

## TC ABSTRACT

### I. Basic Project Data

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|--|---|
| ▪ Country/Region:  | MEXICO/CID - Isthmus & DR   |
| ▪ TC Name:   | Technological support for the implementation of the Mexican labor reform  |
| ▪ TC Number:   | ME-T1538  |
| ▪ Team Leader/Members:   | KAPLAN, DAVID SCOTT (SCL/LMK) Team Leader; PAVON, FERNANDO YITZACK (SCL/LMK) Alternate Team Leader; BARRIOS NUNEZ, URIEL (CID/CME); GONZALEZ HERRERA, BEATRIZ MARIA (SCL/LMK); LIBERTAD SICCHA (SCL/LMK); FERRIN GASTON (SCL/LMK); BARRAGAN CRESPO, ENRIQUE IGNACIO (LEG/SGO) |
| ▪ Taxonomy:  | Client Support  |
| ▪ Number and name of operation supported by the TC:                | N/A   |
| ▪ Date of TC Abstract:   | 10 Jul 2024   |
| ▪ Beneficiary:   | Secretariat of Labor and Social Protection  |
| ▪ Executing Agency:  | INTER-AMERICAN DEVELOPMENT BANK   |
| ▪ IDB funding requested:   | US\$200,000.00  |
| ▪ Local counterpart funding:                                       | US\$0.00  |
| ▪ Disbursement period:   | 24 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; Institutional capacity and rule of law; LGBTQ+; Indigenous People; Afro-descendants; Persons with Disabilities; Gender equality; Diversity   |

### II. Objective and Justification

- 2.1 The objective of this TC will be to design and implement an informatic management system for the use of the Procuraduría Federal de la Defensa del Trabajador (PROFEDET), which is the organism in charge of advising, accompanying, and defending workers, workers' beneficiaries, and unions at no cost in the resolution of labor disputes, both those operating under the rules of the 2019 labor reform and those still being adjudicated under the rules that existed prior to the reform.
- 2.2 This Technical Cooperation (TC) seeks to support Mexico in complying with the legal obligation they have acquired to maintain and apply the changes brought by the 2017 constitutional reform and the 2019 labor reform, as a part of the USMCA trade treaty. 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. PROFEDET was created in 1929 and found its legal bases in the Federal Labor Law of 1931, a predecessor of the actual Federal Labor Law, enacted in 1970 which currently recognizes their existence and regulates general aspects. Currently, PROFEDET is dependent of Secretaría del Trabajo y Previsión Social (STPS) since 1975. Since 1999, however, PROFEDET has been operating with technical autonomy. In 2004 the Sistema Integral para la Procuración de la Defensa del Trabajador (SIPRODET) was developed. This system allows public servants to register and follow up on cases on a national level and allows the attention to cases through a call center that receives telephone calls to assist citizens whenever they are involved in a labor dispute. Today,

PROFEDET has 47 offices throughout the country, a mobile office, and a central office. The labor reform of 2019 has brought new labor authorities into play, as is the Federal Center for Conciliation and Labor Registration and the newly created labor courts. SIPRODET is not designed to adapt to these updates and modifications. Therefore PROFEDET needs to develop a new system that allows increasing efficiency whilst managing its activities, reducing the costs attached to maintaining its call center, easing the connection and collaboration with other labor authorities, and contributing to the digital transformation of Mexican labor institutions. This system will be developed with the latest and most solid technologies and with an architecture that will guarantee a prolonged lifespan and the possibility of adapting to legislative changes that may happen in the future. This consultancy will include the generation of the technical and functional design of the new informatic management system, which includes the architecture and user interface. Based on this information, the system will be developed and implemented, including programming, testing, and deployment. This system will have to be compatible with the requirements of the Mexican labor reform of 2019 as well as being backward compatible, as there are pending cases for many years in the Conciliation and Arbitration Boards (CABs) that no longer receive new cases because of the 2019 reform but will continue to operate until all their cases are finalized. 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-T1435 "Human Resource Support for the Implementation of Labor Reform in Mexico", and the third one was ME-T1448 "Support for a Successful Transition to the new institutions created by the Labor Reform".

### III. Description of Activities and Outputs

- 3.1 **Component I: The design of the management system for PROFEDET.** Would finance the technical and functional design of the new informatic management system, including architecture, user interface, and technical specifications
- 3.2 **Component II: Development and implementation of the management system for PROFEDET.** Would finance programming, technical tests, and setup/implementation of the system for PROFEDET
- 3.3 **Others.** Contingencies

### IV. Budget

Indicative Budget

| Activity/Component   | IDB/Fund Funding   | Counterpart Funding | Total Funding         |
|--|--------------------|---------------------|-----------------------|
| Component I: The design of the management system for PROFEDET                      | US\$95,000         | US\$0.00            | US\$95,000            |
| Component II: Development and implementation of the management system for PROFEDET | US\$95,000         | US\$0.00            | US\$95,000            |
| Others   | US\$10,000         | US\$0.00            | US\$10,000            |
| <b>Total</b>   | <b>US\$200,000</b> | <b>US\$0.00</b>     | <b>US\$200,000.00</b> |

### 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.

- 5.2 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. 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 technical cooperation.

## **VI. Project Risks and Issues**

- 6.1 The Bank has received assurance from the Government of Mexico that the implementation of the labor reform, and therefore the correct operation of PROFEDET within the framework of the labor reform of 2019, remains a high-level priority. The Bank will maintain constant communication with the Ministry of Labor to assure their continued interest. Additionally, the Ministry of Labor has expressed its interest in supporting PROFEDET specifically. Given that the Bank has successfully delivered informatic systems to other institutions related to the labor reform, it would appear that the risk of not being able to implement this project are low. There is the risk that adapting the PROFEDET system to their 47 offices established around the countries, because of varying degrees of the staff's digital skills and infrastructure. To mitigate this risk, the Bank will maintain communication with PROFEDET to mitigate this relative risk and assure that steps are taken toward the reception of the new information system

## **VII. Environmental and Social Aspects**

- 7.1 This TC is not intended to finance pre-feasibility or feasibility studies of specific investment projects or environmental and social studies associated with them; therefore, this TC does not have applicable requirements of the Banks Environmental and Social Policy Framework (ESPF).