

MULTILATERAL INVESTMENT FUND

(TC-96-05-17)

EXECUTIVE SUMMARY

PROJECT: Labor relations modernization program

MIF FACILITY: Human Resources Facility (II)

EXECUTING AGENCY: Ministry of Labor

BENEFICIARIES: Ministry of Labor, employers, and workers

OBJECTIVES: The proposed program seeks to promote a process of dialogue, consultation and consensus-building in an effort to raise the issue of modernizing labor relations to the national agenda.

Modernizing labor relations involves more than a revamped regulatory framework. It calls for the transformation of the Ministry of Labor and the creation of a climate in which agreement can be reached between the social actors involved. Accordingly, the specific objectives of the program are: (i) to develop a process of dialogue between the participants from the different areas of society that would give national priority to discussion of major labor issues, including the need to modernize labor legislation to bring it into line with present economic realities; (ii) to prepare and seek validation for a technical proposal for the modernization of labor legislation, based on consensus; and (iii) to enhance the institutional capacity of the Ministry of Labor, as the agency of government in charge of designing and implementing labor policies in keeping with this process of modernization.

DESCRIPTION: The program has been conceived as two mutually complementary subprograms that seek to address the process of modernization of labor relations. These subprograms are: (1) social dialogue, and (2) modernization of the Ministry of Labor.

The purpose of the first subprogram (social dialogue) is to foster activities that will further social dialogue in Bolivia, by helping to create a culture of dialogue on major labor-relations issues that would make it possible to develop more efficient and expeditious mechanisms to guide relations between the

different agents involved and to accord, by consensus, national prominence to modernization of labor legislation.

The second subprogram (modernization of the Ministry of Labor) is divided into three components: (i) technical and institutional support for the Undersecretariat of Employment; (ii) technical and institutional support for the Undersecretariat of Labor Relations; and (iii) analysis and review of labor legislation, with a view to producing a technical proposal for the updating and development of labor laws that is validated through consultation with local experts and discussed at a national seminar.

FINANCING:	Modality:	Grant
	Beneficiary:	US\$ 344,000
	MIF:	US\$1,479,450
	Total:	US\$1,823,450

PROFILE APPROVED: September 29, 1996

IMPLEMENTATION SCHEDULE: The program will be carried out over a period of 24 months and the funding will be disbursed over a period of 30 months.

ENVIRONMENTAL CLASSIFICATION: The Environment Committee, at its meeting of September 30, 1996, classified this as a Category II operation inasmuch as it is not expected to have any environmental impact.

EXPECTED BENEFITS AND RISKS: The expected benefits of the program are that: (i) a process of social dialogue will be put in motion in Bolivia, (ii) the climate for reaching agreement between the different social participants will be improved, and (iii) the need to modernize labor legislation will, by consensus, be placed on the national agenda. The risks associated with the operation and the approach used to minimize these risks are described in chapter V.

SPECIAL CONTRACTUAL CONDITIONS: Conditions precedent to disbursement:

- (i) Selection and appointment of the executive coordinator for the Program Coordination Unit (PCU).
- (ii) Demonstration to the Bank that the local counterpart resources have been appropriated to the Ministry of Labor's budget, including the

positions of permanent employees for the staff of the PCU (see paragraph 5.6).

**OTHER
CONTRACTUAL
CONDITIONS:**

The Bank's usual procedures will apply in hiring individual consultants and consulting firms. The Bank will assist the beneficiary in selecting the executive coordinator of the PCU by furnishing a short-list of candidates meeting the criteria and qualifications set out in the terms of reference.

I. COUNTRY ELIGIBILITY

- 1.1 On October 6, 1993, the Donors Committee declared Bolivia eligible for all forms of financing under the Multilateral Investment Fund (MIF).

II. BACKGROUND

- 2.1 In Bolivia, labor legislation is grounded in a Labor Act that dates back to 1942. Through the years, numerous supplemental provisions and exceptions have been added to this Act, making the legislation highly confusing and sometimes conflicting. The resulting inconsistencies give rise to difficulties and uncertainty as to how the law should be applied, a problem that further exacerbates the deep-rooted tradition of labor strife in the country.
- 2.2 Labor relations in Bolivia have historically been associated with a confrontational political culture with a highly statist and corporative approach to social and economic relations, particularly on the part of organized labor.
- 2.3 Conditions today are radically different from the economic conditions of the past that engendered this body of laws, originally conceived to protect the worker in a closed highly statist economic model. In an open economy whose engine of growth is the private sector, the legislation no longer satisfies its original aims and poses a formidable barrier to job creation, increased productivity, and higher incomes.
- 2.4 The role of the State, and more specifically the Ministry of Labor, as regulator and intermediary in labor relations needs to change. The regulatory and legislative functions that are incumbent on a modern State must be strengthened and the Ministry would need to transcend its traditional role as mediator in disputes, the legacy of an obsolete development model.
- 2.5 The intensely adversarial nature of labor relations in Bolivia, rooted in outdated and confusing legislation and the role of a State that tended toward intervention in disputes, places major impediments in the way of private investment and consequently to the creation of productive employment. Recent studies unanimously

single out the labor issue as a critical area in which the climate for private investment needs to be enhanced. 1/

- 2.6 Against this backdrop, the Bolivian government has approached the Bank for support in developing a program for the modernization of labor relations, which seeks to create the right conditions for initiating a process of social dialogue that would place the modernization of labor relations on the national agenda, and set in motion a process of consensus-based dialogue at the national level on the importance of harmonizing labor legislation with the needs of an open and competitive economy.
- 2.7 Given the political circumstances in the last year of an administration highly committed to reform, amid the increasingly difficult task of garnering popular support for the reform agenda, there would be a need for social dialogue and consultation, to produce a concerted approach to the issue of labor relations without transforming it into a point of confrontation, which would thwart the process of modernization that is being sought.
- 2.8 As part of the project preparation process, organizations representing labor and business were contacted to familiarize them with the objectives of the proposed operation and, as a result of these efforts, a tripartite meeting was held. The meeting was attended by representatives from the Bank and the International Labour Organization, the Bolivian Labor Congress (COB) (workers) and the Bolivian Federation of Private Business (CEPB) (employers). In a joint press release issued after the meeting, the participants declared their willingness to take part in this dialogue and promised to support the program.

III. THE PROGRAM

A. Objectives

- 3.1 The proposed program seeks to promote a process of dialogue and consultation to raise the issue of modernizing labor relations to the national agenda, as a need pursued by all the parties in concert.

1/ See Ricardo Paredes, "Mercado y Legislación Laboral en Bolivia", UDAPE - HIID, La Paz, July 1993; Bravo and Paredes, "Legislación del Trabajo y Política Laboral: Análisis y Recomendaciones para Bolivia", UDAPE, La Paz, November 1994; and more recently Chapter II-6 of the IPES on labor reform, in which Bolivia is rated amongst the most rigid countries in all of the areas studied.

- 3.2 Modernizing labor relations involves more than a revamped regulatory framework. It calls for the transformation of the Ministry of Labor and the creation of a climate in which the various actors can consult one another and seek concerted approaches. Accordingly, the specific objectives of the program are: (i) to develop a process of dialogue between the participants from the different areas of society that would give national priority to discussion of major labor issues, including the need to modernize labor legislation to bring it into line with present economic realities; (ii) to prepare and seek validation of a technical proposal for the modernization of labor legislation, based on consensus; and (iii) to enhance the institutional capacity of the Ministry of Labor, as the agency of government in charge of designing and implementing labor policies in keeping with this process of modernization.

B. Description

- 3.3 The program has been conceived as two mutually complementary subprograms that seek to address the process of modernization of labor relations. These subprograms are: (1) social dialogue, and (2) modernization of the Ministry of Labor (see Logical Framework in Annex III-1).
- 3.4 The purpose of the first subprogram (social dialogue) is to foster activities that will kindle social dialogue in Bolivia, by helping to create a culture of dialogue on major labor-relations issues that would make it possible to develop more efficient and expeditious mechanisms to guide relations between the different agents involved and to accord national prominence, by consensus, to modernization of labor legislation.
- 3.5 The second subprogram (modernization of the Ministry of Labor) is divided into three components, with the first two involving a series of actions concerned with technical and institutional support for the Undersecretariats of Labor Relations and Employment, respectively, and the third having to do with analysis and review of labor legislation, with a view to producing a technical proposal for the updating and development of labor legislation that is validated by means of consultation with local experts and discussed at a national seminar.

1. Social dialogue (US\$451,325)

- 3.6 What is known as social dialogue stresses the educational and awareness-building aspects of a process to introduce the concept and a unique methodology as a practice that is valued and accepted by the participants (employers and unions) and by the government itself. In this way, possible pilot initiatives will be identified by the three parties at the national and local level, in consultation and in concert.

- 3.7 This subprogram consists of five basic activities: (i) gathering and analysis of information on experiences in other parts of the region; (ii) public information and education campaigns; (iii) nationwide training activities to introduce the concepts and methodologies of dialogue and social consensus-building between employers, labor, and government; (iv) pilot consultative initiatives at the grass-roots level, with a view to seeking concerted approaches; and (v) incorporating experiences with dialogue and consensus-seeking between the participants involved at the national level. These activities will be developed in three successive stages, as described below.
- 3.8 The first stage, concerned with learning about and analyzing experiences elsewhere in Latin America, will have the following focus: (i) getting the social actors and the government to address the issue at the national level; (ii) introducing leaders of union and employer groups and national governments to the concepts and methodologies of social dialogue, consultation and concerted approaches as principles and practices which, despite their limitations, have been used successfully in the past, have proven reasonably effective, and can help strengthen the bond between democracy and development in situations of socioeconomic and political transition similar to the one being experienced in Bolivia; and (iii) enlisting the support of leaders of national employer and union groups to embark on a process of introducing their members to the concept of social dialogue and of identifying initiatives to achieve such dialogue and concerted approaches at the grass roots across the country.
- 3.9 The second stage, which will involve activities at the grass roots level in Bolivia's nine departments, has the following objectives: (i) giving the participants - employers, union leaders, and government officials - a grounding in these issues and instilling an awareness of what they can do, to come up with homogeneous concepts and methodologies on social dialogue and its objectives; (ii) identifying potential areas for consultation and forging of concerted approaches to social and labor issues of regional and local interest in which progress is feasible, particularly in such areas as modernization of labor legislation and employment policy; and (iii) depending on the outcome of this process, setting up in the departments and regions, wherever considered feasible, local tripartite groups or forums on social consensus-building with an agenda of issues of concern to the actors in the departments and regions.
- 3.10 The third stage will be carried out upon the successful completion of the two previous stages. During this stage, a National Tripartite Dialogue Forum will be set up with the following objectives: (i) to take up the issues identified in the second phase and build on the successes achieved to develop a national agenda for social dialogue; and (ii) on the basis of the foregoing, to draw up by consensus an agenda that systematically classifies the background

information collected, introduces other considerations relevant to the process, and formulates them in terms that can be addressed by a national forum, seeking to organize them into major topics of discussion (i.e. employment policy, training and professional development, social security, modernization of government labor, inspection, and compliance agencies, decentralization, participation, labor legislation, etc.).

- 3.11 A public information and education campaign will be carried out concurrently with each stage of the program, identifying different methodologies and outputs for each stage.

2. Modernization of the Ministry of Labor (US\$637,125)

- 3.12 Despite its social and political importance, the Ministry of Labor is one of several government departments in particularly precarious condition in terms of material and human resources. Although this situation is quite common in government departments throughout the region, in recent years on the strength of the economic reforms in many countries, the importance of the ministry of labor is being reassessed and it is now being looked on as a cornerstone of the new development strategies. This is happening in Bolivia, too.
- 3.13 Consequently, the Ministry of Labor finds itself in the situation of being institutionally and technically weak while being expected to play a potentially influential role in the future, as a member of the economic and social team in a State committed to a process of modernization. This makes it imperative that any evaluation of its capability as the local counterpart for the proposed program consider not so much its present status as the role it may have to assume in the sense described above. Hence, the program is a key component of a strategy to enhance the standing of the Ministry as well as its institutional and technical capacity.
- 3.14 The Undersecretariats of Employment and Labor Relations come under the Ministry of Labor. Their functions are, respectively, to produce and process data for analysis and policy-setting on employment and monitoring of the labor market, and to serve in the role of intermediary in the labor market, and to administer and enforce labor legislation and health and safety regulations, intervene in individual and collective labor relations management, and handle relations with unions and employer organizations. Their role is, therefore, very directly related to areas of government action that need to be strengthened: labor market policy and relations with unions and employers.
- 3.15 Undersecretariat of Employment. This component seeks to support the production and processing of data that is required to analyze and prepare proposals on employment and labor market policy, as well as intermediation functions in the labor market. Assistance will be provided to strengthen the National Technical Council on Employment, particularly in coordinating action with the Ministry

of Labor and in helping to compile and prepare data and background information jointly with the latter in order to frame employment policy and monitor the labor market. Activities under this component will focus on: (i) reformulation and support for the production and processing of data needed for analysis and proposals for employment policy and labor market tracking, and (ii) the reformulation of intervention functions in the labor market, which presently center on a labor exchange.

- 3.16 Undersecretariat of Labor Relations. This component will provide support for redesigning this institution, particularly its structure and functions, and for evaluating and ultimately reformulating its responsibilities and practices in the area of inspection and oversight, intervention and regulation of individual labor and collective labor relations, and for its role in relations with worker and employer organizations. The activities of this component will center on two major areas: (i) analysis and eventual reshaping of responsibilities and practices in the area of inspection and oversight to ensure compliance with legislation and of intervention in individual and collective labor relations, as well as its role in relations with unions and employers, and (ii) institutional reorganization with a view to rationalizing its structure and functions.
- 3.17 Analysis and review of labor legislation. This component will attempt to present a technically sound proposal reached by consensus to evaluate and analyze the present Labor Act and other related legislation, identifying areas that need to be reformed or redefined as a means of making it more internally coherent and consistent with the conditions now obtaining in labor relations in the context of the development model that Bolivia has adopted.
- 3.18 This outcome will be achieved by means of three activities: (i) collecting and analyzing existing data to compare legislation in Bolivia with that in other countries in the region, particularly those with which Bolivia has special economic ties (Andean Group and MERCOSUR); (ii) commissioning baseline studies to be used in preparation of a proposal for modernization of labor legislation and regulations; (iii) organizing technical seminars to be attended by specialists familiar with the Bolivian situation, labor court officials, and other experts with a view to generating discussion on the need for reform of the labor code and to reviewing those particular areas of the law that should be reformed; and (iv) preparing a consensus-based technical proposal for updating the labor code and other related legislation.
- 3.19 When and how the results of these studies are disseminated will be something to be assessed, given the highly sensitive nature of this issue from a social and political standpoint. This will depend on the progress that is made in creating a climate of trust between the participants (labor and management) and government and in demonstrating some willingness to reach a social consensus;

otherwise, the initiative for reform of labor legislation may become bogged down and conflict-ridden.

C. Costs and financing

- 3.20 The program has been costed in consultation with specialized entities that have been involved in similar activities in Bolivia. The program as scaled is summed up in the following table:

**TABLE OF COSTS
(US\$)**

COMPONENTS	MIF	Counterpart	Total
Subprogram 1 — Social dialogue	380,325	71,000	451,325
Senior deputy coordinator and subprogram team	169,500		169,500
Stage 1 — Information and national seminar	39,125	40,000	79,125
Stage 2 — Regional seminars and pilot experiments	161,700	31,000	192,700
Stage 3 — National tripartite dialogue forum and proposal	10,000		10,000
Subprogram 2 — Modernization of the Ministry of Labor	434,125	203,000	637,125
Senior deputy coordinator	63,000		63,000
Undersecretariat of Employment	72,000	94,500	166,500
Undersecretariat of Labor Relations	72,000	94,500	166,500
Analysis and review of labor legislation	227,125	14,000	241,125
Program Coordinating Unit	262,000	70,000	332,000
Executive coordinator, advisory board	158,000		158,000
Leasing of office equipment; administrative support	104,000	70,000	174,000
Communications and information unit	165,000		165,000
Financial management and accounting unit	63,000		63,000
Evaluation	100,000		100,000
Contingencies (5%)	75,000		75,000
TOTAL	1,479,450	344,000	1,823,450

- 3.21 Local counterpart resources. The local counterpart resources, consisting mainly of contributions from the Ministry of Labor, as well as contributions from employer and labor groups attending the regional seminars, are expressed in monetary terms. Certain items will also be provided by the CEPB and the COB through their branches on the understanding their contributions will be in the form of existing facilities and materials. In addition, a certain percentage has been estimated to cover contingencies, in accordance with the Bank's usual guidelines.

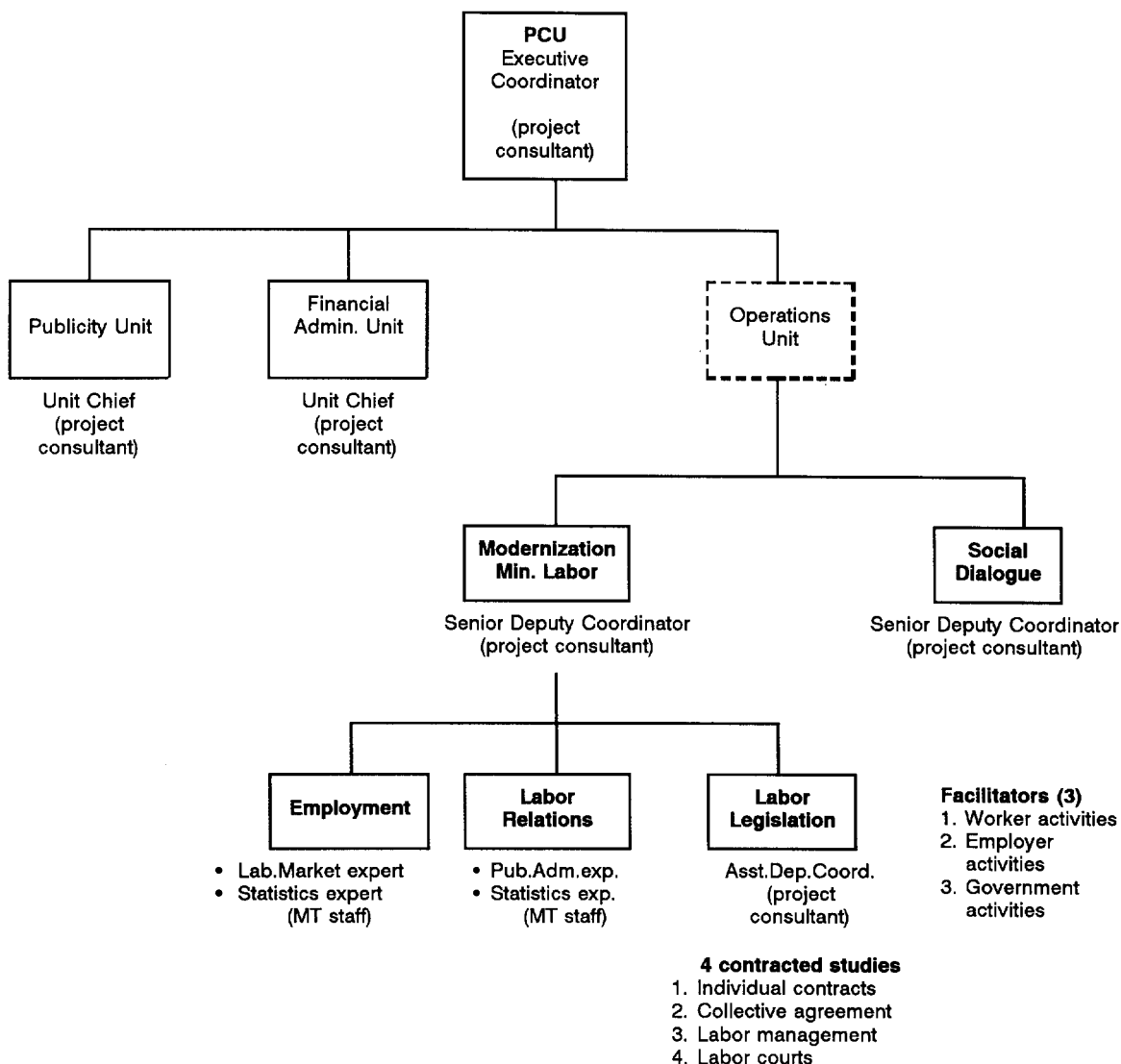
IV. EXECUTION OF THE PROGRAM

A. Executing agency and coordination unit

- 4.1 The beneficiary and executing agency will be the Ministry of Labor. A Program Coordinating Unit (PCU) will be set up within the Ministry to carry out the program. There are three basic reasons for this: (i) the program, by its nature, would require the Ministry to take on a leadership role in convening a meeting of the actors involved (unions and employers); this would not be possible if the PCU were set up elsewhere, since the Ministry would then appear to be just another participant; (ii) the need to maintain direct, close, and ongoing contact with key officials and departments within the Ministry that have been identified as essential for the functioning of the program; and (iii) the nonobjection to this possibility on the part of the CEPB and, from past experience, also on the part of COB, considering that the latter has already taken part without problem in similar initiatives sponsored by the Ministry in conjunction with the ILO.
- 4.2 On the basis of the foregoing, the plan for execution of the program was formulated to ensure reasonable autonomy for the smooth functioning of the program and for the Ministry to perform its role.

B. Structure of the PCU

- 4.3 The PCU will coordinate the execution of the program and seek to ensure that its goals are met. The PCU will consist of three units: operations, communications and information, and financial management and accounting. The organizational structure of the PCU is shown below.



- 4.4 The PCU will be headed by an executive coordinator to be selected by the executing agency from a short-list of candidates identified with help from the Bank. The coordinator will be responsible for the tasks described in the PCU's objectives.
- 4.5 The operations unit will report to the executive coordinator. Its staff will comprise two senior deputy coordinators who will be in charge of the two subprograms and an assistant deputy coordinator responsible for the component for analysis and review of labor legislation (international). The deputy coordinators will receive technical assistance from four international consultants who will be hired for a total of 22 person-months.
- 4.6 The deputy coordinator of the social dialogue component will be assisted by three facilitators, who will help to organize the regional seminars offered for labor and for employers. The

facilitators will also be in charge of monitoring and evaluating each activity, recording conclusions, and disseminating the findings to the other social actors involved and the government, and will generally serve in a consultative role, sharing and exchanging information on a regular basis with union and employer organizations.

- 4.7 The communications and information unit will be headed by a unit chief, reporting to the executive coordinator, who will be a specialist in public information with experience in preparing training and informational materials for instructional purposes. The unit chief will be responsible for producing, in cooperation with the consultants from the other units - particularly those from the social dialogue component and communications areas of the Ministry of Labor - materials for use in local and national activities as well as information materials for dissemination to the general public. Communications tasks for which there is no infrastructure support or for which the government or the Ministry are unable to provide human and material resources will have to be put out to contract.
- 4.8 The financial management and accounting unit will be headed by a unit chief, also reporting to the executive coordinator, who will be an expert in management and control of financial procedures, with experience in international project management. The unit chief will be responsible for designing and maintaining the financial and accounting system for the program, in accordance with the Bank's usual technical standards. The unit chief will also prepare any reports required by the Bank and the Bolivian government, under the supervision and guidance of the executive coordinator, who will be ultimately responsible for these tasks.
- 4.9 Selection of deputy coordinators for the PCU units. The senior deputy coordinators and the assistant deputy coordinator hired for the PCU units will be selected by mutual agreement between the executive coordinator and the Ministry of Labor, with the approval of the Bank, in a competition to be held by the PCU.
- 4.10 The three facilitators hired for the social dialogue component will be selected by the executive coordinator in concert with the CEPB, the COB, and the Ministry of Labor, depending on the particular area for which the facilitator is being hired. They will be chosen through a competition to be held by the PCU from a list of candidates nominated by each sector. The facilitators will be considered members of the PCU and will report to the executive coordinator and the deputy coordinator in charge of the social dialogue component.

1. PCU advisory council

- 4.11 The PCU will have an advisory council for technical and social affairs, with the following functions: (i) to advise the PCU on

matters of interest to the program, on which the Ministry of Labor or the Bank may seek his/her opinion, or which may be requested by the executive coordinator; (ii) to review the program progress reports and make recommendations; and (iii) to ensure ongoing contact between the PCU and union and management groups, the government, academics, and technical experts for whom the program is intended and with whom a partnership is needed for optimum results.

- 4.12 Configuration of the advisory council. The council will be chaired by the Minister of Labor or official appointed by the minister. The following individuals, or their appointees, will sit on the council: the Secretary General of the COB, the Chairman of the CEPB, the Deputy Secretary of Public Investment and External Financing of the Ministry of Finance. Other members will be three senior academics specializing in labor issues (a legal expert, an economist, and a sociologist) and two representatives from other areas of civil society who are recognized as experts in labor issues, to be appointed by mutual agreement between the Ministry of Labor and the Bank in consultation with universities, the ILO, academic centers (i.e. ILDIS) and other sectors of society (i.e. the church).
- 4.13 The three academic experts will be remunerated for each council meeting they attend. The council will receive sufficient funding to perform its duties, out of the PCU's budget.
- 4.14 The consulting services required for the program are shown in the following table by program component, with total consultant-months. The terms of reference of the executive coordinator and the other members of the PCU team are available in the project technical files. Selection of the professional staff of the PCU will occupy the first three months of the project.

CONSULTING SUPPORT REQUIREMENTS, BY COMPONENT

SUBPROGRAMS	Consultant-months (IDB)	Consult.-months (Min.Labor-counterpart)
SOCIAL DIALOGUE SUBPROGRAM		
Senior deputy coordinator	21	
Seminar facilitators (3)	63	
Consultant in social consultation and consensus-building (international)	1.5	
Subtotal	85.5	
SUBPROGRAM FOR MODERNIZATION OF MINISTRY OF LABOR		
Senior deputy coordinator	21	
Undersecretariat of Employment support component		
Labor market specialist		21
Specialist in statistics and information systems		21
Labor market consultant (international)	9	
Undersecretariat of Labor Relations support component		
Specialist in public administration		21
Specialist in statistics and information systems		21
Consultant in labor management (international)	9	
Component for analysis and review of legislation		
Assistant deputy coordinator	18	
Consultant in labor law (international)	2.5	
Subtotal	59.5	84
PROGRAM COORDINATING UNIT		
Executive coordinator	23	
Communications and information unit		
Unit chief	21	
Financial management and accounting unit		
Unit chief	21	
Subtotal	65	
TOTAL	210	84

C. Execution of the program

- 4.15 The program will be implemented over 24 months. The duration of each subprogram will vary, however. Annex IV-2 contains a schedule of the work, showing the activities to be carried out under each subprogram by component.

1. Social dialogue

- 4.16 The social dialogue subprogram will be divided into three stages, as described below.
- 4.17 In stage one, an international seminar will be held to hear about experiences in other parts of the region and to draft and distribute a paper containing findings. This stage will take about four months (months 4 to 7 of the program). The idea is to add the issue to the country's sociopolitical agenda, introduce and build respect for the concept of social dialogue between sociopolitical actors and the methodology involved, and secure the support of the COB and CEPB in pursuing the activities involved in this component.
- 4.18 In the second stage, a program of activities will be carried out in Bolivia's nine departments to educate union leaders, employers, and government officials to the objectives, concepts, and methods of social dialogue, to identify possible common ground in social and labor issues, and to conduct pilot experiments in social dialogue. This stage will take eight months to complete (months 7 to 15).
- 4.19 During the third stage, efforts will be made to promote the establishment of a national tripartite forum based on the experiences acquired in the preceding stage and what was accomplished. This stage will be carried out in the final eight months of the program.

2. Modernization of the Ministry of Labor

- 4.20 Different activities are planned for each component of this subprogram. 2/ In the case of the technical support and institutional strengthening components, an institutional assessment and an evaluation will be performed of the operational and institutional adjustments and changes that are needed to satisfy the objectives of the subprogram, and an action plan will be drawn up to implement these changes and adjustments.
- 4.21 The support components for the Undersecretariats of Employment and Labor Relations will take 21 months from the time the PCU team has been assembled. An international consultant will be recruited for each component for three three-month periods to work with Bolivian

2/ The activities planned for each component are described in the labor consultant's report, which is in the project technical files.

officials in charge of the local counterpart from each area to ensure that the impact of the project will be sustainable after the project has been completed.

- 4.22 The component for analysis and review of labor legislation will begin at the end of the third month after the first disbursement. In the two following months, terms of reference will be drawn up for the technical team and four baseline studies will be commissioned in the areas of collective labor relations, worker relations, public administration in the area of labor relations, and labor courts. These studies are to be completed within six months (months 6 to 11).
- 4.23 Work on a preliminary study paper for presentation at a three-day national seminar on labor legislation is to begin in month 12. The seminar will be attended by experts from across the region who have been or are presently involved in the process of reform of labor institutions. The cases of Argentina, Chile, Colombia, and the Dominican Republic could be considered, as well as Brazil, given its importance as one of Bolivia's trading partners. A paper setting out conclusions will be prepared on the basis of the findings of the national seminar, with major issues from international experience that are considered relevant to labor legislation in Bolivia being identified to enrich the study on the country's labor laws. The paper should be released to the public for information purposes and as a guide for discussion of labor issues in light of international experiences.
- 4.24 A second version of the national study will be drafted, incorporating information and issues that came out at the seminar on international cases, and a technical consultative process will be conducted on each of the four components of the study by a methodology of "peer review". The panels will be composed of Bolivian experts from each area who will meet to exchange views and ideas with the team preparing the study. The objective of this process is to subject the contents of the report to the scrutiny of technical experts. This procedure will consist of 12 parallel sessions for each panel for a total of 48 sessions during the three-month time frame.
- 4.25 These efforts will culminate with a final document in the form of a proposal of technical initiatives to update and improve the Labor Act. The document will serve as a basis for analysis in the context of social dialogue and/or eventual generating of legislation in this area, after an evaluation of its social and political opportuneness by the government.

V. FEASIBILITY, SUSTAINABILITY, AND RISKS

5.1 The program may encounter risks of two kinds:

- (i) Political: given the nature of the issue and the antagonism that has marked labor relations until now, the project could come to provoke unwelcome conflict, particularly since it would begin in a presidential and parliamentary election year.
- (ii) Institutional: a lack of strong technical backing and inadequate human and material resources from the local counterpart (Ministry of Labor) could eventually hamper the progress of the project.

5.2 These potential risks are shared by all projects of this kind in Latin America. Accordingly, no factors that are unique to the Bolivian situation are involved, and the strategic importance of the program as a vehicle for initiating a process and setting the stage for ensuring the continuity of the issue for the next administration is not in question.

5.3 To minimize these risks, it is proposed that:

- (i) The PCU have a high technical and professional level, as the best way of ensuring the continuity of the program, outside politics. This need having been stressed, it was agreed with the Bolivian authorities that the program should have an international-level executive coordinator who would be appointed from a list of candidates proposed by the Bank, to give continuity to the project even with a change of government.
- (ii) In the work plan, the activities concerned with discussion and review of the study on labor legislation be scheduled for year two of the program, when the transition to a new administration would be over, and on the basis of the consensus achieved through dialogue between the actors on the need for these activities.
- (iii) Transparency in all project activities be ensured, to avoid sowing distrust between the social actors involved. The tripartite advisory council will play a major part in this regard. In addition, a strategy is proposed to distribute and disseminate information throughout the process, open to the general public, with a plan of action and a coordinator who will report directly to the executive coordinator.

- (iv) The Ministry of Labor be strengthened, specifically in those technical areas that are essential for attaining the project objectives and strengthening its capacity to monitor and analyze the labor market, by endowing it with the tools that a modern ministry needs to perform its role in the areas of regulation, intermediation, and enforcement of labor legislation.
- (v) To ensure the sustainability of the strengthening activities by the Ministry of Labor, the permanent staff be augmented through the recruitment of employees (as civil servants) to fill the positions required for its role as the local counterpart for the project.
- (vi) Efforts be coordinated with other agencies with previous experience in labor relations in Bolivia, such as the ILO. 3/

- 5.4 Sustainability of the program. Based on experience with similar projects in other parts of the region, the country is expected to gain the technical, institutional, and sociopolitical capacity for the program objectives to be consolidated and pursued on their own. Hence, the program will be guided by the concept of generating the necessary conditions for this to occur. In this sense, it will not be a project with a finite result but rather an initiative to launch a process.
- 5.5 From this standpoint, an ex post evaluation 12 months after completion of the program might be indicated (see paragraph 9.2).
- 5.6 To ensure the sustainability of the activities set in motion by the component for institutional strengthening of the Ministry of Labor, the ministry will undertake to strengthen its staff complement by hiring civil servants for local counterpart positions in the Undersecretariats of Employment and Labor Relations. The addition of these permanent employees will be part of the executing agency's counterpart commitment.

3/ At the time of the orientation/analysis mission, contact was established with the ILO's representative for Bolivia. This meeting led to the ILO expressing interest in the project and the possibility of its cofinancing the program. To this end, it was proposed that the funding for social dialogue envisioned under the technical-cooperation agreement between the ILO and the Bolivian government might be counted as complementing the local counterpart.

VI. COMPLIANCE WITH PROGRAM ELIGIBILITY CRITERIA

- 6.1 Considering the objectives of the program and its expected results, the funding for training of workers and employers and for the strengthening of the Ministry of Labor is fully consistent with the general objectives of the MIF, and more specifically the terms of Article I(d)(i) and (ii) of identifying and implementing policy reforms which will increase investment and bear certain of the costs associated with development strategies to promote an expanded private sector, thereby increasing opportunities for employment and contributing to poverty reduction and the more equitable distribution of income.
- 6.2 The present proposal is also fully consistent with the criteria for financing under the Human Resources Facility, specifically as specified in Article III, section 3(b) and (c), for training workers to meet the manpower needs of an expanded private sector, and that managers be familiar with international practice in planning and training of individuals who can perform those regulatory functions essential for the operation of a market-oriented system, including training in such disciplines as worker protection.

VII. COMPATIBILITY WITH THE BANK'S COUNTRY STRATEGY

- 7.1 The proposed operation is compatible with the Bank's strategy for Bolivia, which seeks to promote sustainable development through support and consolidation for the process of structural reform, by creating conditions that favor private investment and increased productivity. Labor relations are one critical area that has been left behind in the process of modernization and economic reform.
- 7.2 The program complements other Bank operations in support of modernization of the State, particularly the governance support program, one of the components of which seeks to modernize the functioning of the legislative branch.

VIII. AVAILABILITY OF MIF RESOURCES

- 8.1 Form of funding. The proposal calls for partial financing of the project with a grant, based on the following considerations: (i) the Donors Committee declared Bolivia eligible for all forms of MIF financing on October 6, 1993; (ii) the country eligibility memorandum specifies that Bolivia has complied with the necessary criteria and is eligible for grant assistance; and (iii) the proposed project will have a major catalyzing effect on labor

relations, as required under Article III, Section 5(a), of the Agreement Establishing the MIF, insofar as its objective is to promote a considerably expanded private sector. The Donors Committee reaffirmed the validity of these criteria at a meeting on March 30, 1994 (MIF/GN-23).

IX. EVALUATION

- 9.1 Progress reports. The PCU will submit to the Bank a revised plan of activities 60 days after start-up of the program (first disbursement). Progress reports will be submitted every six months within 30 days of the end of each six-month period.
- 9.2 Evaluation. Within 90 days of the first disbursement, the PCU will hire consultants or a firm of consultants to design, within one month, the methodology and quantitative and qualitative indicators for evaluation of the program. The PCU will also hire consultants or a consulting firm to carry out mid-term and final evaluations 12 and 24 months, respectively, after the first disbursement.
- 9.3 The mid-term evaluation will analyze the relevance of the methodology implemented and the degree to which the plan of activities for the program has been adhered to and its effectiveness. It will also examine the extent of dialogue between the social actors involved, qualitative changes generated by the program, the preliminary findings of the national seminar and the regional seminars, the degree to which information on the issue of labor relations has been disseminated to the public and throughout the political system, and the degree of participation by union organizations and employer associations at the national and regional level.
- 9.4 The final evaluation will supplement the mid-term evaluation using similar criteria, to determine the impact of the program on labor relations in Bolivia and the effectiveness of Ministry of Labor actions, and will contain recommendations on steps to be taken in the medium term.
- 9.5 It is also recommended that an impact assessment be conducted 12 months after completion of the project. The assessment, which will be commissioned by the Bank's Country Office with resources from the program and MIF support, will have the following objectives: (i) to evaluate the degree to which the objectives of the project have been satisfied, identifying the strengths and shortcomings encountered; (ii) to evaluate the degree to which the design and methodology used for the operation contributed to the accomplishment of these objectives; and (iii) to ascertain whether and, if so, when additional support operations are needed in specific areas of the process set in motion.

LOGICAL FRAMEWORK

Labor relations modernization program (TC-96-05-17-4)

OBJECTIVES	1. Strengthen the technical capacity of the Ministry of Labor to enable it to perform the policy-setting and regulatory functions needed in an open, competitive economy	
	2. Develop a technical proposal for modernizing the country's labor laws	3. Create a climate conducive to discussion of major labor issues (including modernization of labor laws) among employers, labor, and government, as a prominent item on the national agenda
SUBPROGRAMS	1. Modernization of the Ministry of Labor	2. Social dialogue
COMPONENTS	1. Support for the Undersecretariat of Employment 2. Support for the Undersecretariat of Labor Relations 3. Analysis and review of labor legislation	
ACTIVITIES	1. Institution-strengthening: (i) assessment and action plan; (ii) implementation 2. Drafting of a proposal to reform labor legislation: (i) commissioning of technical studies; (ii) draft proposal; (iii) validation (peer review) and discussion of the proposal (seminar)	1. Seminar to learn of international experiences with social dialogue 2. Regional seminars and pilot consensus-building initiatives 3. Organization of a national consensus-building forum and a national seminar to discuss the proposal to modernize labor legislation

IMPLEMENTATION TIMETABLE

[illegible]

PROPOSED RESOLUTION

BOLIVIA. TECHNICAL COOPERATION PROGRAM FOR THE
MODERNIZATION OF LABOR RELATIONS

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, on behalf of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the Republic of Bolivia and to adopt such other measures as may be pertinent for the execution of the plan of operations referred to in Document MIF/AT-_____ with respect to a technical cooperation, the purpose of which is to modernize the labor relations in the country.
2. That up to the amount of US\$1.479.450 is authorized for the purpose of this resolution, chargeable to the Human Resources Facility of the Multilateral Investment Fund.
3. That the above mentioned sum is to be provided on a non-reimbursable basis.