

NAKURU DRAFT FRAMEWORK (PART I)

DRAFT FRAMEWORK FOR RESOLUTION OF OUTSTANDING ISSUES ARISING OUT OF THE ELABORATIONS OF THE MACHAKOS PROTOCOL

PART 1- POWER SHARING

1.0 Presidency

10.1 There shall be: A partnership and collegial decision-making process within the Institution of the Presidency in order to safeguard the Peace Agreement;

10.2 Until such time as elections are held, the current incumbent President (or his successor or nominee) shall be President and

Commander-in-Chief of the Sudan People's Armed Forces (SPAF). The Vice President shall be the current SPLM/A Chairman (or

his successor or nominee) who shall at the same time hold the post of Chairman/Head of the Government of Southern Sudan and

Commander-in-Chief of the Sudan People's Liberation Armed Forces (SPLAF), the armed force previously referred to as the Sudan People's Liberation Army (SPLA);

10.3 The President shall be elected in national elections; the position of Vice President shall be filled by the person who has been

elected to the post of Chairman/Head of the Government of Southern Sudan. However, in the eventuality that a person from the

South wins the Presidential elections, the non-southerner with the most votes from the Northern States in the Presidential elections

shall become the Vice President.

1.4 In respect of the following matters, the President shall take decisions with the consent of the Vice President, namely:

1.4.1 Declarations of states of emergency or states of national defence and their respective termination;

1.4.2 All appointments that the President is required to make in terms of the Peace Agreement and the Legal and Constitutional

Framework governing the Interim Period on (e.g. the Interim National Constitution) including, inter alia, appointments with

respect to Courts of Law, the Council of Ministers, and National Commissions; and

1.4.3 Summoning, adjourning, or proroguing the National Legislature.

1.5 Should the post of President fall vacant, the office of the President shall be filled by a person elected by the National Assembly.

Should the post fall vacant in the period prior to the elections referred to in the Peace Agreement, the post shall be filled by a

person nominated by the National Congress party. Pending the elections of the new president by the National Assembly referred to

above or the swearing in of the President nominated by the National Congress Party, as the case may be, the function of the

President shall be assumed by a Presidential Council comprising the Vice President, who shall be Head of State, the Speaker of

Parliament, and the Minister of Defence who shall be Commander in Chief of the SPAF. The Presidential Council shall take its

decisions by consensus.

1.6 The Interim National Constitution shall detail the mechanisms necessary for decision-making on an urgent basis.

1.7 If the President and the Vice-President agree, particular functions of the President or Vice President may be allocated to a Minister

or other Government official to exercise.

2.0 Government of Southern Sudan Executive

2.1 Until such time as elections are held, the current SPLM/A Chairman (or his successor or nominee) shall be Chairman/Head of the Government of Southern Sudan (GOSS). He shall at the same time hold the post of Vice—President of the Sudan and Commander-in-Chief of the Sudan People's Liberation Armed Forces (SPLAF). The Vice-Chairman of the GOSS shall be appointed by the chairman. The Southern Assembly shall ratify such appointment by a simple majority vote.

2.2 The Chairman and Vice Chairman of the GOSS shall be elected by the people of Southern Sudan. Such election shall be held at the same time as elections at all other levels of government.

2.3 Should the post of the Chairman of the GOSS fall vacant in the period prior to the elections referred to herein, the post shall be filled by a person nominated by the SPLM/A. Pending the swearing in of the Vice Chairman as Chairman or the swearing in of the Chairman nominated by the SPLM/A, as the case may be, all functions of the Chairman of the GOSS shall be assumed by a Chairmanship Council comprising the Vice Chairman, who shall be Head of the GOSS, the Speaker of the Southern Assembly, and the Minister of the GOSS responsible for defence matters who shall be Commander-in-Chief of the SPLAF. The Chairmanship Council shall take its decisions by consensus.

3.0 Seat of the National Government and- National Legislature

3.1 The National Capital shall be a symbol of unity that should reflect the diversity of the Nation. Khartoum city shall be the Capital of the Republic of the Sudan. A district within the city of Khartoum, within which the buildings and offices of the national government are situated, as well as the site of the National Parliament, shall be known as the Capital District of the Sudan. This district shall be precisely designated by the parties during the interim Period;

3.2 All human rights and fundamental freedoms as specified in the Machakos Protocol, including respect for all religions, beliefs and customs, and the text on religious rights, shall be respected and enforced in the National Capital, as well as throughout the whole of Sudan, and shall be enshrined in the Interim National Constitution;

3.3 Religion shall not be used as a divisive factor, and in particular, free access to the seats and locations of the National Government and National Legislature shall be accorded to all Sudanese on the basis of citizenship and no Sudanese citizen shall be discriminated against or subjected to harassment on the basis of his or her religion, beliefs, or customs;

3.4 The National Assembly shall be responsible for the administration of the Capital District and in enacting laws, and bylaws, shall take into account the religious and cultural diversity of the Sudanese people.

3.5 Pending the comprehensive enactment of laws: and bylaws for the Capital District, all existing legislation applicable to the District shall be reviewed by a joint Committee of both houses of the National Legislature.

3.6 There shall be a National Capital Police which shall be responsible for law enforcement within the area of the location of the National Government and the National Legislature. More detailed responsibilities will be elaborated in Security Arrangements.

3.7 The National Assembly's power to administer the Capital District may be extended to such other districts comprising a concentration of national government offices and institutions, whether in the Southern Region or outside it, as the national legislature decides by a two-thirds (2/3) majority in both houses. Such capital areas shall have a special status and shall not be considered a state or part of a state. Should the National Assembly decide that a national judicial, executive or legislative function shall be undertaken from a city other than the Capital City, the locations where such functions are undertaken should also be administered by the National Assembly.

4.0 Percentages

4.1 With respect to the distribution of civil service posts and targets, the Parties recognize that:

- 4.1.1 Imbalances and disadvantages exist which must be redressed;
- 4.1.2 Merit is important and training is necessary;
- 4.1.3 There must be fair competition for jobs in the National Civil Service.
- 4.1.4 No government department shall discriminate against any qualified Sudanese citizen on the basis of religion, ethnicity, religion, gender, or political beliefs;
- 4.1.5 The civil service will fairly represent all the people of the Sudan and will utilize affirmative action and on the job training to achieve equitable targets for representation within an agreed time frame; and
- 4.1.6 Additional educational opportunities should exist for war- affected people.

4.2 In order to create a sense of national belonging and address imbalances in the National Civil Service, a National Civil Service Commission shall be established with the task of:

- 4.2.1 Formulating policies for recruitment into the civil service, targeting between twenty-five -percent to thirty-five percent (25% to 35%) of the positions for people of the South who qualify. Such figures shall be confirmed upon the outcome of the census referred to herein;
- 4.2.2 Filling not less than twenty percent (20%) of the middle and upper level positions in the National Civil Service (including the positions of Under. Secretaries) with qualified persons from the South within the first three years and achieving the final target figure referred to in 4.2.1, above, within five years; and
- 4.2.3 Reviewing, after the first three years, the progress made as a result of the policies and set new goals and targets as necessary, taking into account the census results. Where targets have not been met as the result of the absence of qualified applicants, the Commission shall so indicate and set out recommendations in respect thereof. The said review shall be placed before the National Legislature within six (6) months of the period referred to in this sub-paragraph.

4.3 With respect to the composition Legislature: National Assembly and Council of States, the Parties recognize that:

- 4.3.1 there should be equitable representation of the South in both legislative chambers.
- 4.3.2 relevant considerations should be taken into account in determining what constitutes equitable representation;
- 4.3.3 A population census shall be conducted prior to elections, and in any event, no later than the end of the first half of the Interim Period;
- 4.3.4 pending elections, the National Assembly shall consist of such members in the below designated proportions:

4.3.4.1 Sixty-six and two thirds percent (66.6%) being members representing the North of whom fifty one (51%) of the total number of Assembly members shall be from the current National Assembly and fifteen and two-thirds percent (15.6%) shall be from otherwise unrepresented forces or parties so as to promote inclusiveness and stability; and

4.3.4.2 Thirty-three and one-third percent (33.3%) being members from the South of whom twenty-six percent (26%) of the total number of Assembly members shall be appointed by the SPLM/A and seven and one-third percent (7.3%) shall be from other forces, parties or sitting members from the South so as to promote inclusiveness and stability.

4.4 Notwithstanding the proportions listed herein, the Parties may, by mutual agreement, vary these proportions if they determine that such variation is necessary in order to promote greater inclusiveness.

4.5 Pending elections, the Council of States shall be comprised of two (2) representatives from each state on the basis that there are sixteen states in the North and ten states in the South as set out in the current National Constitution. However, the Southern Sudan Assembly may adjust the number of States at any stage during the Interim Period, including at the outset, so long as the creation of new states or reduction of existing states does not have the effect of changing the proportional representation of states in the North to states in the South in the Council of States. Regardless of the number of states created or reduced, the Southern states shall have nearly as possible the representation as set out above which is recorded as thirty-eight percent (38%). The number of states and the representation of such states must be approved by the Southern Sudan Assembly.

4.6 For voting purposes, a Seventy-five percent (75%) majority of both chambers sitting separately is required to amend the Interim National Constitution or any aspect of the Peace Agreement; a sixty-six and two-thirds percent (66.66%) majority in the second chamber is required to pass legislation that affects the interests of the states; and a simple majority vote is required to pass all other legislation.

4.7 National Ministries

4.7.1 Cabinet Posts and portfolios in all clusters, including the Sovereignty Ministries, shall be shared equitably and qualitatively by the two parties;

4.7.2 SPLM/A representation in each of the Ministries/clusters shall be at least twenty-five percent (25%) (such representation

means both twenty-five percent (25%) of the Ministers and Deputy Ministers);

4.7.3 The National Congress Party representation in each of the Ministries/Clusters shall be at least fifty percent (50%) (such

representation means both fifty percent (50%) of the Ministers and Deputy Ministers);

4.7.4 The representatives of other Parties or Forces in the Ministries/clusters shall be at least fifty percent (50%) (such representation means

both fifty percent (50%) of

the ministries and devolve, the Parties may, by mutual agreement, alter these percentages if they determine that to do so would

promote greater political inclusiveness and support of the Peace Agreement;

4.7.6 the precise allocation determined once the Arrangements have been

5.0 Appointment of Governors

5.1 Until elections for governors are held, governors shall be selected by the state legislature concerned and approved by the

Presidency. The legislature shall submit a shortlist of candidates to the Presidency indicating their preference and the Presidency shall

select a governor from among the candidates on the shortlist. In the event that there is no consensus in the Presidency, the view of the

President shall prevail in respect of Governors from the Northern States and the view of the Vice President shall prevail in respect of

Governors from the Southern States. Special arrangements shall be negotiated in respect of governors of the Conflict Areas.

6.0 Inclusiveness

6.1 The parties recognize the need for inclusiveness so as to ensure the sustainability of the interim agreements through a broad based

Government of National Unity. In this regard, the structures of both Northern and Southern States and of the National Government shall

include political parties and forces other than the two Parties to this Agreement. Both Parties recognize the need to include members of parties

in opposition to the institutions created by the Peace Agreement without denying their own respective responsibilities for, and leadership of, the

Peace Process. The Parties shall work together to identify and agree upon the proper inclusion of the full diversity of political opinion.

7.0 Border Commission

7.1 There shall be established a National Border Commission which shall have all necessary powers to review any and all changes

to the internal borders of the Sudan and make recommendations to the National Legislature to determine the internal boundaries and to

return all areas to the administrative boundaries as they stood on 1/1/56.

8.0 Amnesty, Reparations, Truth, Justice and Reconciliation.

8.1 In a future dispensation, the Parties recognize the need to provide for a balanced, even-handed and holistic

8.1.2 Truth and understanding in regard to the conflict, its consequences, its causes, and the identity of its victims;

8.1.3 to promote justice and the prevention of human rights abuses in the future, without promoting' a spirit of vengeance;

8.1.4 to promote reconciliation, forgiveness without forgetting, trust, understanding, national unity, patriotism and mutual respect;

8.1.5 to provide, as appropriate, compensation/reparations for those who have suffered loss as a result of the conflict.

8.2 The Parties agree to establish and agree upon a comprehensive mechanism to operate during the Interim Period, which will give effect to the issues listed above.

9.0 Substantially Agreed Text

9.1 The Parties agree that should there be an agreement on the outstanding issues as listed above, and without further negotiations

between them, to the incorporation in the consolidated text of the entire text as elaborated in a document entitled " Final Draft 2

Protocol o Power Sharing.

10.0 PART TWO: WEALTH SHARING

10.1 The Parties agree that the below provisions shall serve as the basis for a comprehensive text on wealth sharing:

10.2 Guiding principles in respect of an equitable Sharing of common wealth.

10.2 The wealth of Sudan must be shared equitably so as to permit each level of government ID discharge its legal and constitutional responsibilities and duties.

10.3 The determination of macro-economic policies shall be a duty and responsibility of the National Government and shall take into account the needs of the different parts of the country.

10.4 The National Government shall also fulfil its obligation to provide grants/transfers to the Government of Southern Sudan.

10.5 The sharing and allocation of wealth emanating from the resources of the Sudan shall ensure that the quality of life, dignity, and living conditions of all the citizens are promoted without discrimination on grounds of gender, race, religion, political affiliation, ethnicity, language, or region. The sharing and allocation of wealth shall be based on the premise that all parts of Sudan are entitled to development.

10.6 The parties agree that the Southern Sudan faces serious needs: (i) to be able to perform basic government functions, (ii) to build up the civil administration, and (iii) to rehabilitate and reconstruct the social and physical infrastructure in a post-conflict Sudan.

10.7 Southern Sudan, and those areas in need of construction/reconstruction, should be brought up to the same average social/economic

standard and public services as the Northern states. To achieve these objectives will take time and effort to build up local capacity-institutional,

human, and economic. - For this purpose, two special funds shall be established as provided herein.

10.8 That revenue sharing should reflect a commitment to devolution of power and decentralization of decision-making in regard to

development, service delivery and governance.

10.9 The development of infrastructure, human resources, sustainable economic development and the capacity to meet human needs shall be

conducted within a framework of transparent and accountable government.

10.10 The best-known practices in sustainable utilization and control of natural resources shall be followed.

10.11 This Agreement sets out the respective types of income, revenue, taxes and other sources of wealth to which the various levels of government are entitled.

10.12 The parties recognize that during the Interim Period, the National Government will need to mobilize additional national resources.

10.13 There is a limit on how much additional national resources can be mobilized and part of the national needs in a post-conflict Sudan will have to be met by external assistance.

10.14 The National Government shall not withhold an allocation due to a state or the Government of Southern Sudan. An Organ or

level of Government may approach the Constitutional Court should any other organ or level withhold monies due to it. The National

Government shall make transfers to the Government of Southern Sudan based on the principles established for all states.

10.15 In agreeing to these wealth-sharing arrangements the Parties signal to the international community that it will have to play a

strong and constructive role in providing post-conflict construction/reconstruction assistance to Sudan.

10.16 During the Interim Period and in cooperation with international organizations the National Government of Southern Sudan will

develop and implement a program for capacity enhancement in the South. The highest priority should be public finance and

intergovernmental relations in order to ensure accountability.

11.0 OWNERSHIP OF LAND AND NATURAL RESOURCES LAND

1.1 For the purpose of this agreement:

1.11 Subject to paragraph 11.2, "land" means the surface and subsurface and includes rights in land;

1.12 "rights" includes, but is not limited, to ownership rights;

1.13 "subterranean natural resources" means minerals naturally occurring in the subsurface.

11.2 Without prejudicing the Parties' positions with respect to ownership of subterranean natural resources, including in Southern

Sudan, this Agreement is not intended to address the ownership of those resources. The Parties may agree to establish a process to resolve this issue.

1.13 The Parties agree that the regulation, management, and the process for the sharing of wealth from subterranean natural resources are addressed below.

1.14 The parties record that the regulation of land tenure, usage and exercise of rights in land is to be a concurrent competency exercised at the appropriate levels of government taking into account the regulatory principles dealt with elsewhere in this Agreement, such as environment and water.

11.5 Rights in land owned by the Government of Sudan shall be exercised through the appropriate or designated levels of Government.

11.6 The Parties reaffirm the principle that Sudanese law pertaining to land, including in Southern Sudan, is based on, among other things, local customary laws and traditional communal rights to land.

11.7 The Parties agree that a process be instituted to progressively develop and amend the relevant laws in accordance with paragraph 11.6 and to incorporate international trends and practices.

12.0 Land Commission

12.1 A National Land Commission (the 'Land Commission') shall be established in accordance with other provisions~ in this

Agreement. It shall establish state or regional branches in cooperation with sub-national governments, specifically in Southern Sudan. The Land Commission and each of its branches shall have the power to investigate and make recommendations to the appropriate levels of government concerning:

12.2 Content of customary/communal land rights;

2.12 the relationship between customary/communal land rights and other rights in land;

2.13 the criteria for recognising customary/communal land rights;

2.14 the principles for deciding whether and to whom compensation should be paid as a result of recognition of customary/communal land rights.

2.2 The Land Commission and its state or regional branches shall be independent and exercises its competences. It may be assisted by appropriate experts.

2.3 The Land Commission shall set national policies to guide the performance of its functions and that of the state or regional branches, and shall coordinate the work of the state or regional branches.

12.4 The Land Commission and its state or regional branches shall be guided by international best practices and internationally accepted criteria for recognizing traditional customary law.

12.5 The Land Commission and its state or regional branches may conduct hearings and otherwise regulate their own procedures.

12.6 Without prejudicing the jurisdiction of any court, the land Commission and its state or regional branches may offer to conciliate among the parties making representation to it in respect of any question before it regarding land in order to reach an agreed position

with respect to the recognition of customary/communal land rights, and if the parties agree, will so conciliate.

Any amendment of the law should take into account international human rights covenants signed by the Republic of the Sudan, and the recommendations of the Land Commission.

Each level of government in the Sudan shall support the process and it is the work of the Land Commission and state or regional branches.

30 SUBTERRANEAN NATURAL RESOURCES

3.0 The Parties agree that the basis for an agreed and definitive framework for the sharing of the wealth emanating from subterranean natural resources shall include the following:

3.1 The framework for sharing wealth from the extraction of subterranean natural resources will balance the needs for national development and reconstruction and development of Southern Sudan.

3.1.2 Persons enjoying rights in land deserve compensation on just terms arising from acquisition or development of land for the extraction of subterranean natural resources from the area in respect of which they have rights.

3.1.3 Persons enjoying rights in land shall be consulted and their consent shall be sought in respect of decisions to develop subterranean natural resources from the area in which they have rights, and share in the benefits of that development.

3.2 The state in which development of subterranean natural resources occurs has the right to participate in the negotiation of contracts for the development of those resources.

The parties agree that there shall be established a process to regulate the development of non-petroleum subterranean natural resources.

4.0 Petroleum Commission

4.1 The Parties agree that a Petroleum Commission shall be during the Pre-Interim Period. The Petroleum Commission shall be accountable for its budget to the National Assembly.

4.2 The approval of development and exploitation of all petroleum resources shall only be carried out through the Petroleum Commission.

4.3. Taking into account the provisions elsewhere in this Agreement, the Petroleum Commission shall be constituted, by the following persons or their representatives:

4.3.1 Minister of Energy: Chair & Rapporteur; Permanent Member

Minister of finance and National Economy: Permanent Member

Minister of Investment: Permanent Member

Minister of International Cooperation: Permanent Member

Representatives of Government of Southern Sudan: Permanent Members

Representative(s) of Petroleum Producing State(s): Member(s)

Auditor-General (ex-officio): Permanent Member

The Petroleum Commission shall have the following functions:

Formulate public policies and guidelines relating to the development and management of the petroleum sector. These policies and guidelines shall have regard to:

the national interest and the public good;
the interest of the affected states;

the interests of the local population in affected areas;
national environmental, biodiversity conservation, and cultural heritage protection

Monitor and assess the implementation of those policies to ensure that they work in the best interests of the people of Sudan.

4.4.3 Approve all oil contracts for the exploration and development of oil in the Sudan, and ensure they are consistent with the Petroleum Commission's policies and guidelines.

4.4.4 Approve development plans and operating budget of the Sudan Petroleum Corporation.

4.4.5 The Minister of Energy shall decide how the Petroleum Commission is to be constituted to perform its functions subject to the following principles:

4.5.1 In performing national functions 14.4~1, 14.4.2 and 14.4.4 of paragraph 14.4, the Petroleum Commission must include the Permanent Members of the Petroleum Commission;

In performing function 14.4.3 of paragraph 14.4, the Petroleum Commission must include all Petroleum Commission Members.

4.6 Persons whose interests are affected by an oil contract shall have the right to make submissions to, and be heard by, the Petroleum Commission. The Petroleum Commission shall decided~ the mechanism for receiving submissions.

14.7 In performing the approval function referred to in paragraph 14.4.3 the petroleum Commission shall take into account relevant considerations, including the following:

4.7.1 the extent to which the contract provides benefits to local communities affected by the development; ~

4.7.2 the extent to which the views of the state and affected groups are incorporated in the proposed contract;

4.7.3 the national interest and the public good;

4.7.4 the national environmental interest, biodiversity conservation, and cultural heritage protection.

4.8 If the Petroleum Commission decides to approve the contract, persons holding rights in land who are aggrieved by the decision may seek relief through arbitration or in a court of competent jurisdiction.

4.9 If the Petroleum Commission approves the contract, the Minister of Energy must sign the contract on behalf of the Government of the Sudan.

4.10 If a Member whether Permanent or representing a Petroleum Producing State of the Petroleum Commission disagrees with the decision of the Petroleum Commission to approve a contract relating to his or her state, the Minister of Energy must not sign the contract and must refer the matter to the council of States. If the council of States does not reject the member's objection by two-thirds majority within 24 hours sitting days of receiving it, the council of States shall remit it within that period to mechanism established by it a two-thirds majority (2/3), to arbitrate on the objection. The arbitration decision should be made within no more than six (6). calendar months of referral to arbitration. The arbitration decision shall be binding. If the Council of States rejects the objection by two thirds (2/3) majority, the Minister shall sign the contract.

5.0 Existing Oil Contracts

5.1 The SPLM shall appoint a limited number of representatives to have access to all existing oil contracts. The representatives shall have the right to engage technical experts. All those who have access to the contracts will sign confidentiality agreements.

5.2 Contracts shall not be subject to re-negotiation.

5.3 If contracts are deemed to have fundamental social and environmental problems, the Government of the Sudan will implement the necessary remedial measures.

6.0 Sharing Oil Revenue

6.1 The Parties agree that a formula for sharing the revenue from oil resources shall be set forth in this Agreement.

6.2 For the purposes of this Agreement 'Net revenue from oil' shall be the sum of the net revenue (i) from exports of government oil and (ii) from deliveries of government oil to refineries. Exports shall be valued at the average FOB export prices during the last calendar month in which there was an export sale less (i) the pipeline charge~ that would have been incurred to deliver the oil to Port Sudan, and (ii) the payment to Sudan Petroleum Corporation (SPC)1 which cannot exceed five percent (5%) of net value of oil before the SPC charge. Additional forms of oil revenue that may accrue in the future shall also form part of net oil revenue, as appropriate.

16.3. An Oil Revenue Stabilization Account government oil net revenue derived above an agreed benchmark price. be established annually as part of the changing economic circumstances shall be established from actual export sales The benchmark price will be established annually as part of the national budget; reflecting changing economic circumstances.

16.4 After the payment to the Oil Revenue Stabilization Account:

16.4.1 Two percent (2%) of net oil revenue derived from oil producing contracts current on the date of the beginning of- the Interim Period, shall be transferred to oil producing states in proportion to output produced in each state;

16.4.2 -Two percent (2%) of net oil revenue from contracts that are not producing oil at the beginning of the Interim Period, whether signed before or after that date, shall be transferred to oil producing states in proportion to output produced in each state

16.5 Of the revenue derived from contracts referred to in the preceding paragraph and produced in Southern Sudan, after the transfer referred to in sub-paragraph 16.4.2 has been paid, forty-eight (48%) percent of

the new balance shall be paid to the Government of Southern Sudan. The remaining balance shall be paid to the Government of the Sudan.

16.6 A Future Generation Fund will be established once national oil production reaches two (2) million barrels per day. This production criterion may, as part of the National Government's normal budget process,

be reduced down to one (1) million barrels per day.

16.7 The Parties agree that all funds/special accounts referred to in this Chapter/Agreement and future accounts will be on-budget operations.

17.0 OTHER REVENUE

17.1 The National Government of Sudan shall be entitled to legislate, raise and collect the below-listed taxes and to collect revenue from these sources:

7.1.1 National Personal Income Tax;

7.1.2 Corporate or Business Profit Tax;

7.1.3 Custom Duties and import taxes;

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? International and National Seaports and Airports Revenue

- Service charges;

Natural Resources revenues as set out herein;

National Government Enterprises and projects;

VAT or GST or other retail taxes on goods and services;

Excise Tax;

Any other tax as agreed upon in these negotiations;'

Loans, including borrowing from the Central Bank and the public.

The Government of Southern Sudan shall be entitled to revenue from the following sources and to raise and collect the below-listed taxes:

The National revenue allocation to the Southern States from the National Revenue Fund as set forth in paragraph 18.1 of this Agreement;

Revenue from any of the sources listed as state revenue sources referred to in paragraph 17.3 herein;

The Southern Sudan Reconstruction and Development Fund (SSRDF);

Licences;

State Personal Income Tax;

Levies on Tourism;

Share of Natural Resource Revenues as is set out in this Agreement;

State Government projects and state nature parks;

Stamp duties;

Agricultural Taxes;

Grants in Aid and Foreign Aid;

Excise taxes;

Border Trade charges or levies in accordance with National Legislation;

Other state taxes which do not encroach on national or Southern Sudan Government taxes;

Any other tax as may be agreed to from time to time; and

?Loans and borrowing in accordance with the Banking and Foreign Funding sections of this Agreement.

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8?0 EQUALIZATION AND ALLOCATION TO THE NATIONAL, SOUTHERN SUDAN AND STATE LEVELS OF GOVERNMENT IN RESPECT OF REVENUE COLLECTED NATIONALLY

All revenues collected nationally for or by the National Government shall be pooled in a National Revenue Fund administered by the National Treasury. Such Fund shall embrace all accounts and sub?funds into

which monies due to the Government are. collected or deposited.

All the revenues and expenditures of the Government will be on?budget operations and made public.

The Government in its budget shall allocate an equitable amount of nationally raised revenue to the state level and the Southern Sudan level of government in accordance with formulae and criteria agreed upon between the Parties.

The National Government will guarantee an annual transfer of billion 35 Sudanese Dinar (SDD) [or the equivalent of the new currency if/when issued] per year as a minimum to the Government of Southern

Sudan and the southern states to cover general budgetary expenditures. Starting from the fourth (4th) year of the Interim Period, the minimum annual transfers shall be raised at the inflation rate that is targeted by

the annual national budget. This arrangement will be reviewed at the end of the Interim Period;

The National Government will transfer an amount for the costs of reconstruction, development, and reintegration equal to approximately 12.5 billion SDD (0.3 percent of GDP) in the first year, approximately 32.9 billion

SDD (0.7 percent of GDP) in the second year, and approximately 58.3 billion, 71.3 billion, 80.2 billion and 90.3 billion SDD (1.2 percent of the GDP) in the third through sixth years. For the purpose of this agreement

the GDP used for the calculations of these transfers will be the one used for the formulation of the annual national budget. This arrangement will be reviewed at the end of the interim period,

The states and the Government of Southern Sudan Government shall retain and dispose of such other income raised and collected under their own taxing powers.

The allocation in respect of states of the Southern Region shall be made through the Government of Southern Sudan, save for the revenues referred to in paragraph 16.4.1 and 16.4.2, which shall in all cases be made

directly to the state concerned.

In its administration of revenues or in its powers of allocation, the Government of the Southern Sudan shall not withhold or deny funds due to a state in the South or discriminate in its allocation on political ethnic,

linguistic or religious grounds.

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7.0 Fiscal and Financial Allocation and Monitoring Commission (FFAMC)

To ensure transparency and fairness both in regard to the allocation of nationally collected funds to the states/regions and the Government of the Southern Sudan Region and in determining the amount of revenue

collected from natural resources, a Fiscal and Financial Allocation and Monitoring

Commission shall be established. This body shall be comprised of experts nominated by the various states/regions, the Government of Southern Sudan and the National Government. Decision making

arrangements should be as agreed to by the Parties at these negotiations.

The FFAMC shall monitor and ensure prompt transfer of equalization payments; prompt payments to and from the National Revenue Fund and the appropriate utilisation and sharing of resources.

20.0 INTERSTATE COMMERCE

There shall be no legal impediment to interstate commerce or the flow of goods and services, capital, or labour between the states.

21.0 GOVERNMENT LIABILITIES

Any debts/liabilities incurred by any level of government shall be the responsibility of that level of government.

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2.0 DIVISION OF GOVERNMENT ASSETS

There shall be a fair and equitable division of government assets. An asset shall in the first instance be allocated to the level of government responsible for the function in respect of which the asset is related (e.g.

school buildings to the level of government responsible for education). In the event of a dispute, the Parties agree that such dispute shall be referred to a committee comprising a representative of each of the Parties

involved in the dispute and a mutually agreed expert.

23.0 ACCOUNTING STANDARDS AND PROCEDURES AND FISCAL ACCOUNTABILITY

All levels of government shall comply with generally accepted accounting standards and procedures. There shall be institutions at the state, Government of Southern Sudan and National levels institutions to ensure

that funds are distributed according to the agreed government budget, and properly expended having regard to value for money.

To ensure the effective operation of such institutions, there shall be an independent National Audit Commission which shall have responsibility for the functions referred to above and for setting auditing

standards. Appointments to the Commission shall be made by the Presidency.

All levels of government shall hold all income and revenue received by it in public accounts and subject to public scrutiny and accountability.

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4.0 FINANCING THE TRANSITION

The National Government shall at least in the Pre-Interim

Period be responsible for meeting the costs of financing the direct costs of the transition, to the extent that it is able to do so. The National Government shall advance the funds necessary to establish the new

transitional governments at the state level and the Government of Southern Sudan level as soon as it is possible to establish such institutions. Officials from the National Government shall participate in the donors'

conference to be held after the Agreement is signed in order to solicit international support.

Upon signature of a comprehensive Peace Agreement, the Parties shall establish a joint national transition team to undertake the following:

Prepare budget estimates for the establishment of Governments at the National, Southern Sudan, and state levels as provided for by the Peace Agreement;

Organize and prepare relevant documents for the donor conference, including the agenda of the conference letters of invitations and be a secretariat to the donors' conference;

Develop fund raising strategies, and assist in the identification of potential sources of funds necessary for a smooth and timely commencement of the Interim Period.

5.0 MONETARY POLICY, CURRENCY and BANKING

There shall be a single monetary authority, represented by the Central Bank of Sudan, that shall formulate and carry out the country's monetary policy. All financial institutions shall be subject to the rules and

regulations set by the Central Bank of Sudan with the exceptions provided for herein, in accordance with the Machakos Protocol of 20 July 2002.

There shall be a single currency for the whole of the Sudan. The Central Bank of Sudan shall adopt a program to issue a new currency.

The Parties agree that Southern Sudan has special financing and banking needs.

The Central Bank of Sudan shall establish the Bank of Southern Sudan as a branch of the Central Bank of Sudan to meet the financial needs of the Southern Sudan region within the limits of the national monetary policy.

The Central Bank of Sudan shall designate a Deputy Governor to head the Bank of Southern Sudan. The Deputy Governor shall be nominated by the Government of Southern Sudan and appointed by the

Governor of the Central Bank of Sudan.

There shall be established a Southern Sudan Banking Commission. The Southern Sudan Banking Commission shall

be an independent body with the power to charter and supervise financial institutions operating in Southern Sudan.

The head of the Bank of Southern Sudan shall appoint a Commissioner to head the Southern Sudan Banking Commission. The Commissioner shall appoint qualified commission members.

The Central Bank of Sudan shall provide the necessary technical, staffing, and secretariat assistance to enable the Southern Sudan Banking Commission to carry out its responsibilities.

If the Southern Sudan Banking Commission fails to carry out its responsibilities in accordance with established standards and laws, the Bank of Southern Sudan shall assume those responsibilities until remedial

actions are implemented.

Financial institutions that are chartered by the Southern Sudan Banking Commission shall be located in Southern Sudan and shall not establish branches in other states in the Sudan. However, they shall be allowed to

establish correspondence and business relationships with financial institutions in other states in the Sudan subject to the prevailing rules in those states.

The Bank of Southern Sudan shall establish the central banking facilities that are necessary for the working of conventional and Islamic financial institutions located in Southern Sudan.

The Central Bank of Sudan shall be responsible for chartering and supervising national financial institutions. Nationally chartered financial institutions shall be allowed to operate and establish branches in all states in the Sudan.

All financial institutions shall be subject to internationally recognized regulatory and prudential standards for Islamic and conventional finance, as set by the Central Bank of Sudan.

All financial institutions shall be obliged to implement monetary policies set by the Central Bank of Sudan.

The Government of Southern Sudan and the states may borrow money based on their respective credit worthiness. These governments, as well as all other sub-national governments, shall not have the right to

borrow from the Central Bank of Sudan. Moreover, neither the Central Government nor the Central Bank of Sudan shall be required or expected to guarantee borrowing by sub-national governments.

All sub-national governments shall report financial and fiscal data to the relevant Central Government bodies for statistical purposes.

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26.0 FOREIGN FUNDING

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26.1 Borrowing

The Government of Southern Sudan and the states may borrow money from abroad based on their respective credit worthiness.

Foreign borrowing by all sub-national governments shall be done in a manner that does not undermine national macro-economic policies and should be consistent with the objective of maintaining external financial viability. All sub-national governments' foreign borrowing transactions shall conform to Central Government specifications.

27.0 Trust Funds

27.1 The parties recognize the need to establish two multi-donor trust funds (MDTFs), one for the National Government and one for the Government of Southern Sudan.

The Southern Fund shall be called the "Southern Sudan Reconstruction and Development Fund" and the National Fund shall be called the "National Reconstruction and Development Fund

S The Government of the Southern Sudan shall be responsible for the expenditure from the "Southern Sudan Reconstruction and

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Development Fund . The Fund shall be administered transparently and managed professionally subject to an

oversight committee appointed by the Government of the Southern Sudan but having on it a representative of the National Ministry of Finance and of the Chamber of the Auditor General.

4.4 The "National Reconstruction and Development Fund," shall be established by the National Treasury and, in particular, its mission will be the development of the war-affected areas and least developed areas

outside Southern Sudan. The fund will have a steering committee with appropriate representation from such areas. A report on the income, expenditure and the projects supported by the fund shall be placed, before

the National Assembly and the Council of States, which shall exercise oversight over the fund.

Both funds shall support urgent recurrent and investment budget costs under clearly stated criteria of eligible financing components, and both shall have the right to solicit, raise and collect funds from foreign donors.

The parties agree to establish a robust and joint coordination and monitoring body for the two funds, their successors and other trust funds.

All trust funds will report the flow of funds to the Central Bank

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of Sudan and the coordination and monitoring body.

To ensure proper accountability for funds disbursed through the MDTFs the respective parties will cause audits to be

performed on trust fund use within six (6) months of the close of the recipient's financial year.

Flow of Foreign Funds.

During the Pre-Interim as well as the Interim Periods, funds may be channelled directly to finance activities jointly benefiting both parties.

During the Pre-Interim Period, the flow of foreign funds shall be through special accounts established in the Central Bank of Sudan. For the Interim Period: (i) the flow of foreign funds for the National Fund will

go through the Central Bank of Sudan; and (ii) for the Southern Fund, the foreign funds will be disbursed through either a special account at the Central Bank of Sudan designated for the Bank of Southern Sudan

(BoSS); or through arrangements as specified in the MDTF.

All reporting requirements to the Central Bank and the Trust Funds Administrator will be followed.

The parties shall be committed to the implementation of financial reporting and accountability mechanisms. All sub-national governments in Sudan shall report financial, fiscal and national account data to the

relevant National Government bodies for statistical and data consolidation purposes according to the standards set by the national government.

Further recognizing that foreign financing is critical to the success of the National Government and the development process, the parties agree that:

all such foreign financing be reported to the National and all relevant sub-national authorities;
any part of foreign finance that is made in support of governmental operations (at all levels) shall be on budget.

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PART THREE: SECURITY ARRANGEMENTS*

29.0 PRINCIPLES REGARDING MANDATE AND MISSION OF THE MILITARY FORCES IN A DEMOCRATIC SOCIETY

The Parties agree that the Principles governing the role, mission and mandate of any military force responsible for the defence of the Republic of the Sudan should be the principles listed below, notwithstanding

the fact that both the Sudan People's Armed Forces (SPAF) and the Sudan People's Liberation Army, hereinafter referred to as the Sudan People's Liberation Armed Forces (SPLAF) shall retain their forces and

internal command structure during the Interim Period until the Parties agree otherwise.

In the context of a united Sudan following the referendum for the people of Southern Sudan, the Parties agree to the establishment of a single Defence Force/structure, even if organized territorially.

During the Interim Period, the primary mission of the two Defence Forces, the SPAF and the SPLAF, is to defend and protect the Sudan, its borders and its people from external aggression. No Military Force in

the Sudan should have an internal law and order mandate except in unusual and constitutionally specified circumstances.

9?~ During the Interim Period, the two Military Forces shall comply with international law, more particularly in regard to the conduct of its members in any armed conflict.

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During the Interim Period, the Constitutionally permitted Military Forces shall at all times be impartial, serve the nation as a whole, be subordinate to civilian political authority and be subject to civilian oversight. They

shall be funded by the National Government and no other military force shall be allowed other than the forces specified in the Interim National Constitution.

CEASEFIRE

The Parties agree to a comprehensive ceasefire to come into operation on a date to be agreed. The ceasefire shall be negotiated at a special session of these Talks and shall canvass, inter alia, possible agreements on the

following:

The details and timetable for the assembling, disengagement, re?deployment/withdrawal, and confinement of relevant armed forces and the specification of relevant locations and areas, including demilitarized zones., if and

as agreed; the treatment of paramilitary forces, allied militias and other armed forces; exchange of relevant information; demining activities; the establishment of a Joint Defence Board; force strengths and any

downsizing and the related timetable thereof; permitted or restricted activities; the nature and extent of ongoing recruitment, training exercises, and the provision of weapons; the establishment role, recruitment/selection

and ? training of state and national police units; identification of monitoring/verification agencies and measures, and 'conditions of operation for such bodies; nature of and responsibility for

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disarmament, demobilization and reintegration; and release of prisoners of war.

COMMAND AND CONTROL OF MILITARY FORCES IN THE SUDAN DURING THE INTERIM PERIOD

Both the Sudan People's Liberation Army (SPLA) (which shall be called the Sudan People's Liberation Armed Forces, SPLAF) and the Sudan People's Armed Forces (SPAF) shall retain their forces and their

internal command structures within the mandate and mission set out in this Agreement, unless and until the Parties agree otherwise.

The Parties agree that they shall assume responsibility for the control of their allied paramilitary forces and militias. No force shall be allowed to operate outside the security arrangements framework agreed to by

the Parties.

The Parties agree to assume responsibility for ensuring that such paramilitary forces and militias are consulted on, and included in, any process by which they are to be brought within the Security Arrangements

framework contemplated by the Cease Fire Agreement.

Both the SPLAF and the SPAF shall be subject to the authority of the Joint Defence Board (JDB) which shall be established to enforce the provisions of the Peace Agreement and the

Ceasefire and which Board shall be structured so as to ensure that decisions are taken only with the consent of both Parties.

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32.0 Notwithstanding the Paragraph above:

The Parties may establish joint and integrated units for the purpose of performing or undertaking specific, national or symbolic functions;

Other security institutions of both Parties, including the National Police Force, shall be subject to appropriate integration and be subject to a review in respect of their number and nature;

A national VIP protection unit, comprised of members of both armies and/or police services shall be established whose task shall be to provide personal security services to national political leaders.

JOINT DEFENCE BOARD

There shall be established a Joint Defence Board comprised of the chiefs of staff, the commanders (i.e., the Chiefs of General Staff) of both forces, the National Minister of Defence, and the Minister of the

Government of Southern Sudan responsible for the SPLAF. It shall take its decision by consensus and it shall be chaired alternatively by the respective Ministers of Defence.

The functions of the Joint Defence Board shall be to:

Ensure that Sudan, its borders, its people, its airspace and its territorial waters are defended and protected. It shall task the

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forces in regard to this, and more specifically, in regard to the control of the National borders;

Enforce the ceasefire and the provisions of this Agreement, including ensuring that all allied forces or militias are brought under the control and discipline of one or other of the two forces;

Ensure that the forces undertake only permitted activities, which activities may also include support for reconstruction and development;

Supervise the standardization of recruitment, training, weaponry, terms and conditions of service and salaries of the members of the two forces;

Supervise and authorize the establishment of integrated units to perform such specific functions as is agreed;

Implement confidence building measures and exchanges so as to build trust between the members of the two forces;

Supervise the demobilization, disarmament, downsizing and reintegration of the members;

Promulgate a military disciplinary code applicable to all members of the two forces.

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DRAFT FRAMEWORK FOR RESOLUTION OF THE THREE CONFLICT AREAS

1.0 Abyei

1.1. The status of Abyei and whether it is to be administered as part of Bahr el Ghazal state or remain in Western Kordofan state shall be the subject of a referendum.

1.2. The referendum referred to in 1.1 above shall be conducted:

1.2.1 by an independent Abyei Referendum Commission comprised of three (3) persons nominated by each of the Parties and two (2) members of the international community as agreed by the two Parties;

1.2.2 before the elections to be held towards the end of the first half of the Interim Period, as determined by the Commission;

1.2.3 so as to allow only those who were resident in Abyei on or before the signing of the 1972 Addis Ababa Agreement or their adult descendants, including all persons displaced therefrom wherever they may be located'.

1.3 For the purposes of this Agreement, the term "Abyei" refers to the area that was referred to by the same name in the 1972 Addis Ababa Agreement, and which was administered from the President's office during the duration of the said agreement.

1.4 Pending the Abyei referendum, the said area shall be administered by an administrator nominated by the Presidency and not by or under the Administration of the state of Western Kordofan or by Bahr?El?Ghazal;

1.5 The rights of pastoralists and members of tribes which traditionally traverse the area annually for the purposes of gaining access to pastures for grazing and water shall be guaranteed irrespective of the outcome of the referendum referred to above or the referendum stipulated in the Machakos, Protocol.

1.6 In the event of any conflict or dispute between pastorlists and the Ngok Dinka arising? out of the traversing of Abyei by such pastoralists (i.e., the Messiriya and others) the traditional dispute resolution mechanism shall be formally charged with the task of resolving such disputes.

1.7 For the purposes of the referendum, the Abyei Referendum Commission referred to herein shall be empowered to make regulations providing for votes to be cast outside the area of Abyei by former residents or their descendants.

1.8 For the purposes of the apportionment of revenue due to oil producing states under the Wealth Sharing Agreement, Abyei shall be treated as an oil producing state until its status is determined in accordance with the outcome of the Abyei referendum referred to herein.

1.9 A fair and equitable apportionment of National resources and revenue shall be allocated for the provision of services and infrastructures.

1.9.1 The National Government will guarantee an annual transfer to Abyei of 1.2 billion Sudanese Dinar (SDD) [or in all cases, the equivalent of the new currency if/when issued] per year in the first four years of the Interim Period, and 1.4 billion SDD in the fifth and 1.5 billion SDD in the sixth year, as a minimum to the cover general budgetary expenditures. Beginning from the fourth year of the Interim ?Period, the minimum annual transfers shall be raised at the inflation rate that is targeted by the annual national budget.

1.9.2 The National Government will transfer an amount for the costs of reconstruction, development, and re?integration of approximately 0.6 billion SDD (0.01 percent of GDP) in the first year, 0.9 billion SDD (0?02

percent of GDP) in the second year, .1.1 billion SDD (0.02 percent of GDP) in the third year, 1.4 S6D, (0.02 percent of GDP) in the fourth year, 1.6 SDD (0.02 percent of GDP) in the fifth year, and 1.8

SDD (0.02 percent of GDP) in the sixth year. For the purpose of this Agreement, the GDP used for the calculations of these transfers will be the one used for the formulation of the annual national budget.

This Agreement will be reviewed in light of the outcome of the local referendum.

1.9.3 The transfers shall be deposited . in special accounts in the Central Bank of Sudan from which the Administrator, or other 'appropriate authority, can make withdrawals.

1.10 The National Government will transfer an amount for the costs of reconstruction, development, and re-integration equal to 0.01 in the first year, 0.02 in the second year through sixth years. For the purpose of this

Agreement, the GDP used for the calculations of these transfers will be the one used for the formulation of the annual national budget. This arrangement will be reviewed in light of the outcome of the local referendum.

1.11 Abyei's share of national resources and 'revenue, as well as the mechanisms for transfers, shall be reviewed in light of the final determination of its status.

2.0 Nuba Mountains (Southern Kordofan)

2.1 The Nuba Mountains shall be subject to the following arrangements:

2.1.1 It will have its own state legislature duly entitled to make laws exclusively (alone) and concurrently for the state in respect of the matters set out in the Schedules enumerated in the Final Draft 2 Protocol.

2.1.2 It will have a State Executive (Council of Ministers) appointed by a governor elected by the inhabitants of the state and accountable to its state legislature.

2.1.3 It will have a state civil service to administer the state's laws and to provide public services in the state.

2.1.4 It will be entitled to a fair and equitable share of national revenue and to raise its own 'revenue as provided for in the Interim National Constitution, and to raise taxes, which shall include at least those specified

in the schedules referred to above.

2.1.5 It will be entitled to a proportionate share from the total allocation to the North of the following:

- 2.1.5.1 Members of the National Assembly;
- 2.1.5.2 National Ministers;
- 2.1.5.3 Members of the Council of States (being two each); and
- 2.1.5.4 Senior civil service positions.

2.2 It will be entitled to collaborate and make agreements with other states and the National Government in negotiating matters of mutual interest.

2.3 Subject to the Interim National Constitution, it may establish state courts to enforce its state laws as well as national laws applicable in the state.

2.4 The state shall have at least the competencies of other states but must also have the following:

2.4.1 Control over education at primary and secondary level and such aspects of education policy and curriculum that provide for diversity and mediums of instruction. If there is a conflict between the

National and the state government on language on question of languages of instruction and of curricula, the state proposal shall prevail.

2.4.2 The state shall have the right to freely determine the content of all state laws whether civil or criminal matters, subject only to the Interim National Constitution..

2.5 Nuba Mountain State shall have exclusive legislative and executive competencies over state resources as well as all other matters listed as state powers in the Schedules mentioned herein which include, inter alia,

cultural, language, religious and customary law matters.

2.6 The Executive and Legislature shall accommodate and respect the Council of Elders and acknowledge an appropriate role for the Council.

2.7 These states shall have special resources allocated to them to provide for the reconstruction and rehabilitation of war-affected areas.

2.7.1 The National Government will guarantee an annual transfer of billion 4.5 billion Sudanese Dinar (SDD) [or, in all cases, the equivalent of the new currency if/when issued] per year for the first four years of the

interim period, and 5.0 billion SDD in the fifth year and 5.7 billion SDD in the sixth year, as a minimum to the state government to cover general budgetary expenditures. Starting from the fourth year of the

Interim Period, the minimum annual transfers shall be raised at the inflation rate that is targeted by the annual national budget. This arrangement will be reviewed at the end of the Interim Period.

2.7.2 The National Government will transfer an amount for the costs of reconstruction, development, and re-integration equal to 3.3 billion SDD (0.08 percent of GDP) in the first year, 4.2 billion SDD (0.09

percent of GDP) in the second year, 5.3 billion SDD (0.10 percent) in the third year, 6.5 billion SDD (0.11 percent of GDP) in the fifth, 7.3 billion SDD (0.11 percent of GDP) in the sixth year, and 8.3

billion SDD

(0.11 percent of GDP) in the seventh year. For the purpose of this Agreement, the ' GDP used for the calculations of these transfers will, be the one used for the formulation of the annual national budget. This

arrangement will be reviewed at the end of the Interim Period.

2.8 The State may draft its own state constitution, subject only to its compliance with the Interim National Constitution.

2.9 The state shall be entitled to establish and manage the state police force.

2.10 The Security Arrangements in this state shall be in accordance with the provisions of the ceasefire agreement to be concluded regarding the disengagement and location of the Sudan People's Armed Forces (SPAF)

and the Sudan People's Liberation Army (SPLA) (hereinafter referred to as the Sudan People's Liberation Armed Forces 'SPLAF' and the treatment of allied forces or militias.

2.11 There shall be free and fair elections for the state legislature towards the end of the first half of the Interim Period. The Parties contesting this election may, notwithstanding other provisions of the Peace Agreement, seek a mandate regarding the state's constitutional status. In line with any such mandate, such elected state legislature may resolve, through

consultations with its people, to engage directly with the National Government in regard to the variation or elaboration of its constitutional status or power, save that any such variation must conform with all relevant constitutional provisions.

2.12 Pending the election referred to above, the Parties shall agree on:

2.12.1 The composition of the Interim state legislature;

2.12.2 The state's interim Executive Council, provided that the persons so appointed shall come from the state; and

2.12.3 The identity of the persons representing the state in the two houses of the national legislature.

2.13 Both Parties will acknowledge the need to provide for religious, linguistic and cultural diversity and tolerance, which have been a characteristic of the state.

2.14 Both Parties to this Agreement will promote the removal of any call for, or exhortation to attack or harm any of the citizens of the state.

2.15 Pending the elections, the Governor shall be selected by the state legislature and approved by the Presidency. Southern Blue Nile state legislature shall submit a shortlist of the candidates to the Presidency indicating their preference and the Presidency shall

.select by consensus the governor from among the shortlist.

2.16 There shall be a branch of the Land Commission in the state with the power to recommend land ownership and land tenure reforms, resolve land disputes, and order restitution or compensation for the, taking or removal of rights in land.

2.17 Ownership or investment or participation in large agricultural schemes shall, as far as possible and in accordance with the law, be first offered to local communities and individuals within the state both in regard to existing and new schemes. The latter shall require local approval.

2.18 Presently applicable national laws within the competency of the state shall be replaced as and when such new laws are duly enacted.

2.19 Where the state has exclusive legislative competency, the National Legislature shall not enact any new national laws applicable to the state. Where it has concurrent competency and the National Government enacts

competing legislation which conflicts with state laws in all matters in which the diversity or traditions or culture of a group within the state is affected, the provisions of the state law shall prevail.

3.0 Southern Blue Nile

3.1. The Southern Blue Nile (refers to the Blue Nile State) shall be subject to the following arrangements:

3.1.1 It will have its own state legislature duly entitled to make laws exclusively (alone) and concurrently for the state in respect of the matters set out in the schedules enumerated in the Final Draft 2 Protocol.

3.1.2 It will have a State Executive (Council of Ministers) appointed by a governor elected by the inhabitants of the state and accountable to its state legislature.

3.1.3 It will have a state civil service to administer the state's laws and to provide public services in the state.

3.1.4 It will be entitled to a fair and equitable share of national revenue and to raise its own revenue as provided for in the Interim National Constitution, and to raise taxes, which shall include at least those specified in the schedules referred to above.

3.1.5 It will be entitled to a proportionate share from the total allocation to the North of the following:

3.1.5.1 Members of the National Assembly;

3.1.5.2 National Ministers;

3.1.5.3 Members of the Council of States (being two each); and

3.1.5.4 Senior civil service positions.

3.2 It will be entitled to collaborate and make agreements with other states and the National Government in negotiating matters of mutual interest.

3.3 Subject to the Interim National Constitution, it may establish state courts to enforce its state laws as well as national laws applicable in the state.

3.4 The state shall have at least the competencies of other states but must also have the following:

3.4.1 Control over education at primary and secondary level and such aspects of education policy and curriculum that provide for diversity and mediums of instruction. If there is a conflict between the National and

the state government on language on question of languages of instruction and of curricula, the state proposal shall prevail.

3.4.2 The state shall have the right to feely determine the content of all state laws whether civil or criminal matters, subject only to the Interim, National Constitution.

3.5 The Southern Blue Nile State shall have exclusive legislative and executive competencies, over state resources as well as all other matters listed as state powers in the Schedules mentioned herein which include,

inter alia, cultural, language, religious, and customary law matters.

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3.6 This state shall have special resources allocated to it to provide for the reconstruction and rehabilitation of war-affected areas.

3.6.1 The National Government will guarantee an annual transfer of 3.5 billion Sudanese Dinar (SDD) [or, in all cases, the equivalent of the new currency if/when issued] per year in the first four years of the interim period, and 3.9 billion SDD in the fifth year and

4.4 billion SDD in the sixth year, to the state government to cover general budgetary expenditures. Starting from the fourth year of the Interim Period, the minimum annual transfers shall be raised at the

inflation rate that is targeted by the annual national budget. This arrangement will be reviewed at the end of the Interim Period.

3.6.2 The National Government will transfer an amount for the costs of reconstruction, development, and re-integration of approximately 0.8 billion SDD (0.02 percent of GDP) in the first year, 1.4 billion SDD (0.03 percent of GDP) in the second year, 2.1 billion

SDD (0.04 percent of GDP) in the third year, 2.7 billion SDD (0.04 percent of GDP) in the fourth year, 2.7 billion SDD (0.04 percent of GDP) in the fifth year, 3.0 billion SDD (0.04 percent of GDP) in the

sixth year, and 3.4 billion SDD (0.04 percent of GDP) in the seventh year. For the purpose of this

Agreement, the GDP used for the calculations of these transfers will be the one used for the formulation of the annual national budget. This arrangement will be reviewed at the end of the Interim Period.

3.7 The State may draft its own state constitution, subject only to its compliance with the Interim National Constitution.

3.8 The state shall be entitled to establish and manage its state police force.

3.9 The Security Arrangements in this state shall be in accordance with the provisions of the Ceasefire Agreement to be concluded regarding the disengagement and location of the Sudan People's Armed Forces (SPAF) and the Sudan People's Liberation Army (SPLA)

(hereinafter referred to as the Sudan People's Liberation Armed Forces, "SPLAF" and the treatment of allied forces or militias.

3.10 There shall be free and fair elections for the state legislature at the end of the first half of the Interim Period. Notwithstanding other provisions of the Peace Agreement, the Parties contesting this election may seek a mandate regarding the state's constitutional status. In line with any such mandate, such elected state legislature may resolve, through consultations with its people, to engage directly with the National Government in regard to the variation or elaboration of its constitutional status or power, save that any such variation must conform with all relevant constitutional provisions.

3.11 Pending the election referred to above, the Parties shall agree on:

3.11.1 The composition of the interim state legislature;

3.11.2 The states' interim Executive Council, provided that the persons so appointed shall come from the state; and

3.11.3 The identity of the persons representing the state in the two houses of the national legislature.

3.12 Both Parties will acknowledge the need to provide for religious, linguistic and cultural diversity and tolerance, which have been a characteristic of the state.

3.13 Both Parties to this Agreement will promote the removal of any call for, or exhortation to, attack or harm any of the citizens of the state.

3.14 Pending the elections, the Governor shall be selected by the state legislature and approved by the Presidency. Southern Blue Nile state legislature shall submit a shortlist of the candidates to the Presidency indicating

their preference and the Presidency shall select by consensus the Governor from among the shortlist.

3.15 There shall be a branch of the Land Commission in the state with the power to recommend land ownership and land tenure reforms, resolve land disputes, and order restitution or compensation for the taking or

removal of rights in land.

3.16 Ownership or investment or participation in large agricultural schemes shall, as far as possible and in accordance with the law, be first offered to local communities and individuals within the state both in regard to

existing and new schemes. The latter shall require local approval.

3.17 Presently applicable national laws within the competency of the state shall be replaced as and when such new laws are duly enacted.

3.18 Where the state has exclusive legislative competency, the National Legislature shall not enact any new national laws applicable to the state. where it has concurrent competency and the National Government enacts

competing legislation that conflicts with state laws in all matters in which the diversity or traditions or culture of a group within the state is affected, the provisions of the state law shall prevail.