**TC ABSTRACT**

**I. Basic Project Data**

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| ▪ Country/Region: | MEXICO/CID - Isthmus & DR |
| ▪ TC Name: | Support for the Implementation of Labor Reform in Mexico |
| ▪ TC Number: | ME-T1393 |
| ▪ Team Leader/Members: | David Kaplan (SCL/LMK) Team Leader; Juan Carlos Pérez Segnini (LEG/SGO); Germán Zappani (VPC/FMP); Miriam Garza Cortina (VPC/FMP); Ariel Rodríguez Pérez (VPC/FMP); Edna Miranda (CID/CME); Uriel Barrios Nuñez (CID/CME); Alejandro de Gyves (CID/CME); Emilio Martínez (CID/CME); Elisa Lavore (SCL/LMK); Anne Hand (SCL/LMK); Pierre Delord (SCL/LMK); Ethel Muhlstein (SCL/LMK); y Tania Gaona (SCL/LMK). |
| ▪ Taxonomy: | Operational Support |
| ▪ Number and name of operation supported by the TC: | Program to promote better working conditions in Mexico-ME‑L1289 - Support for Preparation |
| ▪ Date of TC Abstract: | 09 Apr 2019 |
| ▪ Beneficiary: | Ministry of Labor (STPS), Mexico |
| ▪ Executing Agency: | Inter-American Development Bank, Social Sector, Labor Markets Division (SCL/LMK), David Kaplan dkaplan@iadb.org |
| ▪ IDB funding requested: | $ 200,000 |
| ▪ Local counterpart funding: | $ 0 |
| ▪ Disbursement period: | 36 months |
| ▪ Types of consultants: | Individual consultants and consulting firms |
| ▪ Prepared by Unit: | Labor Markets Division (SCL/LMK) |
| ▪ Unit of Disbursement Responsibility: | Country Office Mexico (CID/CME) |
| ▪ TC included in Country Strategy (y/n):  ▪ TC included in CPD (y/n): | Yes. Yes. |
| ▪ Alignment to the Update to the Institutional Strategy 2010-2020: | Social inclusion and equality; Productivity and innovation; Institutional capacity and rule of law |

**II. Objective and Justification**

2.1 This technical cooperation (TC) will provide technical support to the loan "Program to promote better working conditions in Mexico". Additionally, the TC will provide key inputs for the government for the implementation of an important labor reform.

2.2 This TC is needed to support the implementation of the new labor justice system.

**III. Description of Activities and Outputs**

3.1 See components.

3.2 **Component I: Component 1: Design of the new centers for labor mediation (US$100,000).** This component supports the identification of key problems in the pre‑reform conciliation process and provides a plan for the creation of the new conciliation centers. Activities: (i) construction of a statistical database with conciliation attempts prior to the reform; (ii) diagnostic documenting key bottlenecks in the pre‑reform conciliation attempts; and (iii) detailed timeline including key tasks for the creation of the new conciliation center, including budget and dates of completion.

3.3 **Component II: Component 2: Design of the technological platform (US$100,000).** This component will identify the needs of the technological platform that will be used by the Ministry of Labor. Activities will be: (i) identification of the specific needs of the technological platform; (ii) identification of potential firms that could provide those services; and (iii) estimation of the costs associated with those services over the next four years.

**IV. Budget**

**Indicative Budget (US$)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Activity/Component** | **IDB/Fund Funding** | **Counterpart Funding** | **Total Funding** |
| Component 1: Design of the new centers for labor mediation (US$100,000) | 100,000 | 0 | 100,000 |
| Component 2: Design of the technological platform (US$100,000) | 100,000 | 0 | 100,000 |
| **Total** | **200,000** | **0** | **200,000** |

**V. Executing Agency and Execution Structure**

5.1 The Mexican federal government, through the Ministry of Labor (STPS) has solicited that the Bank execute this technical cooperation in its request letter.

5.2 The Labor Markets Division (LMK/CME) has the relevant background, skills, and technical experience to carry out this technical cooperation. Furthermore, 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.

**VI. Project Risks and Issues**

6.1 There are a series of structural challenges inherent in drastically modifying a system, such as the previous labor justice mechanism in Mexico, and creating a new system with new institutions. Some of the risks identified include:

1. Structural risks – similar risks to those recently seen as part of the implementation of Mexico´s broader judicial reform. This TC will incorporate previous learnings related to Mexican justice reform implementation in its execution, to attempt to avoid past mistakes and mitigate risks;
2. Technological risks related to streamlined processes and information security. This TC will incorporate best practices from other contexts to recommend structural and process design that will mitigate these risks; and
3. Operational risks particularly related to promoting settlements to reduce caseloads and improve clearance rates. This TC will consider these types of perverse incentives in the design of processes and procedures to mitigate these risks.

**VII. Environmental and Social Classification**

7.1 The ESG classification for this operation is "C".