

## Economic Profile

### OVERVIEW

Factors that continue to inhibit economic growth and stability in Nimpala include continued political instability and economic mismanagement. During the civil war, economic studies had been limited to regional analysis and national estimates based on weak observations and reporting. Immediately after the peace treaty was signed, the World Bank and IMF worked with the Ministry of Finance and Ministry of Planning to estimate basic market productivity and national production and macro-economic figures. The 2007 Nimpala Economic Report is the first economic study more than a decade.

The Nimpalan economy has been traditionally agricultural and pastoral, with agriculture comprising over 40% of the economic activity. Agricultural production remained throughout the civil war an important sector and is estimated to have expanded at the rate of 8.5% per annum during the 7 years. Over 75% of the population lives in rural areas, based on the last census conducted prior the civil war. This proportion of rural to urban is expected to have changed significantly. Agriculture remains an important sector providing work for roughly 80% of the population.

In recent years the economic situation has remained static due to trade sanctions against timber and despite favorable climate conditions for agricultural production after a small drought in the late 1990's. But a lasting and sustained peace is a pre-condition of continued economic improvement.

Nimpala experience the strongest economic growth in the 1970s after gaining independence in 1962. Nimpala began implementing IMF macroeconomic reforms that had successfully stabilized inflation.

Major imports to Nimpala remain industrial machinery, power generating equipment, and construction equipment. The post-civil war period has also witnessed a continued boom in construction and services.

A recent shift in global markets has increased the value of Nimpala's natural resources and commodities. This has resulted in increased pressure on the trade of Nimpala's valuable timber products and suspected increases in illegal exports, despite the international sanctions. Estimates put timber sales at 12% of the GDP.

At the same time as this UN team assessment, a second Joint Assessment with the World Bank is occurring to identify development needs. The report is also targeted towards the donor's conference.

### BASIC ECONOMIC FACTS

**GDP:** US\$23.75 billion (2006 estimate)

**GNI per capita:** US\$910 (2006)

**Inflation:** 15.5% (2006)

**Major Industries:** Timber products, cotton, sesame, groundnuts, gum arabic and sugar

**Major trading partners:** Japan, China, Saudi Arabia, Kuwait, UAE, Germany, UK, France, Turkey, Egypt

**Aid and development:**

Nimpala	2004	2005	2006	2007
Total Aid (in USD mil)	\$290	\$304	\$876	\$1,104

## DEBT BURDEN

Nimpala's debt, accrued throughout the civil war and in previous administration, has created significant barriers to development of sustainable national financial systems. Outstanding external debt stands at around \$39 billion and is increasing rapidly each year. A debt sustainability analysis suggests that even assuming prudent macroeconomic policies, Nimpala's debt ratios would remain above the indicative threshold for sustainability. Donors have signaled that clearance of arrears will depend on progress for both the continued peace settlement and resolution of resettlement conflicts.

## URBAN ENERGY

Electrification is overall low with the majority of the population still depending on wood for energy. A survey in 1995 showed that 90% of urban households depend on charcoal and wood for fuel, continuing to drive the unsustainable harvest of fragile timber resources. Although this has likely improved due to a World Bank electrification project, this remains a key concern for expanding industries and long-term economic growth.

## CONCLUSION

The Nimpala Economic Report recommended areas of progress in macroeconomic reforms but notes the lack of success in governance and institutional reforms. The civil war continued to have a serious negative impact on Nimpala's people and their economic prospects. While the results of the reforms have been promising, particularly in the area of macroeconomic stabilization and liberalization, the distribution of economic wealth needs to improve. There has not been any national household survey since 1981. Social indicators point to low levels of welfare throughout Nimpala, with some indicators well below those of other regional neighbors.

## KEY REMAINING CONCERNS

- There has been high growth but skewed distribution of income leading to a income disparity of wealthy and poor.
- Stabilization of government budgets has been detrimental in social terms: expenditures were cut by more than 50% relative to gross domestic product (GDP), causing considerable reductions in already limited social services and infrastructure development.
- Key services were decentralized, delegated to states and local communities, which do not have either the revenues nor the administrative and implementation capacity for these tasks.
- High poverty persist throughout the country but with an urgent concern in rural areas and urban slums. There is also a disparity between ethnic groups, on average, leaving the Ragat the poorest and the Akroni generally more well off.
- Social inequalities threaten to undermine stability. Moreover, the civil war was costly in terms of

human suffering.