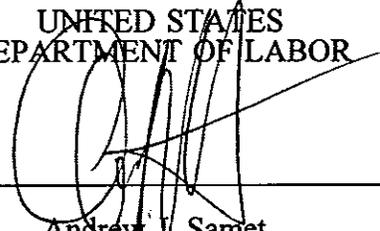
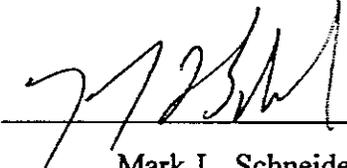


INTER-AGENCY AGREEMENT  
 BETWEEN  
 THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT  
 AND  
 THE UNITED STATES DEPARTMENT OF LABOR

1. Project Title: Hemispheric Free Trade Expansion Project		2. Project Number: 598-0822	
3. Appropriation Symbol: 727/81021.1		4. Budget Plan Code: LDV797	
5. Funds Control Number: 598-0822-3-7652006		6. Initial Fiscal Year: 1997	
7. Completion Date: September 30, 1997		8. Original <input checked="" type="checkbox"/> or Amendment No. _____	
9A. Prior Funding  \$0	9B. Funding Obligated this Document  \$30,000	9C. New Total Funding  \$30,000	
10. Authority Section 632(b) of the Foreign Assistance Act of 1961, as amended, 22 U.S.C. Sec. 2392(b).			
11. Brief Program Description: The purpose of this Inter-Agency Agreement is to promote improved institutional structures for Labor in Latin America and the Caribbean.			
12. Liaison Offices/Additional Representatives			
A. Recipient Agency  U.S. Department of Labor Bureau of International Labor Office of Foreign Relations 200 Constitution Avenue, N.W. Washington, DC 20210		B. Agency for International Development  John A. Becker, LAC/RSD/BBEG 320 21st St., N.W., Room 2242 NS Washington, D.C. 20523	
13A. Signature by Authorized Representative  <div style="text-align: center;">           UNITED STATES            DEPARTMENT OF LABOR              Andrew J. Samet            Acting Deputy Under Secretary            Bureau of International Labor            DATE <u>3/3/97</u> </div>		13B. Signature by Authorized Representative  <div style="text-align: center;">           U.S. AGENCY FOR INTERNATIONAL            DEVELOPMENT              Mark L. Schneider            Assistant Administrator            Bureau for Latin America and the Caribbean            DATE <u>2/18/97</u> </div>	
14. Document Number: 598-0822-			
15. This Interagency Agreement consists of this face sheet and the following items (if checked): <input checked="" type="checkbox"/> Schedule <input checked="" type="checkbox"/> Annex B - Financial Plan and Budget <input checked="" type="checkbox"/> Annex A - Program Description <input checked="" type="checkbox"/> <del>Annex C - Standard Provisions</del>			

A. Purpose of Agreement

This Agreement between the Recipient Agency, the United States Department of Labor and the United States Agency for International Development (USAID) is entered into under the authority of Section 632(b) of the Foreign Assistance Act of 1961, as amended, 22 U.S.C. Sec. 2392(b). The Agreement defines the procedures under which USAID will reimburse the Recipient Agency to implement the Program for the Latin America and the Caribbean region.

B. Purpose of Program

The Program, further described in Annex A, is to promote improved institutional structures for Labor in Latin America and the Caribbean. In signing this Agreement to assist USAID to carry out the purposes of the Foreign Assistance Act, the Recipient Agency represents and agrees that the activities and the program described in Annex A are in furtherance of purposes which are different than and additional to the purposes of its domestic programs and activities, and are therefore not funded by the regular appropriations available to the Recipient Agency for its programs and activities.

C. Fiscal Terms

1. Execution of this Agreement by USAID constitutes an obligation of the funds specified in Block 9B of the face sheet of this Agreement.

2. USAID funding for the Program is limited to the amount obligated above. If the Recipient Agency chooses to continue Program activities after USAID funding has been exhausted, the Recipient Agency agrees to use its own funds for that purpose.

3. The financial plan in Annex B sets forth the budget for implementation of the Program. Within the total budget amount for the Program, the Recipient Agency may adjust individual line items, provided that (1) any adjusted line item does not change by more than 15 percent of the amount shown for that line item in the financial plan and (2) the Recipient Agency gives USAID written notice of the adjustments. Adjustments to the budget that exceed 15 percent for any one line item shall require prior written approval of USAID.

D. Billing, Financial and Other Reports

1. The Recipient Agency will bill USAID through Online Payment and Claims procedures or by submitting a Standard Form 1081 (SF-1081) to the address below.

U.S. Agency for International Development  
FM/CARD  
Inter-Agency Billing Unit  
SA-2, Room 700  
Washington, D.C. 20523-0208

The Financial contact person is Joseph Cicippio at (202) 663-2212 and the USAID Agency Location Code (ALC) for billings is 72-000001.

2. The original and two (2) copies of the quarterly financial report required under Section B.2 of the Standard Provisions (Annex C) of this Agreement shall be furnished to the above address.

3. Two (2) copies of all financial, periodic progress reports, trip reports and other reports required under the terms of this Agreement, **along with one diskette of each report (other than financial reports) formatted in Word Perfect 5.1**, or such other data processing format as USAID may agree to in

writing, shall be furnished to the following address:

U.S. Agency for International Development  
Bureau for Latin America and the Caribbean  
Office of Regional Sustainable Development, Broad-Based Economic Growth  
ATTN: John Becker  
Room 2242/New State Building  
Washington, D.C. 20523-0069

E. Special Provisions

1. The Recipient Agency shall comply with USAID environmental regulations (22 CFR Section 216, "Regulation 16") with respect to the activities to be undertaken under this Agreement. The Program qualifies for a categorical exclusion under the terms of Regulation 16, and a categorical exclusion has been executed by USAID. Unless activities other than those described in the categorical exclusion are undertaken by the Recipient Agency under this Agreement, no further action under Regulation 16 is required. However, if further action becomes necessary, USAID will provide further guidance to assist the Recipient Agency at the request of the Recipient Agency in complying with Regulation 16.

2. **Cooperating Country Eligibility:** All countries in the Latin America and the Caribbean region, with the exception of Cuba, will be eligible to receive assistance under this Agreement. However, the Recipient Agency will comply with USAID's policies on assistance in countries in which USAID has no assistance program or is closing out its assistance programs.

3. a. The Recipient Agency may authorize procurement from a country in A.I.D. Geographic Code 941 other than as specified in Standard Provisions, Clause D only if

(1) the procurement is of commodities or services of a type that are not produced in and available for purchase in any cooperating country specified in Standard Provisions, Clause D; or

(2) the authorized representative of the Recipient Agency determines in writing on a case-by-case basis that procurement from such other country is necessary (a) to meet unforeseen circumstances, such as emergency situations, or (b) to promote efficiency in the use of United States foreign assistance resources, including to avoid impairment of foreign assistance objectives.

b. The authorization for procurement in accordance with the preceding paragraph shall be in writing, and a copy of the authorization shall be furnished to USAID.

4. **International Travel:** International travel by U.S. National direct-hire employees of the Recipient Agency may be financed under this Agreement provided the travel complies with Clause J of the Standard Provisions (Annex C) of this Agreement. All international travel is to be undertaken to design, implement and monitor technical assistance programs financed under this Agreement. In addition, funds available under this Agreement may be used to finance the travel of officials and non-governmental representatives from the Latin America and Caribbean region (but not from Cuba) to the United States or to third countries other than Cuba for study tours, general consultations, workshops, and training, provided such travel is undertaken to further the objectives of this Agreement.

5. Recipient agency personnel will not work primarily in USAID offices or on USAID project sites.

F. Program Performance Planning and Reporting

1. Reporting

A. **Periodic Progress Reports:** The Recipient Agency shall provide to USAID, in form and substance satisfactory to USAID, quarterly reports on progress made in achieving Program objectives. These reports shall also include, but are not limited to, the following information: status of achieving goals, objectives and benchmarks; progress or completion of components, elements or activities against planned

targets; description of overall program status, other accomplishments and major highlights of program implementation; identification and explanation of significant problems or delays related to achievement of objectives or activities; a brief summary of significant corrective actions and major activities planned for the subsequent reporting period. The Recipient Agency shall also submit to USAID on a quarterly basis a financial report that includes budget information on accrued expenditures, commitments, and disbursements of funds provided under this Agreement.

B. Final Report: The Recipient Agency shall provide USAID, in form and substance satisfactory to USAID, a final report, not later than sixty (60) days following the completion date of the Program financed under this Agreement. This final report shall provide a chronological summary of the information required generally for the periodic progress reports; and an assessment by the Recipient Agency of the program impacts, to the extent feasible.

## 2. Consultation

The Recipient Agency and USAID will cooperate to assure that the purpose of this Agreement will be accomplished. To this end, the Recipient Agency and USAID, at the request of either, will exchange views on the progress of the Program, the performance of obligations under this Agreement, and the performance of any consultants, contractors, or suppliers engaged in the Program, and other matters relating to the Program.

## 3. Coordination

The Recipient Agency shall make best efforts to coordinate its activities with those of other U.S. Government financed programs and other donors providing assistance substantially similar to that of the Recipient Agency in the Cooperating Country(ies).

## 4. Compliance with USAID Policy Guidance; Country Clearance for Travel

a. The USAID LAC Bureau's Office of Regional Sustainable Development (LAC/RSD) shall be responsible for coordinating the implementation of USAID-funded activities of the Recipient Agency under this Agreement as part of the USAID Hemispheric Free Trade Expansion Project. From time to time, the Assistant Administrator for LAC, his Deputy, or the LAC/RSD Office Director, may provide additional policy or operational guidance in writing to the Recipient Agency or its representatives in carrying out foreign assistance programs and projects in the Latin America and the Caribbean Region, including this Project. The Recipient Agency agrees to comply with such guidance so long as it is consistent with this Agreement and with laws governing operation of the Recipient Agency.

b. In addition, the Recipient Agency shall keep USAID Country Mission Directors or Representatives, or appropriate U.S. Embassy officials in countries in which no USAID office exists, fully apprised of Recipient Agency field activities in each country funded under this Agreement, and shall implement field activities in keeping with the U.S. foreign policy objectives for the country. Before initiating travel to each country with funds provided by this Agreement, the Recipient Agency will request country clearance from the USAID Mission or U.S. Embassy in the country. The Recipient Agency shall ensure that its employees, contractors, and grantees comply with this provision.

## 5. Notification

The Recipient Agency shall notify USAID promptly in writing of any audits of activities financed by this Agreement initiated by or at the request of the Recipient Agency, its Inspector General, the Office of Management and Budget, or the General Accounting Office.

## 6. Information Requirements

a. Under Standard Provisions, Clause F, Implementation and Monitoring, quarterly reports will include a breakdown, by gender and ethnicity, of the number of individuals trained to date.

b. Recipient Agency will also provide USAID on a quarterly basis, the standardized

Participant Data Form (PDF) to be supplied by USAID, which details biographical data, programmatic information as well as administrative/logistical arrangements for each participant funded under this IAA. This information will provide the basis for USAID reporting requirements to Congress.

G. Resolution of Internal Inconsistencies in the Agreement

Where there is a conflict between the Schedule and the Annexes of this Agreement, the Schedule shall govern, unless otherwise agreed to in writing by USAID. Where there is a conflict between the face sheet and the Schedule of this Agreement, the face sheet shall govern, unless otherwise agreed to in writing by USAID.

Clearances:

LAC/RSD-BBEG: JBecker

Signed Date 1/31/97

LAC/SPM-PS: SHill

Signed Date 2/3/97

GC/LAC: SAllen

SA Date 2/3/97

LAC/RSD: TJohnson

SA Date 2/4

LAC/DPB-B: CStradford

SA Date 2/5/97

LAC/SAM: BPrevot

Signed Date 1/31/97

M/FM/A/PNP: LBarrett  
(For reservation)

lll Date 2/10/97

LAC/DPB-B: RMeehan

\_\_\_\_\_ Date \_\_\_\_\_

DAA/LAC: CLeonard

lll Date 2/10/97

M/FM/A/PNP: LBarrett

\_\_\_\_\_ Date \_\_\_\_\_

Drafted: LJOHNSON, LAC/RSD-BBEG  
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Fiscal Data

Project Number: 598-0822

Appropriation Symbol: 727/81021.1

Budget Plan Code:

Obligation Number: 598-0822-G-00-7-006-00

Fiscal Year: 1997

Amount: \$30,000

Funds Control Number: 598-0822-367652006

Funds Account: DV 97/98

LAC Bureau: Washington

--Office of Regionable Sustainable Development

--Hemispheric Free Trade

--Hemispheric Free Trade Expansion Project

--IR#1.2 - Trade and Labor Management Relations

Resource Category Code: Program Funds - Grants, Subsidies, and Contributions: 401463

Allottee Acronym: LDV797

FA/FM/A/NPA & PA  
 OFFICE OF FINANCIAL MANAGEMENT  
 ACTION: Committed in NMS  
 DATE: 2/10/97 INITIALED lll

FA/FM/A/NPA & PA  
 OFFICE OF FINANCIAL MANAGEMENT  
 ACTION: lll for S Smith  
 DATE: \_\_\_\_\_ INITIALED \_\_\_\_\_

FA/FM/A/NPA & PA  
 OFFICE OF FINANCIAL MANAGEMENT  
 ACTION: obligated in AWACS  
 DATE: 3/11/97 INITIALED lll

Clearances:

LAC/RSD-BBEG: JBecker	<u>J</u> Date <u>1/31/97</u>
LAC/SPM-PS: SHill	<u>SH</u> Date <u>2/3/97</u>
GC/LAC: SAllen	<u>SA</u> Date <u>2/3/97</u>
LAC/RSD: TJohnson	<u>TJ</u> Date <u>2/3/97</u>
LAC/DPB-B: CStradford	<u>CS</u> Date <u>5 Feb 97</u>
LAC/SAM: BPrevot	<u>BP</u> Date <u>1/31/97</u>
M/FM/A/PNP: LBarrett (For reservation)	_____ Date _____
LAC/DPB-B: RMeehan	_____ Date _____
DAA/LAC: CLeonard	<u>CL</u> Date <u>2/10</u>
M/FM/A/PNP: LBarrett	_____ Date _____

Drafted: LJOHNSON, LAC/RSD-BBEG  
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**Fiscal Data**

Project Number: 598-0822  
Appropriation Symbol:  
Budget Plan Code:  
Obligation Number: 598-0822-G-  
Fiscal Year: 1997  
Amount: \$30,000  
Funds Control Number: 598-0822-  
Funds Account:

LAC Bureau: Washington  
Office of Regionable Sustainable Development  
Hemispheric Free Trade  
Hemispheric Free Trade Expansion Project

Resource Category Code:  
Allottee Acronym:

## Annex A - Program Description

### OUTLINE FOR A PROGRAM TO IMPROVE THE CONDITION OF WORKERS IN LATIN AMERICA AND THE CARIBBEAN AS HEMISPHERIC ECONOMIC INTEGRATION PROCEEDS

#### Background

The U.S. Government (USG) policy towards labor issues in Latin America and the Caribbean (LAC) is set with the context of two international fora: the Summit of the Americas in December 1994, and the Inter-American Conference of Ministers of Labor in November 1995. These meetings put forth the vision, the creation of a Free Trade Area for the Americas (FTAA), and Action Plans as to how to achieve this. The task for each country, including the U.S., is to identify ways of responding to this challenge. One response from the USAID's LAC Bureau is the new Hemispheric Free Trade Enhancement (HFTE) Project which was specifically designed to support the FTAA process. Improving labor conditions is an integral part of this project.

In order to provide greater specificity to HFTE's labor component, and perhaps justify the importance of providing additional financial resources to this component, a team of experts was formed. A number of organizations seeking to improve conditions of workers in the hemisphere participated as representatives of: the Agency for International Development (AID), the Department of Labor (DOL), the Department of State (DOS), the Office of the U.S. Trade Representative (USTR), the U.S. Mission to the Organization of American States (USOAS), the Federal Mediation and Conciliation Service (FMCS), and the American Institute for Free Labor Development (AIFLD).

#### USG Labor Policy for the LAC Region

The USG's implicit policy for the advancement of labor in the Americas contains four interlinked elements:

1. Promote the adoption and enforcement of the International Labor Organization's (ILO) worker rights;
2. Link such concerns to trade policy requiring that a national commitment and ability to enforce such standards be addressed in the process of negotiating bilateral and trilateral trade agreements. The U.S. is promoting not just free trade, but fair trade;
3. Implement this linkage by encouraging the development of strong trade unions which can assure that the benefits of free trade in the Americas are shared equitably by the region's work-forces;

X

4. And by supporting national and regional efforts to strengthen the principal institutions of a modern labor sector, e.g. labor and trade ministries, free unions, labor-management committees. This will be through bilateral technical assistance and collaborative programs with the Inter-American Development Bank (IDB) and other international financial institutions.

#### **USAID'S LAC Bureau Labor Approach**

A hemisphere of stable, democratic and prosperous nations is in the political, economic and commercial interests of the U.S. USAID is committed to advancing sustainable broad-based economic growth and strengthening democratic institutions. Improving the conditions of workers is integral to this, particularly since workers historically have had much less power than either business owners or governments. The LAC Bureau is particularly interested in improving the current and future conditions of workers; greater participation in trade unions; enforcement of and compliance with labor codes; and improved labor-management relations.

The LAC Bureau must and will concentrate its efforts on a few activities that can have an important and measurable impact in attaining the U.S. foreign policy goals of a FTAA by the year 2005.

In designing technical assistance, institution building, and training activities, USAID will make sure that its labor activities:

- 0 Are in keeping with USG policies, and will have hemispheric impact (as opposed to having country-specific or sub-hemispheric impact);
- 0 Have a relatively short-term perspective so that they can have an immediate bearing on our commitment to FTAA by the year 2005. An exception to this might be the introduction of a few new techniques or technologies that have longer term implications (eg. improved labor management relations);
- 0 Generate publicity throughout the Americas so that non-participants, including stakeholders such as the U.S. Congress and taxpayers, learn of our labor objectives. Some of this enhanced public awareness can be achieved via the next principle;
- 0 Are consistent with recommendations put forth by the Summit Working Groups, especially those of the Labor Ministers. Such collaboration will not only foster regional "ownership" of the programs, but will also

permit USAID to funnel back through the Ministers the results of its activities for widespread dissemination;

0 Facilitate, coordinate, and serve as catalyst with our partners. These include other development assistance agencies, governmental and non-governmental organizations, and multilateral development banks, think tanks, private business associations, universities, church groups, and USAID's field missions and the Global Bureau;

0 Focus on those countries (and regional groupings) that have:

a high probability of being likely candidates for accession to NAFTA. They might need help preparing to meet labor conditionalities such as associated with the original NAFTA Accord;

a willingness to work to strengthen their capacity to enforce their labor codes;

a need for assistance not provided by other donor agencies;

sound macro-economic policies, including improved public administration and increased public sector investment in basic infrastructure (including basic education);

a willingness to implement improved systems, in which government, labor and management play more balanced roles. This would generally result in greater powers to trade unions and Ministries of Labor. In promoting these objectives, USAID development assistance would be targeted to countries whose policies actively promote these principles, provide an adequate number of positions and salary levels for Ministry of Labor personnel, safeguard the social and economic interests of trade union organizations, improve protection of worker rights, provide for appropriate work-place health and safety standards, and encourage labor law, judicial reform, and the rule-of-law;

0 Emphasize a tri-partite approach to improving worker rights and labor management relations. Labor and management should be encouraged to discover "win-win" alternatives to their own problems, and government should concentrate on: establishing the enabling environment; and serving as regulator when self-regulation fails. Universities and other institutions will also be encouraged to play supportive roles.

- 0 Recognize that improved labor conditions often cannot be achieved by a strategy of frontal assaults on the problems. A better strategy might be to develop programs that mix non-contentious activities (improved worker health, safety and total quality management), with more contentious issues such as worker rights and labor standards.

#### **USAID Priority Activities**

Within the policy and strategy context discussed above, USAID/LAC's labor priorities are rank-ordered from highest to lowest below.

1. *Improve the implementation of existing worker rights.*
2. *Encourage the development of strong trade unions which can assure that the benefits of free trade in LAC are shared equitably by the region's workforces and the enterprise owners.*
3. *Create and disseminate materials which can educate people about worker rights, how to improve worker conditions, and what the U.S. is doing to promote improved conditions.*
4. *Develop cost-effective means of inculcating modern labor-management techniques.*
5. *Conduct worker safety and health workshops related to work-place standards.*

#### **Program Description:**

The Department of Labor (DOL) is in the unique position to be able to develop programs which meet all of the criteria established by the "USAID Priority Activities". The DOL is a leading player in GSP and other trade negotiations. It is concerned with the ability of governments, through their Ministries of Labor, to enforce the own working laws. DOL plays an active leadership role in the four Working Groups of the Buenos Aires Plan of Action and is the co-coordinator, along with Panama, of the Working Group on the "Modernization of the Ministries of Labor and Information on Labor Markets". It is the chief negotiator of the NAFTA Labor Side Agreements and is responsible for the enforcement of the Agreements DOL is the lead USG agency at the International Labor Organization (ILO) and thus takes the initiative in shaping USG positions before that body. DOL is the agency responsible for monitoring compliance with legislation on wages and hours, pensions, safety and health matters.

In its role as the agency primarily responsible for the well-being of the American work force, DOL is also concerned that foreign competitors do not gain unfair advantage through the exploitation of their own work forces. The DOL and the American Institute for Free Labor Development (AIFLD) are working to promote internationally recognized worker rights and safety. In the region, and elsewhere, DOL has provided technical expertise in the field of innovative labor-management relations, such as Win-Win Bargaining. Under PASA's with USAID/GUATEMALA, DOL has conducted a series of successful technical assistance programs which have received Kudos from USAID/GUATEMALA, the American Embassy, the Ministry of Labor, leading labor and management representatives as well as academia.

The next major hemispheric trade negotiation should be Chile's access to NAFTA. All of the trade negotiating partners are in agreement that the U.S. does not have the time or resources to negotiate individual Free Trade Agreements or access to NAFTA agreements with each country in the hemisphere. Thus it is anticipated that after Chile, future negotiations will commence on a regional basis, probably with MERCOSUR.

Any accession to NAFTA will include the current NAFTA Labor Side Agreements. One of the most important Articles is the NAFTA Labor Side Agreement, Article 3: Government Enforcement Action which states "1. Each Party shall promote compliance with and effectively enforce its labor law through appropriate government action, subject to Article 42, such as: (a) appointing and training inspectors; (b) monitoring compliance and investigating suspected violations, including through on-site inspections; (c) seeking assurances of voluntary compliance; (d) requiring record keeping and reporting; (e) encouraging the establishment of worker-management committees to address labor regulation of the workplace; (f) providing or encouraging mediation, conciliation and arbitration services; or (g) initiating, in a timely manner, proceedings to seek appropriate sanctions or remedies for violations of its labor law. 2. Each Party shall ensure that its competent authorities give due consideration in accordance with its law to any request by an employer, employee or their representatives, or other interested person, for an investigation of an alleged violation of the Party's labor law.". Any country, or regional trade group, accessing NAFTA will have to comply with the Labor Side Agreement. It is anticipated that any Free Trade Agreements (FTA's) negotiated under the Free Trade Area for the Americas (FTAA) will include a Labor Side Agreement.

While the labor markets of the member nations of MERCOSUR are significantly different, there is an even greater difference with respect to the member nations commitment and ability to enforce their labor codes. Paraguay is probably the least capable of enforcing its labor code but has expressed a political will to develop such a capacity. While the Brazilian

Government's capacity is relatively weak, the greater problem it poses is a political resistance to any linkage of trade agreements and labor standards. Argentina and Uruguay are still emerging from past corporatist policies.

If such differences continue, it probably will be very difficult to negotiate a NAFTA type Labor Side Agreement with MERCOSUR as a group, and such an agreement is anticipated to be a key component of a free trade agreement. Given the scope of the problem and our financial constraints, the solution must involve inducing most members of MERCOSUR to use their own resources to improve their capacity to enforce their labor codes. Our proposed approach is to work with the member that has demonstrated a political will to strengthen its capacity and whose weakness are within the range of our budgetary ability. That member is Paraguay.

A program of technical assistance designed simply to strengthen the Paraguayan's ability to enforce their labor code will not induce, by itself, the other members of MERCOSUR to change. To achieve that end, the program must be coupled with an effective regional and hemispheric public relations campaign that both demonstrates that the USG is serious about the linkage and shows how improvements can be made. We are thus proposing both a demonstration project and a statement of public intent.

This ability to "enforce it labor laws" will be the focus of a DOL Pilot program proposal for Paraguay and one other country, to be determined based on proximity to trade negotiations. The program for the second country will commence one year after starting the Paraguayan program and will build on those experiences.

DOL proposes to conduct a three year technical assistance Pilot program which will strengthen the Labor Inspectorate of the Ministry of Justice and Labor and provide for tripartite participation in the improvement of labor relations and productivity in the country. The Paraguayan Minister of Justice and Labor has requested DOL technical assistance to modernize the ministry. As the Pilot program is implemented, The Paraguayan Ministry of Justice and Labor and the DOL will actively promote the benefits of the Pilot program in meetings of the ILO, OAS, MERCOSUR and other regional trading blocs such as the ANDEAN Group, CARICOM, and the Central American Common Market. DOL will work with USIS to publicize the Paraguayan Pilot program. The thrust of this hemisphere wide public relations campaign will be what a government can do to qualify for access to NAFTA or a Free Trade Agreement.

The Pilot program will commence with a DOL Diagnostic Mission to Paraguay. The DOL Diagnostic Mission will meet with representatives of USAID/PARAGUAY, the U.S. Embassy, USIS,

Ministry of Justice and Labor, trade unions, business organizations and academia to conduct a Needs Assessment, establish program priorities and obtain the support of the tripartite groups.

It is anticipated that in the first year, Bilateral and Trilateral ad hoc Commissions will be established to resolve problems in labor law enforcement. Specific training programs will be designed based on the recommendations of these commissions. DOL will design and implement the training programs. A national publicity campaign will be conducted to illustrate the successes and failures of the commissions. An international publicity campaign will be conducted among the Labor Ministries of the OAS's Government Technical Advisory Committee COTPAL and the tripartite members of the four Working Groups established by the Buenos Aires Plan of Action. Labor and Management representatives also participate in the COTPAL meetings.

The second year of the Paraguay Pilot program will commence with a review of the previous years activities and progress to attaining their objectives. Training programs will be established for the year. DOL will design and implement the training programs. The ad hoc Bilateral and Trilateral Commissions will become permanent Commissions and a national conference will be held to publicize the accomplishments of the previous year and to expand democratic society support for the work of the Commissions. The Commissions will commence efforts to attain financial self sufficiency. National and international publicity campaigns will continue.

The third and final year of the Paraguay program will commence with a review, the establishment of training requirements and programs and the implementation of a financial plan to attain financial self sufficiency for the Commissions by the end of the year. DOL will design and implement the training programs. A national conference may be scheduled to publicize the successes of the Commissions and further foster democratic society support. National and international publicity campaigns will continue.

A three year program, for a country to be determined based on impending trade negotiations, will commence the second year of the Paraguay program. DOL will base this program on the Paraguayan experiences as well as the successful long-term DOL program in Guatemala.

#### **Implementation of the Program via an IAA:**

AID will implement this activity on an incremental basis. For FY97, only the first year's discrete activities will be funded. There is no further commitment for funding beyond FY97. However,

at AID's election, AID may decide at a later date to implement the proposed activities for the additional years. In that event, AID can amend the IAA to reflect these new deliverables and timeframe. This will be dependent on availability of funding, other funding priorities, and later policy determinations, among other factors.

### Summary

In the short range, the initial program will illustrate and assist the Ministry of Justice and Labor enforce its labor code as required by the NAFTA Labor Side Agreement. The program will also serve as an example of NAFTA required labor code enforcement to other MERCOSUR countries.

In the medium range, the proposed program will meet and foster "USAID Priority Activities" as follows:

1. *Improve the implementation of existing worker rights.* Ministry of Justice and Labor Inspectors will be trained on the recognition of and appropriate mechanisms to enforce the internationally recognized worker rights as included in the Labor Code. Labor and management representatives will become more aware of their rights and responsibilities under the labor code. The "playing field" will become more level due to the enforcement of, and compliance with the labor code.
2. *Encourage the development of strong trade unions which can assure that the benefits of Free trade in LAC are shared equitably by the region's workforces and the enterprise owners.*

Enforcement of the Labor Code and the establishment of Bilateral and Trilateral Commissions will improve the industrial relations climate, contribute to the establishment of cooperative labor-management relations, foster innovative collective bargaining, improve plant level safety and health and provide dramatic increases in productivity. By its participation in the Commissions, Labor will become a more acceptable social partner and contributor to economic, social and political development. Labor will be more able to assume its rightful position in a democratic society.

3. *Create and disseminate materials which can educate people about worker rights, how to improve worker conditions, and what the U.S. is doing to promote improved conditions.*

The training programs and publicity campaigns will prepare and distribute the appropriate materials. As

the lead agency in the program, DOL will assist in the preparation of the materials and provide distribution through OAS and ILO channels. DOL will also cooperate with USAID and USIS to assure a wider spread distribution of the materials throughout the hemisphere. Given the role to be played by the AIFLD in the development and implementation of the program, we assume they will distribute the materials through their programs and the Inter-American Regional Organization (ORIT), as well as inform the American Labor Movement.

4. *Develop cost-effective means of inculcating modern labor-management techniques.*

The training programs will introduce innovative labor-management cooperative techniques such as "Win-Win" bargaining. Representatives of labor, management and government will be trained, and assisted, in their training of their counterparts as well as training on a bipartite or tripartite basis.

5. *Conduct worker safety and health workshops related to workplace standards.*

It is anticipated that over the three year span of the program, the Commissions will request, and DOL/OSHA, will provide safety and health workshops. DOL/OSHA may, if requested, assist in the establishment of OSH Standards for Paraguay and train OSH Inspectors.

## Annex B - Financial Plan and Budget

### Estimated Budget

The following budget is for the first year of a proposed three year program which will be developed and financed on an annual incremental basis, contingent on the availability of AID funding. AID will have no commitment to funding beyond FY97, and any further funding will depend on available funding, other financial priorities, later policy determination, and other factors.

### First Year

Discrete Deliverable: Diagnostic Mission to Paraguay and related activities.

Travel - Round Trip		
Washington DC to Asuncion	\$2240 x 2	\$4,480
Lodging and MI&E	\$174 x 2 x 5 days	\$1,740
Incidental expenses, ground & local transportation, etc.	\$200 x 2	\$ 400
		\$6,620
Program to be determined based on the recommendations of the Diagnostic Mission. Anticipated activities include training, establish commissions, publicity, etc		\$18,380
DOL Overhead @ 20%		\$ 5,000
	Total	\$30,000