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Chapter V: Economic and Social Questions

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1. *Preamble*

One of the prerequisites for the democratic reunification of Salvadorian society is the sustained economic and social development of the country. At the same time, reunification of Salvadorian society and a growing degree of social cohesion are indispensable for fostering development. Hence, the set of agreements required to put a definitive end to the armed conflict in El Salvador must include certain minimum commitments to promote development for the benefit of all sectors of the population.

In accordance with the New York Agreement, the issues covered by this instrument are: the agrarian problem, loans to the agricultural sector, measures required to alleviate the social cost of structural adjustment programmes, appropriate procedures for direct external cooperation designed to encourage community development and assistance projects, establishment of a forum for economic and social consultation and the National Reconstruction Plan. Also, although the general philosophy or orientation of the Government's economic policy, which FMLN does not necessarily share, is not covered by this Agreement, both Parties agree on the need to provide certain basic guidelines so as to ensure the requisite social stability during the transitional period, consolidate peace and make progress towards the reunification of Salvadorian society.

2. *The agrarian problem*

A. *Lands in excess of the constitutional limit of 245 hectares*

The Government of El Salvador shall transfer rural farmland that has not yet been transferred under articles 105 and 267 of the Constitution of the Republic.

It likewise undertakes to ensure that implementation of the relevant constitutional requirements is not evaded by owners of rural holdings in excess of 245 hectares.

B. *State-owned lands which are not currently part of a forestry reserve*

The Government of El Salvador shall transfer to beneficiaries of the agrarian reform, as provided in article 104 of the Constitution, State-owned rural farmland which is not part of a forestry reserve.

Under the various land-transfer programmes which the Government of El Salvador is carrying out with State-owned farmland, preference shall be given to former combatants of both Parties who so request voluntarily, are of peasant origin and familiar with farming, and possess no land of any kind. The size of the lots shall be determined by the amount of land available, as mentioned above, and the number of beneficiaries who meet the conditions set out in this section.

C. *Lands offered for sale to the State*

Making use of the legal, technical and financial resources available to it, the Government of El Salvador shall seek to acquire and transfer through the Land Bank lands voluntarily offered for sale by their owners. Once the said lands are acquired, they shall be transferred to beneficiaries of the agrarian reform.

D. *Recipients of lands transferred in accordance with the preceding sections*

The lands acquired under sections A, B and C of this chapter shall be used to satisfy the need for land of landless peasants and small farmers. Specifically, title to the land shall be transferred legally to the peasants and small farmers designated by law as beneficiaries of the agrarian reform.

E. *Payments for land*

The lands referred to in the preceding sections shall be transferred at market prices and on the same credit terms as are granted to beneficiaries of the reformed sector. At the same time, a system of payments may be established on the basis of a fixed price and long-term financing at low, fixed interest rates not subject to interest capitalization. Domestic credit shall be supplemented with financing from international cooperation, for which a special fund, financed from external resources, shall be established for the purchase of land.

F. *New legislation*

Since the current agrarian legislation is haphazard, contradictory and incomplete, the Parties agree that it must be harmonized and unified into an agrarian code. To this end, the Government shall submit the relevant draft legislation to the Legislative Assembly no later than 12 months after the signing of this Agreement. If it fails to do so, COPAZ shall take on the task of preparing the corresponding preliminary draft.

3. *Lands within conflict zones*

A. *The land-tenure system in conflict zones*

In accordance with the New York Agreement, the current land-tenure situation in conflict zones shall be respected until a satisfactory legal solution for the definitive land-tenure system is arrived at. Consequently, landholders shall not be evicted pending agreement on such a solution; moreover, they shall be given financial support to increase agricultural production.

In view of the irregularity of the land-tenure system in conflict zones, the Parties agree on the following:

B. *Determination as to who are the "current landholders"*

"Landholders" shall mean those currently occupying and/or working the land in conflict zones.

C. *Inventory of cases covered by this part of the Agreement*

Within 30 days from the signing of the Agreement, FMLN shall submit an inventory of land or buildings affected by the Agreement. Upon verification that such land or buildings are in fact subject to the provisions of this Agreement, and in accordance with the procedure set forth in the next section, the Government of El Salvador shall seek to provide a satisfactory legal solution for their final disposal through the voluntary sale of such property by the rightful owners to the current holders, on the terms referred to in section 3 (F) of this chapter.

Should a rightful owner not wish to sell his property, the Government of El Salvador shall make use of the legal mechanisms at its disposal to try to resettle the peasants or small farmers on such land as may be available for the purpose and shall, as far as possible, seek to ensure that such land is situated in the same zones.

D. *Establishment of a Special Commission*

COPAZ shall appoint a special commission whose members shall be of recognized integrity and ability. The special commission, to be formed within 20 days following the signing of this Agreement, shall be entrusted with the following tasks and duties:

- a. To verify the inventory of affected land or buildings within conflict zones. Once the inventory has been verified, the special commission shall submit copies to the Government of El Salvador and to COPAZ;
- b. Should the need arise, to facilitate the settlement of disputes between current holders and rightful owners;
- c. To take any decisions and measures it deems necessary and proper for the prompt and effective fulfilment of the agreements set forth in this chapter.

E. *Legalization of land tenure*

Except for particularly complex cases, the Government of El Salvador shall legalize the land-tenure situation in conflict zones definitively within six months from the signing of the cease-fire agreement, granting, as appropriate, individual or collective title to the land.

F. *Payment for lands*

Lands shall be purchased from their former owners at market prices. The sale to the current holders shall be subject to the same conditions as those granted to beneficiaries of the reformed sector. However, special conditions may be agreed to in the interests of the peace process.

G. *Verification by COPAZ*

COPAZ shall guarantee fulfilment of the agreements set forth in sections 2 and 3.

4. *3 July 1991 agreement on occupied lands*

The agreement on occupied lands between the Government of El Salvador and peasant organizations shall be respected.

With regard to lands occupied illegally after the date of that agreement, the Government of El Salvador gives notice that it reserves the right to enforce the relevant legal provisions so as to ensure that the rule of law prevails. FMLN holds that the agrarian problem, including land occupations, should be dealt with through consultation and the channels and mechanisms provided by the peace agreements.

5. *Loans to the agricultural sector and to micro- and small-scale enterprise*

A. *Loans to the sector as a whole*

The Government of El Salvador shall see to it that the national financial system has the resources it needs to meet the demand for credit of the agricultural sector in general and of micro- and small-scale enterprise and small-scale peasant production, including cooperatives in the reformed and the non-reformed sector, in particular.

It shall also establish rules governing loans for agricultural and industrial production so that such loans are granted in a timely manner and in amounts sufficient to sustain productive capacity and the marketing of the goods produced. To that end, it shall promote an increase in loans by the commercial banking system to small businessmen and small-scale enterprises.

B. *Active involvement of target sectors*

The Government also undertakes to permit and promote the active involvement of target sectors in both the design and the administration of special credit programmes for those sectors. To that end, the Government undertakes to increase the participation of organizations representing the sectors referred to in the preceding section in developing policies of the Agricultural Guarantee Fund, FIGAPE, FEDECREDITO and BFA, and to ensure that the

financial position of these institutions remains sound and that they become conduits for channelling external resources into loans for micro- and small-scale enterprise, small-scale peasant production and cooperatives in both the reformed and the non-reformed sector.

C. *Technical assistance*

The Government of El Salvador shall design and promote new programmes of technical assistance to help increase the productivity of peasant farmers and smallholders, especially in conflict zones.

D. *International cooperation for the agricultural sector*

Given the increase in the demand for agricultural credit that will follow the signing of the Peace Agreement, the Government of El Salvador undertakes to seek additional external resources to cover the new needs of the sector. In this connection, the Government shall seek external financial resources to increase the operations of the Agricultural Guarantee Fund as a mechanism for facilitating lending to small- and medium-sized farmers and their cooperatives, without adversely affecting the financial health of lending institutions.

6. *Measures to alleviate the social cost of structural adjustment programmes*

A. *Consumer protection*

The Government of El Salvador undertakes to adopt policies and create effective mechanisms for consumer protection in accordance with the requirements set out in the last part of article 101, paragraph 2, of the Constitution. In order to comply with this constitutional requirement, the Government undertakes to submit to the Legislative Assembly, within 60 days from the signing of this Agreement, a consumer protection bill providing for the strengthening of the Ministry of Economic Affairs, which could be a first step towards the establishment of an Office of Consumer Protection Advocate (Procuraduría General de Defensa del Consumidor).

B. *Privatization*

The policy of privatization shall increase society's share of ownership by affording workers access to ownership of privatized companies. It shall also avoid monopolistic practices, while guaranteeing business freedom and consumer protection, in accordance with the provisions of article 110 of the Constitution.

C. *Social welfare programmes*

The Government of El Salvador shall seek to strengthen existing social welfare programmes designed to alleviate extreme poverty. Additional external resources shall be sought for this purpose.

7. *Procedures for direct external cooperation for community development and assistance projects*

The Government of El Salvador shall facilitate private direct external cooperation for community development and assistance projects, provided that assistance is channelled in accordance with

foreign exchange and lending regulations. Official direct external cooperation may also be approved, subject to the provision of the requisite information on the purposes of such cooperation.

The Government shall grant legal and institutional facilities to private sources of direct external cooperation benefiting communities, social organizations and national non-governmental organizations: it shall not discriminate among the latter, provided that it is ascertained that they are engaged in or wish to engage in integrated development projects. Former combatants of both Parties shall have access to external cooperation funds.

8. *Forum for economic and social consultation*

A. *Purpose of the Forum*

A forum shall be established in which representatives of the Government, labour and the business community shall participate on an equal footing for the purpose of working out a set of broad agreements on the economic and social development of the country for the benefit of all its inhabitants. The consultation process shall be a sustained effort and shall be conducted in phases, bearing in mind that the aim is to reach some agreements that are to be implemented immediately to achieve stabilization, others that are designed to tackle the economic and social problems that will ensue from the end of the conflict and still others that are geared specifically to reconstruction.

Among other things, the Government shall propose to the Forum for Economic and Social Consultation that existing labour legislation be revised in order to promote and maintain a climate of harmonious labour relations, without prejudice to the unemployed and the public at large. It shall also propose that the situation of disadvantaged urban and outlying urban communities be analysed with a view to proposing solutions to problems resulting from the armed conflict of recent years. In general terms, the Forum shall be the mechanism for agreeing on measures to alleviate the social cost of the structural adjustment programme.

B. *Establishment of the Forum*

COPAZ shall convene the Forum for Economic and Social Consultation for the first time no later than one month after the signing of this Agreement.

C. *Composition of and representation in the Forum*

The composition of the Forum and the representation in it of the various sectors and the Government shall be as follows:

- a. The Government of El Salvador shall be represented at a high level, its representatives being empowered to take decisions on economic and social matters;
- b. The most representative labour and business organizations shall be invited to represent those sectors.

In addition, the Forum may invite other social and political sectors to participate in its work as observers, on terms to be determined by it.

D. *Powers of the Forum*

The Forum shall determine its own operational structure and the issues for discussion and consultations. The sectors represented in the Forum shall have equal rights and shall enjoy equal opportunities for expressing their views.

In order to guarantee the effectiveness of the agreements reached by the Forum by consensus, the Government undertakes to issue, amend or repeal decrees or provisions within its sphere of competence and to submit relevant proposals to the other organs of State.

E. *Secretariat of the Forum*

The Forum shall appoint a secretariat to provide it with technical support and ensure the continuity of its work.

9. *National Reconstruction Plan*

Within 30 days from the signing of the agreement on the cessation of the armed conflict, the Government of El Salvador shall submit to FMLN the National Reconstruction Plan which it has drawn up, so that the recommendations and suggestions of FMLN, like those of the various sectors of national life, may be taken into account, ensuring that the Plan reflects the country's collective wishes.

The main objectives of the Plan shall be the integrated development of zones affected by the conflict, satisfaction of the most immediate needs of the population hardest hit by the conflict and of former combatants of both Parties, and the reconstruction of damaged infrastructure. In particular, in the context of the corresponding national programmes, measures shall be taken to facilitate the reintegration of FMLN into the country's civil, institutional and political life, including fellowship, employment and pension programmes, housing programmes and programmes for starting up new businesses.

The Plan shall pay special attention to the need to promote job creation on a massive scale and to increase the production of basic foodstuffs, which shall be a priority for the State. To that end, the Government shall promote the integrated development of agricultural, stockbreeding, fisheries, forestry and agro-industrial activities, guarantee the provision of basic social services and launch the construction and rehabilitation of economic and social infrastructures. The National Reconstruction Plan shall also include programmes for the war-disabled and the relatives of victims among the civilian population.

Given the magnitude of the additional resources that will be required for the implementation of the Plan, both Parties appeal to the international community to lend its fullest support to the fund-raising effort. To this end, a national reconstruction fund shall be established, to be supported by the United Nations Development Programme.

The role of UNDP shall include advising the Government on all matters relating to the mobilization of external support, assisting in the preparation of projects and programmes likely to attract such support, facilitating approaches to official bilateral and multilateral agencies, mobilizing technical assistance and cooperating with the Government in harmonizing the Plan with the activities of non-governmental organizations involved in local and regional development activities.

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