

MODERNIZATION OF COMMERCIAL LAW AND
DEVELOPMENT OF ALTERNATIVE COMMERCIAL DISPUTE RESOLUTION MECHANISMS

(TC-96-02-07-1)

EXECUTIVE SUMMARY

BENEFICIARIES: Republic of El Salvador and Chamber of Commerce and Industry

EXECUTING AGENCIES: The technical executing unit (TEU) of the justice sector for the modernization of commercial law component and the Chamber of Commerce and Industry of El Salvador for the component for the development of commercial dispute resolution mechanisms.

MODALITY: The MIF's contribution for the technical-cooperation operation will be disbursed as a grant.

FINANCING:

MIF:	US\$ 662,000	(65%)
Local counterpart funding:	US\$ 362,000	(35%)
Total:	US\$1,024,000	(100%)

MIF FACILITY: Technical Cooperation (Facility I)

TERMS:

Execution period:	2 years
Disbursement period:	2½ years

ENVIRONMENTAL CLASSIFICATION: The Environment Committee, at its meeting of January 24, 1995, classified this as a Category II operation.

OBJECTIVES: The general objective of the project is reform of commercial law, including the development of alternative dispute resolution methods, to establish quick and low-cost mechanisms. Specific objectives: (i) formulation of commercial laws suited to the country's current economic development and providing greater incentives to the private sector; (ii) review of the arbitration and conciliation law in force and draft of a law on alternative dispute resolution; and (iii) establishment of an arbitration and conciliation center, as a pilot project that could be replicated in other parts of the country.

DESCRIPTION: The technical-cooperation project using MIF resources will be used to carry out the following components: (i) modernization of commercial law, including a diagnostic study and review of commercial law and

training in the enforcement of the new law; and (ii) development of commercial dispute resolution mechanisms, which will include review of legislation on arbitration, conciliation, and mediation and establishment of an arbitration and conciliation center by the Chamber of Commerce and Industry of San Salvador.

**BENEFITS AND
RISKS:**

Cooperation between the private and public sectors is essential in the stages of formulating and implementing modern and efficient commercial legislation. Risks may be incurred if such cooperation does not involve enough participation. This risk should be mitigated by the fact that both sectors are aware of the importance of cooperating in the drafting of modern commercial legislation that will facilitate market transactions and the proper oversight thereof by regulatory agencies. The recognition of such mutual dependence, together with a project structure that includes workshops, round tables, and working groups comprised of representatives from both sectors, will help to produce the smooth and productive cooperation required.

The project also provides for training to run an arbitration and conciliation center and to remedy the lack of experience of the sector institutions.

The review of existing rules (reform of legislation and commercial procedures as well as arbitration and conciliation laws), the dissemination of legislation enacted, the design of training programs on the new commercial legislation, and the establishment of an arbitration and conciliation center will make the system more accessible and will reduce the costs incurred by litigants, factors that are requisites for greater confidence on the part of both local and foreign investors in the country's administration of justice.

**RECOGNITION OF
PREVIOUS
EXPENDITURES:**

The local counterpart may include expenses in the amount of up to US\$100,000 incurred for activities included in the first component prior to approval of the operation and after September 30, 1995.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

It is recommended that, prior to the first disbursement:

(i) for the commercial law modernization component: the drafting commission be established; an action plan be submitted, including the terms of reference for execution of this component; and an agreement on execution and transfer of resources be signed by the

Republic of El Salvador and the TEU (see paragraph 2.32); and

(ii) for the component involving the development of commercial dispute resolution mechanisms: the director of the Arbitration and Conciliation Center be selected by the Chamber of Commerce and Industry; the drafting commission be constituted; and the action plan including terms of reference for execution of this component be presented (see paragraph 2.32).

I. COUNTRY ELIGIBILITY

- 1.1 On December 3, 1993, the Donors Committee declared El Salvador eligible for all financing modalities under the Multilateral Investment Fund (MIF).

II. THE PROJECT

A. Background

- 2.1 Since 1989, the Government of El Salvador has been implementing a strategy of reforms focused on achieving sustainable, stable economic growth with social development. The pursuit of market policies, combined with the end of the armed conflict, has resulted in dynamic growth for the Salvadorian economy. The end of the conflict was marked by the signature of the Chapultepec Peace Agreements in January 1992, which lay the foundations for significant constitutional and political reforms. The government has identified modernization of the State as a critical step towards strengthening the Salvadorian government and economy. The Bank is currently carrying out a joint project with the World Bank to modernize the State, which includes reform of fiscal administration, human resource management in public-sector institutions and agencies, and support for privatization processes and strategies for decentralization of macroinstitutional reforms.
- 2.2 Since the beginning of the 1980s, the country has been working steadily to improve its laws and justice sector institutions. Great emphasis has been placed on constitutional and criminal justice reform. Based on these efforts, the Bank recently approved a project to strengthen the country's justice system, the main objectives of which are: to support the implementation of the legal reforms initiated by the government and encourage new initiatives where needed; to strengthen the ability of the justice system and the Instituto Salvadoreño de Protección al Menor [Salvadorian Institute for the Protection of Minors] (ISPM) to cope with the problems of juvenile delinquency and at-risk youth; and to support the system through the development of an integrated planning and management process. This MIF project is seen as an important complement to the program to strengthen the justice system, which is being funded from the proceeds of loans 920/OC-ES and 919/OC-ES. This project would expand efforts to the business sector, including the development of alternative commercial dispute resolution mechanisms.
- 2.3 Commercial legislation, which comprises the Commercial Code, the Commercial Procedures Law, and the Commercial Registry Law, was enacted in the 1970s and 1980s on the basis of an economic model characterized by State intervention. This legislation reflects

excessive regulatory power, protectionist practices with regard to foreign investment in areas such as banking, insurance, and savings, and ignorance of new financial products and new types of transactions in use internationally. Complex procedures established in the laws in force tend to impede entry of small businesses into the formal sector and some areas of the commercial sector are lacking modern and effective regulation (there are no laws, for example, to regulate credit cards or insurance companies). Updating commercial legislation is consistent with trade liberalization policies and the reforms that the Government of El Salvador, with IDB support (loan 714/OC-ES - investment sector reform program) and the World Bank (technical assistance loan to increase competitiveness), is implementing in various areas of the private sector, such as: use of commercial property as a guarantee in financing operations; modernization of the Commercial Registry and creation of the National Registry Center; rights related to trademarks, patents, and copyrights, etc.

- 2.4 In the last two years, a number of new laws were approved in the business sector to deal with specific problems and several other laws are in the process of being drafted. Private-sector participation in the process of formulating these laws has been limited to an ex post review of preliminary bills prepared by the government. Rather than establishing some new laws separately, El Salvador needs to examine its commercial legislation in an integrated way and establish mechanisms for continued updating and reform of laws in areas that are changing rapidly. The scope and complexity of these issues have led the country to recognize that a concerted and integrated legal reform effort is needed in the business sector - an effort that will require the coordinated participation of the private sector (small and large businesses), numerous institutions in the Executive Branch (Ministry of Justice, Central Bank, Financial System Superintendency, etc.) and the Judiciary Branch.
- 2.5 El Salvador also recognizes the need for rapid, low-cost dispute resolution mechanisms if the private sector is to grow. The use of arbitration and conciliation is thus an essential part of its commercial law reform process. Laws currently in force are outdated and were not conceived to provide guarantees or to encourage arbitration and conciliation. In fact, alternative dispute resolution mechanisms in general have all the stringency and formality of a judicial proceeding and are still subject to judicial review.
- 2.6 An alternative dispute resolution law is in the process of being reviewed in order to update and regulate the use of arbitration, conciliation, and mediation. The process of discussing and reviewing the preliminary draft of this law requires input from the private sector, which will have a significant role in implementing it. Since there are no arbitration and conciliation centers operating in El Salvador, dispute resolution mechanisms are not currently an option for the Salvadorian private sector.

- 2.7 The factors mentioned above (review of commercial legislation and establishment of alternative commercial dispute resolution mechanisms) constitute one of the basic elements in the promotion of private investment in the country, along with other actions that are being carried out simultaneously in that area, with the support of the IDB and other international organizations, such as the World Bank.
- 2.8 Arbitration and conciliation are among the functions of the Chamber of Commerce and Industry of El Salvador (CCI), which has set up an arbitration commission to generate proposals on the use of alternative methods and, more specifically, on setting up an arbitration and conciliation center and putting it into operation. Because the CCI has no experience in this area, it will require guidance and advice to start up and operate the center. In addition, training will be needed for staff members of the center and for arbitrators, conciliators, secretaries, and other staff involved in the management and administration of the center and of alternative dispute resolution mechanisms.

B. Objectives of the technical-cooperation operation

- 2.9 The general objective of the project is reform of commercial law, including the development of alternative commercial dispute resolution methods, to establish quick and low-cost mechanisms.
- 2.10 Specific objectives include: (i) a comprehensive examination of the country's commercial legislation, on the basis of which a revision could be proposed; (ii) support for a new formulation process for commercial laws that includes cooperation between the public and private sectors; (iii) review of existing arbitration law and of the draft law on alternative dispute resolution; (iv) establishment of an arbitration and conciliation center, as a pilot project that could be replicated in other parts of the country; and (v) training in arbitration, conciliation, and mediation and in the application of the new commercial legislation.

C. Components and activities

- 2.11 In order to achieve the above objectives, the MIF's technical-cooperation resources and the local counterpart will be used to develop the following components. The activities and expected outputs of the subcomponents are described in detail in Annex I.

1. Component I. Modernization of commercial legislation
(US\$415,000)

a. Diagnostic study and review of commercial legislation
(US\$334,000)

- 2.12 This component will begin with the establishment of a drafting committee comprised of representatives from various public and

private entities, including the Presidential Commission for Public Sector Modernization (CPMSP) and the Ministry of Economic Affairs. The committee will be responsible for conducting a comprehensive diagnostic study of the needs and priorities for changes in commercial law and for the formulation of preliminary bills according to the priorities identified. Setting up this committee will be a condition precedent to the first disbursement of the funds for the first component. MIF support will enable the committee to hire consultants with international and local experience in commercial legislation. To promote the necessary interaction between the private and public sectors in the process of conducting the diagnostic study and drafting the legislation, the responsibility for selecting and supervising the consultants will be shared by the CCI and the technical executing unit (TEU) (see section II.E, Organization and execution).

- 2.13 The diagnostic process will include workshops on international commercial trends and on government policy regarding modernization of the State and its relationship to commercial laws as well as a survey of merchants and officials in public agencies responsible for formulating and enforcing commercial laws. The preliminary drafts of laws resulting from the diagnostic study and analysis will also be subjected to a process of review and public debate, to allow greater participation on the part of the private sector and the public sector offices responsible for formulating and applying commercial legislation.
- 2.14 MIF support will also be used to finance the dissemination of new commercial legislation enacted as a result of the legislation review process described in the preceding paragraph.
 - b. Training in the enforcement of the new commercial legislation (US\$81,000)
- 2.15 In conjunction with the diagnostic study and analysis of the needs and priorities of modernizing commercial legislation, a series of five presentations by experts will be financed, for the benefit of judges with jurisdiction over matters involving commercial law and civil servants responsible for formulating and enforcing commercial law. The presentations will cover new business instruments and commercial and financial operations, with emphasis on better regulation and oversight of private-sector activities in these areas.
- 2.16 Courses will also be taught on recently approved commercial legislation (new tax laws affecting business, law to promote and protect intellectual property, etc.) and, once the new commercial legislation has been approved, training on the law will be provided for judges and public-sector officials responsible for enforcing it.

2. Component II. Development of commercial dispute resolution mechanisms (US\$508,800)

a. Review of arbitration, conciliation, and mediation legislation (US\$76,800)

2.17 This subcomponent will begin with the establishment of a drafting committee that will analyze the needs in this area and draft a proposed law. The committee will be comprised of representatives from the CCI, the CPMSP, the Fundación Salvadoreña para el Desarrollo Económico y Social [Salvadorian Foundation for Economic and Social Development] (FUSADES), and the department of legal technical assistance of the Ministry of Justice (entity responsible for formulating and submitting the law to the President for subsequent presentation to the National Assembly). Establishment of the committee will be a condition precedent to the first disbursement of the second component. MIF support for this committee would consist of technical assistance through consultants who would analyze the legislation on the basis of their regional and international experience and insight on the use and regulation of alternative dispute resolution mechanisms.

2.18 This subcomponent would also include workshops to gather views from the public and private sectors on current legislation and on the proposal for arbitration and conciliation in the country. After the workshops, the final bill would be formulated and technical support would be provided regarding its content and significance. The new legislation would then be published and disseminated.

b. Establishment of a conciliation and arbitration center by the Chamber of Commerce and Industry in San Salvador (US\$432,000)

2.19 The project would assist with the establishment of a conciliation and arbitration center to be operated by the CCI and with the dissemination of information on the center to other chambers of commerce, bar associations, and private business associations that might be interested in establishing similar centers.

2.20 The project would include support for the design of the plan for setting up and running the center, equipping it (for example, specialized computer equipment and systems for tracking cases), and training operators. Most of the costs involved in operating the center will be covered by the CCI. The selection of the center's director will be a condition precedent to the first disbursement of the project's second component.

D. Cost and financing

- 2.21 The budget for execution of the activities mentioned has been estimated at US\$1,024,000. The MIF will provide financing for the project through a grant in the amount of US\$662,000, the CCI will provide funds from its budget in the amount of US\$181,800 equivalent, and the TEU will provide the remaining US\$180,200. The project budget appears in the following table.

Project budget (in US\$)			
Component	MIF	LOCAL	TOTAL
I. Modernization of commercial legislation	275,000	140,000	415,000
Review of commercial legislation	194,000	140,000	334,000
Training on commercial legislation	81,000	0	81,000
II. Development of commercial dispute resolution mechanisms	327,000	181,800	508,800
Review of arbitration and conciliation legislation	76,800	0	76,800
Establishment of the Conciliation and Arbitration Center	250,200	181,800	432,000
III. Contingencies	60,000	40,200	100,200
- Component I	27,600	40,200	67,800
- Component II	32,400		32,400
Total	662,000	362,000	1,024,000
%	65%	35%	100%

- 2.22 The local counterpart has been estimated by taking into account local professional and administrative support resources and other resources needed to carry out the project. The resources to be provided by the CCI would come from its annual budget. Of the additional local resources to be provided by the government (Ministry of Justice and TEU) for the commercial legislation modernization component, approximately 60% has already been allocated in the 1997 budget of the Ministry of Justice and the TEU and the rest will be included in their 1998 budgets.

E. Organization and execution

- 2.23 The structure for execution of the proposed operation reflects the interaction needed between the private and public sectors for the formulation, ongoing review, and effective enforcement of modern commercial legislation. Execution of the first component will be coordinated by the justice sector's TEU, with considerable participation by the private sector (represented, *inter alia*, by the CCI and FUSADES) in the formulation of the new commercial legislation. The second component will be executed by the CCI with significant participation by pertinent public entities in the formulation of the arbitration and conciliation law. The technical-cooperation agreement will be signed by the Bank (as the MIF's administrator), the Government of El Salvador, and the Chamber of Commerce and Industry and will specify the division of responsibilities between the TEU and the CCI. Details on the division of responsibility can be found in the operation's technical files. For Component I, the technical-cooperation funds will be transferred from the Government of El Salvador to the TEU.
- 2.24 The TEU will coordinate execution of Component I, with the participation of a number of public agencies (e.g. Ministry of Justice, Central Bank, Ministry of Economic Affairs) and private agencies (e.g. the CCI and FUSADES). The TEU is an autonomous entity which, since 1993, has been acting as an executing unit of the justice sector's coordinating committee. This committee is comprised of the five most important agencies in the justice sector and coordinates projects that affect more than one institution in the sector. The TEU is experienced in executing judicial reform projects supported by USAID and its implementation and coordination capacity will be strengthened under the institutional strengthening component provided for under the program to support justice system reform financed by the Bank.
- 2.25 The CCI, which will execute the second component, was established on December 31, 1915, has a solid reputation, and is considered one of the most respected and representative institutions in El Salvador. It has over 2,000 members and, in addition to its main office in San Salvador, has affiliates in Santa Ana, San Miguel, and Sonsonate, with 87 permanent staff.
- 2.26 The basic objectives of the CCI are: to defend the common interests of its members; promote the spirit of trade association groups; protect the country's industrial, commercial, and financial interests and the principles of economic freedom and free enterprise; ensure national industrialization and increased trade; and maintain the ethical integrity of economic transactions and activities in El Salvador.
- 2.27 The project will be executed within a period of 24 months.

F. Disbursements

- 2.28 The technical-cooperation funding will be disbursed in accordance with the procedures established by the Bank. The project's disbursement period will be 30 months. The local counterpart may include expenses in the amount of up to US\$100,000 incurred in connection with activities included in Component I - modernization of commercial legislation - prior to approval of the operation and after September 30, 1995.

G. Supervision and control

- 2.29 Project supervision will be performed by the Bank's Country Office in El Salvador, in close coordination with Regional Operations Department 2's Country Division 3 and the Office of the MIF.
- 2.30 The executing agencies will prepare semiannual progress reports, to enable the Bank to follow up on the project properly. A supervisory mission is expected to be conducted by the project team at the end of month 6 or 12 of project execution. Semiannual progress reports should include information on fulfillment of the goals established in Annex I. If the executing agencies consider it necessary, when the reports are submitted, there will be flexibility with regard to proposing changes in the activities or reallocation of resources among the items, provided this is within the totals indicated and subject to approval by the project team and the Office of the MIF.
- 2.31 The progress and results of this technical-cooperation operation will be evaluated by the project team on the basis of the degree of fulfillment of the specific objectives. Annex I shows the expected results for each activity proposed, which will serve as a reference point to follow up on the achievement of the project's objectives through the progress reports and project supervision.

H. Special contractual conditions

- 2.32 It is recommended that prior to the first disbursement of: (i) the modernization of commercial legislation component: the drafting committee be set up, an action plan be submitted that includes the terms of reference for execution of this component, and an agreement for execution and transfer of resources be signed by the Republic of El Salvador and the TEU; and (ii) the component for the development of commercial dispute resolution mechanisms: the director of the Arbitration and Conciliation Center be selected by the CCI, the drafting committee be set up, and the action plan including terms of reference for execution of this component be submitted.

I. Environmental considerations

- 2.33 The Environment Committee, at its meeting of January 24, 1995, classified the program to strengthen the justice system, which includes the components of this operation, as a Category II operation. Subsequent to the Environment Committee meeting, the Management Review and Loan Committees recommended considering these components for MIF financing.

III. BENEFITS AND RISKS

A. Benefits

- 3.1 The review of regulations (reform of the legislation and of commercial procedures as well as the arbitration and conciliation laws), dissemination of the legislation enacted, and the design of training programs on the new commercial legislation will make the system more accessible and reduce the costs incurred by litigants, all of which are requisites for increased confidence on the part of local and foreign investors in the country's administration of justice.
- 3.2 The implementation of a program of alternative dispute resolution mechanisms is very important and necessary not only on the national front but on the international front, given the country's economic impact on the other countries in the region, the openness of its economy, and the negotiation process it has been involved in to achieve access to bilateral and multilateral trade agreements.
- 3.3 The proper management of an arbitration and conciliation center will ensure a response to the current concerns about the administration of justice, access thereto, and prompt technical resolution of disputes, incidentally providing facilities to incorporate foreign investment more widely and consistently.

B. Risks

- 3.4 Cooperation between the private and public sectors is essential in the stages of formulating and implementing modern and efficient commercial legislation. Without such cooperation, the quality of the legislation would be at risk. Other risks could arise if such cooperation does not unfold on the basis of suitable participation by the two sectors involved. However, these risks should be mitigated by the fact that both sectors are aware of the importance of cooperating in the drafting of modern commercial legislation that will facilitate market transactions and the proper oversight thereof by regulatory agencies. The recognition of such mutual dependence, together with a project structure that includes workshops, round tables, and working groups comprised of

representatives from both sectors will help to create the smooth and productive cooperation required.

- 3.5 No agency in El Salvador – not even the Chamber of Commerce and Industry – has experience in the operation of an arbitration and conciliation center: the pilot project to be financed under this operation will be the first of its type in the country. To offset inexperience in this specific area, the project provides for an international consultant to help in the design and startup of the center, and includes extensive training for its operators.
- 3.6 Support for the center from the institutional and financial standpoints is based, in part, on the excellent experience that the CCI has acquired in initiating and executing other projects, currently under way, that received initial financing from foreign and national donors (FUSADES). As to the project's financial sustainability, the CCI will cover most of the costs of operating the center from its inception. The analysis of the likely cash flow that the CCI will receive by offering arbitration and conciliation services indicates that the fixed costs of basic staff to run the operation and other variable costs related thereto will be covered.

IV. COMPLIANCE WITH ELIGIBILITY CRITERIA

A. General eligibility criteria

- 4.1 The review of commercial legislation and the establishment of alternative dispute resolution mechanisms proposed by the Government of El Salvador are an essential step towards helping to promote private investment in the country and are activities compatible with the MIF's general objectives. These actions will complement the government's efforts in the financial sector, the judicial system, and certain areas of commercial activity and in the government asset privatizing process.
- 4.2 The proposed project will have an important impact as a catalyst for investment flows, as required under Article 3, Section (a) of the Agreement Establishing the MIF, in view of its objective of creating the conditions for expanding private investment. The project is also compatible with the criteria for granting financing under the Technical Cooperation Facility set forth in Article 3, Section 2(c) of the Agreement Establishing the MIF, which specifically provides that the MIF may finance consulting services to support the reform of commercial laws and procedures.

V. CONSISTENCY WITH THE BANK'S COUNTRY PROGRAM

- 5.1 The proposed project is consistent with the Bank's strategy for El Salvador. The Bank's program for El Salvador is based on a strategy that recognizes the need to consolidate the structural reform program that the government has been implementing, particularly with respect to private sector development.
- 5.2 In the justice sector, the Bank is supporting the government's efforts to implement reforms that make the justice system more accessible and provide greater legal security, which are requisites for boosting the confidence of investors in El Salvador. The components considered under this technical-cooperation operation will contribute to achieving these objectives and to the country's modernization, by properly recognizing the need for private- and public-sector collaboration in El Salvador's development process.

**MIF. FACILITY I. EL SALVADOR: COMMERCIAL LAW AND
COMMERCIAL DISPUTE RESOLUTION**

<p>General objective: commercial law reform, including the development of alternative commercial dispute resolution mechanisms. Specific objectives: (i) a comprehensive examination of the country's commercial law; (ii) support for a new process for formulation of commercial laws, that includes cooperation between the public and private sectors; (iii) review of existing and proposed laws on alternative dispute resolution; (iv) establishment of an arbitration and conciliation center, as a pilot project that could be replicated in other parts of the country; and (v) training in arbitration, conciliation, and mediation and in the enforcement of the new commercial legislation.</p>		
Components	Program activities	Expected outputs
<p>I. Modernization of commercial legislation</p> <p>A. Diagnostic study and review of commercial legislation</p>	<ol style="list-style-type: none"> 1. Establishment of a drafting committee; hiring of consultants to support it 2. One two-day workshop in San Salvador, three one-day workshops in other cities on international commercial trends 3. One two-day workshop in San Salvador, three one-day workshops in other cities on modernization of the State and its relationship to commercial laws 4. Diagnostic study conducted; recommendations made 5. Survey of merchants and public agency officials responsible for formulating and enforcing commercial law 6. Four one-day workshops in four regions around the country to discuss results of diagnostic study 7. Preparation of first version of preliminary bill 8. Four one-day workshops to discuss preliminary bill 9. Preparation of final version of preliminary bill 10. Presentations by drafting committee to Legislative Assembly 11. Printing and dissemination of law 12. Enforcement of the law: preparation of strategy for application of the law, issuing of implementing regulations, and institutional reorganization 	<p>-- Needs related to reform of commercial laws identified in month six of project execution</p> <p>-- Preliminary bill presented to and understood by Legislative Assembly in month 12 of project execution</p> <p>-- New commercial legislation published and understood by public and private sectors</p> <p>-- Implementation plan prepared in month 16 of project execution</p>
<p>B. Training on new legislation</p>	<p>Training of magistrates, judges with jurisdiction over matters involving commercial law, and government officials responsible for formulating and enforcing commercial law, in the following areas:</p> <ol style="list-style-type: none"> 1. new commercial instruments, new commercial and financial operations, with emphasis on better oversight methods; and 2. enforcement of new commercial legislation (enacted and in the process of being enacted) 	<p>-- Training in new instruments and operations and new commercial legislation enacted conducted in months 1-12 of execution</p> <p>-- Training on legislation to be enacted conducted during months 12-24 of project execution</p>

**MIF. FACILITY I. EL SALVADOR: COMMERCIAL LAW AND
COMMERCIAL DISPUTE RESOLUTION**

Components	Program activities	Expected outputs
<p>II. Development of commercial dispute resolution mechanisms</p> <p>A. Review of legislation on arbitration, conciliation, and mediation</p>	<ol style="list-style-type: none"> 1. Set up a drafting committee and hire consultants to support it 2. Review of arbitration and conciliation legislation by drafting committee 3. One-day forum with participation of drafting committee and private- and public-sector participants to analyze need to change existing legislation 4. Drafting of proposed law 5. One-day workshop (round table) to discuss preliminary bills 6. Drafting of final bill(s) 7. Presentations to Legislative Assembly on content and significance of preliminary bill(s) 8. Printing and dissemination of new legislation 	<ul style="list-style-type: none"> - Preliminary bill on arbitration, conciliation, and mediation submitted to Legislative Assembly in month 6 of execution - Law enacted and disseminated in month 12 of execution
<p>B. Establishment of conciliation and arbitration center</p>	<p>Establishment and operation of center:</p> <ol style="list-style-type: none"> 1. Set up unit to manage the center; and 2. Hire consultant to support the unit in the design of the center, its operating systems, and training of its staff <p>Fitting out of the center:</p> <ol style="list-style-type: none"> 3. Purchase and installation of systems and equipment for center; 4. Preparation or adjustment of arbitration and conciliation manuals <p>Training of center staff:</p> <ol style="list-style-type: none"> 5. Training of arbitrators; 6. Training of conciliators; 7. Training of instructors; and 8. Training for center administrators <p>Dissemination:</p> <ol style="list-style-type: none"> 9. Preparation, printing, and dissemination of materials; and 10. Fora to disseminate information on the usefulness of arbitration and conciliation 	<ul style="list-style-type: none"> - Center in operation in month 12 of project execution - one course for 20 arbitrators completed in month 6; one course for 20 arbitrators completed in month 12; refresher course in month 18 - two courses for 30 conciliators completed in months 6 and 12, refresher course completed in month 18 - one course for 20 instructors completed in month 6 - Information on ADRM available for private sector in month 24 - five informational meetings held in months 12-24 of project execution

PROPOSED RESOLUTION

EL SALVADOR. NONREIMBURSABLE TECHNICAL COOPERATION FOR THE
MODERNIZATION OF COMMERCIAL LAW AND THE DEVELOPMENT OF
ALTERNATIVE DISPUTE RESOLUTION METHODS
IN THE COMMERCIAL AREA

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Multilateral Investment Fund, to enter into such agreement or agreements as may be necessary with the República de El Salvador and with the Cámara de Comercio e Industria de El Salvador and to take such additional measures as may be pertinent for the execution of the proposal memorandum referred to in Document MIF/AT- with respect to a technical cooperation program for the modernization of commercial law and the development of alternative dispute resolution methods in the commercial area.

2. That up to the amount of US\$662,000, or its equivalent in other convertible currencies, is authorized for the purposes of this resolution, chargeable to the resources of the Technical Cooperation Facility of the Multilateral Investment Fund.

3. That the above-mentioned sum is to be provided on a nonreimbursable basis.