilized in the production/distribution process; the systematic introduction of Research and Development (R&D); the application of training and skills-development to the Guyanese labour force, and so on.

All the features listed above can be graded by their intensity, for example. Level 1, Level 2, Level 3, etc. For present purposes, however, such technical effort is not required although it is recognised that other analysts may want to add these other considerations. What I have portrayed here therefore, constitutes those minimum features required for establishing an upside potential. It is anticipated that, together, these minimal features would ensure the project/scheme under consideration, has the potential for a transformational impact on the economy. There are four such upside potentials as discussed below.

**The potential of oil/natural gas: New growth pole!**The first upside potential/achievement is the successful exploration and coming on-stream of oil/natural gas production in the country. This potential has been recognized in both IMF and World Bank evaluations of the country’s economic prospects. Thus in its 2009 Article IV Consultation (2010), the IMF states: “The eventual exploitation of Guyana’s oil resources (expected to begin in 2014) is an upside potential” (my italics). In a joint World Bank/IMF Debt Sustainability Analysis of Guyana, published in March 2010, it was also stated “the positive prospects for eventual oil production and export (currently expected for 2014) could further support a boost to growth”. Most importantly the Government itself has referred to the potential production and export of oil/natural gas as a “new growth pole for the economy”.

Exploration for oil reserves in Guyana has been on-going for several decades. A significant event occurred in 2000, when Suriname expelled the Canadian company CGX while it was exploring for oil under the authority of the Guyana government in what it claimed to be “disputed waters”. This put a freeze on off-shore exploration in the area. Guyana took the resulting maritime boundary dispute to the International Law of the Sea Tribunal in Germany, and in 2007 the Tribunal ruled in favour of Guyana. This lifted the freeze on off-shore exploration in the area, resulting in a number of international companies pursuing discussions with the Authorities about further exploration.

**Rich Potential ─ Off-shore**The disputed area of the Guyana-Suriname Basin has rich potential for oil and natural gas. The United States Geological Survey has estimated recoverable oil resources in the Basin to be 15.3 billion barrels, yielding an annual output of about 50 million barrels and gas reserves to be of the order of 42 trillion cubic feet. This makes the Basin one of the largest unexplored oil/natural gas reserves in the world.

Recently, the Government has reported that Tullow Oil, a British Company has started drilling in this area (GINA, 2011). Tullow Oil has a joint venture with REPSOL, a major oil exploration company located in Spain. CGX of Canada is also known to have resumed its exploratory operations. It has announced, based on results from operations under its Corentyne Petroleum Prospecting Licence (PPL), production will come on stream in 2014. It is estimated that this Licence has the potential for 400 million barrels of crude oil.

**Disappointing Land-based potential**There is also land-based drilling for oil in Region 9 in the Takutu Basin by Groundstar Resources Inc. The first of two wells ─ the Apoteri K-2 has been unsuccessful and has been recently terminated. As originally scheduled, a second well is to be drilled in the Rewa/Pirara river area. Groundstar Resources is operating in partnership with Canocol Energy and Sagres Energy.

Readers should note this is the area, in which Home Oil had previously explored in 1982 (and the Karanambo discovery was made), although the oil found was not in commercial quantities.

**Benefits**There is no doubt the commercial production and export of oil/natural gas from Guyana would make a huge difference to its overall economic performance and potential. For one it would bring enormous relief to the foreign exchange pressures created by having to spend so much on imported fuel. Additionally, it would secure a massive expansion in export income for Guyana.

In this regard it is of note that beginning in late 2007 the global economic crisis had led to a sharp decline in the price of oil, which fell substantially from its pre-crisis peak of about US$150 per barrel for crude. However, in recent months, as signs of global recovery have become visible and oil speculators have played the global oil markets, the price of oil has taken a sharp up-turn. While it has not fully regained the pre-global crisis peak, it has reached levels near the US$120 per barrel for crude and importantly is expected to continue to rise over the medium-term. This suggests that, if oil production comes on-stream on or around 2014, Guyana could stand to be a big winner from this development.

It is important to stress that, in this presentation; oil/natural gas remains an upside potential despite several previous unsuccessful efforts to promote the commercial production of oil/natural gas in Guyana. Among examples of failed land and off-shore exploration efforts, are those of well-known companies, such as the US-based Hunt Oil Company (a land-based effort) and the French-based Company, Total (an offshore-based effort).

This observed upside potential for commercial oil/natural gas production needs to be located in the broader context of efforts to develop sustainable energy supplies for Guyana. From this perspective, intensive exploration of oil and natural gas appears to contradict efforts to develop alternative non-carbon based energy supplies. As has been noted elsewhere the major effort in this direction is to bring the Amaila Falls hydropower project on-stream. However, I had previously classed this as a downside risk and not an upside potential. Why?

**Why?**What explains this contradiction? In the case of oil/natural gas exploration, the effort is being led by external private equity capital. External private investors are driving the process and risking their resources to secure a private benefit. However, in the case of the Amaila Falls this is being driven mainly by the Government of Guyana, even though a foreign multinational corporation is involved. I have already indicated above how far behind schedule the road to the project site has fallen, forcing its termination and likely loss of scarce public resources.

Readers need to constantly keep in mind that, because of the risks involved in the exploration and development of commercial oil/natural gas production in Guyana, the firms involved need to be quite liquid, as the capital requirements for exploration and pre-production works are large in relation to the size of the Guyana economy, and cannot be obtained from local financial markets.

While I have indicated a likely favourable-upward trend in oil prices over the near-to-medium term, rapid adverse changes in these prices can still occur and, if this occurs it would thereby negatively impact share prices, cash reserves and the credit ratings of the firms involved in exploration. To these risks one should also add other obvious risks such as 1) changes in Government policy 2) changing government regulations, and 3) changes to the fiscal regime, applicable to their operations.

Of final note, it is to my mind of more than passing significance that, in the context of CARICOM, the Government of Guyana has already approached the Government of Trinidad and Tobago (the largest oil and natural gas producer in the Region), to seek advice, support, and technical assistance when the go-ahead for commercial oil/natural gas is given (see GINA January 17, 2011). This raises the level of confidence in favourable discoveries.

**Upside Potential ― Gold**The second upside potential/achievement I would wish to advance is the coming on-stream of large-scale gold mining. It is very ironic that, centuries ago, a scramble for gold fuelled the early European discovery, occupation, plunder and settlement of Guyana. Yet, after the first decade of the 21st Century, I am still portraying gold as an upside potential achievement! While Guyana is supposed to be the location of the mythical city of gold ― El Dorado, our output of gold over the centuries has never come close to mythical proportions. Today, however, I treat Guyana Goldfields Inc. as the best placed large scale gold exploration outfit likely to come on-stream over the near-to-medium term.

This company has already pledged to put in commercial production by Q4, 2014 the largest gold mine in Guyana. This is touted to be the product of investing more than US$826 million over the life of the project. The company is Canadian-based and has been exploring/developing/operating in Guyana since 1996. It has two main foci for its operations: the Aurora Project, and its Aranka Properties.

The Aurora gold project is the larger of the two by far, and is located along the banks of the Cuyuni River, with estimated total resources of 6.9 million ounces. This is made up of Measured and Indicated resources of 5.71 million ounces and Inferred resources of 1.17 million ounces. This resource-estimate was last updated by the Company in late 2011 and is shown in Table 4 below. The distribution between proposed open pit and underground mining operations is indicated there.

The Aranka Properties have Inferred resources of 289,250 ounces and Indicated resources of 227,580 ounces as of the same date. (See Table 4)

**Table 4: Guyana Goldfields Resource Estimates**

|  |  |
| --- | --- |
| ***Table 4: Guyana Goldfields Resource Estimates*** | |
| ***A: Aurora Project*** | ***Amount (Ounces)*** |
| **Measured and Indicated (Total)** | **5.71 million** |
| of which, |  |
| Open Pit | 2.18 million |
| Underground | 3.52 million |
| **Inferred (Total)** | **1.17 million** |
| of which, |  |
| Open Pit | 0.39 million |
| Underground | 0.78 million |
|  |  |
| ***B: Aranka Properties*** |  |
| **Indicated (Total)** | **277,580 ounces** |
| of which, |  |
| Open Pit | 275,550 ounces |
| Underground | 2,030 ounces |
| **Inferred (Total)** | **289,250 ounces** |
| of which, |  |
| Open Pit | 187,710 ounces |
| Underground | 101,540 ounces |
| ***Source:*** Guyana Goldfields Inc. |  |

The Company claims it expects to be operating the first underground mine in the Guyana Shield. This prediction follows from baseline exploration works the Company has concluded over the past two to three years, covering such basic areas as, radiometric, geophysical soil/sediment sampling, trenching, and auguring. Underground resources are estimated at 3.52 million ounces as Measured and Indicated and 2.18 million ounces open pit for the larger Aurora project. And in the Aranka properties 2,030 ounces Indicated and 101,540 ounces Inferred.

There are several points of note. First Guyana Goldfields Inc is very proud that it is supported by the International Finance Corporation (IFC) of the World Bank Group. In March 2006, the IFC had acquired 1,730,000 common shares in the Company. Its total subscription cost was US$7.612 million.

Second, the company plans to utilize best-practices to its gold mining operations: exploration, development and processing of gold finds at the project sites. The company projects this would create opportunities for a reduction of per unit cost of production and delivery of gold. When this is combined with advances in marketing and financing techniques for mining operations, this could certainly increase the potential commercial viability of these projects.

Third, accompanying this potential for lowering per unit cost, gold mining is now being presented with excellent prices on the world market. At the beginning of the 2000s the annual average world price per ounce of gold was about US$280. By 2005 this had raised to US$445 ― an increase of about 60 percent. The spot price for gold paid reached over a thousand United States dollars by 2010, and averaged US$ 1225 for that year, as the global crisis peaked in 2009-2010. Recently the spot price has further increased by about one-third, well above the US$1225 level at around US$1660 per ounce.

Fourth, while these rapid increases in the price of gold reflect market forces (demand and supply) it remains true that much of the current demand for gold is being fuelled by the financial uncertainties arising from the global crisis. Weak national policies have also resulted in swings in the prices of key currencies (US dollar, Euro, Japanese Yen, British pound, Chinese Yuan and the Canadian dollar) precipitating a flight to what investors see as “quality”, which they find in precious metals, particularly gold. As the global crisis fades and recovery advances one can therefore expect a diminution in the influence of these precautionary and speculative motives in the demand for gold on world markets. If so, this will temper future increases in the price of gold.

Finally, it is worth noting that Guyana Goldfields Inc. has been selling off some of its gold properties. It has described these as “non-core assets” and claim this is required in order to increase the firm’s access to financial resources over the short-term.

When all is said and done however, the facts indicated above need to be treated with caution, as the Company itself recommends in its most recent Annual Report, 2011. Consider the citations below:

**Mineral Resources are not Mineral Reserves**“Mineral resources that are not mineral reserves do not have demonstrated economic viability. Due to the uncertainty [therefore] there is no assurance that mineral resources will be upgraded to mineral reserves as a result of continued exploration”. Guyana Goldfields Annual Report, 2011, Page 25

**History and Risk**“Guyana Goldfields has never had any interest in mineral producing properties. There is no assurance that commercial quantities of minerals will be discovered at any of the properties of Guyana Goldfields or any future properties, nor is there any assurance that the exploration programmes ... will yield any positive results”. (ibid, Page 26)

**It goes on further to declare:**“Guyana Goldfields faces strong competition [from] companies [that] have greater financial resources, operational experience and technical capabilities”. (ibid, Page 26)

Readers should note that there are other risks that these firms face: market price, political, regulatory, regime, labour and employment. Therefore, as regards the reliability of its resource estimates; the Company cautions:

**Reliability of Resource Estimates**“There is no certainty (my emphasis) that any of the mineral resources on any of Guyana Goldfield’s properties will be realized. Until a deposit is actually mind and processed the quantity of mineral resources and grades must be considered as estimates only”. (ibid, Page 26)

Finally, the Company has summed up its outlook in this way:

**Guyana Goldfields Outlook**“The Company has as its main asset the Aurora Project, which is a development and advanced stage project. In addition, the Company has the Aranka Properties, in particular, the Sulphur Rose property. The Company is in the process of divesting itself of non-core assets. As such, the outlook for the Company is strongly tied to successful development of the Aurora Project and drilling the Aranka Properties”. (ibid, Page 21)

**Manganese Production**The third upside potential, which I shall refer to, is the likely large scale commercial production of manganese over the short-to-medium term. The company at the forefront of the exploration and development of manganese production in Guyana is Reunion Manganese Inc. This is a wholly-owned subsidiary of the Canada-based Reunion Gold Corporation. The company has four prospecting licences (PLs) covering a total of 45,729 acres. The PLs were granted in September 2010 for an initial period of 3 years. These may be renewed for two (2) additional periods of one year each.

The company specializes in operations in the Guyana Shield region of South America, where it has built up an enviable expertise. At the end of last December, the Company’s outstanding shares were valued at approximately US$105 million. The licenced area of 45,729 acres of manganese prospects, which the company holds is around the Matthews Ridge area. Some readers might be aware that, about half-a-century ago, Guyana produced manganese on a commercial scale in the Matthews Ridge area. That mining operation had operated as a subsidiary of the well-known Union Carbide Corporation during the years 1962-68. It had produced then around 1.7 million tonnes of manganese concentrate (37 percent).

Union Carbide had attributed the termination of that mining operation to two major factors, namely: given the prices then prevailing and technology available, profit margins were not enough to incentivize continued production, and what their analysts had termed as “political uncertainty”.  
Years after the termination of production, the Guyana Geology and Mines Commission (GGMC) along with the then Peoples Republic of Korea (DPRK) had undertaken a joint evaluation of potential recoverable manganese concentrate in the area. Their estimate was given as 3.4 million tonnes of recoverable concentrate. This was distributed as follows: 1) 2.6 million tonnes of 33.4% manganese concentrate at Matthews Ridge 2) 0.84 million tonnes of 33.4% manganese concentrate at Pipiani and, 3) 0.1 metric tonnes of 33.4% manganese concentrate at the North Prospect.

**Favourable Factors**The Company now involved has two exceptionally strong factors working in its favour, which support the likely commercial success of its plans to produce manganese in Guyana. One is the consideration that, while the historical estimates of resource availability can be invalidated down the line, at this stage of exploration enough evidence seems to have already been accumulated by the company for it to make a prudent decision to go `forward with its plans.

The other is that, if we use some approximations of this historical estimate as a baseline, then the company has to determine whether 1) future prices for manganese would generate profitable margins 2) the technology it can access will reduce real operating costs below their historical level at the time of the previous company’s operations (1962-68) 3) the sunk costs left behind from the previous mining operations could contribute to the lowering of exploration and development costs and 4) whether it had adequate access to the best in-country expertise in Guyana.

On all four counts, documents from the company show favourable dispositions. The on-site sunk costs of the previous operation by Union Carbide are expected to lower infrastructural costs. Techniques for exploration, development, recovery and processing have advanced by leaps and bounds over the past half-a-century. Indeed the company asserts that compared to the rest-of-the-world, the barriers to commercial exploration of manganese at the particular site are low. Price trends are favourable for commodities (minerals) as the world recovers from the global crisis and global demand for raw materials increase. Finally, it appears as if the company has been aggressive in recruiting in-country expertise.

**Rare Earth Elements (REE)**Recently rare earth elements are also being explored for in Region 1 by REE International Inc, a United States-based company, which has recently been given permission to explore. It has over 200 concessions covering a 44 square mile area from the Guyana Geology and Mines Commission (GGMC), which has indicated the area contains columbite-tantalite (coltan), a high valued rare earth element.

**Appraisal of the Economic Features of the Upside Potentials Identified**So far I have considered upside potentials facing the Guyana economy over the short-to-medium term. These are, respectively, the coming on-stream of the commercial production of oil/natural gas, a large-scale gold mining industry, the revival of commercial production of manganese and the exploration of “Other” minerals including rare earth elements. While I have focused on the exploratory and development phases of these industries, there are other required steps before commercial production can take place.

**Necessary Steps**The first of these required steps is that the firms which I have considered must go through the processes of pre-feasibility and feasibility analyses in order to establish the financial and economic profitability of their ventures. This is not only a technical internal requirement of the firm being evaluated but also a legal requirement in Guyana before the firms can proceed to commercial production. In the case of Guyana Goldfields Inc, it has indicated it will complete a feasibility study by Q2, 2012. The second step is also legal. That is, an environmental impact assessment/plan must be produced and accepted by the Authorities. At this stage of international development with intense focus on environmental and ecological sustainability no project that is large, natural-resource based, and at the same time being executed in virgin or pristine environments can proceed without muscular global involvement. The third step is a Mineral Agreement, which is a governmental requirement that a Mining Plan is presented to the Authorities for approval before licenses can be granted for mining operations to proceed.

**Confidence Levels**There is no certainty in mineral exploration. This complicates the appraisal and evaluation of commercial projects. The rule-of-thumb is that for preliminary resource assessments of possible commercial ventures the ascribed confidence level falls in the range of plus or minus 35 to 40 percent. For more intensive appraisal at the pre-feasibility level a confidence level of plus or minus 25 to 30 percent is accorded. Completed detailed feasibility studies, carry a confidence level of plus or minus 15 percent.

In conclusion, it is important for me to leave no doubt among readers therefore, that, an upside potential as I have defined it, should not be carelessly translated into a certainty, or even a circumstance with an exceptionally high probability of success. For example, I had indicated in the case of manganese exploration that the historical resource assessments seem to favour the industry coming on-stream. However, current legal requirements on major securities exchanges caution that companies must not present such data to the public with the intent of conveying the impression that they represent the actual situation. Thus in the above instances where I have cited these historical estimates, the companies concerned have never attempted to produce an independent evaluation of any of these “historical resources” assessments.

The same caution also applies to the “forward-looking statements” these companies produce. These statements express only intent and cannot be taken as actual results, as it is frequently the case that projected events differ significantly from actual events. Forecasting is inherently error prone.

All the above means that, to be cautious, readers should take with a pinch of salt assertions by firms, which claim their project/scheme “has potential for a relatively short timeline for exploration and development” and that a commercial venture will unfold.

**LCDS**There is one other upside potential I would like to mention before I conclude the discussion on this topic. And, that is, the finances due to the country particularly by Norway for avoided deforestation, which hopefully gets passed on sooner, rather than later. This will be considered separately in the next Section (B).

**Economic features**On close examination, readers would observe the upside potentials possess certain common features. These centre on the economic conditions in Guyana and the related economic dilemmas these produce. Thus:  
• Every one of the upside potentials I have presented is natural-resources based; revealing how difficult it is to transcend the natural-resources based structure of our economy. The question is: do we embrace this structure or struggle for diversification. And, if so, at what cost do we dismantle the resource-based structure?

• Further, all the upside potentials are located in the sphere of primary production. While there is talk of creating value-added chains so far there is no real concrete indication this will occur for any of the upside potentials over the short-to-medium term.

• Also, all the upside potentials I have listed are dependent on foreign direct investment (FDI) flows into the economy. These anticipated flows are large relative to the size of investment and Guyana’s GDP. We can expect therefore, the current investment dynamics of the economy driven by foreign factors to remain in force.

• Not only are the anticipated investments in natural resource-based, primary producing (with little or no significant value-added); and dependent on foreign capital, but the investments themselves are highly capital-intensive. This indicates low levels of employment relative to the value of output. Indeed, much of the labour use is expected to occur in the construction, exploration, preparatory and other pre-development works. Given that in all cases reducing per unit production/distribution and marketing costs is key to commercial profitability; it would be futile to press for greater labour absorption.

• Furthermore, all the upside potentials indicated in this paper are critically dependent on world prices for their commercial viability (oil/natural gas, gold, manganese, rare earth elements and avoided deforestation). Since Guyana’s expected production will be small relative to global supply, the economy (and the firms involved) will continue to be held hostage to the traditional price-taking characteristics of our exports.

• Finally, because of the hinterland location for all the projects, this means there are huge environmental/ecological implications to be considered. This will inevitably invoke global attention, as indeed it has already done.

This brings to an end this discussion of the downside risks ― upside potentials/achievements facing the Guyana economy. 

**B: The Guyana-Norway “Partnership” to Exploit Guyana’s Rainforest Potential**

In this Section I shall comment on the Low Carbon Development Strategy (LCDS) and the Guyana-Norway Agreement for harnessing its rainforest potential. For a fuller discussion of these issues readers should consult Clive Thomas: The LCDS Guyana-Norway Agreement and Environmental Issues Related to Climate Change and Global Warming, Sunday Stabroek News columns, November 29, 2009 to August 1, 2010, which is listed in the Introduction to this publication.

**1: The LCDS as Developmental Framework**

Several economic analysts have directly blamed the absence of a coherent economic strategy to guide Guyana’s development since the PPP/C administration came to power in 1992, for the volatile and inadequate economic growth which has prevailed since. As I have indicated in the previous Section (A) the data for the period reveal that, between 1992 and 1999, annual average real GDP growth was approximately 5.6 percent. And, between 2000 and 2011 the annual average real GDP growth was 2.3 percent. For the first period, there was one year of negative growth (1998 = minus 1.7 percent) and for the second period there were three such: years: 2000, 2003 and 2005.  Tables 5 and 6 below display these results, respectively.

**Misleading Growth**Recently some analysts have been referring to “a much improved” growth rate for the period (2006-2011). The growth rate of over 4 percent for these later years is however, misleading on account of two incontrovertible statistical considerations. One is that, as revealed in Tables 5 and 6, the rebased GDP shows higher values and higher growth rates. And second, in 2006 there was a “statistical bounce-back effect” which is observed in all GDP estimates that follow immediately after a disaster such as the Great flood of 2005. This is due to the way the GDP is computed. This has been discussed in Section A.

**Table 5: Annual Real GDP Growth (1992-1999)**

|  |  |
| --- | --- |
| ***Year*** | ***Growth Rate (%)*** |
| 1992 | 7.8 |
| 1993 | 8.2 |
| 1994 | 8.4 |
| 1995 | 5.1 |
| 1996 | 8.0 |
| 1997 | 6.2 |
| 1998 | (-1.7) |
| 1999 | 3.0 |
| Compound Annual Average (1992-1999) | 5.6 |
| ***Source:  C.Y. Thomas (2012)*** | |

**Table 6: Annual real GDP Growth (2000-2010)**

|  |  |
| --- | --- |
| ***Year*** | ***Growth Rate (%)*** |
| 2000 | (-1.4) |
| 2001 | 2.3 |
| 2002 | 1.2 |
| 2003 | (-0.7) |
| 2004 | 1.6 |
| 2005 | (-2.0) |
| 2006 | 5.1 |
| 2007\* | 7.0 (5.4@ 1988 prices) |
| 2008\* | 2.0 (3.0@ 1988 prices) |
| 2009\* | 3.3 (2.3@ 1988 prices) |
| 2010\* | 4.4 (Revised August 2011) |
| 2011\* | 5.4 (Budget 2012) |
| Compound Annual Average (2000-2010) | 2.3 |
| ***Notes: \* = 2006 prices for Table 2B Source: C.Y. Thomas (2012)*** | |

Despite these observations, it is an exaggeration to attribute the weak and volatile performance of the economy solely to the absence of a coherent economic strategy. On examination, several other factors have played significant roles in the poor economic outcomes. For present purposes, however, what is of greater concern is the suggestion that two documents (the First Draft of the Low Carbon Development Strategy (LCDS) 2008 and the Second Poverty Reduction Strategy Paper (PRSP) (2008)) comprise the needed, if belated effort, to establish a coherent development framework for Guyana. The civil society National Development Strategy, which was prepared during 1995-1997 and the National Competitiveness Strategy in 2006 have not been promoted as definitive development frameworks. 

**2: The One-Sided Guyana-Norway MoU**

In earlier Sunday Stabroek columns (November 29, 2009 – August 1, 2010) referenced above I had assessed the LCDS and the Memorandum of Agreement, MoU, (November 9, 2009) between Guyana and Norway regarding cooperation to fight climate change, protect biodiversity, and advance sustainable development.  There I had revealed, among other things, the intrinsic opportunism of the MoU.  Thus I indicated that no less an authority than the Prime Minister of Norway had publicly declared his goal in providing finance to tropical rainforest countries is designed to encourage their carbon sequestration so as to “secure the fjords of Norway for future generations”. While this declaration has been made, Norway remains on a per capita basis, one of the worst polluters of the global environment and also one of the most ardent hunters for yet more carbon-based sources of energy supplies.

In the face of this reality the Government of Guyana has declared: “It [is] committed to protecting its standing forest in exchange for compensation for low carbon led growth … within the framework of the global initiative for reducing emissions from deforestation and degradation (REDD)”. Further, in doing so, it relies on: “Norway committing to providing substantial resources in support of Guyana’s efforts” Guyana Poverty Reduction Strategy Paper (PRSP) 2011 – 2015, Page 2

Not without irony, the overwhelming focus of the MoU is the disposition of Guyana’s pristine forests. There is no requirement anywhere for Norway to take sustained domestic action in regard to global warming, climate change, reduced emissions of Co2, or protection of biodiversity. This one-sidedness indicates that, whatever notions of fairness, environmental justice, and partnership may have been there at the outset of the negotiations, these have clearly disappeared under the pressure by Norway to secure its national interests.  It is normal to expect that, as pressure mounted, Norway would have held a distinct advantage over the poorer and less resilient Guyana.

**Norway’s darker side**Readers should also recall from my earlier columns that Norway is: 1) the world’s third largest net exporter of oil 2) the world’s third largest producer of natural gas 3) the world’s 11th largest producer of oil 4) along with Russia, it may possess (in the Barents Sea reserves) as much as one-third of the world’s oil and natural gas reserves, and 5) the holder of the world’s largest known coal reserves.

In my earlier revelation of this darker side of Norway, I was at pains to point out also; Norway is a key player in the “arms export” business, and consequently the promotion of global violence and terror. Its annual arms export, at half-a-billion US dollars, is on a per capita basis, the world’s largest!

In my view, these facts contrast with Norway’s studiedly – constructed image of being one of the world’s most peace-loving and ardent environmentally green countries! This type of paradox is typical for Norway.  After all it is the Norwegian, Alfred Nobel, the inventor of dynamite, who is the renowned sponsor of the Nobel Peace Prize.

**Double-Speak**It goes without saying that in the global community, this type of cynical double-speak is not unique to Norway. Throughout history it has been a hallmark of all rich and powerful countries. Norway is not therefore, being singled out for stern criticism. Rather my critical evaluation is more directed at exposing the inner dynamics which drive the LCDS, than Norway’s deception.

To put it in the best possible light, by portraying the ruling Party (and Guyana) as ardent global environmentalists, the PPP/C administration is seeking to highlight the unique position of a small poor and highly open economy, (exposed to brutal external shocks), which remains fully willing to surrender its pristine rainforests to help in the fight against global warming and climate change. This they have argued is especially noteworthy in a period of intense global financial and economic crisis (which many describe as the worst since the Great Depression). If this portrait was only partially true, it would indeed be exceptionally noble. However, the validity of this Government’s portrayal of the MOU and the LCDS is challengeable. From my perspective however, I would argue the truth is otherwise, for several good reasons. These are outlined below.

For one, there is in Guyana no serious sustained and widely disseminated educational/awareness programmes promoting green environmentalism. In particular, the below sea-level coastal-belt, where most of the population lives and where negative global environmental impacts would be greatest (for example, through sea-level rise) has not been regularly advised and/or educated on the environmental and ecological threats of global warming   and climate change. There is, at most, only lip-service paid to the environmental sustainability on the coast.

Furthermore, there are no indications of basic environmental policies and programmes.  For example, there is no definitive publicized or otherwise carbon budget to guide the public and the Government.  In its absence, there are therefore no regular definitive measures of Co2 emissions on the coastal belt, where the worst pollution occurs. Coastal mass transport principally depends on old, second-hand imported inefficient carbon-emitting minibuses. While in the towns and cities the ruling political elite and high-profile government functionaries by choice drive ostentatious gas-guzzling SUVs. Additionally, water management along the below sea-level coast relies on gas-guzzling mechanical pumps, as the gravity drainage system has fallen apart.

As matters stand, the MoU expects Guyana to promote carbon sequestration in exchange for payments from Norway. But since its signing, as detailed above, the Government has been promoting a desperate scramble for mineral resources, including oil. Like Norway, Guyana is relying on carbon-based mineral discoveries to provide the foundations for its future growth and development. The cynicism and opportunism revealed here, therefore mirror that portrayed by Norway in its double-dealing with Guyana.

**Development Model**As indicated thus far, the frantic search for mineral resources in Guyana has focused on fossil-fuels; large scale gold mining; manganese; and “Other” minerals (rare earth elements).  At the level of a development strategy what the government is promoting therefore, is the direct antithesis of an environmentally sustainable development model. It is based on 1) more or less unrestrained national resources extraction 2) dependence on primary level production with little or no value-added 3) foreign investment being the main driver of the process 4) utilizing highly capital intensive production techniques 5) low labour absorption 6) primary commodity sales to world markets, with all the attendant risks, and 7) the unfortunate and perhaps, unintended fostering of severe social, community, and environmental/ecological challenges.

**3: The Hydro-Power Solution!**

To crown this confusing and disturbing picture of mixed developmental messages, there is the murkier situation created by Government efforts to promote hydropower development. This is designed in part to be financed by funding, which is expected from Norway’s payments for its carbon sequestration efforts! It would be no exaggeration to state that this is the “standard-bearer” effort to promote how carbon development in Guyana.

The 2011 National Budget had stated it would “provide for a total of G$14.4 billion equivalent to US$70 million due for the [LCDS] disbursements to be expended on the transformational LCDS projects”. These projects were to purchase equity in the Amaila Falls Hydro Project (AFHP), (which as indicated above has stalled), and the Amerindian Development Fund (solar power panels, land titling and microenterprise). These funds have not been fully forthcoming even for the projects designated for the Amerindian Development Fund.

Sithe Global is the company responsible for bringing the Amaila Falls Hydropower Project (AFHP) on stream. The stated intent is to construct a 165 MW power supply. Sithe Global is a subsidiary of the well-known Blackstone Group, but from all appearances it is a minor operation within that Group.

So far project closure is still to be formally announced by either Sithe Global or its parent company.  Meanwhile, based on public disclosures the total projected project cost keeps rising.  The latest estimate is US$835 million, as put out by the President of Guyana in 2011. This figure is US$200 million more than the earlier estimate put out by Sithe Global and US$300 million more than that put out by the Guyana Government a year ago.

At the time of writing the financing arrangements for the project still remain unclear.  The major investors appear to be the Government of Guyana, China Railway (supported by the China Development Bank), Sithe Global and possibly the IADB.  China Railway has been appointed the contractor by the Government of Guyana. At this point in time there is much public apprehension over the rising cost of the project, even though it has not yet been finally declared and concern that the major design specifications for the project have not yet been released to the public.

Meanwhile the Government had signed a contract with Synergy Holdings (a Guyanese and US -based Company) to build the road and its accompanying pre-requisites (bridges, etc) to the site of the hydropower project. Synergy Holdings has been well behind schedule on its contract performance leading to its termination. Indeed, from the outset great public scepticism had been expressed about the capacity of this company to fulfil the contract, given its poor to non-existent track record in road building in tropical rainforests. Public concerns were also expressed about nepotism in the deal. It came as no surprise therefore, when despite its earlier defence of Synergy Holdings the Government terminated its road-building contract to the project site. Ignoring these hiccups, the AFHP still remains the Government’s “flag-carrier” project under the LCDS and the MOU. This is expected to contribute to a low carbon-based model of economic development in a truly transformational manner. The impetus for this project derives from two main considerations 1) Guyana’s enormous hydropower potential and 2) the fact that the country’s main energy supplier, Guyana Power and Light Company (GPL), is not up to the task of being the principal supplier of energy, as we shall see below.

It is I believe a matter of considerable concern that, in light of all the expressed public concerns and criticisms of about the opaqueness of the project, the IMF would assert:  
“With respect to the Amaila Falls project, expected to start in late 2011, staff welcomed the high level of transparency and public disclosure of the project to date, including reflecting any firm or contingent liabilities from PPPs in debt statistics, as they relate to best practices of transparency in fiscal accounting of PPPs”. (IMF 2011)

**Guyana Power and Light (GPL) Basket Case**GPL is a classic “basket case”.  Its electricity supply is notoriously unreliable, inefficient, and outrageously high cost.  Electricity generation is dependent on imported expensive and price-volatile fossil fuels to the tune of about US$100 million annually.  The defective distribution network of the company entails huge technical and commercial losses.  Along with weak financial controls, this makes the cost of electricity supply per Kilowatt Hour (KWH) as high as 32 US cents. Given these circumstances, the alternative of cheap hydropower is compelling. Particularly when completed, the AFHP promises to deliver 165 megawatts of power and a reduction in tariffs of between 20 to 40 percent per KWH, for all classes of consumers.

Unfortunately, in my considered opinion, given 1) the projected cost of US$835 million for only 165 megawatts plus 2) the guaranteed rates of return on various portions of the capital supplied to the project, there is no way that, commercially, the price per KWH can be reduced by 20-40 percent below the current rate of 32 US cents as is advanced in support of the AFHP. This is therefore a massive and insuperable failing for what is the declared “centrepiece” project of the low carbon development strategy.

**Worse**The dreadful circumstances of this project and its stark commercial reality could even get worse as it progresses. Personally, I anticipate that the problems arising from the “scramble for minerals” will intensify. Of note, these problems refer not only to the unsustainable economic development elements of the strategy, which I have identified above, but are also associated with those in the social, community and environmental spheres. Thus, I expect in the course of time, crime and violence in the mining areas will not only grow but become transformed as armed criminal gangs multiply and operate freely across Guyana’s effectively unregulated land borders.

I believe it can be further anticipated that, the cross-border invasion of illegal small miners (mainly Brazilian and Venezuelan) will rise.  Social costs (including threats to the community rights of the indigenous population) will also rise as the lure of private profit intensifies with the increasing world price for the minerals being explored, particularly gold.  These social costs include 1) a rise in prostitution, 2) increasing theft of indigenous lands 3) the rapid spread of social diseases, 4) an inescapable rise of trafficking in persons, and 5) violent crime and theft.

Not least of all, I also anticipate that environmental damage will grow exponentially.  Thus incidents of mining-pit collapses, mercury poisoning, and ground-water pollution, (already at dangerously high levels, see Thomas, 2010) are expected to multiply. Additionally, the risks of deforestation and forest degradation will increase, as it has been well-established that mining is the main driver of these.

**The Question of Funding**Judging from questions raised in the media, there is a lack of clarity as to the amount of funding that Norway has already committed to the LCDS and the potential for further increases.  According to the MOU a sum of US$250 million has been promised over five years, beginning in 2009/2010, and based on expressly stated performance-based results. Because of disputes, these payments are well in arrears, even though some relatively small sums have been handed over.

Assuming however, that the promised US$250 million is spread evenly over the years 2012-2016, the annual average sum will therefore, be about US$50 million.  If this amount is expressed as a share of projected total investment and then expressed as a fraction of the projected constant GDP over the period, we obtain a ratio of 2.3 percent.  The question therefore is: what would be the likely direct impact of this investment on Guyana’s GDP growth?

In order to estimate this I refer to the concept of the incremental capital-output ratio (ICOR). The ICOR is notoriously difficult to estimate as it can vary for a number of reasons, including the time period chosen, lags, and capacity utilization. ICOR essentially measures the average annual share of total investment in GDP (  divided by the average annual growth rate of GDP ( ).

To avoid unnecessary disputation the estimated ICOR, which I use is that cited by the IMF (2010).  That estimate is 5.4, which means it takes on average an investment the equivalent of 5.4 percent of GDP to generate one (1) percent growth in GDP.   Since Norway’s average share of estimated total investment over the five years 2012-2016 is about 2.3 percent of GDP,  then based on this its investment may be expected, on average, to directly impact growth by about 0.4 percent annually for the same period (2012 – 2016).

Readers may consider in light of the observation that GPL is “basket case”, this is quite modest and therefore wonder why all the fuss about the LCDS.  Is it a case of “much ado about nothing?” The First Draft of LCDS however, had anticipated a far larger investment than US$50 million annually. It had in fact projected for 2009 unspecified interim payments to get the LCDS started; for 2010-2015 the sum of 60-250 million US dollars annually; for 2013 – 2020 the sum of 230 – 350 million US dollars annually; and, from 2020 onwards, an amount in excess of 580 million US dollars annually!

Years later, and at this point in time, however, the reality is that the gap between the actual and projected benefits from the LCDS remains, to say the least, disturbingly high. Even the IMF that so flatteringly referred to the Amaila Falls Project (as cited above) has been forced to note publicly:  
“Staff cautioned that while energy costs could be significantly reduced once the project becomes operational in 2015, details of the PPP should be carefully assessed to safeguard against sovereign risks in such a large project (30 percent of GDP)”. (IMF 2011)

**C: Looting Guyana: Polemics on the Scramble for Minerals and Other Natural  Resources**

The material in this Section (C) is a polemical critique of the scramble for natural resources (including minerals), which seem to have been let loose by the Government in a desperate search for new poles of economic growth and development. It repeats selected bits of information carried in the previous Section, in order to emphasise the unrestrained scramble for minerals.

**1. The Scramble for Minerals**

**Fraud**Under the pretext of a pursuing low carbon development the PPP/C regime is fraudulently promoting a frantic scramble for minerals with the attendant looting of Guyana’s natural resources. So far this has focused on four main commodities (oil, natural gas, gold, manganese, and “Other” minerals, particularly rare earth elements). Government expects that over the near to medium term this would fundamentally transform the economy and sustainably raise the level of livelihoods.

**The Search for Oil**The first focal point is oil exploration and discovery. As stated above the Government describes this as their search for a ‘new growth pole’. The World Bank (March 2010) has more modestly asserted “the positive prospects for eventual oil production and export (currently expected for 2014) could further support a boost to growth.”

As explained above, after the hiatus created when Suriname expelled the Canadian company CGX from what it claimed was “disputed territorial waters”, the Guyana Government took the dispute to the International Law of the Sea Tribunal in Germany. The Tribunal ruled in Guyana’s favour in 2007. This ruling largely accounts for the recent explosion in oil exploration. Additionally, however, as pointed out the United States Geological Survey has estimated that in the “disputed waters” recoverable oil reserves of 15.3 billion barrels and natural gas reserves of 42 trillion cubic feet exist. This makes the area, one of the largest unexplored oil and natural gas reserves in the world.

Several major international companies are deeply involved in the hunt for oil, including Tullow Oil (Britain) REPSOL (Spain) and of course CGX, which has returned after its expulsion and the successful Tribunal ruling. There is also now on-shore exploration oil, including at previously explored sites. The companies involved here are Groundstar Resources, Canocol Energy and Sagres Energy.

**Large Scale Gold Mining**The second focal point is the frantic concentration on what is termed in Guyana as overseas-based large scale gold mining. This has been encouraged by the unprecedented price of gold on the world market. This type of mining is distinct and separate from the domestic small and medium-scale gold mining, which is encountering a host of difficulties, including raids by armed gangs, illegal Brazilian small scale operations, accidents, as well as major community, social and environmental challenges, Large scale exploration and mining development are presently led by Guyana Goldfields Inc, a Canadian-based company with two main areas of operations, namely, the Aurora project and its Aranka properties in Guyana’s interior areas.

Not mentioned earlier is that alongside this scramble by large scale mining interests the domestic small and medium scale gold mining sub-sector has grown rapidly. In great measure this is a response to the unprecedentedly high world prices now, at or around 1700 US dollars per ounce. Currently the output of that sub-sector exceeds all others in its contribution to GDP. Export earnings (US$517 million) are also the largest. Further it has been reported that investment in this sub-sector exceeded US$100 million for 2011. Indeed the estimated output of the sub-sector in 2011 based on gold declarations was 363,083 ounces. This has in fact exceeded the amount produced by the Omai large scale mining conglomerate when it operated in Guyana in the early 2000s, at its peak. Since then Omai has closed its operations in Guyana.

**Manganese Exploration**The third focal point is the revival of large scale commercial production of manganese. The company spearheading this is Reunion Manganese Inc, a wholly-owned subsidiary of Canada-based Reunion Gold Corporation. Of significance is the fact that five decades ago (1962 to 1968) a subsidiary of the well-known Union Carbide Corporation had produced approximately 1.7 million tonnes of manganese concentrate (37%) in the same areas Reunion is now seeking to revive.

**“Other” Minerals**On top of the above there are a number of lesser-known foreign companies involved in the exploration for combinations of various major mineral resources. To take one example, the Canadian-based company Sandspring Resources Ltd is exploring for both gold and copper in the Toraparu district, which it claims has geological similarities to the famous Las Christianas and Brisas deposits in Venezuela.

More recently foreign companies have been engaged in exploratory activity for “Other” minerals. One is the search for “rare earth elements” referred to above, and, the second is exploration for uranium deposits involving three companies (Promatheus Resources of Canada has been reported in the National Budget 2012 “at the most advanced stage with drilling occurring in Kurupung, Middle Mazaruni areas” and the two other companies conducting “reconnaissance surveys in the North West District and mid-Western Guyana”.

**Flawed Development Model**As I have also observed above, and it is worth repeating, this scramble for Guyana’s minerals is based on a flawed development model. One which is distinguished by its reliance on 1) extracting natural-resources at all costs 2) focusing on primary level production with little or no value-added 3) the preponderance of foreign investment with little or no partnership with local capital 4) utilizing very capital intensive production methods resulting in low labour absorption) 5) servicing world markets with the attendant demand and price risks and, 6) having to overcome severe environmental/ecological challenges in areas where there is a poor track record for success.

This model contradicts the very essence of sustainable human development.

**2. The Hydropower Debacle**

**GPL basket case**To repeat, the Guyana Power and Light (GPL) is a classic basket case. Its electricity supply is notoriously inefficient and outrageously high cost. Electricity generation is dependent on expensive imported and price-volatile fossil fuels to the tune of about US$100 million annually. The defective distribution network of the company occasions huge technical and commercial losses, and along with its weak financial controls, the cost of electricity supply per Kilowatt hour (KWH) is 32 US cents.

Given these horrible circumstances, the appeal of cheap hydropower is compelling. As we have noted above, the Amaila Falls Hydropower Project (AFHP) promises to deliver 165 megawatts of power when completed, and a reduction in tariffs of between 20 to 40 per cent per KWH for all classes of consumers. The question is: how realistic is this?

The Government has been sending out very mixed development messages; on the one hand, promoting the low carbon strategy of the LCDS, and, on the other, promoting an environmentally unfriendly scramble for minerals and notably, as discussed above, thereby paying little regard to the environmental threats to the most vulnerable parts of the country – particularly the below sea-level coastal belt where most of the settlement is and where most of the impact of climate change is expected.

To crown this confusing and disturbing picture of mixed developmental messages, there is the murkier situation created by Government efforts to promote clean hydropower development, in part to be financed by funding which is expected from Norway to recompense Guyana for its carbon sequestration efforts!

As we saw Sithe Global (a subsidiary of the world famous Blackstone Group) is the company responsible for bringing the AFHP on stream, but from all appearances it is a minor operation within the Group. To date full project closure has not been announced by either Sithe Global, its parent company or the Government of Guyana. This is further unsettling given the various schedules for completion of the project announced by one party or another to the Project in the past few years.

Meanwhile, based on various public disclosures to the media the projected project cost keeps rising.  The latest estimate is for a total of US$835 million, as put out in 2011 by the former President of Guyana.  This is US $200 million more than the estimate put out earlier by Sithe Global and US$300 million more than that put out in the Government-owned daily newspaper about a year ago and also over US$400 million above the figure cited in the National Assembly two years ago.

As explained, the financing arrangements for the project remains quite unclear, but as far as I can tell the major investors appear to be the Government of Guyana, China Railway (supported by the China Development Bank) and Sithe Global. As indicated in the National Budget 2011 funds expected from Norway were put aside for Government’s equity in the AFHP. China Railway has been officially appointed the contractor. However at this point in time there is much public anxiety over 1) the dramatically rising cost of the project, (even though it is not yet finally declared) and 2) the major design specifications for the project, which have not yet been officially released to the public.

As reported above, most controversially, the Government had signed a contract with Synergy Holdings (a Guyanese and US- based Company) to build the road and its accompanying pre-requisites (bridges, etc.) to the site of the hydropower project. Synergy Holdings was so far behind schedule that the contract was terminated. There had been deep public scepticism about the capacity of this company, given its poor to non-existent track record in road building in tropical rainforest and fears of nepotism having been involved in the deal. Yet in spite of this the public is concerned that the IMF would proclaim:  
“With respect to the Amaila Falls project, expected to start in late 2011, staff welcomed the high level of transparency and public disclosure of the project to date, including reflecting any firm or contingent liabilities from PPPs in debt statistics, as they relate to best practices of transparency in fiscal accounting of PPPs”. (IMF 2011)

From all that has been discussed about it, the threatening hydropower debacle displays complex elements of scampishness, fraud, corruption, crony capitalism, PPP/C managerial incompetence as well as distressingly poor oversight/ monitoring, by the IFIs involved: IMF, World Bank and Inter-American Development Bank (IADB).

**3. LCDS: Fraud, Deception and Opportunism**

**Opportunism**Government propagandists since 2008 have been describing the Low Carbon Development Strategy (LCDS) as providing the coherent strategy for Guyana’s development. This appears to be far from the truth. The Memorandum of Agreement between Guyana and Norway (November 29, 2009) regarding cooperation on issues related to the fight against climate change, protection of biodiversity is, as I have argued, an example of shameless opportunism on both sides.

The Prime Minister of Norway had unambiguously proclaimed to his citizens that his goal in providing finance to encourage Guyana’s carbon sequestration is to secure the fjords of Norway for its future generations even as Norway remains on a per capita basis, one of the world’s worst polluters of the global environment. It is also, as I pointed out above, one of the world’s most ardent hunters for carbon-based sources of energy supplies.

Naively the PPP/C regime has stated Guyana in the MOU it is: “Committed to protecting its standing forest in exchange for compensation for low carbon led growth … within the framework of the global initiative for reducing emissions from deforestation and degradation (REDD). It further remarks approvingly on: “Norway committing to providing substantial resources in support of Guyana’s efforts”

Yet the MOU is all about the disposition of Guyana’s pristine forests.  No mention is made of Norway reciprocating in taking sustained domestic action with regard to climate change, global warming, reduced emissions of Co2, or protection of biodiversity. This alarming one-sidedness is a clear indication that, no matter what is claimed by any party to the MoU notions of fairness, reciprocity, environmental justice, and partnership are not embodied in it.

Norway’s damaging environmental footprint is also revealed in that it is 1) the world’s third largest net exporter of oil, 2) the world’s third largest producer of natural gas 3) the world’s 11th largest producer of oil 4) along with Russia, it may possess (in the Barents Sea reserves) as much as one-third of the world’s oil and natural gas reserves and 5) the world’s: largest coal reserves are estimated to be located in its continental  shelf  areas.

There is also Norway’s darker side, to which I referred. It is a key player in the global “arms export” business. Its small arms exports, at half-a-billion US dollars makes it on a per capita basis the world’s largest exporter of small armaments. Many Guyanese are not aware of this nefarious side of Norway. It is my conviction Norway is seeking to scam Guyana just as the Guyana administration is trying to scam Norway. How it might be asked does the PPP/C regime intend to do this?

Basically, the Government projects Guyana as a small poor and highly open economy, which is continually exposed to brutal external shocks, but yet remains fully willing to surrender its environmental patrimony (pristine rainforests) to help in the fight against global warming and climate change. This it points out is noteworthy especially during a period of very intense global financial and economic crisis, (the Great Recession, which many describe as the worst since the Great Depression).   
The scam in these arrangements is revealed when one considers the following:

First, there are no serious sustained and widely disseminated environmental awareness programmes. Thus for the under sea-level coastal-belt, where most of the population lives and where global environmental impacts could be greatest (for example, through sea-level rise) there are no regular advisories/education programmes about the environmental and ecological threats of global warming and climate change.

Second, even as the Government promotes carbon markets and payment for the environmental services that Guyana’s pristine forests provide to the world, it is at the same time frantically pursuing (like Norway) a desperate hunt for mineral resources, including oil and represents to its population that such efforts are essential for promoting economic growth and transformation of the economy. This cynicism and opportunism mirror that portrayed by Norway in its dealings with Guyana.

**Developmental Model**What are the implications of all this, for the development model which is being pursued? So far the frantic search for mineral resources has focused on four industries namely 1) oil and natural gas 2) large scale gold mining and 3) the revival of large-scale manganese production and 4) “other” minerals, including rare earth elements and uranium. The model of development being promoted here is the very antithesis of an environmentally sustainable one. Instead it is based on 1) natural resources extraction at all costs 3) primary level production with little or no value-added 3) foreign investment as the main driver with little or no compulsory local participation 4) utilizing highly capital intensive production techniques 5) offering low labour absorption 6) leading to primary commodity sales to world markets, with all the attendant risks, and 7) incurring severe environmental/ecological challenges.

**D: The PPP/C Legacy Since 1992: Weak, Volatile and Distorted Growth**

The material presented in this final Section (D) reflects on the weak, volatile and distorted growth, which has distinguished the nearly two decades of the PPP/C political administration.

**1. The PPP/C Legacy (Jagan and Jagdeo)**

As we have seen one of the most striking features of Guyana’s economic performance since 1992 (when the PPP/C administration assumed political office) has been the stark contrast, which has emerged in economic performance between the first period: 1992-1999 (basically the Jagan years) and the second period of the Jagdeo years: 2000-2011. In the former period of the 1990s the average annual real rate of GDP growth was 5.6 percent; however, for the 2000s, the average annual real GDP growth has been about 2.3 percent, or less than half as large. Indeed in the latter period (2000-2011) economic growth was not only much weaker but it was also more volatile. Thus it was negative for three years (2000, 2003, and 2005) and reached a high of 7 percent real growth in 2007; thereby exhibiting strong volatility in a short time. However in the 1990s there was only one year of negative growth.

As indicated earlier, some economic analysts assert this overall weak and volatile growth trend during PPP/C rule after 1992 should be attributed to the absence of a coherent economic strategy to guide Guyana’s long run development. The introduction of the first Poverty Reduction Strategy Paper (PRSP) in 2001 and more recently the Low Carbon Development Strategy (LCDS) of 2008 were expected to correct this defect. This has not happened. Therefore, I address both these strategy documents/(proposals) below. I being by asking the question, how should the weak and volatile economic performance be appraised from a broader political economy perspective? On close examination I have found the policies which have been pursued over the past two decades embody several intrinsic flaws. A few of these are indicated below.

The first is that for the most part PPP/C policies, especially those embodied in the Poverty Reduction Strategy Paper (PRSP) have been initiated designed and framed by external agents (the international financial institutions, IFIs), which have little real understanding of the socio-cultural environment in Guyana. Their lack of understanding is revealed in such heartless and anti-poor policies as VAT. It is also observed, not only in their roles in promoting such policies as the VAT, but also in their uncritical touting of the economic wisdom of such controversial on-going programs like the Amaila Falls hydro project and the LCDS. Insufficient cautions have been expressed about Government ventures into such major resource-absorbing ventures, without demonstrated economic and commercial viability (discussed elsewhere).

A second flaw has been the PPP/Cs heavy reliance on the “beggar’s bowl”. This started immediately in 1992 with desperate efforts to get HIPC relief at all cost and has continued with craven begging everywhere. Unrestrained begging for foreign aid and assistance debases the nation and reduces its stature in the eyes of the international community and our neighbours. Policies for self-reliance have been thrown overboard in reckless abandon and along with that a lot of national pride and dignity.

Thirdly, public resources (taxes as well as external official assistance) have been used in a most vulgar and partisan way to support PPP/C constituencies and to enable the formation of new clientele ones. The external agencies know that this happening but pretend otherwise.

Fourth, not only are public resources but public authority as well (especially the legal, regulatory and fiscal agencies) have been utilized to enrich cronies of the regime. Nepotism has become one of the fastest routes to riches.

Fifthly, and perhaps most dangerous of all, the PPP/C regime has given direct and indirect state support to certain forms of organized crime for which Guyana has acquired an unenviable reputation (narco-trafficking, money laundering, fraud, trafficking in arms and persons as well as stealing from the public treasury). The networking of the ruling political elites with the organized criminal classes has taken heavy toll on Guyana.

Elsewhere, I have referred to this process as the criminalization of the state. In this process the Guyana state has taken on the function of becoming (in addition to its other standard roles), a vehicle to foster and support the criminal endeavours referred to above. From this standpoint calls for the establishment of a Government of National Unity represent the most likely means for the reconstruction and survival of Guyana as a nation.

The sad reality however, is that daily the Guyana state is becoming more and more non-transparent, non-participatory, corrupt, and dysfunctional. Its descent into coarseness, vindictiveness, and spitefulness continues. Hurling threats against its critics and the public intimidation of political adversaries seem out of control. On top of this the state has become so “bloated” that if one compares it to other small poor developing countries we find that the ratio of central government expenditure, plus public enterprises’ expenditures flows, plus tax giveaways (largely handed out to regime cronies) as a ratio of the GDP is the highest in CARICOM and perhaps all the developing world not ravaged by civil war and conflict.

   
 **2. Unrelenting Poverty**

**Poverty level**It is estimated that for years now well over one-third of Guyanese are so poor that they have to subsist on less than G$375 or US$1.75 per day. To address this massive problem the PPP/C regime has over the years relied on an IMF and World Bank devised strategy to deal with it. That strategy is contained in their hotly disputed Poverty Reduction Strategy Papers (PRSPs) which they have similarly used in many other poor dependent developing countries around the world.

Starting in 2001 the first PRSP was produced for Guyana. Progress reports on this have been prepared in 2003 and 2005. It was found to be inadequate and so in 2008 a second PRSP was introduced. This also turned out to be inadequate and, just before the recent dissolution of the National Assembly for National and Regional elections in 2011, a third PRSP has been introduced to cover the period 2011 to 2015.

From the outset the expectation of the Government has been the PRSPs would create the missing strategic framework which would enable the achievement of sustainable human development in Guyana. This has failed with the result that, after a decade of pursuing with the PRSPs (and in the process wasting much time, effort, and resources), Guyana’s experiences have revealed several fatal flaws inherent to the concept, design, and execution of the PRSPs. In this article I briefly identify some of these fatal flaws.

**Treating with Symptoms**First and foremost is that the PRSPs could not promote a coherent strategy framework basically because they have focused too much on symptoms of the country’s socioeconomic ills and providing band aids to alleviate these without addressing their root causes. Unless the root causes of poverty, destitution, neglect, and homelessness in Guyana are directly and indirectly tackled there will be no real development.

Why do I make this claim? Guyanese are fully aware the root causes of our ills lie in the political, social, cultural, and economic dynamics that drive the country. In this regard poor governance, political persecution and manipulation, executive lawlessness and abuse, as well as corruption have led to a humongous diversion of resources, desperately needed by desperately poor families and households.

As a consequence of this state of affairs the PRSPs have provided cover for a Government of Thieves, in which shoddy, shady, and shameless contractors, as well as all manner of scam artists and fraudsters loot the country of its resources and the public Treasury for illegal gain.

**Jobs and Opportunities for a Living Wage**Second, the PRSPs have never recognized that in Guyana the availability of productive jobs paying a living wage and the provision of opportunities and resources for self-employment should be at the very heart of serious development policies that are directed at transforming the economy. The PRSPs contain no serious programs aimed at fixing labour markets, ensuring that a living wage is secured by all workers, guaranteeing the legal, industrial and safety protections for the work force, and so on. And, without such programs there can be no sustained growth and development.

Third, the PRSPs offer no credible programs for inventorying, monitoring, and reforming access to the country’s abundant resources, whether in agriculture, forestry, mining, or fishing. Everyone speaks of Guyana’s “huge” resource potential, but alas there is no institution dedicated to cataloguing these. They remain a “huge” unknown.

**Phantom Economy**Fourth, the existence of a thriving underground economy, which is largely dependent on organized crime, is ignored. Nowhere have the PRSPs acknowledge its existence, let alone plan for its dissolution. Yet, this phantom economy is valued at about 30 to 40 per cent of the GDP, or US$750 to US$900 million. At this scale it is certain to continue distorting and destroying private investment initiatives and economic growth

Fifth, while for most Guyanese the nexus between jobs, a living wage, prices, productivity, the level of their consumption and available public services is crucial to their day-to-day existence, this nexus is not recognized in the PRSPs.

**No Data**Finally, it is acutely obvious that there are limited up-to-date socioeconomic data on the country, particularly in the areas of employment-unemployment-underemployment; poverty; homelessness; persons with disabilities; malnutrition; and wellness. It is a scandal therefore that the last truly national poverty and living standards measurement surveys were conducted several years ago, while the reality is it would be impossible to produce reliable strategies for coping with the social ills, which bedevil the country without sound empirical “evidence-based” information.

The conclusion from the above is that the PRSPs cannot provide the coherent framework needed for reducing poverty and promoting development for Guyana.