

**Agreement on Social and Economic Aspects and Agrarian Situation concluded on 6
May 1996 between the Presidential Peace Commission of the Government of
Guatemala and the Unidad Revolucionaria Nacional Guatemalteca**

Whereas:

A firm and lasting peace must be consolidated on the basis of social and economic development directed towards the common good, meeting the needs of the whole population,

This is necessary in order to overcome the poverty, extreme poverty, discrimination and social and political marginalization which have impeded and distorted the country's social, economic, cultural and political development and have represented a source of conflict and instability,

Socio-economic development requires social justice, as one of the building blocks of unity and national solidarity, together with sustainable economic growth as a condition for meeting the people's social needs,

Rural areas require an integral strategy that facilitates access by small farmers to land and other production resources, offers juridical security and promotes conflict resolution,

It is essential, both for the realization of the production potential of Guatemalan society and for the achievement of greater social justice, that all sectors of society participate effectively in finding a way to meet their needs, particularly in setting public policies that concern them,

The State should pursue democratization in order to expand those possibilities for participation and strengthen its role as a leader of national development, as a legislator, as a source of public investment and a provider of services and as a promoter of consensus-building and conflict resolution,

This Agreement seeks to create or strengthen mechanisms and conditions to guarantee the effective participation of the people and contains the priority objectives for Government action to lay the foundations of this participatory development,

The implementation of this Agreement should enable all the country's social and political forces to face together, in a cooperative and responsible way, the immediate tasks of combating poverty, discrimination and privilege, thus building a united, prosperous and just Guatemala that will afford a dignified way of life to its people as a whole,

The Government of Guatemala and the Unidad Revolucionaria Nacional Guatemalteca (hereinafter referred to as "the Parties") have agreed as follows:

I. DEMOCRATIZATION AND PARTICIPATORY DEVELOPMENT

A. Participation and consensus-building

1. In order to pursue a true, functional and participatory democracy, the process of social and economic development should be democratic and participatory and include: (a) consensus-building and dialogue among agents of socio-economic development; (b) consensus-building between these agents and State bodies in the formulation and implementation of development strategies; and (c) effective citizen participation in identifying, prioritizing and meeting their needs.

2. Expanded social participation is a bulwark against corruption, privilege, distortions of development and the abuse of economic and political power to the detriment of society. Therefore, it is an instrument for the eradication of economic, social and political polarization in society.

3. In addition to representing a factor in democratization, citizen participation in economic and social development is essential in order to promote productivity and economic growth, achieve a more equitable distribution of wealth and train human resources. It ensures transparency in public policies and their orientation towards the common good rather than special interests, the effective protection of the interests of the most vulnerable groups, efficiency in providing services and, consequently, the integral development of the individual.

4. In this spirit, and in line with the agreements already concluded on the resettlement of the population groups uprooted by the armed conflict and on identity and rights of indigenous peoples, the Parties agree on the importance of establishing or strengthening mechanisms allowing the citizens and different social groups to exercise their rights effectively and participate fully in decision-making on the various matters affecting or involving them, with full awareness of both their individual and collective obligations to society, which they will fulfil responsibly.

5. Strengthening social participation means that greater opportunities in social and economic decision-making should be offered to organized groups. This assumes that all kinds of grass-roots organizations representing different interests will be recognized and encouraged. It requires, in particular, the guarantee of full and effective rights for rural and urban workers and small farmers to participate, as organized entities, in the process of building consensus with the business sector or at the national level. For this purpose, flexible laws and administrative regulations must be passed to grant legal personality or other forms of legal recognition to those organizations requesting it.

6. This also assumes a major effort to promote a culture of consensus and capacity-building in business, labour and other types of organizations in order to increase their ability to plan and negotiate and effectively to assume the rights and duties inherent in democratic participation.

Consensus-building

7. Building consensus at the national, departmental and communal levels and among rural and urban units of production is essential in order to stimulate and stabilize economic and social growth. State structures must be adapted to fulfil this role of building consensus and reconciling interests, in order to be able to work effectively and efficiently to modernize the production sector, enhance competitiveness, promote economic growth and provide basic social services efficiently and universally.

Participation at the local level

8. Bearing in mind that the people who live in a department or municipality, whether business owners, workers, members of cooperatives or community representatives, are the ones who can best define the measures that benefit or affect them, a package of instruments must be adopted for institutionalizing the decentralization of social and economic decision-making, involving a real transfer of government funds and of the authority to discuss and decide locally on the allocation of resources, how projects will be executed and the priorities and characteristics of government programmes or activities. In this way, government bodies will be able to base their actions on proposals arising from the reconciliation of interests among the various segments of society.

9. Through this Agreement, the Government commits itself to take a series of steps designed to increase the people's participation in the various aspects of public life, including social and rural development policies. This series of reforms must enable structures that generate social conflict to be replaced by new relationships that ensure the consolidation of peace, as an expression of harmonious life together, and the strengthening of democracy, as a dynamic and perfectible process from which advances can be achieved through the participation of various segments of society in shaping the country's political, social and economic choices.

10. In order to reinforce the people's ability to participate and, at the same time, the State's management capacity, the Government agrees to:

Communities

(a) Promote a reform of the Municipal Code so that deputy mayors are appointed by the municipal mayor, taking into account the recommendations of local residents in an open town council meeting;

Municipalities

(b) Foster social participation in the context of municipal autonomy, pursuing the process of decentralization to give more authority to municipal governments, and consequently, strengthening their technical, administrative and financial resources;

(c) Establish and implement as soon as possible, in cooperation with the National Association of Municipalities, a municipal training programme that will serve as a framework for national efforts and international cooperation in this field. The programme

will stress the training of municipal staff who will specialize in executing the new duties that will be the responsibility of the municipality as a result of decentralization, with an emphasis on land use planning, a land register, urban planning, financial management, project management and training of local organizations so that they can participate effectively in meeting their own needs;

Departments

(d) Promote in the Congress a reform of the Act concerning the governance of the departments of the Republic, to the effect that the governor of the department would be appointed by the President of the Republic, taking into consideration the candidates nominated by the non-governmental representatives of the departmental development councils;

Regions

(e) Regionalize health care, education and cultural services for indigenous people and ensure the full participation of indigenous organizations in the design and implementation of this process;

System of urban and rural development councils

(f) Take the following steps, bearing in mind the fundamental role of urban and rural development councils in ensuring, promoting and guaranteeing the people's participation in the identification of local priorities, the definition of public projects and programmes and the integration of national policy into urban and rural development:

(i) Re-establish local development councils;

(ii) Promote a reform of the Urban and Rural Development Councils Act to broaden the range of sectors participating in departmental and regional development councils;

(iii) Provide adequate funding for the council system.

B. Participation of women in economic and social development

11. The active participation of women is essential for Guatemala's economic and social development, and the State has a duty to promote the elimination of all forms of discrimination against women.

12. Recognizing women's undervalued contributions in all spheres of economic and social activity, and particularly their efforts towards community improvement, the Parties agree that there is a need to strengthen women's participation in economic and social development on equal terms.

13. To this end, the Government undertakes to take the specific economic and social situation of women into account in its development strategies, plans and programmes, and to train civil servants in analysis and planning based on this approach. This undertaking includes the following:

(a) Recognizing the equal rights of women and men in the home, in the workplace, in the production sector and in social and political life, and ensuring that women have the same opportunities as men, particularly with regard to access to credit, land ownership and other productive and technological resources;

Education and training

(b) Ensuring that women have equal opportunities for education and training in the same conditions as men, and that any form of discrimination against women that may be found in school curricula is eliminated;

Housing

(c) Ensuring that women have equal access to housing of their own by eliminating the obstacles and impediments that affect women in relation to rental property, credit and construction;

Health

(d) Implementing nationwide comprehensive health programmes for women, which involves giving women access to appropriate information, prevention and health care services;

Labour

(e) Guaranteeing women's right to work, which requires:

(i) Using various means to encourage vocational training for women;

(ii) Revising labour legislation to guarantee equality of rights and opportunities between men and women;

(iii) In rural areas, recognizing women as agricultural workers to ensure that their work is valued and remunerated;

(iv) Enacting laws to protect the rights of women who work as household employees, especially in relation to fair wages, working hours, social security and respect for their dignity;

Organization and participation

(f) Guaranteeing women's right to organize and their participation, on the same terms as men, at the senior decision-making levels of local, regional and national institutions;

(g) Promoting women's participation in public administration, especially in the formulation, execution and supervision of government plans and policies;

Legislation

(h) Revising national legislation and regulations to eliminate all forms of discrimination against women in terms of economic, social, cultural and political participation, and to give effect to the government commitments deriving from the ratification of the Convention on the Elimination of All Forms of Discrimination against Women.

II. SOCIAL DEVELOPMENT

14. The State is responsible for promoting, guiding and regulating the country's socio-economic development so as to ensure economic efficiency, increased social services and social justice in an integrated manner and through the efforts of society as a whole. In the quest for growth, economic policy should be aimed at preventing processes of socio-economic exclusion, such as unemployment and impoverishment, and maximizing the benefits of economic growth for all Guatemalans. In seeking to ensure the well-being of all Guatemalans, social policy should foster economic development through its impact on production and efficiency.

15. Guatemala requires speedy economic growth in order to create jobs and enhance social development. The country's social development, in turn, is essential for its economic growth and for better integration into the world economy. In this regard, better living standards, health, education and training are the pillars of sustainable development in Guatemala.

State responsibilities

16. The State has inescapable obligations in the task of correcting social inequities and deficiencies, both by steering the course of development and by making public investments and providing universal social services. Likewise, the State has the specific obligations, imposed by constitutional mandate, of ensuring the effective enjoyment, without discrimination of any kind, of the right to work, health, education and housing, as well as other social rights. The historical social imbalances experienced in Guatemala must be corrected, and peace must be consolidated, through decisive policies which are implemented by both the State and society as a whole.

Productive investments

17. The country's socio-economic development cannot depend exclusively on public finances or on international cooperation. Rather, it requires an increase in productive investments that create adequately paid jobs. The Parties urge national and foreign

entrepreneurs to invest in the country, considering that the signing and implementation of an agreement on a firm and lasting peace are essential components of the stability and transparency required for investment and economic expansion.

Gross domestic product

18. For its part, the Government undertakes to adopt economic policies designed to achieve steady growth in the gross domestic product of not less than 6 per cent per annum, which would enable it to implement a progressive social policy. At the same time, it undertakes to implement a social policy aimed at ensuring the well-being of all Guatemalans, with emphasis on health, nutrition, education and training, housing, environmental sanitation and access to productive employment and to decent pay.

The State's leadership role

19. To meet this objective and to enable the State to play its leadership role in social policy, the Government undertakes to:

- (a) Apply and develop the regulatory framework to guarantee the exercise of social rights and provide social services through public entities and, where necessary, through semi-public or private entities, and supervise the adequate provision of such services;
- (b) Promote and ensure the participation, in accordance with the regulatory framework, of all social and economic sectors that can cooperate in social development, particularly in providing full access to basic services;
- (c) Ensure that the public sector provides services efficiently, considering that the State has a duty to give the population access to quality services.

20. In response to the population's urgent demands, the Government undertakes to:

- (a) Increase social investment significantly, especially in the areas of health, education and employment;
- (b) Restructure the budget so as to increase social expenditure;
- (c) Give priority to the neediest sectors of society and the most disadvantaged areas of the country, without short-changing other sectors of society;
- (d) Improve the administration of government resources and investments by decentralizing them and making them less concentrated and bureaucratic, reforming budget performance mechanisms by giving them autonomy in decision-making and financial management to guarantee their efficiency and transparency, and strengthening supervisory and auditing mechanisms.

A. Education and training

21. Education and training have a fundamental role in the country's economic, cultural, social and political development. They are central to the strategy of equity and national unity, and vital for economic modernization and international competitiveness. Reform of the educational system and of its administration is therefore necessary, as is the implementation of coherent and forceful State policies in the field of education, in order to achieve the following objectives:

(a) To affirm and disseminate the moral and cultural values and the concepts and behaviour patterns which are the foundations of democratic coexistence, including respect for human rights, for the cultural diversity of Guatemala, for the productive work of its people and the protection of the environment and for the values and mechanisms of power-sharing and social and political consensus-building which constitute the basis of a culture of peace;

(b) To avoid the perpetuation of poverty and of social, ethnic, sexual and geographical forms of discrimination, particularly those which arise from the divide between urban and rural society;

(c) To contribute to the application of technical and scientific progress and, consequently, to the achievement of higher productivity, the creation of more jobs and increased income for the population, and beneficial integration into the world economy.

22. In response to the country's needs in the field of education, the Government undertakes to:

Spending on education

(a) Implement significant increases in the resources allocated to education. By the year 2000, the Government proposes to step up public spending on education as a proportion of gross domestic product by at least 50 per cent over its 1995 level. These targets will be revised upwards in the light of future developments in State finances;

Adjustment of educational curricula

(b) Adjust educational curricula in accordance with the objectives set out in paragraph 21. These adjustments will take into account the conclusions of the Education Reform Commission established by the Agreement on Identity and Rights of Indigenous Peoples;

Coverage

(c) Expand, as a matter of urgency, the coverage of education services at all levels, and in particular the provision of bilingual education in rural communities, by means of:

(i) The integration of children of school age into the educational system, ensuring that they complete the pre-primary and primary levels and the first level of secondary school; in particular, by the year 2000, the Government undertakes to provide access, for all those between ages 7 and 12, to at least three years of schooling;

(ii) Literacy programmes in as many languages as is technically feasible, with the participation of suitably qualified indigenous organizations; the Government undertakes to raise the literacy rate to 70 per cent by the year 2000; and

(iii) Education, training and technical courses for adults;

Occupational training

(d) Develop, with appropriate and efficient methodology, training programmes in communities and enterprises for the retraining and technical updating of workers, with emphasis on the inhabitants of isolated areas and rural communities, with support from those sectors which are able to collaborate in this undertaking;

Training for participation

(e) Provide training to enable social organizations at the municipal, regional and national levels to take part in socio-economic development, including the fields of public administration, fiscal responsibility and consensus-building;

Civic education programme

(f) Design and implement a national civic education programme for democracy and peace, promoting the protection of human rights, the renewal of political culture and the peaceful resolution of conflicts. The mass media will be invited to participate in this programme;

Community-school interaction and community participation

(g) In order to encourage the enrolment of children in the educational system and to lower the school drop-out rate, the Government undertakes to encourage effective community and parental participation in the various aspects of the education and training services (curricula, appointment of teachers, school calendar, etc.);

Financial support

(h) Develop scholarship and student grant programmes, economic support and other incentives, to enable needy students to continue their education;

Training of school administrators

(i) Develop continuing education programmes for teachers and school administrators;

Advisory commission (j) For the purpose of designing and implementing the educational reform to be carried out by the Ministry of Education, an advisory commission attached to the Ministry will be set up, consisting of participants in the educational process, including representatives of the Education Reform Commission set up pursuant to the Agreement on Identity and Rights of Indigenous Peoples;

Higher education and research

(k) State-run higher education, the management, organization and development of which is the sole responsibility of the Guatemalan University of San Carlos, is a key factor in achieving economic growth, social equity, the dissemination of culture and a greater pool of technological know-how. The Government of the Republic undertakes to provide to the University of San Carlos, in a timely manner, the funding which is its prerogative under a constitutional mandate. With all due respect to the autonomy of the University, the parties urge the authorities of that distinguished institution to give favourable consideration to all initiatives which increase its contribution to the country's development and help to consolidate peace. The Government undertakes to heed such contributions and initiatives and to respond appropriately. Particular importance is attached to the development of the University's regional centres and of its internship programmes, especially in the poorest sectors. The Parties also urge the business sector to devote increased efforts to applied technological research and to human resources development, forging closer exchange links with the University of San Carlos;

Educational outreach workers

(l) Pursuant to the Agreement on Resettlement of the Population Groups Uprooted by the Armed Conflict and the Agreement on Identity and Rights of Indigenous Peoples, community educational outreach workers shall be incorporated into the national education system, and due regard shall be given to suitable curricula for indigenous communities and uprooted population groups.

B. Health

23. The Parties agree on the need to promote a reform of the national health sector. This reform should be aimed at ensuring effective exercise of the fundamental right to health, without any discrimination whatsoever, and the effective performance by the State, which would be provided with the necessary resources, of its obligation with regard to health and social welfare. Some of the main points of this reform are as follows:

Concept

(a) It would be based on an integrated concept of health (including prevention, promotion, recovery and rehabilitation) and on humanitarian and community-based

practice emphasizing the spirit of service, and it would be applied at all levels of the country's public health sector;

National coordinated health system

(b) One of the responsibilities of the Ministry of Health is to formulate policies to provide the entire Guatemalan population with integrated health services. Under the coordination of the Ministry of Health, the health system would combine the work of public agencies (including the Guatemalan Social Security Institute) and private and non-governmental organizations involved in this sector to implement actions designed to enable the whole Guatemalan population to have access to integrated health services;

Low-income population

(c) The system would create the conditions for ensuring that the low-income population has effective access to quality health services. The Government undertakes to increase the resources it allocates to health. By the year 2000, the Government proposes to step up public spending on health as a proportion of gross domestic product by at least 50 per cent over its 1995 level. This target will be revised upwards in the light of future developments in State finances;

Priority care

(d) The system would give priority to efforts to fight malnutrition and to promote environmental sanitation, preventive health care and primary health care, especially maternal and child care. The Government undertakes to allocate at least 50 per cent of public health expenditure to preventive care and undertakes to cut the 1995 infant and maternal mortality rate in half by the year 2000. In addition, the Government undertakes to maintain the certification of eradication of poliomyelitis, and to eradicate measles by the year 2000;

Medicine, equipment and inputs

(e) The Ministry of Public Health and Social Welfare will revise current rules and practices with regard to the manufacture and marketing of drugs, equipment and inputs and will promote measures to ensure that these are in sufficient supply and that they are affordable and of high quality. In the case of popular basic or generic drugs, ways of purchasing them will be studied and applied in order to ensure transparency in their marketing, quality and pricing to ensure that services are provided efficiently;

Indigenous and traditional medicine

(f) The system would enhance the importance of indigenous and traditional medicine, promoting its study and renewing its concepts, methods and practices;

Social participation

(g) The system would encourage active participation of municipalities, communities and social organizations (including groups of women, indigenous people, trade unions and civic and humanitarian associations) in the planning, execution and monitoring of the administration of health services and programmes, through local health systems and urban and rural development councils;

Administrative decentralization and enhancement of local autonomy

(h) The decentralized organization of the various levels of health care should ensure that health programmes and services are offered at the community, regional and national levels, which are the basis of the national coordinated health system.

C. Social security

24. Social security is a mechanism for expressing human solidarity and promoting the common good, laying the foundations for stability, economic development, national unity and peace. Under the Political Constitution of the Republic, the Guatemalan Social Security Institute, an autonomous body, administers the social security system. The Parties consider that appropriate measures should be taken to expand its coverage and increase its benefits and the quality and efficiency of its services. To that end, the following should be taken into account:

(a) The administration of the Guatemalan Social Security Institute should be completely autonomous, in accordance with the constitutional principle of coordination with health agencies under the national coordinated health system;

(b) Under the International Labour Organization convention ratified by Guatemala, social security should include programmes for medical care and benefits in the areas of sickness, maternity, disability, old age, survival, job-related accidents and illnesses, employment and family welfare;

(c) The application of the principles of efficiency, universality, unity and compulsoriness to the operation of the Guatemalan Social Security Institute should be reinforced and guaranteed;

(d) The financial soundness of the Institute should be strengthened through a system of tripartite control of contributions;

(e) New ways of managing the Institute with the participation of its constituent sectors should be promoted;

(f) The Institute should be effectively incorporated into the coordinated health system;

(g) Conditions should be created that will facilitate the universal coverage of all workers by the social security system.

D. Housing

25. It has been recognized that there is a need to institute a policy, in accordance with the constitutional mandate, to give priority to the building of low-cost housing, through appropriate financial arrangements, in order to enable as many Guatemalan families as possible to own their own homes. To this end, the Government undertakes to:

Planning

(a) Closely monitor land management policies, especially urban planning and environmental protection policies, to enable the poor to have access to housing and related services in hygienic and environmentally sustainable conditions; Standards (b) Update health and safety regulations applicable to the construction industry and monitor compliance with them; coordinate with municipalities to ensure that construction and supervision standards are homogeneous, clear and simple, in an effort to provide high-quality, safe housing;

Housing stock

(c) Promote a policy to increase the stock of housing in Guatemala, in an effort to enable more people from low-income sectors to rent or own their own homes;

(d) Increase the supply of housing-related services, housing options and high-quality, low-cost building materials; in this context, apply anti-trust regulations to the production and marketing of building materials and housing-related services in accordance with Article 130 of the Constitution;

Finance and credit

(e) Implement monetary policies designed to reduce the cost of credit significantly;

(f) Strengthen the securities market and make it more available as a source of funds to purchase housing, by offering first and second mortgages and facilitating the selling of securities issued for housing operations, such as common and preferred stocks in construction companies, mortgage bonds and debentures, real estate participation certificates, supplemental letters, promissory notes and other documents related to rental with an option to buy;

(g) Design a direct subsidy mechanism and apply it to the demand for low-cost housing, to benefit the most needy sectors. To this end, strengthen the Guatemalan Housing Fund to improve its capacity to grant funds to assist those living in poverty and extreme poverty;

Participation

(h) Stimulate the establishment and strengthening of participatory arrangements, such as cooperatives and self-managed and family businesses, to ensure that the beneficiaries are able to participate in the planning and construction of housing and related services;

Regularization of the land situation

(i) Promote the legalization, access to and registry of land, not only in the vicinity of Guatemala City but also for urban development in the province capitals and municipalities, together with the implementation of building projects in villages and on farms, especially rural housing;

National commitment

(j) In view of the size and urgency of the housing problem, national efforts should be mobilized to solve it. The Government undertakes to allocate to the housing promotion policy no less than 1.5 per cent of the tax revenue budget, beginning in 1997, giving priority to the subsidy for low-cost housing options.

E. Work

26. Work is essential for the integral development of the individual, the well-being of the family and the social and economic development of Guatemala. Labour relations are an essential element of social participation in socio-economic development and of economic efficiency. In this respect, the State's policy with regard to work is critical for a strategy of growth with social justice. In order to carry out this policy, the Government undertakes to:

Economic policy

(a) Through an economic policy designed to increase the use of the labour force, create conditions for the attainment of rising and sustained levels of employment, while sharply reducing structural underemployment and making possible a progressive increase in real wages;

(b) Encourage measures in coordination with the various social sectors to increase investment and productivity within the framework of an overall strategy of growth with social stability and equity;

Protective labour legislation

(c) Promote, in the course of 1996, legal and regulatory changes to enforce the labour laws and severely penalize violations, including violations in respect of the minimum wage, non-payment, withholding and delays in wages, occupational hygiene and safety and the work environment;

(d) Decentralize and expand labour inspection services, strengthening the capacity to monitor compliance with the labour norms of domestic law and those derived from the international labour agreements ratified by Guatemala, paying particular attention to monitoring compliance with the labour rights of women, migrant and temporary agricultural workers, household workers, minors, the elderly, the disabled and other workers who are in a more vulnerable and unprotected situation;

Occupational training

(e) Establish a permanent, modern vocational instruction and training programme to ensure training at all levels and a corresponding increase in productivity through a draft law regulating vocational training at the national level;

(f) Promote coverage by the national vocational instruction and training programmes of at least 200,000 workers by the year 2000, with an emphasis on those who are joining the workforce and those who need special training to adapt to new conditions in the labour market;

Ministry of Labour

(g) Strengthen and modernize the Ministry of Labour and Social Welfare, ensuring its leading role in Government policies related to the labour sector and its effective deployment in the promotion of employment and in labour cooperation. To that end, it undertakes to:

Participation, coordination and negotiations

(i) Promote the restructuring of labour relations in enterprises by encouraging labour management cooperation and coordination with a view to the development of the enterprise for the common good, including possible profit-sharing arrangements;

(ii) Facilitate the procedures for the recognition of the legal personality of labour organizations;

(iii) In the case of agricultural workers who are still hired through contractors, propose reforms for the speedy and flexible legal recognition of forms of association for the negotiation of such hiring; and

(iv) Promote a culture of negotiation and, in particular, train persons to settle disputes and coordinate action for the benefit of the parties involved.

III. AGRARIAN SITUATION AND RURAL DEVELOPMENT

27. It is essential and unavoidable to solve the problems of agrarian reform and rural development in order to address the situation of the majority population, which live in

rural areas and is most affected by poverty, extreme poverty, injustice and the weakness of State institutions. The transformation of the structure of land use and ownership must have as its objective the incorporation of the rural population into economic, social and political development so that the land constitutes, for those who work it, the basis of their economic stability, the foundation of their progressive social well-being and the guarantee of their freedom and dignity.

28. Land is central to the problems of rural development. From the conquest to the present, historic events, often tragic, have left deep traces in ethnic, social and economic relations concerning property and land use. These have led to a situation of concentration of resources which contrasts with the poverty of the majority and hinders the development of Guatemala as a whole. It is essential to redress and overcome this legacy and promote more efficient and more equitable farming, strengthening the potential of all those involved, not only in terms of productive capacity but also in enhancing the cultures and value systems which coexist and intermingle in the rural areas of Guatemala.

29. These changes will enable Guatemala to take full advantage of the capacities of its inhabitants and, in particular, the richness of the traditions and cultures of its indigenous peoples. It should also take advantage of the high potential for agricultural, industrial, commercial and tourist development of those resources deriving from its wealth of natural resources.

30. Solving the agrarian problem is a complex process covering many aspects of rural life, from modernization of production and cultivation methods to environmental protection, as well as security of property, adequate use of the land and of the labour force, labour protection and a more equitable distribution of resources and the benefits of development. This is also a social process whose success depends not only on the State, but also on a combination of efforts on the part of the organized sectors of society, in the awareness that the common good requires breaking with the patterns and prejudices of the past and seeking new and democratic forms of coexistence.

31. The State has a fundamental and vital role in this process. As the guide for national development, as a legislator, as a source of public investment and provider of services and as a promoter of social cooperation and conflict resolution, it is essential for the State to increase and refocus its efforts and its resources towards the rural areas, and to promote agrarian modernization, in a sustained manner, in the direction of greater justice and greater efficiency.

32. The agreements already signed on human rights, on the resettlement of populations uprooted by armed confrontation and on the identity and rights of indigenous peoples contain commitments which constitute essential elements of a global strategy for rural development. It is in line with these provisions that the Government undertakes, through this Agreement, to promote an integral strategy covering the multiple elements which make up agrarian structure, including land ownership and the use of natural resources; credit systems and mechanisms; manufacturing and marketing; agrarian legislation and legal security; labour relations; technical assistance and training; the sustainability of

natural resources and the organization of the rural population. This strategy includes the aspects described below.

A. Participation

33. The capacity of all actors involved in the agricultural sector must be mobilized to make proposals and to take action, including indigenous peoples' organizations, producers' associations, business associations, rural workers' trade unions, rural and women's organizations or universities and research centres in Guatemala. To that end, in addition to the provisions of other chapters of this Agreement, the Government undertakes to:

(a) Strengthen the capacity of rural organizations such as associative rural enterprises, cooperatives, small farmers' associations, mixed enterprises and self-managed and family businesses to participate fully in decisions on all matters concerning them and to establish or strengthen State institutions, especially those of the State agricultural sector, involved in rural development so that they can promote such participation, particularly the full participation of women in the decision-making process. That will strengthen the effectiveness of State action and ensure that it responds to the needs of rural areas. In particular, participation in development councils will be promoted as a framework for the joint formulation of development and land use plans;

(b) Strengthen and expand the participation of tenant farmers' organizations, rural women, indigenous organizations, cooperatives, producers' trade unions and non-governmental organizations in the National Agricultural Development Council as the main mechanism for consultation, coordination and social participation in the decision-making process for rural development, and in particular for the implementation of this chapter.

B. Access to land and productive resources

34. Promote the access of tenant farmers to land ownership and the sustainable use of land resources. To that end, the Government will take the following actions:

Access to land ownership: land trust fund

(a) Establish a land trust fund within a broad-based banking institution to provide credit and to promote savings, preferably among micro-, small and medium-sized enterprises. The land trust fund will have prime responsibility for the acquisition of land through Government funding, will promote the establishment of a transparent land market and will facilitate the updating of land development plans. The fund will give priority to the allocation of land to rural men and women who are organized for that purpose, taking into account economic and environmental sustainability requirements;

(b) In order to ensure that the neediest sectors benefit from its services, the fund will set up a special advisory and management unit to serve rural communities and organizations;

(c) Initially, the fund will limit its activities to the following types of land:

(i) Uncultivated State land and State-owned farms;

(ii) Illegally settled public land, especially in Petón and the Franja Transversal del Norte, which the Government has pledged to recover through legal action;

(iii) Land acquired with the resources allocated by the Government to the National Land Fund and the National Peace Fund for that purpose;

(iv) Land purchased with grants from friendly Governments and international non-governmental organizations;

(v) Land purchased with loans secured from international financing agencies;

(vi) Undeveloped land expropriated under Article 40 of the Constitution;

(vii) Land acquired from the proceeds of the sale of excess land, as determined by comparing the actual dimensions of private property with the dimensions recorded at the land register department, which has become the property of the State;

(viii) Land which the State may purchase pursuant to Decree No. 1551, Article 40, on agricultural development areas;

(ix) Land which the State may purchase for any purpose; and

(x) Miscellaneous grants;

(d) The Government will promote and enact legislation to regulate all the activities of the land trust fund. Such legislation will establish, *inter alia*, the fund's aims, functions and financing and acquisition mechanisms, and the allocation, origin and destination of land. In 1999, the extent to which the allocation targets have been met will be assessed and, if need be, the functioning of the land allocation programme will be adjusted;

Access to land ownership: funding mechanisms

(e) Promote, through all means possible, the development of a dynamic land market that would enable tenant farmers who either do not have land or have insufficient land to acquire land through long-term transactions at commercial or favourable interest rates with little or no down payment. In particular, promote the issuance of mortgage-backed securities guaranteed by the State whose yield is attractive to private investors, especially financial institutions;

Access to the use of natural resources

(f) By 1999, allocate to small and medium-sized farmers' groups legally incorporated as natural resources management ventures, 100,000 hectares within multi-use areas for sustainable forest management, the management of protected areas, eco-tourism, conservation of water sources and other activities compatible with the sustainable potential use of the natural resources of such areas;

(g) Promote and support the participation of the private sector and grass-roots community organizations in projects for the management and conservation of renewable natural resources through incentives, targeted direct subsidies or funding mechanisms on soft terms, in view of the non-monetary benefits that the national community derives from such projects. Given the benefit that the international community receives from the sustainable management and conservation of the country's forest and biogenetic resources, the Government will actively promote international cooperation in this venture;

Access to other productive projects

(h) Develop sustainable productive projects especially geared towards boosting productivity and the processing of agricultural, forestry and fishery products in the poorest areas of the country. In particular, for the period 1997-2000, guarantee the implementation, in the poorest areas, of a Government agricultural sector investment programme in the amount of 200 million quetzales in the agriculture, forestry and fisheries sectors;

(i) Promote a renewable natural resources management programme which fosters sustainable forestry and agro-forestry production, as well as handicrafts and small- and medium-scale industry projects that give added value to forest products;

(j) Promote productive ventures related, *inter alia*, to agro-processing industries, marketing, services, handicrafts and tourism with a view to creating jobs and securing fair incomes for all;

(k) Promote an eco-tourism programme with the broad participation of communities which have received appropriate training.

C. Support structure

35. Prerequisites for a more efficient and just agricultural structure include not only more equitable access to productive resources but also a support structure that will enhance farmers' access to information, technology, training, credit and marketing facilities. Over and above its commitment to social investment as set forth in the chapter on social development, including in particular investment in health, education, housing and employment, the Government also undertakes to:

Basic infrastructure

- (a) Engage in judicious public investment and foster a climate conducive to private investment with a view to upgrading the infrastructure available for sustainable production and marketing, especially in areas of poverty and extreme poverty;
- (b) Develop a rural development investment programme with emphasis on basic infrastructure (highways, rural roads, electricity, telecommunications, water and environmental sanitation) and productive projects, for a total amount of 300 million quetzales annually during the period 1997-1999;

Credit and financial services

- (c) Activate the land fund not later than 1997, while simultaneously promoting conditions that will enable small and medium-scale farmers to have access to credit, individually or in groups, on a financially sustainable basis. In particular, with the support of the private sector and non-governmental development organizations, the Government proposes to strengthen local savings and credit agencies, including associations, cooperatives and the like, with a view to enhancing their function as sources of credit providing small and medium-scale farmers with financial services efficiently and in accordance with local needs and conditions;

Training and technical assistance

- (d) Strengthen, decentralize and broaden the coverage of training programmes, especially programmes designed to enhance rural people's managerial skills at various levels. The private sector and non-governmental organizations will be enlisted in the implementation of this action;
- (e) Develop technical assistance and job training programmes that will upgrade the skills, versatility and productivity of the labour force in rural areas;

Information

- (f) Develop an information collection, compilation and distribution system for the agriculture, forestry, food processing and fisheries sectors, one that will provide small producers with reliable information on which to base their decisions relating to seeds, inputs, crops, costs and marketing;

Marketing

- (g) Develop a system of storage centres and duty-free zones with a view to facilitating the processing and marketing of agricultural products and fostering rural employment.

D. Organization of the rural population for production

36. Organizing the rural population is a decisive factor in transforming the inhabitants of the countryside into genuine protagonists of their own development. In view of the vital role of small and medium-scale enterprises in combating poverty, creating rural jobs and promoting more efficient land use, there is a need to promote a more efficient form of organization of small producers so that they can, in particular, take advantage of the support structure described in paragraph 35. To this end, the Government undertakes to:

(a) Support micro-, small and medium-scale agricultural and rural enterprises by strengthening the various ways of organizing them, such as associative rural enterprises, cooperatives, small farmers' associations, mixed enterprises and self-managed and family businesses;

(b) Tackle the problem of smallholdings through:

(i) A firm and sustained policy of support for smallholders so that they can become small-scale agricultural businessmen through access to training, technology, credit and other inputs;

(ii) Promoting, if the smallholders so desire, amalgamation of holdings in those cases where conversion into small businesses is not possible owing to the dispersal and size of the properties.

E. Legal framework and juridical security

37. Guatemala is in need of reform of the juridical framework of agriculture and institutional development in the rural sector so that an end can be put to the lack of protection and dispossession from which small farmers, and in particular indigenous peoples, have suffered, so as to permit full integration of the rural population into the national economy and regulate land use in an efficient and environmentally sustainable manner in accordance with development needs. To this end, and taking into account in all cases the provisions of the Agreement on Identity and Rights of Indigenous Peoples, the Government undertakes to:

Legal reform

(a) Promote a legal reform which will establish a juridical framework governing land ownership that is secure, simple and accessible to the entire population. This reform will need to simplify the procedures for awarding title and registering ownership and other real estate rights, as well as to simplify administrative and judicial formalities and procedures;

(b) Promote the establishment of an agrarian and environmental jurisdiction within the judiciary through the enactment of the relevant legislation by the Congress;

(c) Promote the revision and adjustment of the legislation on undeveloped land so that it conforms to the provisions of the Constitution, and regulate, *inter alia* through incentives

and penalties, the underutilization of land and its use in ways incompatible with sustainable natural resource utilization and preservation of the environment;

(d) Protect common and municipal land, in particular by limiting to the strict minimum the cases in which it can be transferred or handed over in whatever form to private individuals;

(e) With respect to community-owned land, to regulate participation by communities in order to ensure that it is they who take the decisions relating to their land;

Prompt settlement of land conflicts

(f) To establish and apply flexible judicial or non-judicial procedures for the settlement of disputes relating to land and other natural resources (in particular, direct settlement and conciliation), taking into account the provisions of the Agreement on Resettlement of the Population Groups Uprooted by the Armed Conflict and the Agreement on Identity and Rights of Indigenous People. In addition, to establish procedures that will make it possible:

(i) To define formulas for compensation in the case of land disputes and claims in which farmers, small farmers and communities in a situation of extreme poverty have been or may be dispossessed for reasons not attributable to them;

(ii) To reinstate or compensate, as appropriate, the State, municipalities, communities or individuals when their land has been usurped or has been allocated in an irregular or unjustified manner involving abuse of authority;

(g) Regulate the award of title to the lands of indigenous communities and beneficiaries of the Guatemalan Institute for Agrarian Reform who are in lawful possession of the land assigned to them;

Institutional mechanisms

(h) By 1997, to have started the operations of a Presidential office for legal assistance and conflict resolution in relation to land, with nationwide coverage and the task of providing advice and legal assistance to small farmers and agricultural workers with a view to the full exercise of their rights, and in particular of:

(i) Advising and providing legal assistance to small farmers and agricultural workers and/or their organizations upon request;

(ii) Intervening in land disputes at the request of a party with a view to arriving at a just and expeditious solution;

(iii) In the case of judicial disputes, providing advice and legal assistance free of charge to small farmers and/or their organizations when they so request;

(iv) Receiving complaints of abuses committed against communities, rural organizations and individual small farmers and bringing them to the attention of the Office of the Counsel for Human Rights and/or of any other national or international verification mechanism.

G. Land register

38. On the basis of the provisions of paragraph 37, the Government undertakes to promote legislative changes that would make it possible to establish an efficient decentralized multi-user land registry system that is financially sustainable, subject to compulsory updating and easy to update. Likewise, the Government undertakes to initiate, by January 1997 at the latest, the process of land surveying and systematizing the land register information, starting with priority zones, in particular with a view to the implementation of paragraph 34 on access to land and other production resources.

H. Labour protection

39. The Government undertakes to promote better participation of rural workers in the benefits of agriculture and a reorientation of labour relations in rural areas. It will place particular emphasis on applying to rural workers the labour policy outlined in the relevant section of the present agreement. An energetic labour protection policy, combined with a vocational training policy, is in line with the requirements of social justice. It is also needed in order to attack rural poverty and promote an agrarian reform aimed at more efficient use of natural and human resources. Accordingly, the Government undertakes to:

- (a) Ensure that the labour legislation is effectively applied in rural areas;
- (b) Pay urgent attention to the abuses to which rural migrant workers, young tenant farmers and day labourers are subjected in the context of hiring through middlemen, sharecropping, payment in kind and the use of weights and measures. The Government undertakes to adopt administrative and/or penal sanctions against offenders;
- (c) Promote reform of the procedures for recognition of the legal personality of small farmers' organizations with a view to simplifying such recognition and making it more flexible through the application of the 1975 International Labour Organization Convention 141 on organization of rural workers.

I. Environmental protection

40. Guatemala's natural wealth is a valuable asset of the country and mankind, in addition to being an essential part of the cultural and spiritual heritage of the indigenous peoples. The irrational exploitation of Guatemala's biogenetic and forest resource diversity endangers a human environment that facilitates sustainable development.

Sustainable development is understood as being a process of change in the life of the human being through economic growth with social equity, involving production methods and consumption patterns that maintain the ecological balance. This process implies respecting ethnic and cultural diversity and guaranteeing the quality of life of future generations.

41. In this sense, and in line with the principles of the Central American Alliance for Sustainable Development, the Government reiterates the following commitments:

- (a) To adjust educational curricula and training and technical assistance programmes to the requirements of environmental sustainability;
- (b) To give priority to environmental sanitation in its health policy;
- (c) To link physical planning policies, particularly urban planning, with environmental protection;
- (d) To promote sustainable natural resource management programmes that will create jobs.

J. Resources

42. In order to finance the measures mentioned above, and in view of the priority assigned to modernizing the agriculture sector and rural development, the Government undertakes to increase the State resources allocated to this area by, *inter alia*:

Land tax

(a) Promoting, by 1997, the legislation and mechanisms for the application, in consultation with municipalities, of a land tax in the rural areas from which it is easy for the municipalities to collect revenues. The tax, from which small properties will be exempt, will help to discourage ownership of undeveloped land and underutilization of land. Taken as a whole, these mechanisms ought not to encourage deforestation of land use for forestry;

Tax on undeveloped land

(b) Establishing a new tax schedule for the annual tax on undeveloped land which imposes significantly higher taxes on privately owned unutilized and/or underutilized land.

IV. MODERNIZATION OF GOVERNMENT SERVICES AND FISCAL POLICY

A. Modernization of government services

43. Government services should become an efficient tool of development policies. To this end, the Government undertakes to:

Decentralization and redistribution

(a) Deepen the decentralization and redistribution of the powers, responsibilities and resources concentrated in the central Government in order to modernize, render effective and streamline government services. Decentralization should ensure the transfer of decision-making power and sufficient resources to the appropriate levels (local, municipal, departmental and regional) so as to meet the needs of socio-economic development in an efficient way and promote close cooperation between government bodies and the population. This implies:

(i) Promoting an amendment to the Executive Authority Act and the Departmental Control and Administration Act and, in particular, to Decree No. 586 of 1956, which will make it possible to simplify, decentralize and redistribute government services;

(ii) Promoting the decentralization of support systems, including the purchasing and procurement system, the human resources system, the information-gathering and statistical system and the financial management system.

National auditing

(b) Reform, strengthen and modernize the Comptroller's Office.

Professionalization and advancement of public servants

44. The State should have a skilled labour force which can ensure the honest and efficient management of public funds. To this end, it is necessary to:

(a) Establish a career civil service;

(b) Adopt legal and administrative measures to ensure real compliance with the Integrity and Accountability Act;

(c) Promote criminal sanctions for acts of corruption and misappropriation of public funds.

B. Fiscal policy

45. Fiscal policy (revenue and expenditure) is the key tool enabling the State to comply with its constitutional commitments, particularly those relating to social development, which is essential to the quest for the common good. Fiscal policy is also essential to Guatemalan sustainable development, which has been impaired by low levels of education, health care and public security, a lack of infrastructure and other factors which

militate against increasing the productivity of labour and the competitiveness of the Guatemalan economy.

Budgetary policy

46. Budgetary policy should respond to the need for socio-economic development in a stable context, which requires a public spending policy consistent with the following basic principles:

- (a) Giving priority to social spending, the provision of public services and the basic infrastructure needed to support production and marketing;
- (b) Giving priority to social investment in health care, education and housing; rural development; job creation; and compliance with the commitments entered into under the peace agreements. The budget should include sufficient resources for strengthening the organizations and institutions responsible for ensuring the rule of law and respect for human rights;
- (c) Efficient budget performance, with an emphasis on decentralization, redistribution and auditing of budgetary resources.

Tax policy

47. Tax policy should be designed to enable the collection of the resources needed for the performance of the State's functions, including the funds required for the consolidation of peace, within the framework of a tax system consistent with the following basic principles:

- (a) The system is fair, equitable and, on the whole, progressive, in keeping with the constitutional principle of ability to pay;
- (b) The system is universal and compulsory;
- (c) The system stimulates saving and investment.

48. The State should also ensure efficiency and transparency in tax collection and fiscal management so as to promote taxpayer confidence in government policy and eliminate tax evasion and fraud.

Tax collection target

49. Bearing in mind the need to increase State revenues in order to cope with the urgent tasks of economic growth, social development and building peace, the Government undertakes to ensure that by the year 2000, the tax burden, measured as a ratio of gross domestic product, increases by at least 50 per cent as compared with the 1995 tax burden.

Fiscal commitment

50. As a step towards a fair and equitable tax system, the Government undertakes to address the most serious issue relating to tax injustice and inequity, namely, evasion and fraud, especially on the part of those who should be the largest contributors. In order to eradicate privileges and abuses, eliminate tax evasion and fraud and implement a tax system which is, on the whole, progressive, the Government undertakes to:

Legislation

- (a) Promote an amendment to the Tax Code establishing harsher penalties for tax evasion, avoidance and fraud, both for taxpayers and for tax administration officials;
- (b) Promote an amendment to the tax laws designed to eliminate loopholes;
- (c) Evaluate and regulate tax exemptions strictly so as to eliminate abuses;

Strengthening of tax administration

- (d) Strengthen the existing auditing and collection mechanisms, such as cross-checking, tax identification numbers and tax credits for withholding of income tax and value-added tax;
- (e) Simplify and automate tax administration procedures;
- (f) Ensure the correct and prompt application or reimbursement of tax credit and punish severely those who do not return withheld value-added tax to the tax authorities;
- (g) Create a special programme for large contributors in order to ensure that they comply fully with their tax obligations;
- (h) Implement administrative structures specifically geared to the revenue collection and auditing programmes and to the application of the relevant tax laws;
- (i) Strengthen the capacity of municipalities to exercise their authority to collect taxes;

Participation

- (j) Ensure that the urban and rural development councils contribute to the definition and monitoring of tax policy within the framework of their mandate to formulate development policies;

Civic education

(k) Within academic curricula, continue to promote knowledge of, respect for and compliance with tax obligations as part of coexistence in a democratic society.

Enforcement of tax policy

51. The failure to fulfil tax obligations deprives the country of the resources needed in order to address the backlog of social needs affecting Guatemalan society. The Government undertakes to impose exemplary penalties on those who engage in various types of tax fraud, to modernize and strengthen tax administration and to give priority to spending on social needs.

V. FINAL PROVISIONS

1. This Agreement shall form part of the agreement on a firm and lasting peace and shall enter into force at the time of the signing of the latter agreement.
2. In order to ensure that this Agreement serves the interests of Guatemalans, the Government shall initiate immediately the programming and planning activities which will enable it to comply with the investment commitments contained herein.
3. In accordance with the Framework Agreement, the Secretary-General of the United Nations is requested to verify compliance with this Agreement.
4. This Agreement shall be disseminated as widely as possible; to this end, the cooperation of the mass media and of teaching and educational institutions is requested.

Mexico City, 6 May 1996.

(signed)

For the Government of the Republic of Guatemala

Gustavo PORRAS CASTEJÓN

Raquel ZELAYA ROSALES

Brigadier General Otto PÉREZ MOLINA

Richard AITKENHEAD CASTILLO

For the Unidad Revolucionaria Nacional Guatemalteca

General Command

Commander Pablo MONSANTO

Commander Rolando MORÁN

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Marrack GOULDING

Under-Secretary-General

Jean ARNAULT