

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	MEXICO/CID - Isthmus & DR
▪ TC Name:	Support for a Successful Transition to the New Institutions created by the Labor Reform
▪ TC Number:	ME-T1448
▪ Team Leader/Members:	KAPLAN, DAVID SCOTT (SCL/LMK) Team Leader; BARRIOS NUNEZ, URIEL (CID/CME); DE GYVES SANDOVAL, ALEJANDRO (CID/CME); GARZA CORTINA, MIRIAM (VPC/FMP); LUGO MORENO, MONICA BIBIANA (LEG/SGO); GARCIA VALERO, ANDREA CAROLINA (SCL/LMK); GONZALEZ HERRERA, BEATRIZ MARIA (SCL/LMK)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	24 Mar 2021
▪ Beneficiary:	Secretariat of Labor and Social Protection
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$300,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	36 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	SCL/LMK - Labor Markets
▪ Unit of Disbursement Responsibility:	CID/CME - Country Office Mexico
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality ; Economic integration; Institutional capacity and rule of law; Gender equality; Diversity

II. Objective and Justification

- 2.1 The objective of this TC will be to design and pilot strategies for the resolution of labor disputes in the soon to be closed Conciliation and Arbitration Boards (CABs) in the quickest and most efficient way possible in order to free up fiscal resources that could be directed to the new institutions (Labor Courts and Conciliation Centers) created by the recently approved Labor Reform. Additionally, the TC will support the development of institutional strategies to close the CABs gradually and in the most efficient way possible, with a particular focus of respecting the labor rights of the current CAB personnel.
- 2.2 This Technical Cooperation (TC) seeks to find bottlenecks that are causing procedural lags within existing Conciliation and Arbitration Boards (CABs) and propose solutions for the prompt resolution of pending cases for the purpose of freeing up resources that could be assigned to the new institutions created by the labor reform of 2019. This TC also aims to generate proposals and recommendations for the efficient closure of that CABs as their caseloads are reduced. Mexico has the legal obligation to implement the changes brought by the 2017 constitutional reform and the 2019 labor reform. A key component of the 2019 labor reform is the creation of Labor Tribunals in the Judicial Branch and Conciliation Centers in the Executive Branch. These new institutions will gradually replace the previously-existing CABs. Once the

implementation of the 2019 reform starts, as it has in eight states that now have Labor Tribunals as well as Conciliation Centers, the CABs no longer receive new cases, and only remain in existence to resolve the cases brought to them before the start of the implementation of the labor reform. In the other 22 states in which the labor reform has not yet been implemented, the CABs are still receiving new cases, although it is expected that no CAB will receive new cases after the year 2022. Nevertheless, until the date when the CABs are completely closed, they will continue to require budgetary assignments, which limits the resources that can be dedicated to the newly-created institutions. Therefore, liberating resources from the CABs is a priority for the successful implementation of the labor reform. This TC is part of the Bank's continuing technical assistance to support the implementation of the labor reform. The first of these TCs was ME-T1393 "Support for the Implementation of Labor Reform in Mexico." The second of these TCs was ME-1435 "Human Resource Support for the Implementation of Labor Reform in Mexico." In 2020, the Bank approved the programmatic operation ME-L1289 "Program to Improve the Quality of Employment in Mexico" and expects to prepare the second operation in the series in 2022. It is important to emphasize that all IDB technical assistance is part of a coordinated effort of international technical assistance from institutions such as the governments of Canada and the United States, The International Labor Organization, and the United Nations Development Programme. The Ministry of Labor in Mexico coordinates all technical assistance to ensure that all important topics are covered and to avoid the duplication of efforts. The fact that in 2021 the IDB will address the efficient closing of the CABs is the result of this coordination of efforts.

III. Description of Activities and Outputs

- 3.1 **Component 1. Strategies for Reducing the CABs.** Would finance recommendations for the design of various strategies to resolve the existing cases in the most expeditious manner possible. Additionally, this component would fund at least one pilot program in at least one CAB that would test the effectiveness of the strategies that have been developed.
- 3.2 **Component 2. Legal and Institutional Analysis with Strategies for Terminating the CABs Efficiently.** Will fund the development of institutional strategies to close the CABs gradually and in the most efficient way possible. For example, the component will generate proposals for both how and when physical assets should be sold off. The component will also finance a legal analysis with recommendations regarding the labor rights of existing personnel.
- 3.3 **Component 3. Others.** Study trips, diagnosis, technical notes, meetings with experts, workshops dissemination and communication plus miscellaneous

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Component 1. Strategies for Reducing the CABs	US\$175,000.00	US\$0.00	US\$175,000.00
Component 2. Legal and Institutional Analysis with Strategies for Terminating the CABs Efficiently.	US\$115,000.00	US\$0.00	US\$115,000.00
Others	US\$10,000.00	US\$0.00	US\$10,000.00
Total	US\$300,000.00	US\$0.00	US\$300,000.00

V. Executing Agency and Execution Structure

- 5.1 This TC will be executed by the Bank through the Labor Market Division (SCL/LMK) at the request of Mexican authorities. The Labor Markets Division team working in Mexico (LMK/CME) has the relevant background, skills, and technical experience to carry out this technical cooperation; therefore, the Mexican federal government has requested the IDB's support to directly execute the TC.
- 5.2 The execution of TCs by the Bank is common practice in Mexico due to the national budgeting mechanism, which subtracts the financing of the TC from the beneficiary's budget when the beneficiary executes them. The Bank, through SCL/LMK, has worked for several years in collaboration with the Government of Mexico in general, and with the Liaison Unit for Labor Reform Implementation of the Ministry of Labor, which will be the counterpart in the design and implementation of effective and efficient solutions, positioning it as a benchmark in the area. In addition, the Bank has specific experience in the execution of the activities foreseen in this

VI. Project Risks and Issues

- 6.1 The current Global Coronavirus Pandemic and health contingencies have introduced a generalized risk of uncertainty to the success of this TC, as well as all activities planned by the Government of Mexico in the short and potentially medium term. To mitigate this risk, the Bank is in constant communication with counterparts at the Ministry of Labor. The Bank has received assurance from the Government of Mexico that the implementation of the labor reform, and therefore the resolution and termination of workloads inside the CABs remains a high-level priority. The Bank will maintain constant communication with the Ministry of Labor to mitigate this risk and adapt accordingly to any changes necessitated by this unique risk and challenge.

VII. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "undefined".