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Abstract

Guyana has been able to reverse decades of economic decline and stagnation with five consecutive years of robust growth during the period 2006-2010. The study probes whether Guyana has finally turned the corner. The study finds that good policies as well as good luck explain much of the recent growth. In particular, improved governance, sound macroeconomic management and favourable terms of trade have been the key growth propellers. The paper offers strategies to further accelerate growth in the medium to long term, which include increasing economic dynamism, fully exploiting and better utilising natural resources, and strengthening and entrenching good governance.

Keywords: economic growth, growth strategies, Caribbean, Guyana

1. Introduction

Guyana's growth story for much of its post colonial history has been one of decline and stagnation. However, in recent years, Guyana has been able to replace decline and stagnation with solid economic growth. Since 2006, real GDP growth has been strong and positive in each year over the five years ending 2010, averaging 4.2%, while per capita GDP growth averaged 3.6%. Even in the midst of the most severe global economic recession since the Great Depression, the Guyanese economy, while not being completely spared from the negative effects of the crisis, was able to post real growth of 2.0% in 2008 and an even higher growth rate of 3.1% in 2009 and 3.6% in 2010. In the context of deep and widespread economic contractions across Caribbean economies, Guyana's performance has been sterling. Not only have Guyana's rates of GDP growth improved, but so too have the macroeconomic fundamentals and key social indicators. Fiscal deficits and public debt have been on a downward trajectory since 2006. At 4.0% of GDP, the fiscal deficit is considered manageable, while public external debt, estimated at 47% of GDP is one of the lowest in the Caribbean; a marked improvement relative to ratio of over 600% in 1989. Inflation has been contained in the low single digits and the nominal exchange rate is broadly stable against the US dollar. Meanwhile, key social indicators have improved. Extreme poverty was estimated at 18.6% in 2006, down from 29% in 1992 (Inter- American Development, Bank, 2008). Guyana's Human Development Index rose from 0.606 in 2000 to 0.633 in 2011. Therefore, the country is now categorised as a medium human development country, having moved up two points in the 2011 Human Development Report, ranking 117 out of 187 countries.

Has Guyana finally turned the corner? The objectives of this study are two-fold: (i) to probe the origins of Guyana's growth: good luck or good policy, and (ii) to critically explore strategies to further accelerate economic growth. The study is motivated by the need to expose Guyana's growth performance, with a view to distilling possible policy lessons for other small developing countries in the Caribbean.

Guyana is the largest country in the Commonwealth Caribbean, with a total land area of about 215,000 square kilometers. The country borders Suriname, Venezuela, and Brazil. Guyana's economic structure has changed little since independence from Britain in 1966. Indeed, diversification has occurred through shifts in production to more primary and resource-based products than to high value-added products. Agriculture is still the main economic concern, (accounting for just under one-third of GDP in 2010), followed by the government sector (accounting for just around 20% of GDP), transport and communication (around 12% of GDP), mining & quarrying (just above 10% of GDP) and manufacturing less than 10% of GDP. Guyana is heavily dependent on the export of a few primary commodities, including gold, sugar, bauxite and rice, and on the import of the majority of its consumer and intermediate goods – with fuel the most important import. Guyana's main export markets are Canada, the United States, the United Kingdom and the Netherland, while the United States, Trinidad and Tobago, Finland, and Cuba are the main markets from which its imports originate. Together, exports and imports account for well over 100% of GDP (155.5% in 2009), an indication of the openness of the economy. Remittances inflows have been a major source of foreign exchange earnings. Net remittances grew to US$300 million in 2009, a six-fold increase relative to the net flows in 2000. Political and ethnic conflicts have pervaded Guyana's socio-political landscape for much of its post independence history (especially in the 1970s and 1980s), a reflection of its ethnic heterogeneity. In Guyana the various ethnic groups are Amerindians, African, Indians, British, Chinese, and Portuguese. The two main ethic groups are the Indians and the Africans, with the Indian community representing 43% of the population and the Africans 30%, according to the latest (2001) census. The population was estimated at 766,000 in 2010 (World Development Indicators, 2011).

The reminder of the study is laid out as follows. Section 2 critically examines the evolution of real GDP growth in Guyana over the period 1970-2010. Section 3 explores the origins of Guyana's recent growth momentum and section 4 posits strategies for sustainable growth. Section 5 concludes.

2. Guyana's Growth Story: 1970-2010

Guyana's growth story for much of its post independence history has been a relatively poignant one. As Figure 1 depicts, Guyana's economic landscape has been dotted with many challenges with chronic volatility in output growth, a distinct feature of the Guyanese economic scenery.

(Insert Figure 1 here)

In 1970 the ruling party declared Guyana a republic and adopted import substitution policies and an overtly socialist posture, which saw heavy state intervention in the economy, resulting in widespread nationalisation of key industries. Despite high commodity prices (sugar and bauxite) during the early 1970s, real GDP decelerated to an annual average of 0.8% during the period 1975-1979, compared with an annual average growth of 2.6% during the period 1970-1974.

By 1980, the state had controlled around 80% of the economy (DaCosta, 2007). The statist political stance had severe economic consequences. Annual output declined in six of the 10 years with the rate of contraction averaging 2.8% during the decade. Indeed, the 1980s can be considered as Guyana's lost decade. The Guyanese economy registered growth in 10 of the 20 years ending 1989. GDP growth over the 20-year period was by no means smooth, judging from the standard deviation of 4.5% and a negative 1.0% coefficient of variation. GDP per capita growth declined at an average rate of 0.7% during the 20-year period ending 1989, with contractions recorded in 11 of the 20 years. There have been a bevy of studies seeking to explain Guyana's economic collapse. Some of the explanations proffered include (i) an extended period of fiscal mismanagement, (ii) inward-looking, statist economic policies, (iii) institutional fragilities, (iv) mass emigration of skilled nationals, and (v) entrenched political and social fragilities. Thomas (1982) and Gafar (1992) are comprehensive accounts of Guyana's economic collapse. The year 1989 can be viewed as a water-shed year for Guyana. It was the year that

Guyana entered into the International Monetary Fund's Economic Recovery Program (ERP) following a debt default in 1982, sustained economic contractions during the period 1982-1984 that averaged 8.3%, and generally weak macroeconomic fundamentals1 for much of the late 1970s and early 1980s. The ERP focussed on entrenching macroeconomic stability, strengthening and reforming institutions to support economic development, embracing outward-looking market-oriented policies, and eliminating market distortions (World Bank, 1993).

The structural reforms undertaken, coupled with the re-opening of the economy, helped to reverse years of stagnation and decline. The Guyanese economy grew at an annual rate of 4.8% during the 1990s. Real economic growth was particularly robust in the early years of the decade, averaging 5.5% during the period 1990-1994, imbued mainly by growth in sugar and rice production. Fluctuations in output growth moderated during the decade, with the standard deviation averaging 4.1%, compared with 4.9% in the 1980s. Income levels rose during the decade with the level of GDP per capita reaching US$947.7 in 1999, representing a 73.6% increase over the level in 1990. The rate of growth of GDP per capita averaged 4.7% during the decade.

The pace of GDP growth decelerated during the early years of the 2000s, averaging 0.8% over the period 2000-2004. Per capita growth slowed to an annual average rate of 0.5% during the period. Staritz, Atoyan & Gold (2007) in seeking to explain the deceleration in economic growth during the early 2000s, point to sustained declines in factor accumulation, substantial reductions in both domestic and foreign investments and high levels of emigration. Staritz et al. (2007) reason that despite the far reaching reforms undertaken as part of the ERP, institutional weaknesses still persisted. Political unrests in 1998 and 2001 and floods in 2005 are additional explanations for the slowdown. According to Inter-American Development Bank (2008), severe floods, which occurred in 2005, resulted in economic losses amounting to 60% of GDP.

Growth has been particularly robust since 2006, reaching a high of 5.1% and 5.4% in 2006 and 2007 respectively, buoyed by favourable commodity prices and significant public and private sector investments. While Guyana was not spared from the negative effects of the global economic recession, the non-reliance on tourism as the main economic driver and Guyana's relative economic diversity blunted the blow of the global crisis on the economy. In 2008, GDP growth moderated to 2.0% but picked up to 3.1% in 2009 and to an even higher rate of 3.6% in 2010. Positive GDP growth was sustained in each year since 2006, with output volatility moderating relative to the periods in the 1980s and 1990s. GDP per capita growth averaged 1.3% during the period 2005-2010 and the level of GDP per capita in 2010 (US$2,945.6) was eight times the level in 1970. Table 1 presents key descriptive statistics on real GDP per capita growth and real GDP growth over the period 1970-2010.

(Insert Table 1 here)

2.1 In Search of Growth Accelerations and/or Decelerations

Beyond the descriptive analysis of real GDP growth and real GDP per capita growth, this study probes further in search of periods of growth acceleration (good times) and/or deceleration (bad times). To formally explore the issue of growth acceleration and deceleration in Guyana, the study draws on existing, albeit a relatively new strand of economic growth literature. The concepts of

[1] The fiscal deficit and public debt averaged 45.1% of GDP and 183.1% respectively during the period 1981-1985.

growth acceleration and growth deceleration, specifically their measurements and underlying determinants, are a relatively new addition to the traditional economic growth literature. Hausmann, Pritchett & Rodrick (2005) fault the empirical literature for not focussing on the most important sources of variations that underlie data on economic growth. They opine that standard cross-country regressions are poor predictors of turning points of growth. Hausmann et al. (2005) contend that by organising data on economic growth around turning points, policy analysts may be better able to provide answers to the questions that policymakers deem most pressing. For example, how likely it is for an economy to sustain an acceleration in its rate of economic growth for an extended period of time.

Page (2009), building on the work of Hausmann et al. (2005), defines growth accelerations (good times) and growth deceleration (bad times) relative to a country's long-run economic performance. According to Page (2009), periods of growth acceleration/(deceleration) require that the following three conditions be satisfied simultaneously in each of at least three consecutive years:

1. The forward four-year moving average growth rate of GDP per capita [t, t+1, t+2, t+3] minus the four-year backward average growth rate [t, t-1, t-2, t-3] must exceed/(be less than) zero;
2. The four-year moving average growth rate of GDP per capita exceeds/ (is less than) the country's average growth rate; and
3. The forward four-year moving average of the level of GDP per capita must exceed/(be below) the backward four-year moving average.

Page (2009) explains that the horizon window may change depending on the volatility of the long-run growth rates of countries. The higher the volatility of the long-run growth rates, the lower should be the horizon window, if the effects of volatility on economic performance are to be adequately observed. According to the author, if conditions 1 to 3 satisfy a growth acceleration (deceleration) period, then the acceleration (deceleration) episode includes the subsequent three years. For example, if conditions 1 to 3 are satisfied during the period 1980-1984, then the growth acceleration (deceleration) episode as the case may be, is identified as 1980-1987. The author explains that a sign change from positive to negative in condition 1 is indicative of a shift in trend growth. Condition 2 makes the definition of growth acceleration or deceleration endogenous to a country's long-run growth rate. This condition is defensible because as Arbache & Page (2007) argue, a country's growth trend is an important parameter for identifying growth acceleration episodes. On the one hand, Arbache & Page (2007) reason that there is a risk of assigning too much importance to minor changes in economic performance in cases where a low-growth country sustains a period of modest growth. On the other hand, they posit that for a country with persistent low growth grates, a relatively modest increase in per capita growth may well be deemed as a growth boom, while a relative modest decline in per capita growth could be disastrous in a stagnating economy. Condition 3 ensures that the growth acceleration episode is not a recovery from a recession.

Given Guyana's historically volatile and low-growth environment, Page's (2009) approach is deemed appropriate. Based on the three conditions proposed by Page (2009), using data for the period 1970-2010, it was found that Guyana had one episode of growth deceleration during the period 1982-1988 and no episode of growth acceleration.

3. The Origins of Guyana's Recent Growth

This section investigates whether Guyana's growth turnaround has been as a result of good luck or good policy to answer the question: is the recent growth momentum sustainable? We carry out our investigation through a critical examination of 'good luck' factors (such as, commodity prices, natural disaster and political and social stability) experienced since 2006, as well as, public policies instituted over the period 2006-2010.

3.1. Good Luck Factors

3.1.1Commodity Prices

Historically, the episodes of economic expansions and downturns experienced by the Guyanese economy have always mimicked the performances of the agriculture and mining sectors. The outputs from these sectors are prominently featured in Guyana's export basket, causing the local economy to be susceptible to external shocks. These shocks are usually transmitted through unfavorable commodity prices. The literature that focuses on economic growth in Guyana provides abundant evidence of this harsh reality. For instance, Gafar (1996) argues that the expansion of the economy was due to favorable prices for sugar and bauxite between the period 1974 and 1976. Armendariz, Baena, Bristol, Shearer, & Schneider (2007) also show that economic contractions during the period 1997-2005 were due to unfavorable terms of trade. It is noteworthy that preferential markets for rice and sugar lessened the impact of unfavorable commodity prices on the agriculture sector. However, given recent changes in global trading arrangements (for example, the Economic Partnership Agreement - EPA) it is envisaged that the agriculture sector would be more exposed to external shocks. These shocks are likely to have more profound effects on the agriculture sector and consequently on the domestic economy unless mitigation measures are adopted.

Over the past few years, international prices for agriculture and mineral commodities were generally favorable. Figures 2 & 3 show that the prices (right axis) for agriculture and mineral commodities exhibited an upward trend from 2005-2010. Notwithstanding, the output levels and export volumes (left axis) of the primary export sectors were mixed. For instance, the export volume of rice, bauxite and gold expanded as a result of more favorable prices over the period 2006-2010. In contrast, the export volumes of sugar and timber were less responsive to better commodity prices. Poor weather conditions along with industrial disputes contributed to the decline in sugar output and export volume between 2006 and 2010. The contraction in the output and export volume of forestry products was due to the enforcement of new regulations governing the forestry sector.

(Insert Figures 2 & 3 here)

3.2. Political and Social Stability and Natural Hazards

Apart from external shocks, social and political instability have always impacted adversely on the country's economic performance. According to Gafar (1996), industrial actions coupled with interracial conflicts contributed to the economic decline during the 1970s and 1980s. Khemraj (2008) revealed that the protracted economic decline over the period 1998-2005 was due to social and political unrest. Unusual weather phenomena have also impaired the economic progress of the country. For instance, the El Nino and La Nina phenomena during 1996 and 1997 respectively resulted in significant economic losses, especially to the agriculture sector (Armendariz et al., 2007). The major floods that occurred during 2005 and 2006 also had devastating economic effects on the country. Inter-American Development Bank (2008) estimated that the 2005 floods resulted in economic losses amounting to 60% of GDP. It is notable that Guyana is less prone to natural disasters when compared to other Caribbean countries (Armendariz et al., 2007). However, given the country's heavy dependence on the agriculture sector unusual weather conditions is a major source of external vulnerability. According to Armendariz et al. (2007), this is partly due to the absence of crop insurance, inadequate infrastructure and waste management systems to prevent flooding.

During the period 2006-2010, the country's social and political environment was relatively stable. Since 2001, far-reaching constitutional reforms (among which, the introduction of presidential term limits), together with initiatives to deepen social cohesion and enhance public trust have contributed to a more stable political environment than in past years. In the four general elections since independence (1992, 1997, 2001 and 2006), the one in 2006 was the most peaceful. Grenade & Lewis-Bynoe (2011) argued that the strong performance during 2006-2010 was due to greater social and political stability. It is also noteworthy that the country was spared from floods and droughts of the magnitude experienced in 2005. Thus, the robust economic performance registered since 2006 was also partly due to favorable weather conditions that contributed positively to the performance of the agriculture sector, especially the non-traditional agricultural sector whose contribution to GDP grew in both absolute and relative terms. Indeed, more benign external economic shocks, particularly during the period 2004-2007, augured well for the Guyanese economy. This is explicit in the significant growth in exports, which averaged 8.9% in the period, compared with the annual average of 3.5% in the preceding 4-year period.

3.3. Institutions and Policies

The country's economic progress since 2006 was accompanied by an enhancement in governance and macroeconomic policies. The improvement in governance is clearly evident from the World Bank's Country Performance and Institutional Assessment (CPIA) score. At end-2009, Guyana's CPIA score stood at 3.4, compared with an international benchmark of 3.5. Even though the overall score remained unchanged since 2005, there were noteable improvement in the areas of economic management during the period 2006-2008. In the area of policies for social inclusion/equity, there were also considerable improvments; this concides not only with the economic expansion, but the social and political stability enjoyed over the previous five years. Table 2 traces the development in Guyana's CPIA scores in various socioeconomic areas.

(Insert Table 2 here)

The enhancement in economic management since 2006 is reflected in the country's macroeconomic fundamentals. Real GDP growth reached a high of 5.1 % and 5.4 % in 2006 and 2007 respectively before decelerating to 3.6% in 2010. There was a narrowing in the government's fiscal deficit and current account deficit of the balance of payments. The fiscal deficit expressed as a percentage of GDP declined from 12.6% in 2005 to 4% in 2010. The external current account deficit as a percentage of GDP was also reduced from 19.1% in 2005 to 17.0% in 2010. Additionally, Guyana's net international reserves surged to US$724.4 million at the end of 2010 from US$160.5 million at the end of 2005.

Furthermore, the country enjoyed stable prices during the period 2006-2010. Except for 2006 when the country implemented the Value Added Tax (VAT) and was exposed to high prices for imported commodities, inflation rates were generally low. The rate of inflation as measured by the Consumer Price Index (CPI) declined from 8.2% in 2005 to 4.5% in 2010 due to effective monetary policy and several targeted interventions to control prices. The primary exchange rate - that is, the exchange rate between the Guyanese dollar (G$) and the United States dollar (US$) - exhibited significant stability. The variation in the G$/US$ exchange rate as measured by the standard deviation were extremely low. Khemraj & Pasha (2011b) attributed this outturn to effective monetary policy as well as the oligopolistic nature of the cambio market.

In order to determine the extent to which the country's economic fundamentals are associated with its economic success, we compare several macroeconomic indicators between the periods 2006-2010 and 1998-2005 (that is the period of relative stagnation). Table 3 compares the economic fundamentals using the standard t-statistics. The average growth rate recorded by the local economy during the period 2006-2010 was significantly higher when compared to the period 1998-2005. Surprisingly however, the level of Foreign Direct Investment (FDI) and savings were comparable in both periods. Additionally, the investment rate and external trade recorded during the period 2006-2010 were significantly below the levels recorded during the period 1998-2005. Based on Table 3, the higher growth rates during the period 2006-2010 appeared to be driven by gross final consumption expenditure, which amounted to 102% of GDP, compared with 78% of GDP during the period 1998-2005.

(Insert Table 3 here)

We also compare the economic growth rates and economic fundamentals of Guyana with other lower middle income countries in Latin America and the Caribbean during the period 2006-2009. This is done with the intention of determining whether the economic performance of Guyana may be linked to macroeconomic fundamentals. The results for the exercise are provided in Table 4, which shows that the Guyanese economy grew faster than the other lower middle-income countries in Latin America and the Caribbean during the period 2006-2009. The results in Table 4 also suggest that Guyana recorded higher levels of FDI, trade activities, and consumption. However, the level of savings as a percentage of GDP and the inflation rate in Guyana were comparable with other lower middle income economies in the Latin American and Caribbean region. Thus, the country's economic performance may be linked to FDI, trade, and consumption.

(Insert Table 4 here)

In summary, Guyana's recent growth appears to be driven by both 'good policy' as well as 'good luck' This is evident from the improvements in the country's macroeconomic fundamentals, institutional (or governance) indicators, political and social environment, and more favorable weather conditions and commodity prices for major exports. To some extent, our findings are consistent with the findings of Grenade & Lewis-Bynoe (2011), which revealed that the economic performance of Guyana improved over the period 2006-2010, due to prudent macroeconomic policies, institutional strengthening, deeper social cohesion and political stability enjoyed.

4. Strategies for Accelerating Growth

In order for Guyana to accelerate growth, it is important that appropriate policy initiatives be implemented to consolidate as well as build on the economic gains accrued during the period 2006-2010. Some of the policy initiatives which may be explored are:

1. *Structural production transformation*. The country has traditionally been heavily dependent on a limited range of primary commodities from the agriculture and mining and quarrying sectors. In recent years however, the services sector's contribution to economic growth has increased appreciably. While this is a positive development, it is important to note that most of the economic activities of the services sector are related to retail and wholesale trade and the provision of non-tradable government services – rather than high-end services activities (such as banking, insurance, tourism, etc.), which have the potential to induce higher levels of economic growth. Additionally, the manufacturing sector's contribution to GDP has not only dwindled since the adoption of the ERP, but appears to be restricted primarily to the processing of sugar and rice (Khemraj & Pasha, 2011b). In order for Guyana to develop more rapidly, the structure of the economy would have to be transformed by focusing on the production and export of goods and services which are high on the global demand hierarchy (Khemraj & Pasha, 2011b). These goods and services should have high value-added potential. The adoption of a development agenda that is aimed at expanding the services and industrial sectors would be the first step towards transforming the production structure of the economy.
2. *Utilization of rents from the exploitation of natural resources to transform the economy*. Guyana is endowed with many natural resources, including gold, diamond, bauxite, and manganese. Moreover, Guyana's 15 million hectares of tropical forests, fertile agricultural lands, and large tropical forest, have the potential to be one of its most potent development catalysts. Guyana is on the verge of discovering oil and natural gas resources. Given past experiences, it is therefore important that adequate rents be levied on the economic activities

related to the exploitation of the country's natural resources. More importantly, these rents should be utilized to develop other key sectors, especially the non-traditional export sector.

3. *Consolidation of the agriculture sector.* Notwithstanding the need for structural transformation, the agricultural sector should not be neglected. This is essential given the growing demand for food and the fact that the country is well endowed with fertile land and fresh water. In fact, the agricultural sector should continue to benefit from policy initiatives that would allow for: (i) the movement away from small to large and medium scale farming; (ii) the adoption of modern farming methods/techniques; (iii) emphasis on non-traditional agricultural commodities that have greater export potential; (iv) the adoption of mitigation measures that would protect farmers from natural disasters and unfavorable prices such as agriculture insurance and contract farming respectively; and (v) the provision of more financial resources to the sector.
4. *Building the local private sector.* Most of the reforms pursued under the ERP were aimed at making the private sector the catalyst for economic growth. Despite the extensive reform efforts, the local private sector remains underdeveloped because of numerous binding constraints. These include: onerous taxes and regulations, inadequate human capital, poor infrastructure, social and political instability, weak public institutions, low research and innovations, and inadequate financial resources (Armendariz et al., 2007; Khemraj & Hinova, 2010). In order for the private sector to grow and play a more meaningful role in promoting economic prosperity, these constraints will have to be addressed with appropriate policy initiatives.
5. *Maximize the potential of the Low Carbon Development Strategy (LCDS).* The country has recently adopted an innovative development paradigm in the form LCDS. The LCDS provides an overarching development agenda that incorporates: (i) forest protection/preservation to forge a low carbon, low deforestation, climate resilient economy; (ii) strategic infrastructural development, particularly drainage and irrigation, transportation and utilities to attract high-value investment; (iii) competitiveness enhancements through, among other means, lowering Guyana's heavy dependence on oil, the cost of which is prohibitive to industrial investment; and (iv) social development and poverty reduction, primarily through increased access to quality healthcare and education and more targeted social safety nets. The 2011 Budget outlines several projects to be implemented under the LCDS, a major one being the Amaila Falls Hydropower Project. Accelerated implementation of this and other LDCS-related projects will go a long way in improving the supporting infrastructure for growth and development.
6. *Utilize of remittances for development purposes.* Guyana receives substantial remittances from the Diaspora. In fact, the level of remittances overshadows foreign investments. Policymakers should therefore consider programs that would encourage the use of remittances for development purposes. Among other things, these may include the provision of incentives for remittances to be directed into investment activities and the promotion of innovative remittances and financial services (Peters, 2009; Roberts, 2010).
7. *Develop the infrastructure to exploit the trading potential between Guyana and Brazil.* Guyana is ideally situated on the South American continent whereby it offers a gateway for Brazil to trade with countries in North America, Europe and the Caribbean at lower costs. Given its location, there is tremendous trade potential between Guyana and Brazil. Further, it may also offer Caribbean countries the opportunity to export goods to Brazil at reduced cost. All that is needed is the infrastructure to facilitate trade between Brazil and the rest of the world. The country may enjoy substantial economic benefits from exploiting its continental location.
8. *Make use of Public Private Partnerships (PPPs).* Businesses in Guyana are generally risk-averse. This has prevented investment in projects with significant growth potential but which are risky, such as, agro-processing, manufacturing. The government may be able to stimulate investment in these projects if it enters into PPP arrangements.

5. Conclusion

Guyana's growth story for much of its post independence period has been one of decline and stagnation. An extended period of inward-looking policies that started in the early 1970s, reflecting the socialist ethos at the time, in conjunction with a series of external shocks, mass migration, and political instability culminated in a socioeconomic crisis by the mid 1980s. Indeed, the 1980s were Guyana's lost decade. Following a rebound in the early 1990s, the economy suffered an acute episode of stagnation during the period 1998-2005. However, since 2006, Guyana has recorded positive growth in each year. Despite the global economic crisis of 2008/2009, real GDP growth averaged over 4% during the period 2006-2010, a remarkable and welcome turnaround in light of the dismal economic performance that had characterised much of Guyana's economic history. The study probed the underpinnings of the recent growth turnaround and found that a combination of good policies and good luck explain much of the recent growth. In particular, improved governance, sound macroeconomic management and favourable terms of trade have been the key growth propellers. Accelerating and sustaining the growth momentum is a key challenge, but a key imperative also. We propose strategies for accelerating and sustaining growth in the medium to long term, which include among others, increasing economic dynamism and fully exploiting and better utilising natural resources, developing the private sector and financial system, and strengthening and entrenching good governance.

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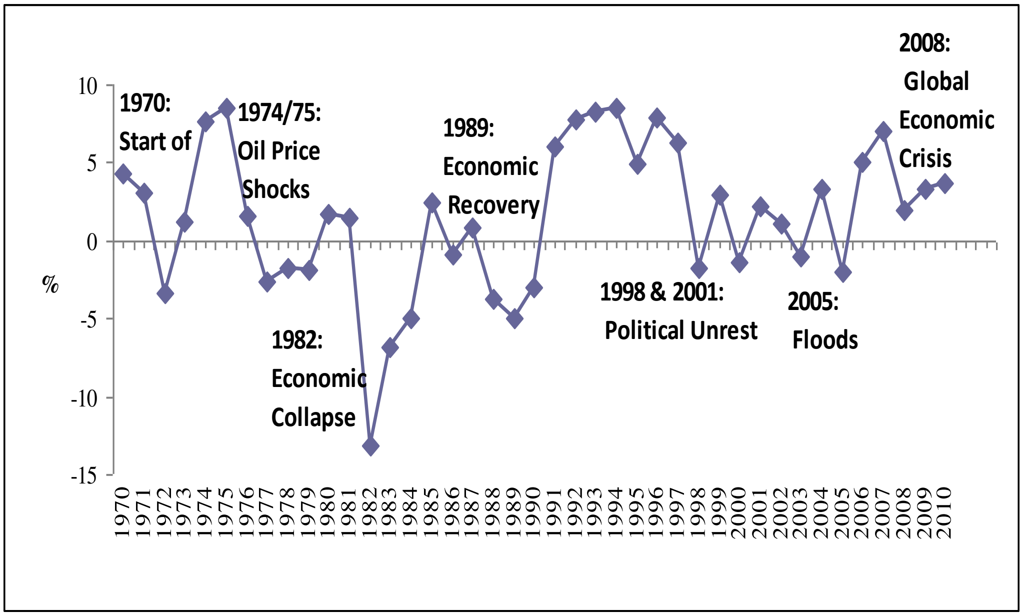

Figure 1. Real GDP Growth

Table 1. GDP per capita Growth and GDP Growth

	Real GDP per capita Growth				**Real GDP Growth**			
	Mean (%)	Standard Deviation (%)	Coefficient of Variation (%)	No. Of years of Growth	Mean (%)	Standard Deviation (%)	Coefficient of Variation (%)	No. Of years of Growth
1970-2010	***1.1***	***4.6***	***4.35***	***24***	***-3.3***	***4.7***	***-1.4***	***25***
1970-1974	1.6	4.0	2.5	5	2.6	4.1	1.6	3
1975-1979	-0.1	4.7	-73.1	2	0.8	4.6	6.2	2
1980-1984	-4.0	6.0	-1.5	2	-4.4	6.2	-1.4	2
1985-1989	-0.4	3.2	-7.3	2	-1.3	3.1	-2.5	2
1990-1994	5.5	4.6	0.8	4	5.5	4.9	0.9	4
1995-1999	4.0	3.7	0.9	4	4.1	3.7	0.9	4
2000-2004	0.5	2.0	3.9	3	0.8	2.0	2.4	3
2005-2010	1.3	3.6	2.8	4	3.2	3.1	1.0	5

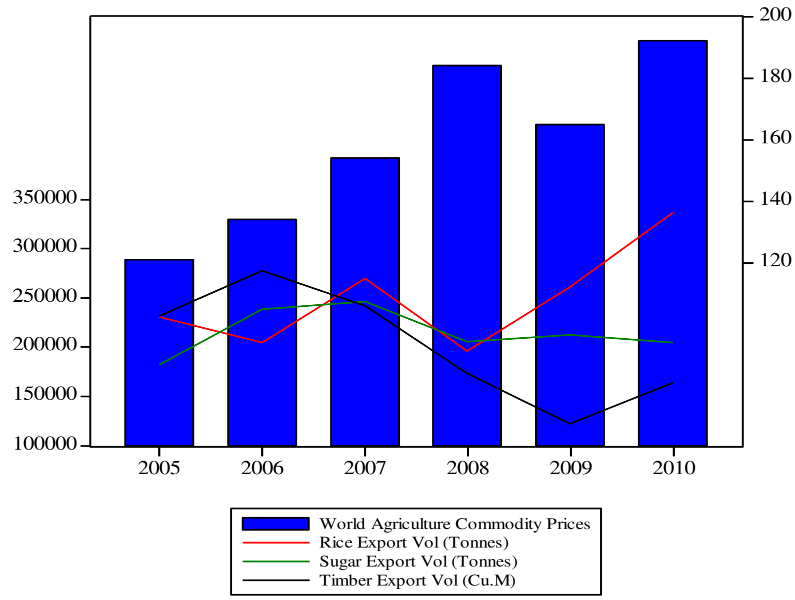

Figure 2. World Agricultural Prices and Export Volume

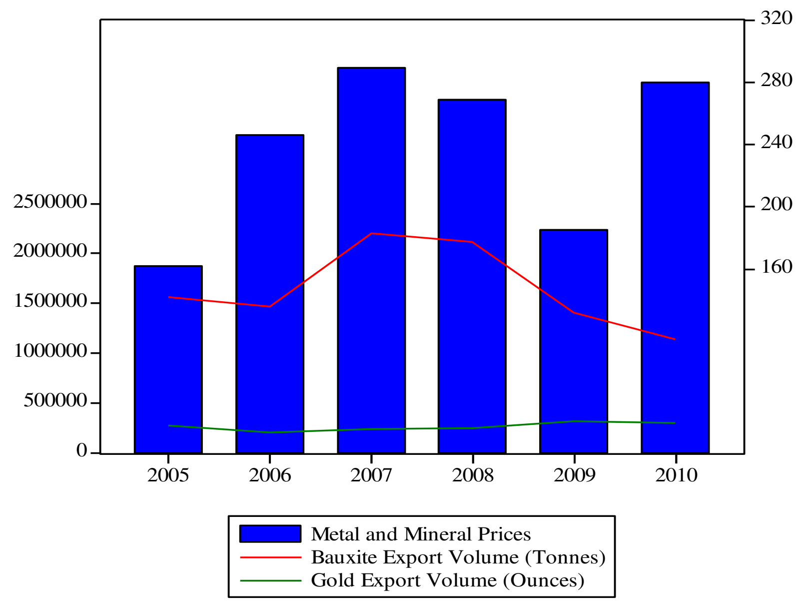

Figure 3. World Prices and Export Volume of Selected Commodities

Table 2. Governance Indicators: 2005-2009

	2005	2006	2007	2008	2009
CPIA economic management cluster average	3.50	3.67	3.67	3.70	3.50
CPIA public sector management and institutions cluster average	3.10	3.10	3.10	3.10	3.10
CPIA policies for social inclusion/equity cluster average	3.30	3.40	3.40	3.50	3.50
CPIA structural policies cluster average	3.50	3.50	3.50	3.50	3.50
Fiscal deficit (% GDP)	-12.5	-7.37	-4.07	-3.81	-3.70
Current Account deficit (% GDP)	-19.1	-17.1	-10.8	-16.7	-11.3
Inflation	8.2	14.0	6.4	3.6	4.5

Table 3. Difference between Averages Before and After 2006

Variable	1998-2005	2006-2010	t-test
GDP growth (%)	0.4	4.4	*
Savings (% GDP)	4.6	15.1	
Investment (% GDP)	36.8	26.0	*
Private sector investment (% GDP)	22.8	13.2	*
FDI net flow (% GDP)	6.6	8.0	
Consumption (% GDP)	78.0	102.0	*
Trade^ (% GDP)	154.1	99.0	*
Exports (% GDP)	71.3	38.2	*
Imports (% GDP)	92.4	60.6	*
GDP deflator (%)	5.2	23.1	***

Table 4. Difference between Simple Averages of Economic Fundamentals 2006-2009

Variable	Guyana	Latin America & Caribbean [1)]	t-test
Per capita GDP growth	4.4	1.6	***
Savings (% GDP)	15.1	17.1	
Investment (% GDP)	26.0	21.1	*
Private sector investment (% GDP)	13.5	14.9	
FDI net flow (% GDP)	7.9	4.7	*
Consumption (% GDP)	101.7	89.1	*
Trade^ (% GDP)	98.0	79.0	*
Exports (% GDP)	37.8	34.3	

Imports (% GDP)	60.0	44.7	*
GDP deflator (%)	23.1	8.2	*
Government consumption (% GDP)	15.5	12.3	*