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Guyana's Political jitters Simmer

Irfaan Ali has been declared president of Guyana and formally sworn in on August 2 after more than four months. The people of Guyana cast their votes in the country's general election on March 2, 2020. There were a series of events leading up to and following the election which caused some persons to believe that the country was on the brink of a civil war given Guyana's checkered history of racial and political strife. The resolution, regarding who will govern Guyana over the next five years at least, has put the investment public at ease, and presents an opportunity for the political directorate to assure the public that the sovereign's oil resources will be properly utilized to advance the social and economic development of the citizens of Guyana. Hopefully the sovereign does not follow the similar path as a number of resource-rich developing countries, such as Venezuela, that have squandered their economic windfall from mineral wealth. There are serious concerns that Guyana's new found oil wealth could be wasted to buy political allegiance and enrich the lives of a chosen few who are politically entrenched.

A no confidence vote of 33-22 in December 2018 against David Granger and his coalition government of a Partnership for National Unity and Alliance for Change (APNU+AFU) called for fresh elections to be held. However the government did not find favour with the vote and the Attorney General Basil Williams filed documents in the courts to quash it. He argued that the vote was invalid, as it requires an absolute majority of 34 votes for the motion to pass. He further noted that the vote casted by Charrandas Persad, a member of his own party who sided with the opposition, was invalid as he was a Canadian-Guyanese citizen at the time and therefore was not eligible to sit in the Parliament, as per the Constitution.

The subsequent ruling by the supreme court set in motion a legal tug-o-war which was ultimately resolved by the sovereign's court of last resort, the Caribbean Court of Justice (CCJ), which ruled that the no confidence vote was valid, clearing the path for the election to be held.

Time line of court hearings

- January 1 2019, Acting Chief justice Roxanne George Wiltshire upheld the no confidence motion while acknowledging that Mr. Persad was ineligible to sit in the Parliament. The government and the Attorney General took issue with the decision of the Chief Justice and filed an appeal in the Appellate Court.
- March 22 2019, the Appellate Court overturned the ruling of the Acting Chief Justice. The opposition, People's Progressive Party and Civic Party (PPP/C) filed an appeal with the CCJ.
- June 18 2019, the CCJ ruled that the no confidence vote was valid and fresh elections should be held. The Court noted that although Mr. Persad was ineligible to sit in the Parliament, due to him being a dual citizen, the timeline had elapsed within which to file a complaint to the relevant body.

Mr. Granger failed to call the election as directed by the CCJ noting that sufficient time was required by the Guyana Election Commission (GECOM) to prepare. Following mounting internal and external pressure, Mr. Granger acquiesced to the CCJ's ruling and set the election date for March 2 2020, a full 8 months after the Court's decision.

Controversial Election

Election Day events proceeded smoothly in the presence of international and regional observers. The observers noted that the election was free and fair. Statements of Pole (SOPs) were produced and signed at every polling station by representatives of all the political parties involved. These were displayed prominently at all the polling stations across the country. Ballot boxes were locked after the polling stations closed and sealed with tamper-proof seals. All the key stakeholders received copies of the SOPs after the conclusion of voting at the end of the day while the ballot boxes were transported to GECOM in the capital for the votes to be counted. There were 2,339 SOPs representing the 10 election districts across Guyana.



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The voting tabulation process hit a snag after votes for 9 of the 10 districts were counted and it became clear, based on the SOPs from the largest districts, Region 4, that the opposition was highly likely to win the election. Voting was suspended for a few hours after the returning officer suddenly fell ill. His designate was sought but he too fell ill and so the counting process was suspended. Following these events, a clerk was suspected of trying to tamper with the counting process after she was found in possession of a laptop and a flash drive that were not issued by GECOM.

The foreign minister threatened to revoke the credentials of the international observers and then the police asked persons to leave the GECOM building due to a bomb threat. Some of election observers protested and they, along with representatives from various political parties, refused to leave the building. Following these incidents the returning officer declared the APN-AFC the victors despite his count not matching up to the SOPs.

The result prompted the international community, including Britain, the United States and the European Union, to question the integrity of the election. Several international organizations declared that the count from Region 4 was incomplete and therefore the result for the election was premature.

The PPP sought an injunction from the court to prevent a declaration of Region 4 until there was a recount of the ballots. On March 12, the Supreme Court nullified the result of Region 4 and ordered a recount using the SOPs. The judge ordered that the count should be transparent and done in the presence of representatives from the contesting political parties. The returning officer however opted to violate the judge's order and proceed to read the result from a sheet other than the SOPs. This prompted one international observer to state that he had never seen such a flagrant attempt to steal an election before.

Mr. Granger refused to concede defeat, but following months of negotiation by the Caribbean Community and sanctions imposed on some of the APNU-AFC members, including Mr. Granger himself, a recount of Region 4 finally took place. In the end, the result matched up with the SOPs. Based on the terms agreed by the parties prior to the election the PPP/C receiving 33 seats; APNU-AFC, 31 seats; and three smaller parties were allocated 1 seat. Accordingly Mr. Ali the presidential candidate from the PPP/C was declared president-elect.

Moving forward

The election debacle highlighted the fragility of Guyana's socio-political environment. Given the country's new found oil wealth, the failure of the political directorate to coalesce around a set of principles to move the country forward and distribute fiscal resources in an equitable manner, is a concern for the long term viability of the country. The absence of consensus could fuel discord between supporters of the two main political parties that are divided predominantly along ethnic lines. Guyana's institutional strength is weak and so there is the risk that some persons within the political class may exploit it. One way of doing so is to distribute fiscal resources to one group of persons over another to cement their political legacies at the expense of social harmony. This kind of conduct could be very disruptive to the smooth functioning of the economy and limit rather than accelerate the sovereign's economic development.

We are not aware of the policies that the president and his cabinet will prioritize during their reign. As a start, rule-based fiscal operations and governance devoid of the ethnic polarity supported by an unbiased judiciary would go a far way to help the sovereign to maximize the windfall from hydrocarbons. This action supported by continued strengthening of the various institutions in government will help minimize the risk of corruption, the bane of social and economic development in many developing countries.

Hydrocarbon

In late July, Hess Corporation reported positive development in its joint venture with Exxon Mobil and China National Offshore Oil Corporation (CNOCC). The company advised that it had completed appraisal drilling at its Yellowtal-2 well and that there was discovery of two additional reservoirs of hydrocarbon. The company noted that it is evaluating the find to determine future development. Already Hess and its partners are expected to produce over 96,000 barrels per day from Stabroek bloc, and another offshore bloc on the north coast has enormous potential. This raises the likelihood of oil production increasing beyond the current expected daily output.

The political impasse in Guyana has slowed capital injection into the project with Hess estimating that further delays in the project could slash US\$2.2 billion from the value of the Stabroek project. It is further estimated that the government of Guyana could lose US\$4.5 billion in the future owing to a lapse in the project.

Opinion

With the political challenges out of the way, Guyana's nascent oil industry faces the hurdle of slowing demand for hydrocarbon arising from economic slacks caused by the global coronavirus pandemic. The reduction in hydrocarbon prices coupled with the political impasse have temporarily curtailed the potential economic benefits from the oil project in 2020, and possibly through to 2023 when the global economy is expected to make a full recovery. Despite these setbacks, Guyana remains one of the hottest plays in the Latin America and Caribbean space as it relates to economic growth and wealth generation for its citizens. The sovereign stands to grow at a compound average rate in excess of 10% per annum over the next decade. The country's infrastructure is in need of an upgrade as a large number of facilities were constructed during colonial times. With gradual improvement in the sovereign's economic fortunes opportunities will present themselves in the form of commerce, civil and housing infrastructure, entertainment, agriculture, and communication technology.

This emerging favourable economic climate in Guyana is likely to provide opportunities for entrepreneurs to exploit. We believe that notwithstanding the corona virus pandemic, the potential benefits in Guyana far outweigh the risks.

Sources:

Bloomberg
Forbes Magazine
Stabroek News

APPENDIX

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