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DISCUSSION PAPERS

Towards A Strategic Framework for Economic Cooperation between Sudan and South Sudan[1]

Karl Wohlmuth, Professor Emeritus, University of Bremen

Universität Bremen
Sudanforschungsgruppe Bremen
Diskussionsbeiträge

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Towards A Strategic Framework for Economic Cooperation between Sudan and South Sudan[2]

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Bremen, September 2012

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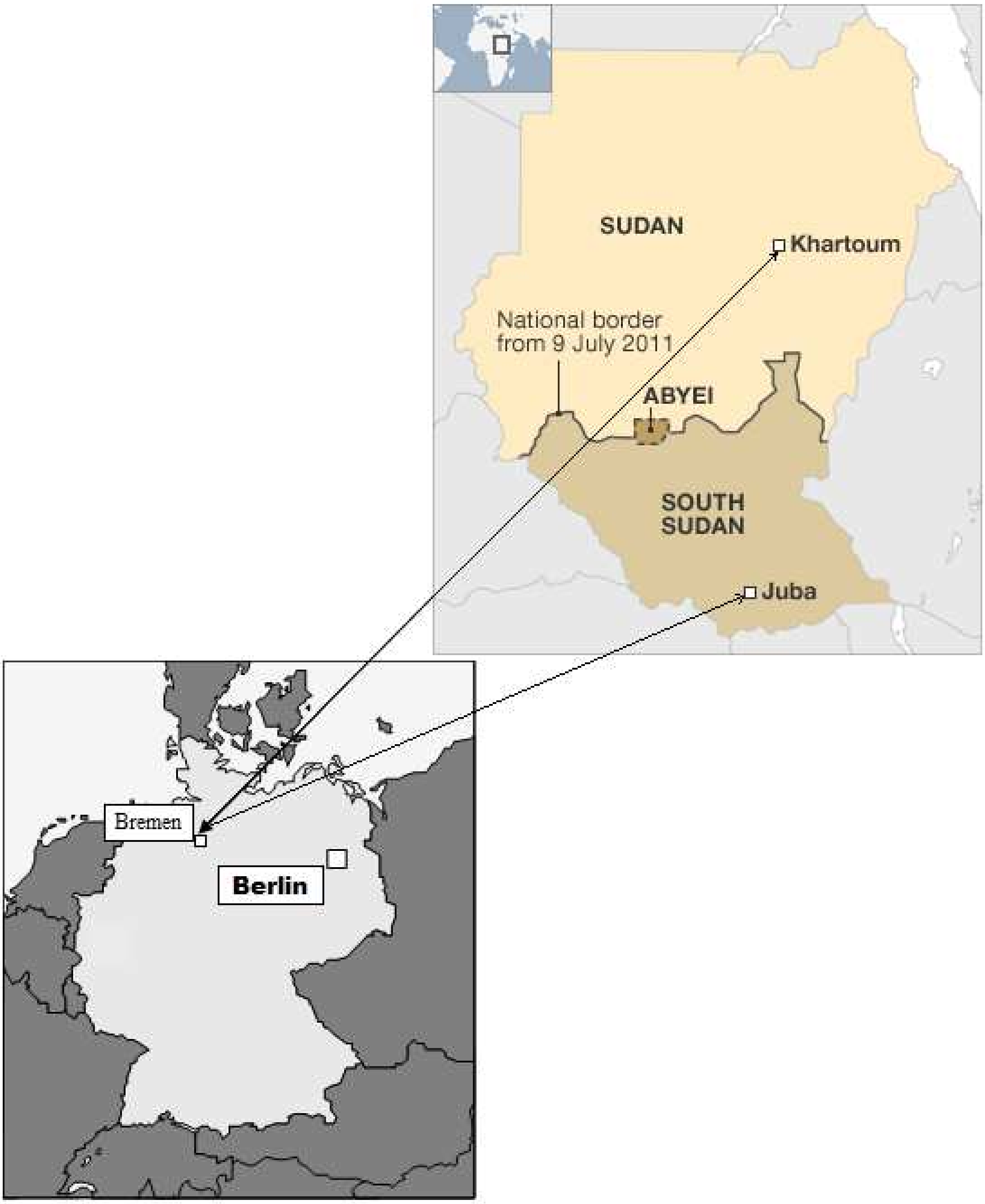
Sudan and South Sudan



Sudan Economy Research Group

University of Bremen

Germany

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Contents

Abbreviations and Acronyms

AAA Addis Ababa Agreement
AAIRDP Agriculture and Agro-Industry Revitalization and Development Programme
ADPY African Development Perspectives Yearbook
AfDB African Development Bank
ARC Agricultural Research Corporation
ARP Agricultural Revitalization Programme
ARRC Animal Resources Research Corporation
ASARECA Association for Strengthening Agricultural Research in Eastern and Central Africa
AU African Union
AUHIP AU High-level Implementation Panel
AUPSC African Union Peace and Security Council
BoS Bank of Sudan
BoSS Bank of Southern Sudan
BP CH AFP Briefing Paper, Chatham House, Africa Programme
BSDP Border-States Development Programme
CBoS Central Bank of Sudan
CBS Central Bureau Of Statistics
CDPs Core Development Programmes
CMI Chr. Michelsen Institute, Bergen, Norway
CODESRIA Council for the Development of Social Sciences Research in Africa
COMESA Common Market for Eastern and Southern Africa
CPA Comprehensive Peace Agreement
CRISE Centre for Research on Inequality, Human Security and Ethnicity, Oxford University
CSR Corporate Social Responsibility
DDR Disarmament, Rehabilitation and Reconstruction
DR Democratic Republic
DSRC Development Studies Research Institute (in Khartoum)
DTIS Diagnostic Trade Integration Study
EAC East African Community
ERI Earth Rights Institute
EU European Union
FIC Feinstein International Center (Tufts University)
GAFTA Greater Arab Free Trade Area
GDP Gross Domestic Product
GNI Gross National Income
GoNU Government of National Unity
GoSC Government of Sudan Commission for World Trade Organization Affairs
GOSS Government Of Southern Sudan
GRSS Government of the Republic of South Sudan
HRS Hydrology Research Station

HRV Hausmann/Rodrik/Velasco (methodology for growth diagnostics)
IBRD International Bank for Reconstruction and Development (of the World Bank Group)
IFPRI International Food Policy Research Institute
IGAD Intergovernmental Authority on Development
ILO International Labour Organization
ILO International Labour Office
IWIM Institute for World Economics and International Management
IWIM Institut für Weltwirtschaft und Internationales Management
JASPA Jobs and Skills Programme for Africa
LISs Local Innovation Systems
MDGs Millennium Development Goals
MDTF-N Multi-Donor Trust Funds-North (Sudan)
MDTFs Multi-Donor Trust Funds
MEFIT MEFIT LTD Consulting Engineers (Web Access: http://www.mefitltd.com/home.html)
MOSP Ministry of Social Planning, Khartoum
NBI Nile Basin Initiative
NBS National Bureau of Statistics (for Republic of South Sudan)
NCR National Centre for Research
NGOs Non-Governmental Organizations
NHDR National Human Development Report
NISs National Innovation Systems
NPAID Norwegian People's Aid
NPC National Population Council
NPEM National Plan For Environmental Management
NPEM National Plan for Environmental Management
NTEAP Nile Trans-boundary Environmental Action Project
OACA Ownership, Adjustment and Cooperation Agreement
ODI Overseas Development Institute, London
OECD Organisation For Economic Co-operation And Development
OSEF Oil Stabilization and Equity Fund
PSAs Production Sharing Agreements
R&D Research & Development
RDPAAI Reconstruction and Development Plan for Agriculture and Agro-Industries
SADC Southern African Development Community
SAF Sudanese Armed Forces
SERG Sudan Economy Research Group (University of Bremen)
SFEC Strategic Framework for Economic Cooperation
SIFSIA Sudan Integrated Food Security Information For Action
SKS South Kordofan State
SLRC Secure Livelihoods Research Consortium
SPLM Sudan Peoples' Liberation Movement
SPLM-N Sudan Peoples' Liberation Movement-North
SSA Sub Saharan Africa
SSARTO Southern Sudan Agricultural Research and Technology Organization
SSCCSE Southern Sudan Centre for Census, Statistics and Evaluation

SSCCSE	Southern Sudan Commission For Census Statistics And Evaluation
SSSCF	Sudan and South Sudan Consultative Forum
STI	Science, Technology and Innovation
SUNA	Sudan News Agency, Khartoum
SWP	Shared Vision Programme (in NBI)
UN	United Nations
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission For Africa
UNEP	United Nations Environment Programme
UNS	Upper Nile State
UNSC	UN Security Council
UNU	United Nations University
UNU-MERIT	UNU Maastricht Economic and Social Research Institute on Innovation and Technology
US	United States
USAID	United States Agency for International Development
VP	Vice President
WSA	Wealth Sharing Agreement
WTO	World Trade Organization

Abstract

In this paper a Strategic Framework for Economic Cooperation between Sudan and South Sudan is outlined. The first step is a review of the characteristics of Sudan's growth model since Independence. Also aspects of development administration and economic governance are considered for Sudan. In a second step the foundations for a Strategic Framework are discussed by emphasizing the role of interdependence between Sudan and South Sudan and the issue of horizontal inequality as a cause of conflict and violence in the two countries and between the two countries. Then the meaning of the three pillars "strategy", "framework" and "economic cooperation" is outlined. In a third step the feasibility of the Strategic Framework is considered, by looking at the options, opportunities, external instabilities and interdependencies of the two countries so as to assess the cost and benefit of alternative frameworks. Preconditions of the Strategic Framework are discussed in the context of the "Roadmap" of the African Union African Peace and Security Council (AUPSC). In the fourth step the programme components of the Strategic Framework are elaborated – the five core programme components as the basis for a new growth model for the two Sudans and then the five supporting programme components. In the last step some way forward is highlighted.

Major components of the Strategic Framework for Economic Cooperation are first, the proposed Border-States Development Programme for the ten states; second, a new Agro-industrial Development Strategy with focus on broad-based development and reducing horizontal inequalities in the two countries; third, a new Public Finance Strategy which plans for the long-term use of oil revenues in the two countries; fourth, a Science, Technology and Innovation (STI) Strategy with emphasis on core economic sectors and the local capacities; and fifth, an Environment, Climate Adaptation and Land Use Strategy to reach sustainable patterns of production in both Sudans. For all the five components many areas of cooperation between the two Sudans are outlined. Five supplementary programme components as outlined in the paper will support the turn to a more sustainable growth model in the two Sudans.

The study comes – at this critical time for both Sudans - to the conclusion that there is no realistic alternative to such a Strategic Framework for Economic Cooperation and that both countries will benefit from a new approach along these lines. A more sustainable growth model can be realised by economic cooperation and by recognising the political and economic interests of the partner country.

Zusammenfassung

In diesem Beitrag wird ein *Strategisches Rahmenprogramm für die ökonomische Kooperation der beiden Staaten Sudan und Süd-Sudan* vorgelegt. Der Hintergrund ist die Zunahme der Konflikte zwischen den beiden Staaten seit der Unabhängigkeit des Süd-Sudan, insbesondere aber seit der Stilllegung der Ölproduktion im Süd-Sudan Anfang des Jahres 2012 durch die Regierung in Juba, Süd-Sudan. Für beide Länder sind die Öleinnahmen von herausragender Bedeutung für die Devisenbilanz und für das staatliche Budget. Der Konflikt um die Verteilung der Öl-Einnahmen nach der Unabhängigkeit des Süd-Sudan kommt zu vielen anderen Konflikten, insbesondere in den Grenzregionen zwischen den beiden Staaten, noch hinzu. Wesentliche ökonomische und politische Fragen der Teilung des Landes sind bisher ungelöst geblieben und sollten bis zum 2. August 2012 von den beiden Staaten unter Einschaltung eines Vermittlers von der Afrikanischen Union (AU) einvernehmlich gelöst werden. Wenn dies nicht möglich ist, könnte es zu einer „endgültigen und bindenden" Entscheidung des UN-Sicherheitsrates auf der Basis einer Empfehlung des Friedens- und Sicherheitsrates der Afrikanischen Union hinsichtlich wichtiger Streitfragen kommen, verbunden mit Sanktionen zur Durchsetzung der Entscheidung.

Im Strategischen Rahmenprogramm werden zunächst die wesentlichen Konfliktursachen analysiert und dann wird herausgearbeitet, dass die ökonomische und politische Interdependenz zwischen den beiden Staaten in vielen Bereichen (Ölproduktion und Verwendung der Öleinnahmen, Entwicklung der Bundesstaaten an der Grenze zwischen den beiden Staaten, Ressourcennutzung, Entwicklung von Landwirtschaft und Viehzucht, Umweltpolitik und Anpassung an den Klimawandel, Wirtschaftspolitik, etc.) überaus groß ist, so dass eine Kooperation zwingend notwendig ist, um Wachstum und Wohlfahrt in beiden Staaten zu sichern. Da viele Konflikte zwischen den beiden Ländern mit den großen Entwicklungsunterschieden zwischen den Bundesstaaten im Norden und im Süden und an der Grenze zusammenhängen, sind neue kooperative Wirtschafts- und Wachstumsstrategien notwendig, die zur Reduzierung dieser „horizontalen Ungleichheiten" beitragen können. Konflikte hängen aber auch stark mit dem Ressourcenreichtum in den je fünf Bundesstaaten im Norden und im Süden entlang der etwa 2000 km langen internationalen Grenze zwischen Sudan und Süd-Sudan zusammen. Hier setzt nun auch das Strategische Rahmenprogramm an; es ist insbesondere notwendig, die zehn Bundesstaaten auf beiden Seiten der Grenze gemeinsam zu entwickeln.

Das Strategische Rahmenprogramm macht zunächst konkrete Vorschläge für die vier über Krieg und Frieden entscheidenden Konfliktbereiche: Erstens *„Grenzen, Öl und Wasserkraft"*, da eine Einigung über die Nutzung der Ressourcen und die Bestimmung des Grenzverlaufes untrennbar miteinander verbunden sind; zweitens *„Staatsangehörigkeit, Flüchtlinge und Menschenrechte"*, da die Lösung dieser Fragen nicht nur aus humanitären Gründen, sondern auch für eine dynamische Wirtschaftsentwicklung wichtig ist; drittens *„Aufteilung von Vermögen und Schulden und Abstimmung der Finanzsysteme"*, da bisher keine Einigung über die Aufteilung von Auslandsschulden und über interne gegenseitige Verpflichtungen der beiden Staaten erzielt wurde und auch die unterschiedlichen Finanzsysteme der beiden Länder (auf islamischer bzw. konventioneller Grundlage) für eine Kooperation überbrückt werden müssen; und viertens *„Sicherheit, Entmilitarisierung und Stabilität"*, da beide Länder über aufgeblähte Militär- und Sicherheitsapparate verfügen, die kaum finanziellen Spielraum für Entwicklungsinitiativen lassen, und zudem immer wieder für neue Konflikte instrumentalisiert werden. Diese vier Konfliktbereiche können in ihrer Breite und

Komplexität nur im Rahmen von direkten Verhandlungen zwischen den beiden Staaten gelöst werden. Die „endgültigen und bindenden" Entscheidungen entlang der „Roadmap" der Afrikanischen Union (AU) und des UN-Sicherheitsrates würden wichtige Fragen ausklammern, die für eine ökonomische und politische Kooperation der beiden Staaten wichtig sind. Neue Konflikte könnten sich ergeben.

In einem weiteren Schritt werden fünf Strategische Programmkomponenten vorgestellt, deren Umsetzung für beide Staaten gleichermaßen vorteilhaft wäre. Erstens *ein Programm zur gemeinsamen Entwicklung der zehn Bundestaaten* an der internationalen Grenze zwischen Sudan und Süd-Sudan, da in diesen Regionen großer Ressourcenreichtum und gravierende Entwicklungsunterschiede immer wieder zu Konflikten führen; zweitens *ein Programm für die Kooperation bei der Agro-industrialisierung und Landwirtschaftsentwicklung*, um die Abhängigkeit vom Öl mittel- bis langfristig zu reduzieren; drittens *ein Programm zur Kooperation bei der mittel- und langfristigen Umsteuerung der staatlichen Finanzpolitik* in den beiden Ländern, um die staatlichen Ölleinnahmen so zu bewirtschaften, dass auch nach dem Ende der Ölproduktion ausreichend Mittel aus den Öleinnahmen für Entwicklungsvorhaben und soziale Maßnahmen verfügbar sind; viertens *ein Programm für die Kooperation in Bereichen von Wissenschaft, Technik und Innovation*, um an jene Erfolge anzuknüpfen, die Ruanda mit einer Entwicklungspolitik auf der Basis von Wissenschaft, Technik und Innovation bereits erreicht hat; und fünftens *ein Programm für die Kooperation in den Bereichen Umwelt, Anpassung an den Klimawandel und Landnutzungspolitik*, da sich durch eine nicht-nachhaltige Bodennutzung und auch durch den langen Bürgerkrieg zwischen Nord und Süd bzw. die Konflikte in Darfur die Umweltsituation in den beiden Staaten ganz drastisch verschlechtert hat.

Abschließend werden erste Schritte einer Umsetzung des Strategischen Rahmenprogramms diskutiert. In einem Anhang werden die Programmziele, die Programmakteure und die Programmkomponenten synoptisch dargestellt.

Towards A Strategic Framework for Economic Cooperation between Sudan and South Sudan[4]

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What Went Wrong?

The cycle of conflict and economic decline in Sudan and South Sudan, between and within the two states, is alarming and threatening all the achievements since the Comprehensive Peace Agreement (CPA) of 2005. Again we observe that the huge human and resource potentials of the two Sudans for development are left idle or are even destroyed.

Periods of Economic Policy Formation and Conflicts

The economic history of Sudan shows such disappointments since the Juba Conference of 1947 (see the Minutes of the Conference held in June 1947 on the southern demands and fears; Minutes 1947). There was time to the independence of January 1, 1956 to negotiate an inclusive development process of South Sudan into Sudan, but all efforts collapsed. The long period of conflict from independence onwards prevented the realization of an inclusive development, and the development (and industrialization) plans did not really include the economy of the South. The great opportunity of the Addis Ababa Agreement (AAA) of 1972 was not used for sustained development effort, as neither human resource development nor infrastructure development came forth for the South. Most serious however was the neglect of real agro-industrial development and of other productive sector and infrastructure development in the South. Already end of the 1970s political tensions related to oil discovery in Sudan, the building of the Jonglei Canal, the political reorganization of the South, and the financing of current and development expenditure in the South brought the AAA near to collapse. Regrettably, the AAA peace agreement began to collapse just as the South finished its Regional Development Plan in 1979, a document that foresaw a genuine agro-industrial "revolution" for the South which was based on the utilization of its huge agricultural resources with crop cultivation, livestock, forestry and fishing (see Yongo-Bure 2007, 1989). Now, 33 years later, we observe that the document has still relevance, could be updated and used as a blueprint for development in the South (CODESRIA 2010), but the political situation again blocks such a development strategy. Although South Sudan has now an ambitious and detailed Development Plan (GRSS 2011), because of the oil production blockades the document is already becoming irrelevant and obsolete just months after its publication.
The AA Peace Agreement of 1972 was concluded at a time of drastic global political and economic changes in the world economy, with considerable impacts on the Arab World. The oil price increases since 1973 led to the Arab countries' strategy to make Sudan becoming a "Breadbasket for the Arab World". The goal was to reach Arab food self-sufficiency as part of a broader Arab collective self-reliance strategy. Enthusiastically the Sudanese politicians

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took ownership of the idea to supply the Arab world with cereals, meat and processed food. Sudan was expected to become an important destination of petro-money (and even of an Arab Bank for Africa) to build agro-industrial complexes and a supporting logistical infrastructure. Although some agro-industrial projects took off, like the Kenana sugar complex, the overall strategy collapsed. Just at the time when the Breadbasket Strategy was incorporated fully into the Six Year Plan of Economic and Social Development of 1977/78 - 1982/83 and should start to be implemented Sudan had to agree on an IMF/World Bank stabilization plan in 1978 with severe austerity measures. There was quite early a lot of criticism about the Breadbasket Strategy as it concentrated on irrigated and rain-fed mechanized farming only (see Wohlmuth/Oesterdiekhoff 1983; Wohlmuth/Hansohm 1984; and O'Brien 1981). The ILO Report of 1976 (ILO 1976) intervened strongly with demands for a more broad-based strategy with concentration on developing the traditional rain-fed sector and not so much and exclusively focussing on the irrigated and mechanized farming subsectors. All the criticisms of the biased agricultural development strategy were consistently bypassed by Sudanese governments also in later years (see Wohlmuth 1991).

After the rather short period in Sudan with very high growth expectations from 1973 to 1977 surrounding this ambitious development programme, a long period of political and economic instability with various regime changes followed. The National Economic Conference of 1983, still under President Nimeiri, was a last attempt to formulate a realistic and comprehensive economic development programme, again emphasizing agro-industrial, human resources and inclusive development strategies beside of sound macroeconomic policies. The collapse of the AAA in 1983 meant that any suggestions from this conference were becoming irrelevant. The end of the Nimeiri regime in 1985 brought no relief as political and economic instability were aggravated by civil war. Another attempt to formulate a new development strategy was associated with the ILO Report Mission of 1986 (ILO 1987), again emphasizing traditional rain-fed agriculture and small industries as the base of a more sustainable development path. However, because of the turn towards a war economy in Sudan practically nothing out of its recommendations was implemented. 25 years later the analysis and the recommendations are taken up as a blueprint for a non-oil economy in Sudan after the separation of the South (see UNDP 2006).

The regime change of 1989 brought with it experiments for a new economic policy based on a mixture of economic ideas, including neoliberal, Islamic, Arab nationalistic, populist, solidarity-based and auto-centric development concepts (see Wohlmuth 1993, 1994). When confronting the prescriptions of the new economic doctrines with the economic realities in Sudan one observes that the type of liberalization policies pursued in the period of 1989 to 1999 brought about instable economic growth without any trickle down effects to the neglected regions and to the poor; even an impoverishment of large segments of the middle class has occurred and accelerated in Sudan (see MOSP/UNDP 1998; The Republic of Sudan et al. 2010; Ahmed 2010). Oil politics and war politics more and more determined the course of fiscal and economic policy. Despite of the local development rhetoric from the side of Sudanese politicians no growth impulses were transmitted to the regions, leading to more and more horizontal and vertical inequalities (MOSP/UNDP 1998; The Republic of Sudan et al. 2010; UNDP 2006; Ahmed 2010). Escalating costs of war brought about severe economic imbalances. Although agriculture growth took place in the 1990s, especially in the traditional farming sector, the decline in demand for labour for cotton cultivation and for mechanized farming led to increasing poverty in the rural areas as additional income from wage labour vanished (UNDP 2006, chapter 7). Changing rural labour markets had an impact on the poverty levels. Beside of this effect, new land was used for the increased traditional agricultural production, leading to more pressure on other users of the land; however this growth acceleration of traditional rain-fed agriculture was a short-lived phenomenon.

The start of the oil exports in 1999 brought political relief for the regime, but not a turn to a long-term development strategy based on the increasing oil revenues. While direct investment flowed into the country and Asian partners became influential actors in the economy, the oil industry sector became more and more in-transparent and a source of conflict at all levels – especially also in the oil-producing states of Sudan because of environmental impacts. Although privatization policies were propagated by the regime since 1989, the development of the oil industry sector brought with it a new complex of state-owned companies, like Sudapet and Sudan Petroleum Corporation. Economic governance in the economy was affected negatively by this trend towards economic concentration and monopolization.

The Sudanese Growth Model and Conflicts

The growth model in Sudan became – on the basis of the oil industry - more and more capital- and import-intensive, while the irrigated and mechanized farming systems brought with it more and more land- and nature-capital intensive production systems. Economic shocks and ecological shocks characterized the growth model since independence. Recent developments reinforce this pattern of growth. The hydropower installations associated with a number of new dams, and the land lease deals with foreign investors in more recent periods add to these problems, and lead to new conflicts.

The growth period since 1999 - when oil exports started - was also a period without recording any successes in broad-based development. The regional imbalances ("horizontal inequality") and the income disparities along the income ladder ("vertical inequality") may have even further increased (The Republic of Sudan et al. 2010; Ahmed 2010). The oil industry sector became the main source of financing the continuation of the (civil) war(s) in Sudan, and it was also becoming the main source of conflicts in the ten border-states between North and South Sudan. The growth model of Sudan became increasingly one led by vertical and horizontal inequalities. While "vertical inequality" means a shift of incomes from lower income strata to higher income strata, "horizontal inequality" means a shift of opportunities from lower income regions/ethnic groups/social identity groups to higher income regions/ethnic groups/social identity groups. The successful negotiation of the CPA of 2005 is probably also the result of the collapse of this particular growth model as escalating costs of war have eroded the legitimacy and the top-down income transfer potential of the power elites. However, no change of the growth model was effected in the transition period of 2005 to 2011 towards the Referendum.

Part of the inherited growth model is also the "top-down" approach in planning and policymaking rather than combining this approach with a "bottom-up" approach by planning growth and making economic policy working also from the level of counties and states upward to the central government level. The "growth diagnostics" approach (developed by Hausmann/Rodrik/Velasco, 2005, abbreviated HRV 2005) is an instrument to look at the investor's choices, potentials and constraints at local levels. Such a growth strategy – based on HRV 2005 – was already applied to the conditions of some states in the North Sudan and the South Sudan, and it would give the basis for a more effective fiscal decentralization and for improved local economic governance (see for South Kordofan: Klugman/Wee 2008, and for Upper Nile State and Eastern Equatoria State: World Bank 2009, chapter 6). Such an approach requests another development administration and economic governance model which is local-based, participatory and more transparent.

All the periods of economic policy formation in Sudan since 1956 (and even before since 1947) saw the neglect of South Sudan in development plans and development strategies, but more important also the neglect in real resource allocation and fiscal funding. In the context of Sudan's growth and development model, South Sudan is however not a special case. Increasing regional imbalances in the North and in the South fuel now the conflicts between

the North and the South and also within these regions. Lack of trust in state agencies and lack of commitment in negotiations for a social contract are fuelled by this particular mode of production, distribution and growth in the two Sudans. “Horizontal inequality” is a major explanation of conflicts and war(s) in Sudan as this source of conflict is added to the numerous other factors like slow growth over the long run, volatile growth in the short run, bad economic governance and increasing “vertical inequality” (Gini income inequality coefficients increased especially in the 1990s to “extremely unequal”; UNDP 2006, p. 26).
Consistently the Sudan has grown far below its potential, with an annual growth rate per capita of not more than 1.3% over nearly 40 years (1965 - 2004), and poverty rates ranging in the regions between 50% and 90% of the population (Hansohm 2007, p. 185). If the period of 1960 - 1999 is considered, a very low annual growth rate of only 0.39% per capita was recorded and associated with a high volatility of growth (Ali/Elbadawi 2003, p. 9). This means that the pre-oil economy was virtually stagnant, while the oil economy since 1999 brought some gains in recorded growth (up to 7-8 per cent average annual real growth; see World Bank 2009, p. 15; AfDB et al. 2012), but associated with very high volatility of growth. High volatility of growth has implications for fiscal policy and fiscal planning, and if not properly done – as it is the case in Sudan – macroeconomic imbalances and deeper vertical and horizontal inequalities are resulting. Growth in Sudan since 2000 has rather fuelled centrifugal tendencies in the income ladder and in the geographic space, and has complicated economic governance because of increasing loss of transparency. Because of the closure of oil production in the South and the deadlock in negotiations growth rates are declining and the growth perspectives are increasingly uncertain for both states (see AfDB et al. 2012). The danger is great that the human development progress in some areas is not only coming to a halt but is heading for a reversal.

The Sudanese Model of Development Administration and Governance and the South

Beside of the peculiarities of the growth model in Sudan the mechanism of development administration is problematic. Various factors have to be mentioned to underline the continuity in Sudan’s failed economic policies and its unsatisfactory economic progress (see Hansohm 2007, pp. 187-190):
Development strategies lack information and a sound analytic basis for the strategies; there is a lack of realism, prioritization and sequence; the view is held that finance is the key factor to development so that the entry into the oil economy in 1999/2000 was seen as a new chance for development (thereby ignoring what broad-based development means and what the sources and modalities of such a growth are). Too little attention is devoted to implementation, management and coordination. Institutions and institution-building consistently were neglected as it was assumed that skills provision is the key. Private sector development was not given real priority despite of the rhetoric of liberalization and privatization (ignoring the fact that private sector development requests the existence of institutions and legal frameworks as well as of a sustained dialogue between the public and the private sector). Public regulation (over-regulation) and public intervention (of an ad hoc type) went parallel to the biased privatization and liberalization programmes. Local contexts and local knowledge were largely ignored in development strategy and so the development blueprints could not be implemented. External actors/partners were consistently overestimated in their role, and their economic and political interests were not properly evaluated (so the Sudan switched from Western to Socialist partners and then to Arab partners and again to Western partners and then to Asian partners). In this process Sudan has imported a lot of foreign development models but has not transformed (absorbed) them into a genuine and holistic development strategy (see Hansohm 2007 on more details about these continuities of Sudan’s economic policy). The particular growth model and the particular type of

development administration explain the poor economic results which are functioning also as a base of past and current conflicts.

There is also the economic governance dilemma as the oil economy added to the major governance problems by making a whole sector working without transparency (World Bank 2009, pp. 47-60; Hansohm 2009). The lack of economic governance spread to economic policy and sector policies, to regional and environment policies, and also to politics and economics in border regions between North and South.

For South Sudan all this means that the Sudanese growth model, the Sudanese characteristics of development administration and the Sudanese model of economic governance led to and perpetuated the known social, political and economic exclusion effects. Only marginal references can be found in the Sudanese development strategies and in the Sudanese development plans to the issues of the South while the major Regional Development Plan of 1979 for the South (handled at that time by the autonomous government for the South) never took off. Lack of transparency, neglect of human resource and infrastructure development, a trend to ad hoc decisions, and lack of control about financial resources (allocated as grants from the central government and partly generated from within the autonomous region) were major problems in the South. Implementation of development programmes could never be evaluated and adjusted in the short periods of peace. The South had only two peace periods: 1972 - 1983 and 2005 - 2011. In both periods an own growth model, based on its huge agricultural resources, could not be developed, although in the transition period to the referendum a Growth Strategy (see GOSS 2010) and the foundations for a First Development Plan were laid out.

However, the situation in South Sudan with regard of economic governance (and also political governance in more general terms) is more difficult as governance in the South Sudan region was contested already since the 1970s by the international aid business which was setting their own priorities and implementation modalities. The situation has not improved in this respect and the weak South Sudan state is operating more or less exclusively in the oversized security sector (see Grawert 2007 on the history of contested governance in South Sudan), while social services delivery is largely in the hands of the international aid business. Another severe limitation in South Sudan is the heritage of post-colonial state-building: counties after counties are created and based on tribal and ethnic criteria, thereby preventing a more open state formation at local levels (CODESRIA 2010) with economic interactions and exchanges. This has implications also for land deals as the local governments make their own land lease businesses (largely without any control from higher state levels).

Some positive steps of state building were taken in the first few years of the first peace period after 1972 but since 1977/78 the situation changed, and the Regional Development Plan of 1979 never got a chance for implementation. Various crises (Jonglei Canal; Chevron oil discovery; VP General Joseph Lago and political division in the South; macroeconomic imbalances spilling over to the South; lack of regular public finance for the South; discussion about and introduction of the Sharia law, etc.) Also in the first few years of the second peace period - from 2005 to 2011 – some developments went in the right direction. South Sudan was starting to go from humanitarian assistance and a war economy to disarmament, rehabilitation and reconstruction (DRR), but soon the steps towards deeper development of agriculture and infrastructure stalled. The utilization of the huge agriculture potentials was blocked by security considerations, and even the disarmament process was stopped. On paper a growth strategy and a development plan were written, probably with the good intention to implement these recommendations. But mistrust about calculating South's share of oil revenues by the North, power struggles among the political and military elites, lack of political and economic governance, financing needs for an oversized security sector, rumours about the intentions of the North with regard of Population Census and Referendum, and

conflicting economic and commercial interests among the power elites of the South with regard of a rapid oil and minerals exploitation changed the situation to the negative side.
The year from the independence of July 9, 2011 to July 9, 2012 has brought for both Sudans further tensions and an aggravation of the conflicts, by the deadlock in negotiations on the open CPA and separation issues, by closing the oil production facilities in the South, by destroying oil facilities in Heglig and by bombing facilities in Unity State. Observers of the situation in Sudan and South Sudan say now that politicians in both states of Sudan seem to have completely abandoned the idea of a development policy in the interest of the people as they behave at the expense of the survival interest of their populations. The political calculus within narrow circles of the political and military elites is only related to the way of how to destabilize the other regime. Even military attacks are part of the game and obviously a political calculus is practised by the elites on both sides to preserve power in the home country, to avoid the merger of opposition forces against the regime, and to continue with a war economy as it allows it to keep intact the oversized security sector and the related distribution of rents. The blockade/stop of oil production in January 2012 leads also to a new round of external indebtedness of South Sudan in relation to new actors (like China and Qatar) by mortgaging untapped oil resources for aid, and leads to the proliferation of highly unrealistic plans to build as quickly as possible alternative pipeline routes to Lamu, Kenya or to Djibouti, and railways to Mombasa and other places.
The fate of Sudan and South Sudan cannot forever be locked into a system of conflicts and wars, unsustainable growth, a climate of weak governance, non-inclusive development strategies, lack of economic incentives to develop productive sectors, further degradation of the environment, and the prevalence of strong incentives among power elites to go for war and conflict.
The danger is great that the current tensions between Sudan and South Sudan lead to a new and probably a very long period of conflict and decline, if it is not possible to move now quickly towards a Strategic Framework for Economic Cooperation between the two states, a framework that is beneficial to both states and that is also changing the inherited growth model in the North and in the South, the traditional characteristics of development administration and the inadequate structures of economic and political governance. Sudan has never come up to implement its proclaimed visions, strategies and plans, and the risk is great that South Sudan will follow this path. Against this background of failed development initiatives, and because of increasing disappointment and disillusionment on the side of the people in both Sudans a Strategic Framework for Economic Cooperation (SFEC) between Sudan and South Sudan is presented. It is assumed that drastic structural changes in both Sudans and mutual commitments from both sides are in the interest of both countries and especially for the people.

A Strategic Framework for Economic Cooperation: Meaning and Substance

Such a Strategic Framework is needed first, because of the still high degree of interdependence after independence between Sudan and South Sudan, and second, because of the type of conflicts rooted in horizontal inequalities which prevail in both Sudans and which have cross-border effects.

Interdependence and Conflicts through Horizontal Inequalities

Interdependence is a complex concept as it encompasses three components: mutual dependence, sensitivity, and vulnerability. Mutual dependence means that South Sudan depends on the actions, reactions, policies and endowments of the Sudan, and vice versa. Oil production is one example, water and hydropower management is a second one, and ecological and climate factors are a third example. Sensitivity means that policies of one country, like trade barriers, monetary or fiscal policy actions, or even the politics of border closures, may affect the other country more or less strongly (with high or low elasticity). Vulnerability means that the costs (opportunity costs) of escaping this dependence may be very high. This is the case with alternative transport routes for oil and other goods which are produced in Unity State and in Upper Nile State, but also in other states of the two Sudans. Exorbitantly high costs of proposed new pipelines to Kenya and/or Djibouti demonstrate how serious this third element of interdependence works for the two Sudans.

It is an illusion to assume that independence (of South Sudan) reduces interdependence. It is necessary to measure these interdependencies in regard of policies, production, environment, natural resources exploitation, climate change impacts, trade and migration routes, cross-border movements of livestock and people, conflicts on land and resources, etc. In the context of "growth diagnostics" studies for South Kordofan, Western Bahr el Ghazal, Northern Bahr el Ghazal, Blue Nile State and for Upper Nile State one can see how strong the interdependencies cross-border are in terms of markets, inputs, labour, livestock migration, hydropower, agro-industrial value chains, and especially so in oil production and transport. Interdependence between the five Northern and the five Southern border-states of the two Sudans will last, despite of the independence of the South, as a border of around 2000 kms length cannot be controlled and can only be perceived as a soft border.

The second aspect requesting a Strategic Framework is the type of conflicts prevailing in the two Sudans. Most important for the two Sudans is the fact that "horizontal inequality" is in both countries a major factor generating conflicts, and that this type of inequality always tends to become a cross-border phenomenon and will not be confined to intra-state and inter-state conflicts. In this case "group identities" (groups of people sharing common interests and beliefs and having similar views about their discrimination) coincide with inequalities, and violent conflicts then result easily from the disadvantaged position of a particular group relative to the situation at national average or with other groups in the country. Such groups may be composed of the people of counties, states, ethnic groups, and religious groups. One may distinguish economic horizontal inequalities (with differences in access to assets, incomes and employment opportunities), social horizontal inequalities (with differences in access to social services), political horizontal inequalities (with differences in political opportunities) and cultural horizontal inequalities (with differences in recognition of language, religion and customs). The studies based on this approach (see the pioneering work by Frances Stewart, such as summarised in Stewart 2010, and the survey of grand theories of conflict by Holmqvist 2012) aiming to explain conflicts do show that the situation becomes serious if more than one of these four types of inequality comes together, if warning signals about any deterioration of horizontal inequalities are not considered by policymakers and by politics, and if actual and perceived differences relative to the national average are used by "political entrepreneurs" for agitation so that the perceived horizontal inequalities are becoming greater and greater. The perceived grievances at group level are easily and strongly translated into violence, and there is enough evidence from cross-country studies and country cases to demonstrate the validity of this relation (see Stewart 2010 and Holmqvist 2012).

The measurement of such horizontal inequalities has been done in the context of Household Surveys in Sudan and South Sudan by looking at the poverty and income levels of the 15 states in the North and the 10 states in the South, but some information is also available at county levels and for ethnic groups, but also for health, education and political participation indicators (see for Sudan UNDP 2011 and The Republic of Sudan et al. 2010, and for Southern Sudan SSCCSE 2010 and World Bank 2011c). The Baseline Household Survey of 2009 gives also information on the food and nutrition security situation in the 25 states of

Sudan (SIFSIA 2010). Looking at poverty rates, school enrolment rates and health indicators one can see striking differences between states and also within states of South Sudan. Northern Bahr El Ghazal State with a poverty rate of 76%, Unity State with a rate of 68% and Warrap State with a rate of 64% are the worst cases in the South, while Upper Nile State has a measured poverty rate of only 26% (being endowed with large-scale and medium-scale agriculture schemes and own oil revenue shares as an oil-producing state). Data for states in Sudan show similar patterns of striking regional differences. Food deprivation varies in the North between 44% in Red Sea State and 15% in Gezira State, while gross enrolment rates range from 93.75% in Khartoum State to only 36.1% in Red Sea State (UNDP 2011). While Upper Nile State has a relatively low share of headcount poverty, the state has a very high severity of food deprivation (SIFSIA 2010). Differing levels of discrimination for certain indicators in one state relative to the national average may have unpredictable impacts on the level of discontent and the probable intensity of conflicts due to horizontal inequality. The same is true for intra-state differences with regard of all these indicators. More than stating this, an aggravation of the situation may have occurred in both Sudans because of conflicts, border issues, economic decline, and now the tensions around the unsolved CPA and separation issues.

The situation is even getting worse as "horizontal inequality" as a cause of conflict and violence in the two Sudans is superimposed by other sources of conflict. The "multiple conflicts approach" (by Johnson 2006 for Sudan) is not contradictory to this approach (summarised by Holmqvist 2012). The length of conflict in Sudan leads to escalating grievances and increases the feasibility to finance rebellions (Collier theory), by militia and political entrepreneurs with focus on their private gain. The fact that in Sudan conflicts never could be stopped at an early stage of conflict leads to the dangerous "creed" and "greed" phases of conflict (Zartman theory). The conflicts lead to an ever growing mistrust in the working of state institutions so that commitment deals/social contracts between people and state institutions are either not negotiated or not holding for long (theories of World Bank/Douglas North/Acemoglu & Robinson/Akerlof & Kranton; see the survey by Holmqvist 2012). All these four macro theories of conflict, violence and war seem to have relevance for the two Sudans, for the border areas, and for cross-border politics. Therefore, overall politics and border politics cannot ignore interdependence and horizontal inequalities. If in the current conflict Upper Nile State loses oil revenues as a major source of its own state revenues, this has serious consequences for the people fuelling various forms of conflicts even in this more well-off state, not to speak about the serious situation in Unity State. If Renk County in Upper Nile State is cut off from agricultural value chains in the North, grievances can lead quickly to violent forms of action. If refugees from the North claim resources in the South, like in Upper Nile State and in Unity State, conflicts also spread cross-border.

Three Elements - Strategy, Framework, and Cooperation

A Strategic Framework for Economic Cooperation between Sudan and South Sudan has to work in the context of actual and perceived interdependencies, not only with oil production, and of the various causes of conflict which are spreading cross-border, like the horizontal inequalities. Three elements matter in a Strategic Framework: "strategy", "framework", and "cooperation".

"Strategy" has the meaning of giving direction and incentives to work on agreed objectives, based on visions and plans, leading to clear and consistent objectives and assuming that actors are willing to pursue the strategy towards implementation. In order to negotiate on such a Strategic Framework, both countries need a development strategy based on visions, action plans and implementation plans. In these plans the interdependencies and all the cross-border issues have to be highlighted. If we look at the current development plans of the two states, we observe that there is really nothing included about interdependencies, conflict causes and cross-border issues. The South Sudan Development Plan 2011-2013 (GRSS 2011) and the Sudan Emergency Economic Programme 2011/12-2014/15 as part of the Five Year Development Plan 2011/12-2016/17 (see SUNA 2012; UNDP 2012, and AfDB et al. 2012) seem to ignore the links to the partner state, although both countries have to diversify away from oil. In order to develop a common strategy, a long-term horizon is needed with Visions up to 2035 for both countries (Sudan had a National Long-term Strategic Plan for 2007-2031 as a Vision, but since independence of South Sudan no Vision was developed in the two states).

A "Framework" is an instrument to define and enforce by the way of agreements common decisions and regulations, to create mutual commitments, to give appropriate incentives for cooperation to actors in both states, to create trust among partners and actors, to provide for an institutionalised regular information exchange about programmes, unsolved issues and conflict areas, and to create awareness about mutual dependence, sensitivity and vulnerability so as to be able to manage interdependence. A Framework is nothing less than an agreement bundling together objectives, institutions, actors and actions according to a list of key issues and problem areas being highly relevant and vital for the two states; the issues are to be grouped together with action plans along a long-time horizon. The Framework should cover various levels of action (state and non-state levels of action).

"Cooperation" is a concept that encompasses many forms of interaction with a differing degree of commitment. Loose forms of interaction (cooperation) can be exchanges of information, while structured dialogues, ad hoc agreements and binding commitments are deeper forms of cooperation. Policy coordination with binding agreements on specific objectives and policy targets are even higher forms of cooperation. All these forms of cooperation are needed between the two Sudans, but a coordination of macroeconomic policies and with regard of other important policy areas may be the last step. Even low levels of cooperation as information exchanges lead to high returns to both partners. The basic idea is that all forms of cooperation need trust and commitment, and that these core elements have to be recreated in the two Sudans in a long negotiated process leading to steps of action at various levels. In order to come to trust and commitment the causes of the problems have to be discussed and identified first.

The situation between the two Sudans is so serious - with ever new cycles of conflict, war and economic decline - that a Strategic Framework is requested to create a culture of cooperation and trust at all relevant levels so that commitment deals can become credible. A Strategic Framework for Economic Cooperation (SFEC) will then support the development of long-term visions and related development strategies.

Both countries will have to develop first of all priorities for their own development strategies and then they will look at common areas of interest. Common areas of interest with regard of important policy issues are there:

First, border-regions development is a key area as the border-states between Sudan and South Sudan are determining the paths of growth and peace, because of the huge natural and human resources which are located in these areas and because of the inequalities and grievances which are prevailing there; development progress of these ten states will bind together the two countries.

Second, a new agro-industrial development strategy is requested in both countries to develop non-oil productive sectors so as to replace the dominance of oil revenues in both economies. Consistently in Sudan the traditional agriculture subsector was neglected, but also the integration of value chains from agriculture to agro-industry, to input industries and to the agribusiness was largely neglected. There are plenty opportunities for cooperation.

Third, public finance management and fiscal policy coordination are necessary as long as the oil economy is determining the path of both economies. Both states will have to provide for a “permanent income” (in the form of a constant real annual public expenditure flow derived from oil revenues) long after the end of the oil production in the two countries. For this purpose they have to coordinate their public expenditure and revenue policies at central and state levels on the basis of a new post-CPA wealth sharing agreement so as to maximize the impact of public expenditure and public investment on growth, human and regional development. All aspects of the economy in both Sudans (public investment programme, border-states development programme, agro-industry development programme, direct investment acquisition policies, future oil sector development, and economic diversification policies) need such fiscal policy coordination. Cooperation is vital with regard of the long-term use of oil revenues for developing all types of infrastructure which have cross-border relevance.

Fourth, both countries need a Science, Technology and Innovation (STI)-based development strategy and there are many possibilities for cooperation. Sudan has neglected for decades STI, despite of a significant research base and respected human capacities and capabilities; the potential to capitalize on these initial successes is great. Sudan was among the first countries in Africa to develop energy research, agriculture research and industry-related research, and related institutions for human resource development are there. STI is a force that will enable both states to jump ahead. Rwanda has shown that even a small and underdeveloped country can develop successfully STI and can build human capacities within a rather short period of time, by focusing on the local availabilities in terms of research, training and learning.

Fifth, cooperation on environment, climate change adaptation and land policies is a further important area. This has to do with the extent of land degradation, deforestation, desertification, but also with the necessity to plan for the use of Nile waters (especially for hydropower dam projects) and for the use of other nature capital resources in the two Sudans. Both states have to cooperate in order to sustain their long-term growth process and to avoid further cross-border conflicts arising because of natural disasters and the destruction of nature capital. Vertical and horizontal inequalities are very much related with environment and climate change, but also with land policies. Growth can only become more broad-based if nature capital is sustained and restored in both Sudans. Neither the management of the oil sector nor the management of land deals with foreign and domestic investors are sustainable.

There are also other important areas for economic cooperation (in trade, foreign investment and regional integration policies; in policies towards donors and donor coordination; in private sector development, finance and investment policies; in infrastructure and services sector development; and in policies to speed up human development, employment geenration and the creation of safety nets). But these programmes are supplementary to the core programmes which are the basis for a new growth model which is broad-based, reducing inequalities of any type and sustainable. The new growth model can help to overcome the centrifugal tendencies in both Sudans, and especially so the trend towards increasing horizontal inequalities which are threatening peace, reconstruction and development.

Long-term Commitments after the Separation of the South

In the context of a Strategic Framework for Economic Cooperation the potentials of cooperation in the core and supplementary programme areas are identified and cooperation strategies are outlined. However, such a Strategic Framework will have to be fundamentally different from the type of agreements the Sudan has seen in the past. Long-term commitments between the two Sudans are necessary, bottom-up and top-down participation strategies are requested on both sides, and dialogue forums on modalities of implementing jointly undertaken actions have to be installed at various levels. The Strategic Framework for

Economic Cooperation will give incentives for pursuing a new growth strategy and laying foundations for peaceful development.
Separation of countries is a risky process. In the case of Ethiopia-Eritrea this process has not worked, but in the case of Czechoslovakia it has worked. From this case a lot can be learned about successful separations. The situation for the Czech Republic and the Slovak Republic was fundamentally different as external and internal institutions constrained the behaviour of the government/s. They both switched quickly from a loose perspective of economic cooperation between transforming East European states (Visegrad Initiative) to the European Union (EU) integration perspective and avoided in the context of their separation negotiations all measures that would have compromised their perspective of entry into the EU. As the EU demanded strict preconditions such as commitments for democratic development and human rights, a free flow of goods, people, services, capital, and common principles and practices for trade and agrarian policies as well as firm stability criteria for macroeconomic policy and debt management, the incentives for peaceful separation and mutually beneficial cooperation between the two new states were there. Also, the separation management was nearly perfect – all the major separation issues (on assets and debt, currency, international and domestic legal provisions) were managed smoothly and in a short period.
In the case of Sudan and South Sudan the situation was and still is completely different - there is neither an external actor nor an internal institution to discipline the two governments towards an agreement that is lasting. Neither regional African organizations nor international ones can replace the role of the EU in this regard. African Union, UN Security Council, IGAD, "Troika", The Sudan and South Sudan Consultative Group, and others were not yet successful. There are obviously not enough incentives for sustainable compromises. A Strategic Framework is therefore needed for creating incentives and a perspective of development that leads to lasting cooperation and to peaceful interdependence. In recent months (since the stop of oil production in January 2012), there seem to exist strong incentives for both central governments to intensify conflict and even to go to war. The lack of trust from the people in state institutions and the failure to strengthen state capabilities in early phases of the CPA transition period as well as aggravating vertical and horizontal inequalities led to a high level of dissatisfaction in both states and to discontent of particular groups.
The reaction of the political elites in the central governments to this development is political agitation against the other state by accusing the other side of aggression and unfriendly acts. Obviously both sides want to distract from the severe financial austerity situation which was accentuated after the closure of oil production but was in place already before. Sudan earned until independence of the South 60% of its government revenues and 95% of its export revenues from oil income, and for South Sudan the percentages were 98% and 99% (see Lesley on Africa 2012). The shutdown of oil facilities only intensified the fiscal pressures although they were present before. The "near war" situation is obviously used by both regimes to consolidate internal political support. In the North "Arab spring" aspirations of the youth and of students and actions of opposition groups as well as of opposing forces in Darfur, South Kordofan and Blue Nile provinces should be counter-acted by referring to external threats and to unfriendly moves of the South. Also in South Sudan there are incentives to go for conflict escalation and towards a "near war" situation, so as to consolidate power in an atmosphere of allegations about lack of press freedom, exclusionary politics, nepotism, and corruption. The "near war" situation also gives both regimes the opportunity to let the oversized and overfunded security sector (military, militias, police, and other security) intact in order to avoid rebellions coming from such forces. Not less than 40% of South Sudan's public expenditures are spent for security, although DDR actions should have reduced the size of the SPLM army already by around 50%, including the planned integration of various militias into the army (Lesley on Africa 2012). Generous SPLM army support in

the South and generous SAF army support in the North are seen as instrumental to prevent regime changes because of the declining alternative employment prospects and economic opportunities.

Instead of managing the interdependence between the North and the South and the conflicts in and between the two states the two regimes prolong the period of "near war" with huge human and economic cost and with lost development opportunities. The Strategic Framework for Economic Co-operation could provide the incentives for sustainable long-term growth and durable peace.

A Strategic Framework for Economic Cooperation: Feasibility and Preconditions

Such a Strategic Framework is feasible if the key issues of separation and the unresolved CPA provisions are seen in context. These are the "border, oil and hydropower" complex, the "citizenship, refugees and human rights" complex, the "debt, assets and finance" complex and the "security, demilitarization and stability complex".

Four Negotiation Complexes

The "border, oil and hydropower" complex is the most difficult one. Time was lost since the CPA of 2005 to find an agreement on the border issues and on the oil and hydropower issues. Lack of trust in the management of the oil sector led to suspicion about cost and revenue, although so much evidence about the weaknesses was there and as so many proposals were made to improve the transparency system (World Bank 2009, Chapter 3; Global Witness 2011; Hansohm 2009). Lack of understanding the real causes of the border disputes and conflicts in the border regions (including the Three Areas) as a complex of resources interests, security interests and traditional rights-based interests was the second major problem (see Saeed 2010). Again, time was lost to find an agreement after the Referendum. It was not possible to solve the border demarcation and security issues and it was not possible to find an acceptable formula to transform the Wealth Sharing Agreement (WSA) into an Ownership, Adjustment and Cooperation Agreement (OACA). The two extremes were not accepted by the respective governments: the minimum position of the South Sudan of paying internationally comparable transit fees and the maximum position of Sudan to continue the revenue sharing agreement under a new name as long as the transport, refinery and export infrastructure in Sudan is used by the oil industry of South Sudan. But also the hydropower interests of Sudan in the Blue Nile State were not acknowledged in their real importance, as the government of Sudan felt cut-off from oil and hydropower opportunities by the moves of the South Sudan government and by SPLM-N actions.

The resources in the ten border-states have made this region to function as the powerhouse of Sudan, as a potential growth pole, and now this role has to be redefined for the two Sudans. The area has only 20 per cent of the land area of the old Sudan, but 33 per cent of their population. Population density is almost double the national average, and over 60 per cent of the Sudanese population is earning their livelihoods in the region (see Saeed 2010, pp. 7-8 on these data). Eight million people are living in the five northern border-states (this is less than a quarter of the population of North Sudan), but 50% of the South Sudan people are living in the five Southern border-states. Geography and demography have an impact on security, economy, society and politics. Important for the whole area is the "head and neck" position (Saaed 2010) of the North of Upper Nile State as this part of South Sudan adjoins four Northern states with great potentials.

Around 80 per cent of semi-mechanized farming of Sudan is in the area of the border-states. The area has good soils which can be the base of strengthened and integrated agricultural value chains and of a dynamic agro-industry. Agribusiness can link all these actors from raw materials production and input supplies to intermediate and final products (see on the new strategy for promoting agribusiness in Africa in Yumkella et al. 2011). Cereals, oilseed cash crops and tree products are the base of the current and more so of the future agricultural development in the area. The area provides pasture land for more than two-third of the national livestock of old Sudan, and during the seven months of dry season the animals are herded in the South Sudan alongside of the herds of the Southern owners. The area is also richly endowed with wildlife and game reserves, giving it also chances in tourism, even cross-border tourism. The area is not only rich in oil, but has also various other mineral resources like gold, natural gas, iron ore, bauxite, uranium, and copper (Saeed 2010, pp. 7-8 on these data). The area is rich in savannah grasslands and forest cover, but has also important water resources from lakes and the main rivers. The enormous importance of the Blue Nile water discharge and the hydropower capacity of the (heightened) Roseires Dam are already causing conflicts in Blue Nile State and in the wider region (Verhoeven 2011). As Sudan's hydropower-based agricultural development strategy is seen as a post-oil option, these resource conflicts have to be understood and considered in any agreement (The China Post, June 27, 2011).

It was therefore not a technical issue to demarcate the border and to find an agreement on the Abyei region, and it was not a technical issue to come to a durable security and stability partnership for Blue Nile and South Kordofan states. It is shown (by Saaed 2010) that for all regions where border demarcation is not yet agreed upon the natural resources endowment, especially with oil, minerals, arable land and water, has a determining role. However, also security and stability interests are important in coming to terms with border disputes (as in the case of Upper Nile State with White Nile State and South Kordofan State; see Parts 3 and 4 in Saeed 2010). Also the numerous actors on land rights issues and land use issues in these regions have to be consulted and involved in finding sustainable solutions to these border demarcation conflicts (Saeed 2010, Part 2).

The high human and economic cost of conflict and the danger of a new war between Sudan and South Sudan demand an urgent turnaround by providing incentives for political and economic cooperation. Any solution of border conflicts must rest on principles such as "soft" borders (allowing cross-border economic activity and access for people and animal herds), durable commitments (for wealth sharing, fair compensation and treatment of owners and users of land), and collaborative action (by building forums for stakeholders and even joint ventures for managing in a sustainable way the uses of land, water, natural and mineral resources). The whole area of the ten states has to be covered and all the natural resources have to be considered, not only oil.

A medium-term agreement on oil revenues is inevitable to find a way back to stability and security. The ownership and development interests of the South and the budget and infrastructure interests of the North should lead to a compromise. Such a compromise could mean that a) oil revenues are divided for the next ten years, by reducing year by year the share of the North until the share for the agreed transit, handling and processing fee is reached, or b) transit fees are paid at internationally competitive levels plus fees for handling and processing the oil in the North and these sums augmented by an annual budget assistance component, or c) an agreement is reached on a joint venture solution by integrating all oil-related businesses in the South and the North with a new-type exploration and production cooperation and a sharing agreement for profits.

Whatever the solution may be, the compromise must be agreed upon for at least ten years to create trust, confidence and time for adjustment. Also, the US sanctions will have to be removed as North and South Sudan are affected both by them and as any agreement between the two states on oil revenues depends on international support. However, a strategy for "sharing oil wealth" is as important as a strategy for "using oil wealth" in both countries. "Permanent Income"-based planning of annual public expenditures and "Permanent Fund"-based planning initiatives for the future periods without oil are needed to derive income from oil revenues long after the end of oil production. For both countries, the Alaska model of dealing with oil revenues could be of interest (see Jason Hickel 2012); it will divide oil revenues between the Permanent Fund, direct cash benefits to the people, and a large public expenditure share for priority development projects.

The other complexes are also important, but could be compromised more easily. The "citizenship, refugees and human rights" complex has seen some first "Framework Agreement" between the two states, although there was no way forward (see Framework Agreement 2012). This complex is not only important for securing the human needs and human rights for all those who are living in the other state without having so far secured individual personal rights (residents without documents, displaced people from civil war, and refugees from all types of conflicts within and between the two states), but this complex is also important for the economies of the two states. Development of agro-industries in the future will require much more labour mobility between the South and the North, as well as within these countries. It is also necessary that regions which have suffered from the inflow of refugees are compensated and rehabilitated so that they can develop. Also the many people who were removed from their land for oil production and transport will need adequate compensation and reintegration.

The "Framework Agreement" on citizenship issues (Framework Agreement 2012) refers to four freedoms for the nationals of the other state: freedom of residence, freedom of movement, freedom to undertake economic activity, and freedom to acquire and dispose of property. However, the Framework Agreement does not explicitly mention ethnic, cultural or religious freedom. There is also envisaged the establishment of a Committee on the Status of Nationals of the Other State and Related Matters. There are however disputes about timing, wording, and concretising the Framework Agreement so that many people are still in an illegal status. Such an Agreement could definitely reduce tensions, create stability and allow the seizing of opportunities for dynamic development in the border-belt area and in other (labour-demanding) regions of the two countries. In case the two states will follow in future a cooperative course in their economic policies then these provisions will become very important, as any expansion of economic activity will request more labour mobility of unskilled and skilled labour. A "soft" border regime will therefore be of utmost relevance for growth. Donor support is needed for this complex to make progress, but aid will be helpful only in a cross-country, cross-sector and cross-issues perspective; other aid for humanitarian assistance and development may become easily divisive and ineffective in the environment of the Sudans (such a new approach is recommended also as a general strategy for post-conflict countries by World Bank; see World Bank 2011).

The third complex "debt, assets and finance" has so far not received adequate attention in the negotiations of separation issues and CPA provisions. However, the issues of sharing external debt and external assets are not minor issues. The assumption in Khartoum and in Juba that a "zero option" is feasible (with 100% expected debt relief) is not well founded as both states should earn such a dividend by pro-active development measures, by reform policies, and by cooperative strategies. Also the sharing of domestic commitments (entitlements and commitments of the two states with regard of assets and liabilities of public corporations, property rights and entitlements of former civil service staff, as well as entitlements and commitments with regard of pensions and social security rights of individuals) are matters to be discussed. In order to work in this direction, also the banking systems of the two countries will have to cooperate and to open windows for transactions with banks in the other country. Otherwise these compensations and exchanges will not take place at all or not in time. So far, there is no progress in this regard. The whole process of establishing own currency, money and finance, central banking and commercial banking systems in the two countries was not done in a cooperative way, but this sector is too important to leave it outside of the negotiations.

The “security, demilitarization and stability” complex is a difficult one, but successes with regard of the other three complexes will be extremely helpful and supportive. Political negotiations at various levels (between central governments, between governors of the border-states, between civil society representatives, churches and peace groups, and between actors/stakeholders within the states which are affected by conflicts) will ultimately lead to sustainable solutions.

Four Arguments why a Strategic Framework can work

A Strategic Framework is feasible if the real interdependencies between the two states are understood. Despite of the separation into two countries the interdependencies are quite strong. Beside of the four complexes which have to be negotiated the real interdependencies in cross-border trade, investment, migration, oil production, processing and transport infrastructure, water management, climate change adaptation, environment, regional integration, and in fiscal, financial and monetary policy issues remain strong and are even increasing. Because of neighbourhood effects investors will always assess the situation in the neighbouring country before committing to investments. However, interdependence is also strong because of the level of market integration in the border-states and because of the agricultural value chains which are working cross-border in livestock, cereals, tree crops, and oilseed crops. It will not be possible and economically viable to control a border of around 2000 kms for people, goods and herds moving across the borders. Evidence shows that cross-border micro-trade is very beneficial for the people living in the border areas; livelihood of households and small businesses depends so much on such a type of micro trade. Human development is therefore very much related to maintaining a “soft” border regime. The recent years of global food price increases have shown that food insecurity in Africa is also very much related to export bans from the side of African surplus countries (as practised also from Sudan against South Sudan for political reasons), and blockades of transport routes (as practised in Sudan against South Sudan) lead to heavily increasing transport costs and food prices. Before and after the Referendum such food price effects have severely affected people as producers and consumers in the North and in the South. Reductions of subsidies on food and fuel in the North also have severe impacts in the South.

Interdependence is strong and even increasing with regard of all types of infrastructure – electricity generation, water supplies, roads, railways, environmental protection infrastructure, and cross-border shipping routes. As the road network and other means of transport were conceived and constructed in a North-South direction, the dependence on reconstructing and extending the existing networks is great. Interdependence is most severe in terms of the Nile Waters as the distribution of waters between the two Sudans and the other partners (riparian states) is still unregulated. However, an agro-industrial development push as envisaged in both countries depends on a fair and future-oriented solution and on a trustful cooperation in water management. On the other hand, building of dams and hydropower facilities needs a lot of coordination; it has not taken place so far.

Other strong interdependencies prevail with the labour market. Internal migration and cross-border migration cannot be separated in the border-states, and any expansion of agricultural schemes and integration of agro-industrial value chains will require that migrants can be hired as wage labour.

Land policy is still a major barrier to agricultural expansion in the traditional rain-fed farming systems in the North (because of the ownership role of the state in land allocation and the lack of long-term land leases for small producers) and in the South (because of weak compensation provisions in case of land deals managed by the various state levels); long-term land leases are again and again recommended for the small farmers to get them access to credit via collateral, but they are not yet in place (see World Bank 2009 on this key issue). If such reforms take place, commercialization of small farming agriculture will also accelerate the demand for migrant labour. If both countries go ahead with their announced plans for agricultural development towards "breadbasket" volumes of production, the labour shortages will enforce another form of country-to-country and state-to-state-cooperation.

Interdependencies with regard of skilled migrants are also strong in areas like STI infrastructure, education and higher education, vocational education, health care, agricultural research and extension, in many other know-how areas, and in maintaining infrastructure. Instead of buying expensive know-how from third foreign countries, the North and the South can also exchange expertise and experiences. Especially in the border-states the accumulated know-how of institutions and local experts, especially from the North, can be profitably used. Environment and climate change issues create new and important interdependencies between the two states (see UNEP 2007); new policies to adapt to climate change depend on local knowhow and on trustful cooperation of the environment-guarding institutions.

A Strategic Framework is also feasible if the impact of the external instabilities for the North and for the South arising from the wider region is correctly assessed. A most important argument for a Strategic Framework is supported by the fact that alternative cooperation and integration arrangements in the wider region for the North Sudan and for the South Sudan may be more costly, less effective and that they may involve new dependencies and instabilities. The move of South Sudan towards the East African Community (EAC) is not without costs and risks. The regional integration process there is advanced and South Sudan enters at a relatively late stage of the integration process there. As a relatively well-off country in statistical terms, South Sudan will not get any longer protection, preferences or privileges. When the first GDP estimate came out for South Sudan after Independence, there was surprise in some circles that the country is the (statistically) richest in East Africa, with a Gross Domestic Product/GDP per capita of US $ 1548 in 2010 and a Gross National Income/GNI per capita of US $ 984 in 2010 (this is correcting the GDP for the share in oil revenues transferred to the North according to the Wealth Sharing Agreement). This is very high compared to US $ 770 for Kenya, US $ 550 for Rwanda, US $ 170 for Burundi, US $ 500 for Uganda, US $ 530 for Tanzania and US $ 360 for Ethiopia (NBS/National Bureau of Statistics for South Sudan, 2011). Just at the beginning of an agro-industrial development process as in South Sudan this EAC regional integration option may affect negatively initial industrialization steps. Recent developments in the EAC and in neighbouring countries (DR of Congo and Ethiopia) reveal that a number of severe conflicts may emerge soon between the EAC countries and between EAC and neighbouring countries. This comes from the discovery of oil and gas in the region, and already border conflicts have arisen in the wider East African region. Also other conflicts, on trade policy issues, investment and infrastructure issues, unresolved border issues (as the South Sudan-Ethiopia-Kenya triangle), and on political, military and security issues, make this integration move for South Sudan not an easy one.

Both Sudans will be part of a tripartite agreement EAC-COMESA-SADC which is negotiated now and there may be problems because of overlapping regional integration schemes and severe adjustments as required in goods, factors and services trade. So South Sudan may be well advised to follow a cautious path on regional integration. Also the discussed infrastructure development plans (not only for oil and gas transport and export but also for railways, roads and shipping routes) in the EAC region bear a great potential for conflict. Already the multiple memberships in EAC and COMESA have created suspicion and conflict in the EAC between Uganda and Kenya about trade policies and strategies towards South Sudan (Daily Monitor 2012). Another area of potential conflict for EAC countries and South Sudan is the future role of Ethiopia as a regional power – with military and economic strength and with strong ambitions to act as a regional power. As South Sudan has statistically a (three to four times) higher per capita income as Ethiopia new conflicts may emerge. Sudan, South Sudan and Ethiopia may also have upcoming conflicts with regard of hydropower installations and Nile Waters Management (Verhoeven 2011). South Sudan and Sudan are therefore well advised to stabilise the region by a Strategic Framework in order not to become involved in further power games in the wider region. Otherwise external instabilities are imported at a large scale.

Also Sudan must recognize the sources of external instability - because of instable relations to Arab countries, because of not really functioning regional integration moves among Arab States, like GAFTA and other integration arrangements. Sudan is now grouped into the Northern Africa and Middle East Region while South Sudan is grouped as a Sub-Saharan African country so that international partners (donors and international organizations) may thereby contribute to the separation/isolation between the two Sudans. Also when considering other sources of regional instability (DR of Congo, Central African Republic, Chad, Libya, Egypt, Somalia, Ethiopia and Eritrea) the conclusion to be derived is that a Strategic Framework is a barrier against the uncontrolled import of conflicts and instabilities.

A Strategic Framework is also feasible because of the opportunities that can be realised through economic cooperation in the short and the medium term. If the two states cooperate they can improve their chances and conditions to become members in the WTO, and they can enlarge their influence in African regional organizations and in international organizations, but they can also improve their negotiation position with foreign investors from Asian, Western and Arab countries. They can benefit enormously from cooperation towards broad-based agro-industrial development, realising now what they intended already since the 1970s – becoming an agro-industrial export-zone with integrated agro-industrial value chains. Both countries will benefit from an industrialization based on their agricultural development potential and full market integration among each other. A lot of experiences with developing and supporting medium, small and micro enterprises in agro-industries can be shared between the two countries and will be helpful in organising growth from below in states, localities and counties. When land policies are reformed and made effective for small producers in both countries the investment opportunities are becoming huge in agro-industries. Small producers will then become integrated - via new business models - into agro-industrial value chains. Opportunities to invest in transport systems, in other trade infrastructure and also in opening new trade routes will become important for domestic investors of the two countries and too for foreign investors.

A Strategic Framework is feasible and realistic because it is increasing the menu of options available for the two Sudans in an instable wider region. The business actors in the two countries can choose among a greater and more diversified number of trade and development partners, they can cooperate with a greater and more diversified number of foreign investors and joint venture companies, and they can select among many more enterprises who know the partner areas of the other country in third trade regions much better. They can also benefit from larger markets, and from know-how potentials which are available nearby, instead of importing expensive knowledge from third countries. It is known from studies about effective technology transfers that local and regional know-how sources are important for technology absorption and also for selecting most suitable foreign technology partners. Globalisation and internationalisation advantages will arise from such a cooperation strategy. Also in the natural resource development negotiations with international corporations such knowledge advantages play a role, as with foreign oil and mining production, finance and services

companies, foreign land acquisition and land lease companies, foreign logistics companies, and foreign technology services-providing companies.
All the four arguments discussed above show that cooperation between the two Sudans has huge potential benefits.

The Limits of the "Roadmap" for Sudan and South Sudan

The "Roadmap" of the African Union Peace and Security Council (AUPSC) for immediate requested action by Sudan and South Sudan has set a minimum list of requirements in order to solve the severe crisis in negotiations (AUPSC 2012), but much more is needed to make separation and cooperation work (as was shown in the four negotiation complexes which were discussed above). The "Roadmap" includes decisions on seven important security measures, among them also measures prohibiting agitation against the other state, starting with pro-active security action and facilitating negotiations at various action levels. The parties are urged to resume negotiations on oil and associated payments, on the status of citizenship and residence, on the resolution of the disputed and claimed border areas and the demarcation of the border, and on the final status of Abyei. The two parties are given three months of time up to August 2, 2012 to come to terms in negotiations. If this is not achieved by the two governments, the AU High-level Implementation Panel (AUHIP) is expected to report to the Peace and Security Council of the African Union and to present proposals for final and binding solutions to the post-secession relations; these can then be ultimately decided and enforced by the UN Security Council (UNSC), even with the use of sanctions. This is the first ever attempt to finalize cross-border conflicts by recourse even to important economic matters, and so the UN Security Council is then acting as an institution that will recreate and preserve the economic viability of the two countries after the disastrous stop of oil production and the blockade of regular oil transport.
However, although such steps might be very necessary, these are sub-optimal moves. Much better would be a negotiated settlement covering the four negotiation complexes mentioned above. The enforced solutions will cover these four issues (oil transport fees and payments; citizenship and residence; border disputes and demarcation; and status of Abyei) in isolation and not in the context of the other open problems of separation and CPA provisions. Too many issues will be left out of consideration, as measures to facilitate the economic cooperation of the border-states, the further development of the oil industry in both states, the creation of a "soft" border regime so that cross-border trade, investment and labour mobility are facilitated, the solution to external debt and asset positions, the internal agreement on mutual rights and commitments, debts and assets, the functions of and the entitlements from former Government of National Unity/GoNU public corporations, civil service, social security, and pension rights, and other commitments resulting from the common creation of wealth in the former unified Sudan. As well other important issues will not be part of the enforced agreement, such as fiscal, financial and monetary cooperation, cooperative sector policies, and common policies towards WTO membership and regional integration.
A Strategic Framework can also become a reality after an enforced agreement, but it may be much more difficult. Time will be lost for all parties. Without a binding agreement on the minimum list no further action towards cooperation will be feasible. The Sudan and South Sudan Consultative Forum/SSSCF, a forum with a great number of participants from UN, African regional organizations, national governments and bilateral donors, favours the creation of "two viable and mutually supportive states, at peace with one another" (SSSCF, March 2012). Emphasized is by the SSSCF the fact that "distrust and tactical considerations have worked at the expense of the strategic interest of the two countries and the rights and welfare of their citizens, risking a weakening of international attention and support to peace-making and peace-building in Sudan and South Sudan".

Most important, a Strategic Framework for Economic Cooperation will provide a real basis for peace and development, while an enforced agreement may lead to new conflicts about wording and interpretation of the texts from binding UN Security Council decisions.

A Strategic Framework for Economic Cooperation: Programmes and Implementation

Successful negotiations on the CPA and Separation Agendas are only the first important step towards a Strategic Framework. Ten cross-border policy areas are of importance and have to be addressed as components for a Strategic Framework. Five programmes are Core Programmes as they will change the growth model of the two Sudans, while five other programmes are Supplementary Programmes as they will support the implementation of the Core Programmes. A synopsis of the ten programmes is provided in Annex Table 1 (for the Core Programmes) and in Annex Table 2 (for the Supplementary Programmes).
The Core Programmes (see Synopsis Table 1) are related to a much needed change of the growth model of the two Sudans. The five Core Programmes have to be looked at as integrated and interlinked programmes.

Core Programme 1: Border-States Development Programmes for Sudan and South Sudan

An integrated development programme is needed for the five border-states in the North (Southern Darfur, Southern Kordofan, White Nile, Sennar, and Blue Nile) and the five border-states in the South (Western Bahr El Ghazal, Northern Bahr El Ghazal, Warrap, Unity, and Upper Nile), because of the economic and political interdependencies, the cross-border effects of horizontal inequalities, and the opportunities associated with an integrated use of resources in the area. The huge potential of natural resources in the area (see Saeed 2010) can be ideally combined with the human resources potential to the benefit of both countries, for peace and development, and especially also in terms of generating tax and non-tax revenues and foreign exchange earnings. Although in the transition period (2005 – 2011) some few attempts in this direction were made, with coordination meetings of the governors of the Tamazuj states and some development projects of the Unity Fund, nothing sustainable came out of this in terms of economic cooperation. The meetings of the governors highlighted the issues and they reported their recommendations on security, economic, social and political issues to the central government in Khartoum and to the autonomous government of South Sudan. There was also an attempt to develop common programmes and projects by using finance from the Unity Fund. Most of these attempts have however failed, and a new approach is therefore needed.
A Development Commission for the Border States including public sector, private sector and civil society representatives from the ten states and from Abyei should be formed to develop common platforms for the development of the economy on the basis of a “soft” border regime. Earlier, a Border States Security, Cooperation and Development Commission had been proposed to work on visions, development and action plans, but also on operational programs and projects for the area. There should be functional committees (looking at security, taxation, agriculture, water, environmental issues, etc.), and there should be also committees looking at particular products (like oil, other mineral resources, particular agricultural and livestock products, such as cereals, tree crops, oilseeds, meat, etc.). The assembly and the committees should be supported by sufficient staff and by highly qualified technical experts. Such an organization should have a clear mandate for specific policy areas, and so could contribute to the development of both countries – Sudan and South Sudan.

A “soft” border regime, to allow for an easy transit of people, goods, services, and labour, would be a great chance for the area as most of the problems that generate now the conflicts in the area (conflicts because of horizontal inequalities and conflicts because of competition for resources) can be eased by such movements. Taxation, customs and administrative issues and upcoming conflicts can also be solved by such a Development Commission – by exchanging information, by discussing issues with conflict parties, and by coordinating the identification, funding and execution of related projects and programmes. Some pooling of resources from governments and donors would be possible and helpful, as well as mobilizing additional sources of finance emanating from a new oil sharing agreement between the two Sudans.

Strategy formation is needed alongside the earlier mentioned tasks and issues: Security and Disarmament, Demobilization and Reintegration/DDR; Food Security and Agricultural, Forestry, Fisheries, and Livestock Development; Employment Creation and Improvement of Labour Conditions; Human Development; Water, Hydropower and Energy Development; Environmental and Climate Change Adaptation Policies; as well as Policies on Oil Concessions, Oil Industry Development, and on Oil Transport. A major task would be to work out studies for growth diagnostics and poverty alleviation diagnostics for the states, localities and counties in the area (along the lines of the already available studies for Upper Nile State, Western Bahr el Ghazal State, Blue Nile State and South Kordofan State). These studies should become the basis for cross-sector and cross-border support programmes.

Implementation of the new development strategies for the border-regions should be monitored by the governments of the ten states but also by the civil society and by private business in the form of dialogue forums at various levels. Such development strategies and programmes can be financed by regular own revenues of the ten states and by Common Funds (to be financed by central governments after a new oil revenue sharing agreement has been concluded and by the oil funds of the oil-producing states at both sides of the border after negotiating and receiving a fair share of the oil revenues), but also by donor sources. DDR programmes financed by Common Funds can help to integrate the former fighters of militias and armies into training and employment programmes, especially so in the form of new type Public Works Programmes which have lasting impact on infrastructure and development. Training, information and research centres have to be located in the area of the border-states in order to be near the huge resource base. Mediation of conflicts in the area will be very important, and so innovative modern and traditional forms of conflict resolution will be needed at various levels. An interaction of the Border-States Development Programme with an Infrastructure Cross-Border Development Programme (to be planned by the two countries) is urgently requested, so as to use in the future fully the traffic infrastructure of railways, rivers, airports and roads in the region and the telecommunications infrastructure.

Fiscal decentralization will work better than in the past on the basis of this Border-States Development Programme as it is to be based on growth and poverty alleviation diagnostics and on related demands for funds. This would also help to decentralize political power, financial resources, responsibility, and overall development efforts. The Growth Diagnostics studies for Upper Nile State in the South and South Kordofan State in the North show that any lasting development progress will be dependent on an assessment of the “binding constraints” for growth at state and county level (like low investment returns or inadequate finance, land rights, poor geography, low human capital, bad infrastructure, government and market failures, low domestic saving and poor finance intermediation).

Problems in the South Kordofan State are the thin own public revenue basis and the inadequate federal transfers (see Klugman/Wee 2008), but a structural transformation of these systems depends on identifying first a strategy towards coping with the “binding constraints” for growth. Most important, public investment is highly inadequate and basic social and economic services are minimal. External development assistance for the South Kordofan State

was always limited. Private business activity is affected by inadequate infrastructure and lack of market access. The studies (also the one for the better-off Upper Nile State: World Bank 2009, chapter 6) reveal that local growth can be enhanced by governance reforms, local finance reform, and local agro-industrial development effort, directed to small farmers and to micro, small and medium agro-industrial enterprises.
Local level solutions are advantageous as social, environmental, cultural and ethnic aspects of development in the state can be better considered. Based on this growth diagnostics approach, support strategies can be proposed for county and state levels, and then at higher levels also for the region of the border-states and for the federation level. On the basis of the growth diagnostics framework a sound basis for economic cooperation cross-border can be created. Government failures, such as with the land rights, can be better assessed on the basis of the growth diagnostics framework. Land tenure issues are prominent factors in explaining South Kordofan's problems since the 1970s when large-scale agricultural development investments, Gum Arabic production, and oil exploration and production were accelerated. In the context of a growth diagnostics framework, such investments could have been better planned and executed (with much less environmental damage). Also in Upper Nile State - with large-scale agricultural schemes aside medium-scale and small-scale agriculture ventures - the binding constraints to growth such as the volatility of own public revenues and the land rights issues and related conflicts can be better assessed on the basis of a growth diagnostics (World Bank 2009, Chapter 6).
Border-states wide development planning will be facilitated on the basis of these diagnostics instruments as they allow it to work out programmes in a more participatory way and too in a bottom-up manner in addition to the top down-planning style.

Core Programme 2: Agro-industrial Development Programmes for Sudan and South Sudan

Cooperation between the two countries is advantageous because of agro-industrial interdependencies, especially with regard to final and intermediate markets, national and regional agro-value chains, agro-industrial development inputs and infrastructure, and with regard of a sustainable use of resources like land, water and energy. Both countries are highly interdependent on these factors and with regard of the related policy issues. Climate change adaptation and environmental problems intensify these linkages. The STI infrastructure for agriculture and agro-industries is largely placed in the North, and it is important for the Southern border-states because of similar soil and climate conditions. The huge local and regional market potential for cereals, oilseeds, and tree crops as well as for agro-industrial processed products can be exploited by firms of both countries. The role of agricultural, hydropower and water resources in the ten border-states links up the two countries in their redesign of agro-industrial policies. Also the infrastructure across the border areas is important for a common agro-industrial development strategy. Both countries embark now on "breadbasket" strategies by referring to the huge agro-industrial potential they have (on the case of Sudan see the journal African Agriculture since 2009, and on South Sudan see Sudan Tribune, August 24, 2011). While Sudan emphasizes a breadbasket strategy based on huge hydropower installations for irrigation, South Sudan discusses a broad-based commercialization strategy for traditional agriculture.
Since around 25 years the necessary reform steps for agriculture subsectors in Sudan are discussed widely. But a broad-based agricultural development did not emerge yet (World Bank 2009, chapter 4; UNDP 2006, chapter 7). It is well known that the traditional rain-fed agriculture sub-sector in both Sudans needs a supportive environment, new land policies, and investments for infrastructure; a master plan for the development of the sub-sector is needed. Nothing has come forward so far in terms of a long-term action plan. For the irrigated

agriculture subsector, which has consumed until now most of public development expenditure (in recent years more than 40% of public investments in Sudan, as alone the Merowe Dam took up almost 40 per cent of total public investment between 2005 and 2008; see The China Post, June 27, 2011), a fundamental reform is envisaged. The rehabilitation of the Gezira Scheme is considered for long as necessary, and also reforms for the other irrigated agriculture schemes - which were partly privatized - are requested. The real producers (tenants and peasants) should get higher incentives to increase productivity. Mechanized Rain-fed Agriculture also needs reforms as the sector is still not controlled by adequate regulations so as to preserve the environment, to maintain and increase productivity, and to protect the interests of the workers and the surrounding cultivators and pastoralists.

The links between the three subsectors were not really observed by policy, neither the links via holding of livestock by the agro-pastoralists nor the links via the labour market by hiring wage labour. The "Food First" policy of the Sudan government has negatively affected the demand for labour in irrigated agriculture and in mechanized farming. There were in the 1990s rather short-lived increases of agricultural production (mainly in the traditional rain-fed sector based on new land use), but associated with stagnating or even falling rural household incomes. Growth of output in agriculture was not any longer pro-poor as the income of households in traditional agriculture was not supplemented anymore by wage incomes in irrigated and mechanized agriculture (UNDP 2007, chapter 7).

Development Plans and Action Plans for the sub-sectors of Agriculture, Livestock, Forestry, and Fisheries are requested for the two countries, and information about the objectives and policies should be exchanged for cooperation and coordination. Forestry and fisheries sub-sectors were extremely neglected all over the Sudan, and forestry resources were largely destructed by civil war and by inappropriate environmental behaviour and action. As well plans for the development of agro-industries are requested. Links from agriculture to industry were not systematically developed by the successive governments in Sudan, despite of important initial industrialization steps after independence (Wohlmuth 1989).

Agro-industrial development requests action on three fronts: stimulating links between agricultural sub-sectors and input industries; developing and integrating agro-industrial value chains, and converting comparative advantages in specific agricultural export products into competitive advantages of firms (Wohlmuth 2011). All types of agro-industries from textiles to clothing, from leather to shoes, also oilseeds and sugar industries have severe problems now - because of inconsistent domestic market policies with regard of taxes, fees and charges; because of so many regulations affecting agribusiness; because of weak links between agrarian producers and the other actors along the agro-industrial value chains; and because of incoherent trade and investment policies which are supporting some large producers/monopolies at the expense of downstream and/or upstream producers (World Bank 2009, chapters 2, 4, and 5; UNDP 2006, chapters 6, 7, and 8; GoSC 2008). A holistic concept of agro-industrial development was not developed in Sudan as major development pillars for agribusiness were not considered at all (see Yumkella et al., eds., 2011 on such a holistic concept). Agro-industry growth (now comprising in Sudan mainly food, beverages and tobacco industries in formal and informal enterprises) was not pro-poor in Sudan as the share of wages in value added has declined considerably in the period 1971 - 2001 (see on these trends World Bank 2009, chapters 2 and 4; UNDP 2006, chapters 7 and 8). R&D policies (along the agro-industrial value chains), market development and private sector development policies, infrastructure, finance and trade policies were not changed so as to become supportive. Also land policies towards introducing long-term leases for small farmers were not reformed as only a small number of land owners are registered; the majority of farmers depend on (formal) government land ownership in the North and on (limited) customary rights in the South.

Sudan works now on the basis of an over-ambitious Agricultural Revitalization Programme (ARP) focussing more or less exclusively on irrigated agriculture, but it needs very urgently a new and broad-based Agriculture and Agro-Industry Revitalization and Development Programme (AAIRDP) so as to realise various important development objectives, like food self-sufficiency, agro-processing, balancing regional development, generating foreign exchange (based on traditional products and high value export niches), alleviating poverty and creating employment. South Sudan needs a Reconstruction and Development Plan for Agriculture and Agro-Industries (RDPAAI). Both states can cooperate on these lines with mutual benefit. Both countries have to pursue an “Agriculture First” Strategy which is broad-based and inclusive because of the perspective of shrinking oil revenues.

Growth Diagnostics for South Kordofan State and for Upper Nile State reveal that land tenure issues are very important for a broad-based development process. Growth diagnostics for the South Kordofan shows that enabling and supporting productive activity is related strongly to land tenure issues, dispute resolution in case of land conflicts, enforcing environmentally sustainable land use, and harmonizing laws on land. Removing monopolies, price and market controls and export restrictions as for the Gum Arabic trade, improving market connectivity, providing access to credit and finance, and managing water resources are other “binding constraints” to be considered by policy. Growth diagnostics for the Upper Nile State reveals other sets of problems. The state is endowed with an important share of agricultural production under large-scale and medium-scale mechanized farming. The sector suffers from credit problems, declining soil productivity, and financial policies which are favouring only sorghum, sesame and sunflower crops. The dependence on the North for transport routes, markets, marketing networks, processing equipment and agricultural input supplies is still high. Multiple taxes affect also medium-sized producers. Gum Arabic production and export is dependent on Northern-led value chains and traders, and in times of border conflicts their rents are becoming higher at the expense of the raw Gum producers in the South.

The growth diagnostics for the two states shows that economic cooperation is vital for the border-states, but further studies (as done by World Bank and DSRC in Khartoum for Western Bahr el Ghazal and Blue Nile State; see Hussein 2012) also show the mutual benefits of economic cooperation for the border-states in Sudan and South Sudan. Broad-based agro-industrial development will stimulate all types of trade – cross-border long-distance trade, micro trade at borders, internal long-distance trade and export trade. Cooperation will lead to investment, market development, integrated agro-value chains, and to competitive advantages of firms from both countries.

Core Programme 3: Medium- and Long-Term Public Finance Strategy

Both Sudans need a new public finance strategy and fiscal policy coordination as their fiscal policies are still highly interdependent, mainly because of revenues from oil production, processing and transport. Also because of the open questions from the CPA and the open separation issues there is tremendous need to cooperate. Issues like the sharing of external debt, compensation payments for social security, pensions and civil service entitlements, as well as the ownership of public corporations of the former GoNU pose further problems. For many common problems and actions (border-states development, environment and climate change adaptation, compensation payments for damages from oil production, etc.) both countries will need additional funding. A new public finance strategy is necessary for both countries, especially in order to care for a permanent stream of public revenues from oil long after the end of oil production and for a social contract between governments and people on the distribution of oil revenues.

First, whatever the decisions of negotiations on the transit and processing fees for oil will be, both countries will have to change the expenditure policies drastically. (Old) Sudan has seen a strict correlation of public expenditures with oil revenues (World Bank 2009, chapters 1 and 3), so that there was no attempt whatsoever to save for the future and to spend only a "permanent" income share of the discounted expected oil revenues. Obviously this behaviour was continued after Independence in South Sudan while Sudan had to move to strict austerity measures because of the loss of 75% of its oil revenues. If South Sudan agrees to oil-related payments for transit and processing fees and a budget assistance component for the Sudan, the country will have to adjust the public expenditure policy accordingly. Budgetary adjustment payments or other forms of dividing the oil revenues of the South Sudan will facilitate fiscal adjustment in the North, as the reduction of oil-related revenues by 75 per cent from one year to another one is not sustainable. If agreed, the new oil revenues distribution model will force both states to finance an Oil Stabilization and Equity Fund (OSEF) or a "Permanent Fund" (along the lines of the Alaska model) with the purpose of spending only a "permanent income" component of the discounted expected oil revenues. Annual incomes from the "Permanent Fund" and other shares of the annual oil revenues should be spent for priority sectors towards economic diversification and for social cash payments/social safety nets, not primarily for wages and salaries and for government purchases. This distribution model of oil revenues will also create incentives to develop non-oil exports and to generate non-oil public revenues. The Oil Funds and the oil revenues of the two countries should also contribute to the financing of the Border-States Development Programme (BSDP) and the other Core Development Programmes (CDPs). They should also help in establishing social cash transfer systems/social safety nets, financing an Education and Health Fund, initiating Public Emergency Employment Programmes, and augmenting Grants as Aid to States from the central government to poorer states as the non-oil producing poorer states which do not receive oil revenue shares need additional fiscal assistance.

Second, fiscal decentralization policies are not effective in the two Sudans. The system of grants from the central government is not pro-poor as allocation is not correlated with rural population shares and poverty rates of states (UNDP 2006, chapter 4). The system of fiscal decentralisation is not effective as revenue/taxation and expenditure policies at all state levels are not rule-based and transparent – being neither developmental nor pro-poor. The growth diagnostics shows for South Kordofan that there is a dilemma as the state suffers from a very low local revenue base, insufficient federal support, and also a lack of external assistance. Public investment is nearly absent, and there is also a chronic lack of access to basic social services. Also there are great intra-state discrepancies in access to basic and economic services, especially for rural versus urban areas, and for regions formerly SPLM-held or government-held. Fiscal decentralization is becoming effective only if the findings of growth diagnostics are considered in the allocations of own state funds, federal grants in aid and external financial support. As in South Kordofan, it can be assumed that also in other states the role of fiscal decentralisation is quite limited - as governance problems, weak infrastructure, a poor investment climate and insufficient pro-poor public investment play a determining role.

Third, fiscal management has to be reformed. Local and state-level public revenue collection is affected with problems and has to be improved along with structural changes of the taxation systems so that multiple taxation practices and an over-taxing of productive sectors are avoided. Intergovernmental transfers need more transparency, more predictability and higher grant levels for poorer states. Fiscal management at the state level needs improvement; budget formulation and implementation should become more realistic, predictable and credible. Pro-poor spending decisions have to be based on better data and on more information. Development budgets at state levels should not become residuals for balancing the budget (this is obviously also the case with development expenditures of central governments of Sudan and South Sudan). The strategy for South Kordofan State (SKS) according to the growth diagnostics centres on redirecting the public finance strategy with regard of the overall budget, the own source revenue component and the federal transfer component. Capacity building is requested for reforming development budgets at state level towards local development. The growth diagnostics for the Upper Nile State (UNS) shows how vulnerable the state revenues are due to the oil price volatility and now because of the stop of oil production and transport. At the level of states and counties this variability has to be considered. Especially important is the ability of the oil-producing states to invest in non-oil sectors. UNS is a test case to the feasibility and practicability of an agro-industrial development strategy as it is endowed with a small manufacturing sector, large-scale, medium-scale and small-scale farming, fishing, livestock and other economic activities. UNS as a "bridge" to the Northern states suffers from a particularly high volatility of public revenues. Public Finance strategies will then work much better if derived from growth diagnostics (as done in: Klugman/Wee 2008 and World Bank 2009, chapter 6), and such new planning strategies and instruments will also support economic cooperation cross-border.

Fourth, local communities are underfinanced by the states. There is a dilemma for the local communities as the states are pressured from two sides. The states are underfunded from the central governments (because the central grants are low and often very volatile) and the own source state funds are also low and volatile so that the localities and counties do not regularly get the obligatory share of 40% of the pooled state revenues. There is even evidence of a negative transfer from the localities and counties to the states based on the local tax revenues accruing to the state minus the actual share of state funds allocated to the local communities. Basic services, health, education and sanitation are suffering from the low funding of localities (Badawi 2008). A strategy for pro-poor budget expenditure policies was worked out after the CPA of 2005 (World Bank 2007), but the volume of such funding and the level of transparency with regard of implementation are low. Also an Agenda for public expenditure policies for all state levels and towards effective fiscal decentralization was worked out with seven key elements (World Bank 2007): managing oil revenue volatility, developing a pro-poor expenditure framework, and building capacities for effective resource allocation in the states (as the real providers of basic services) are the key issues of the Agenda.

Fifth, both countries have to work on a longer-term fiscal framework and they have to cooperate on this issue by estimating the expected longer run oil revenues, and the implicit shares of the two states. Both countries should improve on their budget balance of non-oil revenues and expenditures, and both countries should work on a "permanent income" calculation by translating the discounted nominal expected oil revenue flows into a permanent annual revenue level that gives the same discounted value and is constant in real terms. These "permanent income" flows could be enlarged for some years if public investment has a high quality (World Bank 2009, chapters 1 and 3). This principle would ensure that some public funding is possible from the oil revenues long after the end of oil production. In this direction no progress at all was made since 1999, and the blockade of oil production precludes such a strategy now also in South Sudan. Part of this approach would be a structural transformation of the taxation and expenditure systems at all state levels as the current structures of public finance (low taxation to GDP ratio, increasing importance of non-tax revenues, low importance of direct taxation, low importance of allocations to education and health, social subsidies, grants in aid to states, low importance of regular/planned development expenditures, overwhelming importance of public wages and salaries and of government purchases) are not pro-poor and not developmental (see UNDP 2006, chapter 4, and World Bank, 2009, chapter 1).

It is obvious that new public finance strategies will facilitate the implementation of all other core programmes.

Core Programme 4: Development of STI Infrastructure and of National Innovation Systems

Both Sudans can cooperate with great mutual benefits in important areas of developing Science, Technology and Innovation (STI) infrastructure and building human capacities. They can also support each other in developing and interlinking their still rudimentary National Innovation Systems (NISs). Rwanda demonstrates how STI development can be promoted along with steps to develop agro-industries and to convert comparative advantages of the country into competitive ones (Watkins/Verma, eds., 2008; Wohlmuth 2011). Rwanda is developing the STI infrastructure for five key sectors and is building the required human capacities. Rwanda is therefore also an example for the two Sudans (Wohlmuth 2012). The food processing industry and the high value added export sector in Rwanda are the two key sectors to be supported by the needed STI infrastructure and the related human capacities. Then third, the national capacities for the production of appropriate technologies are built up, looking also at the diffusion of such technologies. The national research and training institutes and the university research infrastructure are adapted to this end. Fourth, the energy and drinking water infrastructure is examined by reviewing the needs to rehabilitate and to build the required STI infrastructure. Last, but not least, client-focused agricultural research is linked to farmers and processors by identifying and removing the deficiencies of the public agricultural research system. This is not a vision or a general plan, but is already implemented in Rwanda based on concrete action plans (Watkins/Verma 2008). Thereby the National Innovation System (NIS) of Rwanda is strengthened although it is still rudimentary. STI infrastructure and the NIS are important for pursuing pro-active agro-industrial development strategies at three levels: at subsector level, at value chain level and at the level of export capacity enhancement (Wohlmuth 2012).

Sudan and South Sudan have the potential to bundle their capacities and the available infrastructure in such a constructive way, although this potential was neglected during the decades of civil war. There was a doubling of agricultural research and development investments in Sudan in the period 2001-2008, but the total agricultural R&D investments (measured as a percentage of agricultural GDP) are among the lowest in Sub Saharan Africa (SSA). As the number of full-time researchers in agricultural R&D has increased to more than 1000 there is a potential to be used by both countries now. Sudan is equipped with a number of respected agricultural research agencies/institutes like the Agricultural Research Corporation (ARC), but they need to be reorganized and linked better to agro-industries. Sudan can thus supply R&D solutions to the border-states of the two Sudans (see Stads/ El-Siddig 2010 on these data). As ARC has built some few capacities in Southern, Western and Eastern regions, it would be important for South Sudan not to break the links to ARC as the accumulated know-how of this institution in different agro-climatic regions is important for South Sudan's agricultural and agro-industrial development strategy. Also the Animal Resources Research Corporation (ARRC) has some base in South Sudan, and the knowledge of the whole institution should be used by extending links. As South Sudan is now orienting agricultural R&D towards its six ecological zones, the inputs from such institutions in the North are highly relevant. Although South Sudan cooperates with institutions of other neighbour countries in agricultural R&D like Uganda, Kenya, and as well the Association for Strengthening Agricultural Research in Eastern and Central Africa (ASARECA), a balanced approach is recommended. A R&D plan for the agro-sector is elaborated in South Sudan, but it needs to be extended also to agro-industries and full agro-industrial value chains. The same applies to Sudan. The Hydrology Research Station (HRS) and the National Centre for Research (NCR) in Sudan also have accumulated vast knowledge which is relevant for South Sudan. Also universities in Sudan like the University of Khartoum and the Gezira University have a lot to offer in this respect if basic agricultural R&D is revitalized there, and they could supply knowledge also to established and upcoming university institutions in Southern Sudan. The regional research centres in the states of the two countries need urgent rehabilitation and quality improvement so that they can support local agro-industrial development. Such competencies play a role as assessed in growth diagnostics frameworks for states and can be used for establishing Local Innovation Systems (LISs). Although there are some few examples of good cooperation between the private sector and the public research system, especially in the Sudanese sugar industry, much more of such cooperation is needed in both countries. Co-operation between the Agricultural Research Corporation (ARC) of Sudan and the Southern Sudan Agricultural Research and Technology Organization (SSARTO) along the lines of agro-industrial development programmes would be very helpful and should be extended to the private sector (see on these institutions Stads/El-Siddig 2010, p. 4).

Most important however, beside of cross-country cooperation in research and development, is innovation. It depends on linking the farmers, the agro-processors and overall agribusiness to agricultural research and development, public regulatory authorities, intellectual property organizations, innovation finance organizations and technical and commercial services companies. By such linkages National Innovation Systems (NISs) are strengthened. Only few companies in Sudan, as an example the Kenana Sugar Company, are linked directly to such innovation systems. In South Sudan such linkages have to be created in the next years. North-South and region-wide links are important for both countries. Innovation is always working cross-border if the environment for the firms and farms is enabling.

Although the STI indicators in general show for Sudan a poor performance, the lack of coordination between research and the productive sector is a major factor which is impeding innovation in the economy (Mohamed Nour 2010). Direct links to firms and farms are generally weak. There are so many complementarities for Sudan and South Sudan, as both countries have to redirect development strategies to productive sectors (agriculture, industry, trade logistics, transport, finance, energy, telecommunications, other services, and water), and more general to cross-border infrastructure development, environmental protection and climate change adaptation. Although more funding and better policies are surely needed, most important is the intensive cooperation of R&D institutions with productive sectors and knowhow partners in the wider region. Pooling funds and resources and sharing tasks between R&D centres in South Sudan and Sudan could be beneficial especially for the ten border-states.

A priority change is needed for both countries towards researching more on rain-fed crops and some still important export crops. Regrettably, Sudan’s agricultural research and development system has neglected traditional sector rain-fed crops compared to irrigated sector crops; this has also repercussions on potential transfers of knowledge to South Sudan. Both countries could benefit from an institutional upgrading and interlinking exercise for the STI infrastructure as done in Rwanda by focussing on the crops which are important for local consumption and export. Cross-border knowledge transfers would be feasible and important especially for regions having the same agro-ecological zones in both countries what is the case in the border-states.

Core Programme 5: Environment, Climate Change Adaptation, and Land Policies

With regard of environmental protection, climate change adaptation and land policies cooperation between the two states is very urgent to ensure in future a viable economic base for both countries. Surveys about the ecological situation reveal that severe damages and heavy cross-border impacts on the environment require the coordination and cooperation in the design and execution of the respective Plans for Environmental Management and

Protection in Sudan and South Sudan (UNEP 2007 highlights in a Survey the problem areas and the cross-border interactions in various important problem areas). The linkages between environment and conflict within and between the two states are so strong that conflicts damage the environment and the worsening state of the environment then leads to new conflicts. All spheres of production, especially the oil industry and agriculture, but to a lesser degree also manufacturing and services, have environmental impacts and cross-border effects. The environmental damages from the oil industry in the two countries are not yet fully assessed, and the ecological implications of the new hydropower projects for the two countries have to be studied carefully (not only for the Merowe dam, but also for other dam projects; see Global Issues 2012). Semi-mechanized agriculture, irrigated agriculture and traditional rain-fed agriculture, as practised in the two Sudans, lead to severe environmental damages, while competition for water and land leads to serious conflicts. The strong link between land degradation, desertification, deforestation and conflict affects practically all regions of the two countries, but most so the ten border-states. The persistent conflicts along the border and in these ten states lead to new waves of displacement with far-reaching consequences for the environment. The environment of the Southern border-states which receive refugees, like Upper Nile State and Unity State, is destructed; the environment in the Northern border-states Blue Nile State and South Kordofan State are also severely affected by conflicts. Also the returnees from the North to Southern Sudan may provoke new rounds of environmental degradation if protective regulations and land use policies are not in place. At central government levels and at state levels solutions to these problems are not really discussed and implemented; the land policy issues are left unresolved (and the constitutional provisions are too weak).

Around 25 per cent of agricultural land is at risk of further desertification, and especially so in the border-states (UNEP 2007). Associated with this is a forecasted decline of food production by approximately 20 per cent just in areas which are so important for the food self-sufficiency strategies. Regional climate change - because of the decline in precipitation - affects especially Kordofan and Darfur regions but extends to the South. Natural disasters, like droughts and floods, are increasingly affecting the livelihood of people. An important reason why droughts impact so massively on the livelihood of the people is the maximization of livestock herds in the two Sudans as it increases the vulnerability to drought; increasing the herds is pursued as a survival strategy instead of following a strategy of improving quality livestock (but such a strategy has also to do with differing tax systems for crops and livestock). Insufficient water points add to these problems and create tensions. The explosive growth of livestock numbers was not managed properly by the states and so left heavy tolls on the environment. Deforestation and overgrazing along the Blue Nile river system have increased the risk of floods.

The agricultural development practices lead to land degradation, by mismanagement in irrigation schemes, by poorly managed mechanized farming schemes and by the land-absorbing expansion of traditional rain-fed farming as in the 1990s. Major regions in Sudan and in South Sudan are affected by a high rate of deforestation, and a total loss of forest cover could come in the next ten years in those regions if not last minute action is taken (UNEP 2007). Especially the forestry sector could - if properly managed - lead to a profitable North-South trade. Another area where North-South cooperation is urgent is with construction of dams and hydropower projects as the environmental impacts are severe and largely unnoticed. Sudan is since a decade embarking on a hydropower-based agricultural expansion strategy which may also have severe repercussions on the South. Even the bed of the unfinished Jonglei Canal gives rise to ecological damage as wildlife migration is blocked. Other environmental problems relate in both countries to the chaotic urbanization process and to industrial pollution from oil-fields, oil refineries and oil transport installations. Problems can arise if the future agro-industrial development strategy is poorly managed. The list of issues for cooperation in all these fields is rather long.

It is not conceivable that any national environmental plan (including plans for climate change adaptation) in the Sudan or in South Sudan can be worked out without considering the cross-border issues in much more detail. But this seems regrettably to be the case now. The National Plan for Environmental Management (NPEM) in post-conflict Sudan (NPEM 2007) could have been the starting point for cross-border cooperation, but there was no follow-up and coordination with such plans for South Sudan (see USAID 2009). It is also necessary to look at the development plans of the two states if environmental action is proposed for cross-border problems.

Also the Nile Basin Initiative (NBI) demands a high level of cooperation between Sudan and South Sudan (see the website of the NBI on past and current projects and the demand for cooperation). With South Sudan eleven countries share this initiative as members and observers. The Shared Vision Programme (SWP) of the Nile Basin Initiative (NBI) is functioning as the framework for cooperation to use more equitably the Nile waters for development. The Nile Trans-boundary Environmental Action Project (NTEAP) is hosted in Khartoum and could be a bridge to South Sudan and the other riparian states. However, a continuation of such important regional programmes is needed.

Serious is the situation with regard of land use and land policies in the two countries, and especially alarming is the extent of “land grabbing” in South Sudan. The extent of land grabbing in Sudan and South Sudan is an issue that needs careful attention in the context of a collaborative strategy to avoid environmental damage and to prevent the loss of livelihood resources for the people who are displaced. Land grabbing may also make it more difficult to pursue policies for adapting to climate change if regulatory capacity is weak. Studies show that already significant shares of agricultural land are leased out without having adequate controls in place. Most serious is the situation in South Sudan as around 9% of agricultural land is leased out for agriculture, forestry, tourism, biogas and biodiesel projects, and there may be speculative reasons for this. This trend, if not stopped and regulated, will increase poverty alleviation, food insecurity, and ecological damage (NPAID 2011; The Oakland Institute 2011). Also in Sudan such land deals are important, but there is more experience with them but as well there is no transparency (Mosley 2012).

A moratorium on land deals and a review of all past contracts are proposed as long as regulatory frameworks and participatory decision-making processes are not effective. Quick return investments and speculative investments are prevailing in the south rather than long-term investments. Vague concepts of land ownership, land use and land leases and weak constitutional rights for users of land aggravate the problems for the small farmers in both countries. Unity State and Central Equatoria State have seen most of the post-CPA land deals by foreign investors, while Upper Nil State had seen waves of investment for semi-mechanized agricultural schemes earlier, although there is still considerable interest of investors in land deals in this state (Mosley 2012). Border-states are in the focus of foreign and domestic investors, and speculative land deals with interest in oil, gas, biogas, biodiesel, and large-scale mechanized agriculture may play a role. Alternative business models for farmers based on long-term land leases for smallholders and their integration into agricultural value chains may be helpful as an escape strategy (see World Bank 2009 on such proposals).

While the Core Programmes are of decisive importance for a new and sustainable growth model for the two Sudans which is broad-based and reducing horizontal inequalities, the Supplementary Programmes will support the Core Programmes in execution and implementation (see Annex Table 2)

Supplementary Programme 1: Foreign Trade and Foreign Investment, and Regional, South-South and Global Integration

Both countries can cooperate effectively in order to revitalise the non-oil exports by pursuing a range of policies which are recommended since years (see GoSC 2008; and World Bank 2009; UNDP 2006): increasing productivity in export sectors; strengthening research, training and extension services; and establishing vocational education for agriculture and manufacturing sectors. Both countries can support each other in export marketing – at regional and global markets as products and markets are similar. Both countries can cooperate in reducing trade costs, by improving the capacity of customs administration, trade logistics, by reducing bottlenecks at harbours or by creating new routes to harbours for South Sudan's exporters. Also they can build and improve their capacity with regard of SPS (Sanitary and Phytosanitary Standard) as health and quality assurances are increasingly important for exports and especially so for high value added exports. For both countries streamlining national customs procedures and harmonizing them with WTO rules are important measures. Both countries need to rationalize their trade incentives by simplifying and harmonizing taxes, fees and charges, by eliminating measures that restrict exports, and by introducing more uniformity and predictability into their trade policies. They also can support each other in strengthening trade promotion and trade policy-making institutions. Both countries have yet to build coherent trade policy regimes for the purpose of agro-industrial development as they were largely built for fiscal revenue purposes.

Trade promotion strategies are important as export successes depend on strategic action and on cooperation by public and private sectors. Creating competitive advantages is a task to be trained by enterprises on the basis of accumulated experience. Both countries need to move into this direction by converting comparative advantages into competitive advantages. Trade information for various products could be exchanged and niche products for export could be jointly developed, mainly in the border-states. National export promotion councils of both countries can develop sector export strategies so that enterprises can benefit from trade agreements and trade preference regimes. The trade policy-making capacity can be jointly improved.

While Sudan has to revitalize the huge agro-industrial capacities of the country for export, South Sudan can implement some of the plans for agro-industrial development that were already developed in the 1970s in the context of the (MEFIT) 1979 Regional Development Plan. The export potential of the border-states could be jointly developed by using growth diagnostics (for products such as livestock and meat, gum Arabic, oilseeds, medical plants, and other local goods).

Both countries can cooperate on regional integration, as Sudan is more oriented towards GAFTA and other Arab countries, while South Sudan is leaning towards EAC, but COMESA is relevant for both countries as well as the currently negotiated tripartite agreement for COMESA/EAC/SADC. Joint action towards regional integration would be beneficial for both countries by avoiding overlaps of memberships and related administrative costs. Pro-active strategies towards the Tripartite Agreement and a WTO membership are important, but also are steps to market traditional and new products in the South-South context on more favourable terms (with Asia and Latin America). Both countries have strong ties to Asian trade partners and could benefit from cooperation in production, marketing, logistics and by identifying new export products with higher value added.

Cooperation is urgent for all aspects of foreign investment – formulating common guidelines for investment acquisition and the control of impacts. Both countries lack a foreign investment strategy, but Sudan has more experience with such deals than South Sudan (in sectors such as oil and gas, hydropower, construction, and also in agro-industries). Both countries can join forces in their investment strategy towards agriculture and land and the upcoming expansion of agro-industry sectors. Most serious is the situation with regard of land deals – evidence on purposes of investment, impacts of investment, origin of finance, etc. is extremely scarce (Mosley 2012). New actors from Asia play a strong role in oil and gas, but could also become partners in agro-industrial development and manufacturing. Even the experiences with the development of Chinese export production zones in Africa ("African Shenzhen") could be discussed with the perspective of tripartite investment ventures in the border-states of the two countries (see Bräutigam/Xiaoyang 2011). The oil-producing states on both sides of the border may become the base for such export production zones. Both countries could exchange experiences on their deals with foreign investors.

Foreign investment policies need coordination by public and private sector actors and also at state levels. This is urgent in the border-states where cross-border cooperation is requested. South Sudan's capacities to control foreign investment in strategic sectors (oil and gas, hydropower and energy projects, agriculture and land, construction and telecommunication) are extremely low. Restructuring and reforming the oil industry in both countries is not only important for future investment and concession deals, but also for non-oil development in both countries. Issues of Corporate Social Responsibility (CSR) and of socioeconomic and ecological impacts on regions, states and localities are increasingly becoming important. New-type Production Sharing Agreements (PSAs) with adjustment clauses and new instruments to improve transparency in the oil sector are needed in both countries (World Bank, 2009, chapter 3).

The system of state-owned oil companies has to be reviewed in both countries, as it comprises enterprises dealing with regulation, equity management, exploration and production, oil-related services, refining, transport, marketing and distribution. Both countries need to unbundle the numerous corporations with regard of functions like policy regulation, technical and operational issues, licensing and contracting issues, fiscal and environmental issues (World Bank 2009, chapter 3). Steps towards commercialization/privatization may be discussed later and jointly. Carefully managed privatization deals may be part of such a review process. Cooperation between the state-owned companies of both countries, starting with an exchange of experiences, is a great chance to come to better terms with foreign investors. Sudan Petroleum Corporation, Sudapet and Nile Petroleum Corporation should continue/resume their early cooperation on many operational issues. Better investment deals and more favourable exploration, production, distribution and marketing strategies could be developed on this basis. The alternative of a complete separation of the oil industry and of the related complex of infrastructure and services has extremely high cost and leads ultimately to dependence from new foreign actors. Development of non-oil export sectors and regulating/restructuring the oil industry are tasks which cannot be separated and need cooperation of both countries from the onset.

Supplementary Programme 2: Private Sector Development, Private Public Partnerships, and Public-Private Sector Dialogue

Investors respond to the situation in neighbouring countries, and therefore an improvement of the investment climate is important for both countries. As all relevant governance and doing business indicators have deteriorated in both countries after a slight improvement in the first years of the transition period, there is urgent need for cooperative action. Chambers of Commerce and private sector associations can immediately start cooperation on the issues of improving the investment climate.

There is some recent information available about the doing business environment for private investors in both countries. The Doing Business Reports of the World Bank and other surveys (World Bank 2012, 2011b, Berhanu 2011) highlight some issues of investor's perceptions. For Sudan there is need for improving the efficiency of institutions, clarifying existing laws

and streamlining procedures for investors, but for South Sudan the fundamental institutions for private sector activity have just to be created and made working. For Sudan, there is a negative trend compared to the 2011 country rankings with regard of almost all aspects (starting a business, dealing with construction permits, getting electricity, registering property, getting access to credit – this criterion with a drastic negative change - , protecting investors, paying taxes, and enforcing contracts). Only two criteria of evaluation have an unchanged position from 2011 to 2012 (trading across borders and resolving insolvency). Problem areas in Juba/South Sudan are the incomplete legal and regulatory framework, the parallel working of new and customary law, the bad working of institutions, such as the Land Registry, and the lack of coordination between state institutions because of overlapping competences, weak institutional capacities and weak infrastructure. It is obvious that growth diagnostics could be very helpful to identify "binding constraints" for growth at state and county level; such analyses are more comprehensive than the doing business surveys. The Ease of Doing Business Indicators will not be performing this task.
Private sector institutions have a strong role to play a role that is neglected in both countries so far. A dialogue with public sector institutions can be organised. The border-states in both countries could start with public-private sector dialogue forums by discussing and negotiating improvements with regard of the investment climate. Chambers of Commerce, Federations of Industry and Trade, Agro-industry associations, agro-cooperatives, agro-dealers, coordinating agencies for small and medium enterprises, agro-industry value chain participant councils and public corporations can join forces in such dialogue forums. Studies (cross-country and country analyses) show that such dialogue forums can improve government policies and then will lead to more growth. These dialogue forums could be extended to become cross-border forums. Experiences show that generating data about the investment climate will ultimately lead to action for improvement of investment conditions because "what gets measured gets done" (World Bank 2011b, p. 9). Reforms can follow public information about bad business indicators if a dialogue about the facts is freely and widely opened. Also public-private partnerships can contribute to these reforms if they are discussed and initiated by such policy forums. While these partnerships may be very important for the provision of infrastructural services, they can also be used for policy formation purposes, even cross-border.

Supplementary Programme 3: Infrastructure Development and Services Provision

Provision of finance, transport and other infrastructure services depends on cooperation between the two Sudans, not only in the border areas although these are the key regions for connecting the two countries with roads, electricity, water transport and rail networks. Although these services were traditionally neglected in Sudan and especially so the infrastructural "bridges" between North and South, outlines/blueprints for action programmes show that improvements can be initiated quickly and financed and executed with great benefits for both countries if the political will is there (see World Bank 2009, chapter 5).
Access to finance is a major problem for entrepreneurs and farms in both Sudans, and reforms and corrective actions could be undertaken with regard of improving the banking systems and the rural finance and microfinance systems. Also, new forms of cooperation in banking and finance are needed and are possible despite of the two prevailing different banking systems. The Islamic and the conventional banking systems can develop cross-border wings for payments, savings and credit, and for working capital finance and long term credit. The border-states will depend on such wings of the local finance institutions and banks. Any integration of agro-value chains across border (such as in Upper Nile State and the neighbouring four states in the North) will request such finance wings on both sides of the border. Such wings are working without problems between Islamic and conventional banks in international trade elsewhere.

Finance for the agriculture sector was declining for long in Sudan, so that both countries need new ventures and instruments to go ahead with finance for agro-industrial development strategies. Rain-fed small-farming in Sudan has not received more than 3% of formal agricultural credit in the past (World Bank 2009, p. 97). No comprehensive finance sector approach is visible in the two states to change these patterns. Central Bank of Sudan/CBoS and Bank of Southern Sudan/BoSS can jointly develop National Visions for Rural Finance and Microfinance, especially because the border-states need an integrated development perspective. Although the Multi-Donor Trust Funds (MDTFs) did some lending in this regard, the outcome is negligible because of the continuing North-South conflicts. The policy of 2007 to mandate commercial banks to lend for microfinance at least 12% of their lending portfolio seems not to work properly (World Bank 2009, p. 98). The Multi-Donor Trust Funds (MDTFs) and other donor institutions/instruments have supported such moves, but actions were not taken with a cross-border perspective. The regulatory capacity for deposit-taking and non-deposit taking microfinance institutions needs to be improved by both central banks, but also for cross-border lending.

Financial systems in both states have serious weaknesses. The link of government financing of infrastructure (like the huge dam projects) with Islamic finance instruments by Islamic banks in Sudan led and leads to a crowding out of private sector investment and allows for the generation of high fiscal deficits. Government arrears to private banks lead to non-performing loans in the banking system, and weaken the financial system considerably. The financial system in the South is rudimentary, largely based on some affiliates of foreign banks and weakly managed (World Bank 2009, chapter 5). The low share of funds directed to the productive sectors is a problem in both states and should become a target for cooperation. Both countries suffer from inefficient land and property rights and inadequate land registries which are limiting longer-term finance of agriculture and industry.

Trade and transport costs are high because of inadequate transport infrastructure in and between the two states (World Bank 2009, chapter 5). Infrastructure plans started after the CPA, also with donor assistance, but cross-border links were not really envisaged. New infrastructure plans in both countries should be coordinated by the two central governments and also by their local governments based on growth diagnostics and on assessments of horizontal inequalities. A balance between specific support of infrastructure for growth regions and a more general support to give peripheral regions access to basic infrastructure services, like transport networks, water, electricity, telecommunications, and health and education, is needed. The border-regions need special attention in these infrastructure plans, also for the purpose of peace-building and reconstruction. Job creation by building basic infrastructure via labour-intensive public employment programmes is an opportunity, but was used only unsystematically in the transition period. These are multi-purpose programmes with considerable multiplier effects as examples from Ethiopia and other countries show. In the case of hydropower installations the building of dams should be coordinated between Sudan and South Sudan on the basis of long-term agro-industrial development programmes because of important environment, economic and political reasons, but also to avoid expensive future over-capacities.

Supplementary Programme 4: Poverty Alleviation, Social Policy and Human Development

In both countries the direct poverty alleviation programmes and the formal social security systems are very limited in volume and coverage, thereby not being able of addressing horizontal inequalities. The Household Surveys and the Poverty Profiles show a further deterioration of the social situation since the 1990s as even parts of the middle class were impoverished. The human development investments for health and education are very low and bypassing traditionally neglected areas, thereby perpetuating and deepening horizontal inequalities (although advice on pro-poor strategies is given; see Sahn/Younger 2012). More than that, macroeconomic policies never have worked pro-poor. The pro-poor expenditures (of only 5.5% of GDP in 2006; World Bank 2007, p. vii) did not meet the targets set by governments and donors, and there may also be problems with the proper use of funds for these purposes so that horizontal inequalities were not really addressed (see World Bank, 2007 on the methodology for measurement of pro-poor expenditures).

Cooperation between the two Sudans is possible – in the form of direct labour-absorbing infrastructure programmes in the border regions, and also by long-term commitments to use oil revenues and oil funds for social cash payments (conditional or unconditional). The Alaska model may be consulted by both Sudans (Hartzok 2002; Jason Hickel 2012) for redirecting funds towards priority sectors. Education and health sector development expenditures have to be planned on a long term basis in both states (see Sahn/Younger 2012 on proposals for the expenditure priorities), and labour market interventions to fight youth unemployment and to create employment should have priority in both states (see AfDB et al., 2012 on the issue of youth unemployment in the two Sudans). These three policy areas (education, health, labour market) are important for dynamic labour markets, for employment creation and for broad-based development. Macroeconomic policy coordination for poverty alleviation can be effective – as sound productive sector policies, infrastructure policies, and trade and investment policies can provide a lot of new employment. Donors could more systematically support cross-border and cross-sector action for employment creation. Only real peace in the border regions will however provide policy space for a conversion of humanitarian assistance funds to reconstruction and development expenditures.

The cooperation in social assistance affairs has to be extended also to the residents in the other Sudanese country and to the groups of people who have entitlements because of long years of work in the other part of the Sudan, may this be either in civil service or in other public and private formal sector functions.

Supplementary Programme 5: Coordinating and Integrating Donor Interventions and Humanitarian Assistance

The divisive impact of development aid directed to the North and to the South in the transition period without having integrated cross-border and cross-sector programmes was a cause of great failure. Donors should support the five core and the supplementary programmes by cross-border and cross-sector funding. Border-states should be supported by aid as a unified development region, especially by funding agro-industrial development on the basis of an elaborated STI framework. In order to impact on the horizontal inequalities, the traditional rain-fed farming sector should get preference (despite of the huge dams building programme in the North so as to increase irrigated farming and despite of the selective commercialization of agriculture by land deals in the South). Fiscal policy cooperation could be supported by capacity-building measures also for states, localities and counties. Also capacity-building for environment, climate adaptation and land policies at all state levels is important. Such priorities of donors and such a donor coordination approach can impact on the horizontal inequalities and can then reduce intensity and spread of conflicts across borders. Such a donor approach can be seen as a most effective preventive conflict management strategy.

New approaches to link security, development and aid are discussed widely and could now be applied in the case of the two Sudans (see the suggestions - by World Bank 2011a - in the recent World Development Report 2011). Violence and conflicts can be reduced by investing in job creation in insecure areas, providing risk reduction assistance, combining programmes for risk assessment with support for security and justice reforms, supporting mediation institutions, and developing new risk management tools for the benefit of national institutions where governance is weak. Returns to such programmes of conflict prevention can be high, especially when combined with cross-border development initiatives and with measures to manage land and natural resources more effectively for long-term benefit (World Bank, 2011a). A lot of aid funds could be saved because of synergies of such an approach.

The Way Forward

The Strategic Framework as discussed above will affect the management of interdependence and the chances for reduction of horizontal inequalities as a source of conflicts between and within the two countries. A development programme for the ten border-states on the basis of a negotiated settlement of the major conflict issues would be the first priority. The framework for the management of the oil sectors and the formulae for the division of oil revenues have to be conceived long-term. Then the design and implementation of realistic and STI-based agro-industrial development strategies with clear targets for both countries will follow, based on a participatory approach and a growth and poverty diagnostics.

At all levels cross-border dialogue forums are needed to define strategies (from visions to action plans and implementation steps), to formulate binding frameworks (as formal or informal agreements, with incentives systems rather than sanctions), and to decide at which level cooperation should start (exchanging information, identifying binding constraints for growth and poverty reduction, discussing policy issues of common interest, and coordinating policies with specific targets set). Trust among partners and long-term commitment for institutional cooperation can be developed on this basis.

Dialogue forums between private sector and public sector actors are most important as cross-country studies show that growth is positively associated with such forms of interaction when they are sustained. Sudan has no tradition in this regard, but both states should move in this direction, also with dialogue forums extending their mandate across the border.

As the Annex Tables 1 and 2 reveal, for all ten programme components participatory action is possible and highly advisable, also by including partners across the border. Networking these participants (from the side of governments, private sector associations and enterprises, stakeholders in agro-industrial value chains, civil society, professional organizations, research and development community, media, and the donor community) both vertically and horizontally will be part of the implementation of the Strategic Framework. Cooperation will start at lower levels of cooperation but progression towards higher levels is feasible.

In order to implement such a Strategic Framework, the lessons from the political economy of reform policies should be considered. This means that the initial conditions (and fears) of both sides, the perspectives of the stakeholders and the dynamic steps of actors towards sustained commitment deals play a role. The Strategic Framework is, first of all, an instrument to create trust and commitment. Both countries need to move from visions and loose plans to action plans and committed implementation. Also in this regard the Strategic Framework will be helpful.

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Annex Tables

Annex Table 1: A Strategic Framework for Economic Cooperation, Five Core Programmes

Cooperation Strategy/ Core Components of the Programme	**Objectives**	**Subject Areas**	**Geographical Coverage**	**Actors**	**Implementation Modalities**
Core Programme 1: Border-States Development Programme	Enabling Environment for Cross-border Economic Activity	Infrastructure; Support for Agro-industries; Social Safety Nets	Ten Border-states and Abyei region	Central and State Governments; Private Sector Institutions; NGOs; Donor Agencies	Synchronising National Development Visions, Development Plans, and Action Plans for 10 years; Development Plans and Action Plans for the ten Border States
Core Programme 2: Agro-industrial Development	Creating viable Agro-industrial Value Chains with support of Cross-border Linkages	Irrigated Agriculture; Semi-Mechanized Farming; Traditional Rain-fed Farming	All states in Sudan and South Sudan plus Abyei	Central and State Governments; Private Sector Agro-industry Enterprises and Associations; Value Chain Participant Councils	Agro-industrial Development Plans covering major subsectors and functional areas; Action Plans for 10 years
Core Programme 3: Medium-and Long-Term Public Finance Strategy	Agreeing on Division of Oil Revenues; "Permanent Income" Expenditure Policy; Revenue and Expenditure Policies for Growth and Pro-poor Development of States; Reduction of Horizontal Inequalities	Public Revenues and Public Expenditures at all State levels; Growth and Poverty Diagnostics as the basis; Long-term Perspective for Development Expenditures	Development Expenditure Priorities for the ten Border States; Change of Grant in Aid allocation by Central Government according to level of Horizontal inequalities	Central and State Governments; Local Governments; role of Local Associations – "Alliance for Growth and Poverty Reduction"; Transparency-enhancing Institutions	Coordinating Budgets, Fiscal Plans, Development Expenditure Priorities and Reviews; Medium-term Perspective of 10 years; Supporting Fiscal Policy Action Plans for Border States; Mobilizing for Public-Private-Partnerships; Cross-border Coordination of Donor Funding and Priorities
Core Programme 4: Development of STI and National Innovation Systems	Linking the STI Policies and the National Innovation Systems for Development of Border States, for Growth and	Building Human Capacities for Agriculture and Food Industry, High Value Export Products,	Nation-wide, but with emphasis on Agricultural Innovation Systems in Border States, and for other	Public Regulatory and STI Planning Agencies at all State Levels; Training, Education and Research	Coordinating all STI Plans and Policies, and the respective Plans/Measures/Instruments for the Border States; Common Action Plans for Technical, Scientific and Vocational Education

	Poverty Reduction of other States, and for Productive Sector Development; Common use of training, technical and scientific institutions	Agricultural Research and Extension, Development of Appropriate Technologies, and for Water, Roads, Energy Systems Management	States according to their Growth and Poverty Diagnostics	Institutions; Private Sector Innovators; Innovation Finance Institutions; Commercial and Technical Advisory Enterprises; International Co-operation of Partners on R&D	Institutions; Medium-term Perspective of 10 years
Core Programme 5: Environment, Climate Change Adaptation, and Land Policies	Combatting land degradation, desertification, and deforestation; Developing sustainable land use patterns and land policies; Developing pro-active strategies of climate change adaptation; Sustainable development programmes for border-states	Sustainable Irrigated Agriculture, Semi-mechanized and Traditional rain-fed Agriculture; Sustainable livestock systems and agro-industries; Oil production and transport; Sustainable water, energy, and transport systems; Long-term land lease policies	Country-wide but priority for border-states and states with growth and poverty diagnostics; Areas most affected by civil war and unsustainable land use	Central government, state governments, local governments; Private sector institutions and foreign investors; Local and international environmental NGOs, and donor agencies	Synchronising environmental plans and actions; Coordinating policies and measures to combat land degradation; Coordination of measures for climate change adaptation; Cooperation on Nile Waters Initiatives and water allocation policies
Integration of Core Programmes	Capitalising on Synergy Effects	All as indicated above	As indicated above	Coordination by public-private sector dialogue forums	Synchronisation of Development and Sector Plans for medium-term and long-term action

Annex Table 2: A Strategic Framework For Economic Cooperation, Five Supplementary Programmes					
Cooperation Strategy/ Supplementary Components of the Programme	**Objectives**	**Subject Areas**	**Geographical Coverage**	**Actors**	**Implementation Modalities**
Supplementary Programme 1: Foreign Trade and Foreign Investment, Regional and Global Integration	Developing common regulations, guidelines and policies for international trade and foreign investment; Coordinating export promotion policies for specific agro-	Trade Policy Formation; Export Promotion Policies; Foreign Investment Policies, especially for natural resources, land and agro-industry; Cross-border trade and investment promotion; Coordinating regional integration policies	Country level, States level and Border-states level;	Central and State Governments; Private Sector Trade and Investment Institutions; Agro-industry Value Chain Participant Councils; Chambers of Commerce and Trade	Synchronising Foreign Trade and Investment Plans with Development Plans and Action Plans

	industrial value chains; Stimulating cross-border trade; trade facilitation at borders			Associations; Donor Agencies	
Supplementary Programme 2: Private Sector Development, Private Sector Dialogue, Private-Public Partnerships	Coordinating private sector development policies and privatization policies; Market development policies; Establishing private-public sector dialogue forums and public-private partnerships; Private-public sector programme for border-states	Privatization policies; land policies; Promotion of agribusiness; Private-public sector initiatives on industrial policy; Employment policies and labour market initiatives; Growth diagnostics for private sector development in the states	Country level and state level; Border-states development region	Central and State Governments; Private Sector Associations at central and state levels; Agribusiness development agencies; Value Chain Participant Councils	Dialogue Forums at country and state levels; Coordinating Value chain participant councils with government policymakers
Supplementary Programme 3: Infrastructure Development and Services Provision	Coordinating plans for infrastructure development and services provision; Developing integrated infrastructure plan for border-states; Coordinating development of finance infrastructure and "bridging" the two banking systems	Main transport sectors (railway, roads, air transport, river transport); Finance sector reforms, especially rural finance and microfinance; Trade logistics and telecommunications; Coordinating Nile Waters distribution and hydropower development	Country level and state level; Covering especially the border-states	Central and State Governments, Local Governments; Coordinating with private sector, value chain participant councils and donors; Governors Meetings of border-states region	Coordinating Infrastructure Plans with Development Plans and Budgets; Developing jointly Financial sector reforms; establishing Public-Private-Partnerships for infrastructural projects; Cross-border Coordination of Infrastructure Development
Supplementary Programme 4: Poverty Alleviation, Social Policy and Human Development	Coordinating Poverty Alleviation, Social Policy and Human Development strategies; Employment Creation by Labour-intensive Public Works programmes; Joint development of youth employment programmes; Clearing unresolved separation issues on social security, social entitlements and	Poverty alleviation Strategies, Social Policy Formation, Human Development Strategies; Capacity-building for social security and human development institutions; Macroeconomic policy reforms for poverty alleviation; Development of oil revenue funds for social cash payments	Country-level and state-level; Regions which are mostly disadvantaged and border regions	Central, state and local governments, NGOs, donors; Cross-border institutions for development; Private sector for employment creation	Coordinating Poverty Alleviation Strategies, Social Policies, and Human Development Policies with Development Visions, Plans and Action plans; Starting implementation in border regions and in most disadvantaged states

	pensions				
Supplementary Programme 5: Coordinating and Integrating Donor Interventions and Humanitarian Assistance	Starting with cross-border, cross-sector and cross-issues programmes; Integrating security, conflict prevention and development initiatives; Coordinating donor strategies by defining common priorities and implementation plans	Development of Border-regions and of most neglected states in both countries; Concentration on STI-based development of rain-fed agriculture; Capacity-building for fiscal policy formation and planning, and for environment policy, climate change adaptation and land policies	Country-level and state-level; Level of border-region; Most disadvantaged areas; Regions with growth and poverty diagnostics	Central government, state governments, local governments, all donor agencies (multilateral and bilateral), private sector institutions, local and international NGOs	Development of cross-border, cross-sector action plans; Synchronising these action plans with development plans; Giving preference for low-cost solutions by using local and regional knowhow; Speeding up the move from human assistance action to reconstruction and development action
Integration of Core Programmes	Capitalising on Synergy Effects	All as indicated above	As indicated above	Coordination by dialogue forums	Synchronisation of Development and Sector Plans for medium-term and long-term action

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