South Sudan said on Friday it was offering its former civil war foe Khartoum oil at discounted prices and financial help if it gives up a claim to the disputed border region of Abyei.

South Sudan became Africa's newest nation in July after a vote agreed under a 2005 peace agreement. But both sides still need to sort out several conflicts such as sharing oil revenues, the lifeline for both economies.

Landlocked South Sudan took two-thirds of the country's oil production of around 500,000 barrels a day but needs to pay the north for using its export facilities.

Juba has not paid anything yet since both sides have failed to agree on a fee. The loss of oil revenues has thrown the northern economy into turmoil with inflation spiralling.

South Sudan is now offering Khartoum the sale of oil at a discounted price, an undisclosed amount of cash plus forgiveness of all arrears from oil sharing claimed by the South from the time before independence, Juba's top negotiator Pagan Amum told Reuters.

"This is a package that in return the government of Sudan will ensure the territorial integrity of South Sudan by agreeing to transfer Abyei to the South and also ceasing any claims on areas on the border of Southern Sudan that they are claiming," he said.

Juba would also pay a transit fee to use northern oil facilities once both sides reached a deal. Bilateral talks broke off in August after the north demanded $32 dollar a barrel which Juba rejected.

"So far the South has been selling its oil without a transit fee. I'm hoping we will reach agreement soon but it all depends on political will, especially in Khartoum. Khartoum seems to be labouring under bitterness," he said.

There was no immediate reaction from the northern government on Friday, the weekend in Khartoum.

Inflation has been on the rise in north Sudan since southern independence as imports have become much more expensive due to a loss of oil revenues, triggering small anti-government protests.

South Sudan is very underdeveloped but has a higher per capita income than some African neighbours because it is benefiting from high oil prices. It has contracted oil sales worth $2.14 billion since independence.

North and south both claim Abyei, a border region containing fertile grazing land, which Khartoum took in May after a southern attack on an army convoy.

Ethiopian U.N. peacekeepers have been observing a ceasefire there since July . Abyei was meant to have a referendum like South Sudan but it never took place as both sides argue over a population census.

Sudan and South Sudan also need to find a solution for the volatile and poorly marked joint border.

The Sudanese army is fighting rebels in the northern state of South Kordofan and Blue Nile. Khartoum accuses Juba of supporting the rebels, which denies the charges.