



## MINUTES TRADE AND SUSTAINABLE DEVELOPMENT BOARD MEETING

May 31<sup>st</sup> and June 1<sup>st</sup>, 2021

### Videoconference

The Trade and Sustainable Development Board (hereinafter "the Board") of the Association Agreement between Central America and the European Union (hereinafter "the Agreement") held meetings on Monday, May 31<sup>st</sup> and Tuesday, June 1<sup>st</sup>, 2021, to follow up on the implementation of Title VIII on Trade and Sustainable Development. The meeting took place virtually, via Zoom platform, due to the COVID-19 pandemic.

### **Welcome and presentation of the members of the Board on Trade and Sustainable Development**

The meeting was chaired by the Pro-Tempore Presidency held by Costa Rica. The Board members were introduced, including the representatives of the European Commission and the European External Action Service, as well as members of the Board from the Ministries of Environment and Labour of Central America.

### **Review and approval of the agenda**

The Board included an additional item in the agenda item 11 to proceed with the review and discussion of the note sent by the advisory groups on May 31<sup>st</sup>, 2021 (Annex I).

### **Overview of relevant policy developments in the EU and CA**

**A representative of the European Commission's Directorate-General for Trade (DG TRADE)** presented a policy update on EU initiatives which include elements of Responsible Business Conduct (RBC).

The presentation focused on an overview of EU initiatives incorporating aspects of responsible business conduct, including the initiative on Sustainable Corporate Governance with a legislative proposal for the third trimester of 2021 with the objective to improve the EU regulatory framework on company law and corporate governance, including mandatory horizontal human rights, including labour rights, and environmental due diligence throughout the supply chain; Proposal for Corporate Sustainability Reporting Directive, adopted in April 2021, replacing the 2014 Non-Financial Reporting Directive and enlarging its scope to all large companies and listed SMEs; future European Sustainability Reporting Standards to be developed by the European Financial Reporting Advisory Group; Sustainable Battery Regulation: proposal adopted in December 2020 to minimise the negative impact of battery production on the environment; Deforestation and forest degradation: adoption of legislative proposal foreseen for Q3 2021, to include regulatory and non-regulatory options for measures to minimise the risk of placing products possibly associated with deforestation and forest degradation on the EU market; building on the existing obligation under the EU Timber Regulation; other initiatives regarding the promotion of decent work worldwide, pay transparency measures, sustainable product initiative, and a Code of conduct for responsible food business and marketing practices as part of the "Farm-to-Fork" Strategy.

**Costa Rica** provided an update on the ongoing negotiations of the Agreement on Climate Change, Trade and Sustainability (ACCTS) between Norway, Iceland, Switzerland, Fiji, and Costa Rica. It also reported progress in promoting trade that favours the environment in the framework of the World Trade Organization (WTO) through the work of the Structured Dialogue on Trade and Environment which is an initiative coordinated by Canada and Costa Rica that seeks to define work priorities on these issues to be included in the WTO agenda. Finally, Costa Rica highlighted the process of accession and recent entry to the Organization for Economic Cooperation and Development (OECD) as of May 25. As part of this process, the country went through a broad evaluation of its environmental and social policies that led to improvements in the legal and institutional framework on these areas. Costa Rica also mentioned its active work in the OECD by contributing to more than 10 committees and initiatives related to sustainable development. In addition, Costa Rica shared its experience working on the adoption of the OECD guidelines for multinational enterprises and promoting Due Diligence.

### **Overview of relevant EU cooperation projects in CA**

A representative of the EU Delegation to Costa Rica introduced two of the partners that implement EU cooperation projects on trade facilitation, economic integration, sustainable value chains and sustainable agriculture: the Secretariat for Central American Economic Integration (SIECA) and the Inter-American Institute for Cooperation on Agriculture (IICA).

**SIECA** made a presentation on the activities carried out within Components I and III of the Central American regional economic integration programme INTEC, financed by the EU, related to trade and sustainable development for Central America.

The programme's objectives include sensitising public and private sector organisations as well as civil society to the implementation of international agreements, in particular the Association Agreement, in the fields of employment, environment and corporate social responsibility. In addition, the programme supports the marketing of products that comply with specific environmental and social requirements, facilitating their access to the EU market and supporting the export readiness of the private sector.

Component III provides direct support to private sector via two measures: 1) focusing on sustainable value chains and targeting cacao and derivatives, special coffees, fresh fruit and vegetables, fish and seafood; 2) connecting 200 female led businesses in Central America for handicraft and design to global markets via digitalisation and online marketing.

It was reported that national workshops on Trade and Sustainable Development were held in the Central American countries to address issues related to the implementation of Title VIII of the Association Agreement related with environment, labour, corporate social responsibility and support for the promotion and access to the EU market for segments that meet specific environmental and social requirements. In addition, a Regional Workshop to be held on June 29 and 30, 2021, in virtual mode, is being coordinated.

Regarding the "EKO BOOTCAMP 2.0" initiative, it was noted that the programme to accelerate exports to the EU is focused on sectors selected by the CA countries, covering 120 companies that work with sustainable products or have implemented sustainable practices.

The "Connecting Central America" initiative supports 48 beneficiary companies by providing capacity building for developing marketing plans, advice regarding production, business management, export management, and certifications. The beneficiary companies also have a

Corporate Social Responsibility (CSR) Plan that will be implemented, starting in the second half of 2021.

The initiative "Linking Central American Women's Enterprises with the Crafts and Interior Decoration Market" benefits 200 CA enterprises led by women. It provides workshops and training for the development of their products. This initiative has reached 71 companies, helping develop a total of 417 new products.

A **representative of IICA** made a presentation on initiatives and results obtained in sustainable agriculture by showcasing two EU regional cooperation projects: PROCAGICA, the Central America Coffee rust integral management programme, and AGROINNOVA, which aims to improve the situation and resilience of small producers of the Central American Dry Corridor, through the validation and extension of innovative agricultural technologies and practices with multistrata agroforestry system.

PROCAGICA supports applied research in good practices aimed at reducing vulnerability and promotes integrated management of coffee plantations. It has benefitted 199 organisations and 7059 producers, of whom 35 % are women and 10 % youth (<30y). The programme has supported the renovation of 1100 ha and sustainable management of 5091 ha of coffee plantations, helping increase the productivity per ha by 28-42%. In addition, the programme has helped increase revenues through diversification in 3720 ha of coffee plantations and set up a regional network of the production of bio fertilisers, which have a low cost of 0.15 USD per litre. Finally, the programme provides training for rural youth.

AGROINNOVA works on strengthening the capacities of National Technical Agroforestry Committees, facilitates knowledge exchange in research and innovation, helps showcase experiences of technological innovation from small producers, and supports the regional hub for agricultural innovation. In response to the effects of COVID-19, the programme set up a food bank to assist the most affected communities (reaching more than 600 families/month).

Following the presentations, Costa Rica reiterated the importance of supporting the Central American productive sector and companies who want to have a competitive advantage in entering the European market. Costa Rica welcomed the recompilation of the successful examples showcased and expressed willingness to follow up on these efforts.

### **State of play and next steps regarding the implementation of the labour-related provisions in the TSD Title (including in the light of COVID-19 and ILO-related developments)**

Each Party made a presentation on its main progress in labour matters related to article 286 of the Title on Trade and Sustainable Development:

**Costa Rica** reported on the main progress achieved during the last period regarding the compliance and implementation of the fundamental ILO agreements, highlighting progress in the execution of concrete actions on issues such as collective bargaining, eradication of forced labour, eradication of child labour, and equality and non-discrimination, in addition to some of The most recent advances in the area of freedom of association were highlighted, with the inclusion in the 2020 Regulatory Improvement Plan, which included the Draft "Regulation for the registration of civil society organisations with the Ministry of Labour and Social Security (MTSS)", in addition to the support provided by the MTSS in collective bargaining processes and the training received by over 100 public officials in this area. In addition, information was provided on the most recent activities related to the Regional Initiative for Latin America and

Minutes agreed both in English and Spanish.

the Caribbean Free of Child Labour, such as the implementation of a project in the province of Limón, which has been identified as a high-risk area for child labour. On the issue of equality and non-discrimination, the implementation of a Guide which will facilitate the identification of labour offenses based on gender was highlighted. Finally, the main measures adopted to respond to the immediate needs of people affected by work due to COVID-19 were highlighted.

With regard to the legal reforms requested by the ILO Committee of Experts on the Application of Conventions and Recommendations on Convention 87 on freedom of association, in reply to a question by the EU Costa Rica indicated that article 344 of the Labour Code has not been modified yet. However, the proposed Regulatory Improvement Plan of 2020 of the Department of Social Organisations of the MTSS includes the Project “Regulation for the registration of civil society organisations with the MTSS”, with a view to consolidate in a single document all the associated requirements for civil society organisations to comply with, including response times and formats to be used.

Costa Rica indicated that article 346 subsection a) of the Labour Code has not been modified either. However, such article no longer applies in administrative terms, hence why the MTSS, in its practical operations concerning registration, guarantees the full autonomy of the unions organisations to determine the validity of their boards of directors, in application of Convention 87.

Finally, regarding the request of the ILO’s supervisory body to modify article 60, paragraph 2 of the Political Constitution, and article 345 paragraph e) of the Labour Code that prohibits foreigners from exercising direction or authority in unions, Costa Rica indicated that this regulation has not yet been modified, despite the fact that related legislative initiatives have been presented.

**Guatemala** referred to issues of Labour Relations and Freedom of Association. Among them, they pointed out that the Public Ministry has closed 27 of 90 cases of homicides of trade union leaders and members; the Ministry has also carried out 101 risk analyses, which have resulted in the establishment of 94 perimeter security measures and 3 personal security measures. On the other hand, the National Tripartite Commission on these issues, together with the Subcommittee on Labour Legislation and Policy, are preparing a legislative proposal for the application of conventions and recommendations of the ILO Committee of Experts.

Regarding the Public Registry of Trade Unions, Guatemala reported the registration request by 47 trade union organisations; 22 of them have been rejected, denied, or sent to the archive, in application of art. 5 of the Law on Administrative Litigation. In addition, 60 other unions are in the process of registration.

Guatemala has joined the global efforts of the UN and the ILO to achieve the goal set for 2025 in relation to the eradication of child labour. For this, it prepares for the implementation of the National Strategy for the Prevention of Child Labour in compliance with pillar number 2: Social Development of the General Government Policy. The Ministry of Labour and Social Welfare (MINTRAB) is committed to redoubling efforts to eliminate child labour, strengthening multisectoral coordination and providing legality to the functioning of the Departmental Committees for the Prevention and Eradication of Child Labour -CODEPETIS-, considering the importance of territorialising the actions that allow the country to provide comprehensive care to children and adolescents who today represent 24.3% of the Guatemalan population.

As a result of the COVID-19 pandemic, the General Labour Inspectorate of the MINTRAB adopted Ministerial Agreement 136-2020 of March 17, 2020, which establishes a temporary measure that consists of the suspension of the computation of the administrative deadlines, considering them as non-working days, for which the prescription is interrupted. Likewise, Ministerial Agreement 140-2020 established the electronic process for the registration, control and subsequent authorization of the suspensions of individual and collective work contracts, in order to guarantee the stability of labour relations between employers and workers. The decree was in effect until August 2020, with labour inspectors being some of the first officials ordered to resume work.

Guatemala reiterated its willingness to continue with bilateral meetings with the EU, to make known in a more specific way the progress on the aforementioned issues.

**El Salvador** shared progress in compliance with the ILO Conventions incorporated in the Association Agreement. It stressed its firm commitment to the construction and strengthening of Tripartite Social Dialogue, in order to ensure full compliance with the ratified ILO Conventions, as well as the promotion of specific actions, such as the establishment of strategies and policies obtained through consultative processes at national level. That is why participatory processes have been sustained with civil society actors and particularly the worker and employer sectors in spaces for dialogue on strategic country projects, such as the construction of a Labour Market Information System, the creation of the Trade Union Training Institute, the Institutional Strategic Plan 2020-2024 and the establishment of technical workgroups for the reopening of economic activity, as well as the design of biosafety protocols in the framework of the COVID-19 crisis.

It was emphasized the commitment of El Salvador's Government to maintain and defend the Democratic Spirit and the strict respect for the Constitutional Rule of Law and the separation of State powers; in addition, the firm commitment to coordinate and demand compliance with respect for international regulations on Human Rights and particularly Labor Rights was reaffirmed.

Likewise, El Salvador underlined the overwhelming rejection of all actions that tend to undermine the rights of the organized working class, such as assassinations, violations of freedom of association rights and the free exercise thereof.

The Secretariat of Labour and Social Security of **Honduras** informed that it seeks to provide a response to the demands and enquiries both nationally and internationally regarding compliance with labour legislation and international labour agreements. Through the creation and implementation of tripartite schemes that have balanced representation of workers, the private sector and the Government, it seeks to solve labour issues in Honduras. In relation with labour inspection, in the last three years, the General Directorate of Labour Inspection has been strengthened by increasing the number of inspectors from 144 to 179 nationwide. In a similar measure, the number of regional offices has increased from 17 to 19 at the national level in the same period of time. All the regional offices have been provided with the necessary tools and logistics to carry out the work and, training schemes have been developed for inspectors regarding recent changes in labour legislation.

In due follow-up to the recommendations made by various sectors at the national level in the tripartite dialogue tables, a Labour Inspection Law was approved in 2017. This Law has contributed to the effective application of ILO Conventions 87 and 98 related to freedom of association, the negotiation of collective contracts and payment of wages, among others. In the same way, it has also contributed to improving compliance with labour legislation in other Minutes agreed both in English and Spanish.

equally important aspects such as forced labour, child labour, gender discrimination, working conditions, biosecurity, etc., through various laws and protocols executed through other offices within the Secretariat of Labour and Social Security.

It should be noted that within the scope of the Inspection Law, a positive response has been obtained from employers and workers, which is reflected in a greater use of dialogue and good offices instead of reaching extended inspection processes, labour courts and even punitive sanctions for non-compliance.

In relation to the challenges that the COVID-19 pandemic has brought, the Teleworking Law was recently approved, which aims to regulate the labour relationship between employers and workers within this new work scheme.

**Nicaragua** reported on the fulfilment of its labour commitments within the framework of the Fundamental Conventions of the ILO during the period November 2020 - April 2021, in particular on the progress and implementation activities in the areas of: Progressive eradication of child labour, its worst forms and the restitution of labour rights to adolescent workers; Freedom of association; Collective bargaining; Equality and non-discrimination in employment.

**Panama** reported the progress that its Government is making to achieve the economic and social recovery of the country, to face the effects of the COVID-19 pandemic. Panama highlighted the good results with which the different projects and programmes contained in the Economic Recovery Plan (PRE) have been operating; as well as the results of the adoption and application of legal initiatives to attract foreign investment and strengthen the productive sectors, in order to generate new sources of employment.

Panama also reported on the progress that the Ministry of Labour and Labour Development (MITRADEL) is making to: 1) preserve the integrity of workers, employers and public servants, in order to face the gradual reopening of the different activities and sectors economic of the country; and 2) to promote employability, reactivation and job placement; for which it is executing with positive results different projects aimed at improving the employability of the population and the protection of jobs (Community Employability Section; "Eje Cambiando Vidas"; Learning by Doing Project; POVE - Orienta PANAMÁ; Seal "I comply" ; Project for the Employment of Persons with Disabilities, etc.).

Regarding the progress made in the application of the ILO Conventions on fundamental rights, Panama highlighted that its Government had approved in the Cabinet Council to send to the Legislative Organ the request to ratify Convention 129 (Labour Inspection in Agriculture), Convention 183 (Maternity Protection) and Convention 190 (Elimination of Violence and Harassment at work). These ILO Conventions are expected to be ratified in the coming months.

Panama also reported over 4000 labour inspections carried out from March 2020 to May 2021; the extension of the roadmap for the elimination of child labour; and the label on gender equality in the public sector.

Finally, the country indicated that the Labour Inspection System has been strengthened; therefore, the Country will proceed to ratify Convention 129 as a priority ILO convention.

**The European Union** thanked Guatemala and Honduras for their availability and commitment to hold bilateral meetings during the course of 2021 focused on ILO fundamental Conventions

87 and 98 on freedom of association and collective bargaining respectively. It invited the other Central American partners to plan bilateral meetings over the coming months.

On latest policy development, the EU highlighted its commitment to the action plan to implement the European Pillar of Social Rights, endorsed on the occasion of the Porto Summit of 7 May 2021. It also mentioned some recent initiatives linked to the Pillar (including a proposal for a Directive on adequate minimum wages, a new Strategy for people with disabilities 2021-2030, or a Strategy for youth rights). Moreover, the EU shared an update on measures linked to the post- COVID-19 recovery, including the SURE instrument to limit the impact on unemployment, and the recovery and resilience instrument under the NextGeneration EU plan 2021-2026.

The EU acknowledged the transparency and openness of all delegations during the meeting in sharing their latest updates concerning initiatives in the labour area. The EU reminded that, on the occasion of the International Year for the elimination of Child Labour in 2021 as declared by the United Nations, it is time to increase efforts towards eradicating all forms of child Labour by 2025.

Acknowledging the commitment and efforts made by all delegations since the last meeting, the EU expressed nonetheless its deep concern over cases of violence against Trade Unions and restrictions to freedom of association, in particular in Guatemala and Honduras as reported by the ILO. It thereafter insisted on the need to step up efforts in the area as well as ensuring the effective implementation of the right to collective bargaining.

The EU also highlighted the importance of tackling labour informality, increasing the capacity of labour inspections, and the need to step up efforts to fight against discrimination, with a view to protect vulnerable populations.

As conclusion from the meeting, the EU showed its commitment to complete the round of bilateral meetings with Central American partners over the coming months, including El Salvador, Nicaragua, Panama and Costa Rica. It also expressed its intention to organise a joint event during 2022 focused on the exchange of best practice and a sharing of information and experience on labour issues among the EU and Central American delegations. Finally, the EU reiterated its commitment to support efforts in the region, through the offer of cooperation, and technical assistance, and/ or joint projects (for instance under the Socieux +, Eurosocial, programmes etc.).

The Central American countries agreed to bilateral follow-up and supported a regional event in early 2022 for an exchange of best practice and a sharing of information and experience on labour issues.

### **Ex-post evaluation of the Agreement: state of play and next steps**

The EU referred to the evaluation of the Trade Pillar of the Association Agreement that it is carrying out (the process is outsourced to an external consultancy through a call for tender procedure). It was explained that it is a usual process that is carried out about 5 years after the entry into force of a trade agreement. The evaluation will analyse economic, social, environmental and human rights impacts of the Trade Pillar. In the case of CA, data from the period 2014-2019 and the previous 5 years will be evaluated. The evaluation will include the general analysis and ten case studies. A separate part of the analysis will be dedicated to the implementation of the Trade and Sustainable Development Title and operation of its institutional structures (the TSD Board and civil society Advisory Groups). Desk research will

be complemented by a wide stakeholder engagement programme. A public consultation process is to be conducted from June to September 2021. In addition, bilateral interviews will be held. The EU also indicated that an initial report of this evaluation will be presented to the European Commission in November 2021 and the final report is expected for April 2022.

The EU expressed that an official communication on the project was sent to Central American authorities of economy and foreign trade on May 20, 2021. In the note, the EU explains the objectives and the scope of the evaluation and asks for the collaboration of the governments of the region.

### **State of play and next steps regarding the implementation of the environment-related provisions in the TSD Title (including in the light of COVID-19, climate change and MEA-related developments)**

Each Party made a presentation on its main progress in environmental-related matters related to article 287 of the Title on Trade and Sustainable Development.

**Costa Rica** indicated that the current situation that the planet faces lead to reflect and fight for a post-COVID-19 recovery and at the same time take on the effects of Climate Change. That is why Costa Rica proposes a green, blue and orange recovery, which consists of promoting decarbonized sustainable development that is resilient to the effects of Climate Change, with its respective protection of the oceans and fostering the development of national capacities.

This implies having a greater commitment to the country's climate agenda focused towards a fair and inclusive transition, recognizing the need to identify and accompany the country's most vulnerable populations in this process of social and economic transformation. Likewise, this identifies that the economic reactivation must have an important component of investment in nature and its ecosystems as a mechanism to guarantee the quality of life of the country's population.

In the recovery process, government institutions, private sector, academic sector, civil society, and multilateral and international cooperation agencies are of vital importance, as well as science and knowledge. It is in this sense that climate policy processes are viewed as a gear to manage this post-COVID-19 recovery, where the Nationally Determined Contribution (NDC), the Decarbonization Plan, the National Adaptation Policy and the National Strategic Plan (PEN), must be linked and incorporate important elements focused on promoting and developing actions that allow a fluid traceability in the approach of all these elements.

**El Salvador** reported on the current status, progress and next steps related to the implementation of Multilateral Environmental Agreements incorporated in the Title. Particularly, in relation to the Montreal Protocol, the fulfillment of the different phases of elimination of substances and the training that has been provided on the subject as well as the preparation of the Plan for the second phase of elimination of ODS for the 2021-2030 period were highlighted. Regarding the Basel Convention, a project to develop a digital platform for monitoring authorized activities that use dangerous substances was highlighted, which will be linked to the Annual Operation Report Reporting system. In addition, about the implementation of the Stockholm Convention on Persistent Organic Pollutants, progress was indicated in updating in 2020 the list of pesticides and products for industrial use regulated to prohibit the manufacture, import, distribution, commercialization and use.



The importance of a coordinated and synergistic approach to the different restoration initiatives was underlined, which have allowed to recover and conserve biodiversity and rehabilitate degraded lands supporting the climate change agenda, thereby achieving significant national progress towards Aichi Target 15 of the Convention on Biological Diversity.

**Guatemala** stated that due to its geographic position, it is one of the most vulnerable countries to climate change, so it must implement key actions to mitigate its effects, generate adaptation and resilience. Given the above, the Ministry of Environment and Natural Resources (MARN) is coordinating the project: "Strengthening National Adaptation Planning Processes", which is an initiative financed by the Green Climate Fund and implemented by the Rainforest Alliance Organisation, which is under the leadership of MARN as the designated entity.

The project will support and strengthen the capacities of the Government of Guatemala to manage the present and future impacts of climate change. The project is being developed in the country's 22 departments to identify the vulnerability of each location and then develop adaptation plans tailored to the needs of each region.

In relation to the Stockholm Convention, a project for the management and environmental disposal of equipment contaminated with polychlorinated biphenyls (PCB) and DDT waste and the creation of technical capacity in Guatemala, executed by the United Nations Industrial Development Organization (UNIDO) and MARN, was highlighted. The project will last 36 months and is financially supported by the Global Environment Facility.

Regarding the Circular Economy, the Ministry of Foreign Affairs established a Permanent Forum on Circular Economy and Green Cities, to become a regional platform for facilitating cooperation on sustainable development. In this regard, on March 25, 2021, a first meeting was held where the main theme was "Energy and Water" which addressed the topic of "The energy of the future: an economically and environmentally sustainable option".

In the context of the emergency caused by the COVID-19 pandemic, the Ministry of Environment and Natural Resources (MARN) prepared a "Practical Guide for the Management of Waste and Common Solid Waste", which seeks that both municipal authorities and the population in general follow the recommendations to avoid contamination and mishandling of materials such as masks, gloves, toilet paper, among others, to prevent the spread of the virus.

**Honduras** informed through its representative of the Secretariat of Natural Resources and Environment on the progress in relation to the work agenda on chemical products and hazardous waste developed by the National Chemical Substances Committee that coordinates national policies, conventions implementation plans, technical regulations, national programmes and projects in mercury, pollutant registration and control and in everything related with the update of the inventory of Persistent Organic Pollutants (POPs), and more specifically what is related to the 16 new POPs included in the Stockholm Convention on Persistent Organic Pollutants. The Committee also coordinates information and awareness schemes for the public based on article 10 of the convention.

Regarding the United Nations Framework Convention on Climate Change (UNFCCC), the First Update of NDC as presented in compliance with the provisions of the Paris Agreement. Honduras committed to increasing the restoration of 1.3 million hectares of forests, reducing greenhouse gas emissions by 16% compared to Business-as-Usual (BaU) and reducing firewood consumption by 39%. This first update incorporates five components that have guided the work at the national, sectoral and territorial levels that are related to aspects such

as social inclusion, mitigation of greenhouse gases, adaptation to climate change, financing, reporting mechanisms and verification in order to comply with the Objectives of the Determined Contribution of Honduras of the agenda for the year 2030.

Regarding the Convention on Biodiversity, Honduras reported on the establishment of a Turtles Committee, the preparation of the Country Report on Sea Turtles, the update of the sea turtle files and the Red List Report of sea turtles in Honduras. Other working instruments refer to the Biological Corridor Models through various projects such as the sustainable use of firewood, a regional project shared with El Salvador and Nicaragua for integrated management of Biodiversity in the Gulf of Fonseca, initiatives of small donations to collaborate in the southern part of the country in order to reduce the burden of natural resources, and an initiative for the installation of a genetic bank and a blue economy study in the Bay Islands. Finally, Honduras informed about the development of The Farm Trees Project which focuses on highlighting the importance of trees in hydrographic basins and how the diversification of trees in Monocultures contributes to environmental sustainability.

**Nicaragua** reported on the progress made in environmental management, highlighting the efforts of the Government of Unity and National Reconciliation in promoting environmental policies and values, in an inclusive, participatory way, restoring the rights of the population to sustainably use natural resources and biodiversity.

In addition to reporting on the activities of compliance with the different Environmental Agreements in the past semester, the implementation of climate policy instruments was highlighted, among them: the Third National Communication on Climate Change, the definition and approval of their NDC; the adoption of the National Policy for Mitigation and Adaptation to Climate Change; the creation of the National System of Response to Climate Change; and the definition of Forest Emission Reference Levels, as a baseline that will help to quantify the historical emissions of Carbon Dioxide (CO<sub>2</sub>) in the forestry sector caused by the use and change of land use.

Nicaragua concluded by stating that it will continue to support regional and international initiatives that promote and ensure sustainable development and respect for the natural resources and biodiversity of our mother earth, as well as initiatives to strengthen capacities and promote economic enterprises based on nature, highlighting the participation of women and our youth.

**Panama** reported on its accession to the Ocean Plastics Charter, the only global framework that adopts a global approach to address marine plastic pollution and complements the United Nations 2030 Agenda for Sustainable Development, also the obtaining of ISO 9001- 2015 Certification for the Environmental Impact Assessment and Environmental Performance Verification processes, the launch of the National Environmental Information System (SINIA) and the Update of the Forest Cover Map.

Panama also highlighted its actions to strengthen Climate Governance by updating the National Policy on Climate Change, the adoption of the Framework Law, updating the regulations for Environmental Impact Studies to transversally incorporate Climate Change and the preparation of the National Plan of Climate Action, for the implementation of the NDC, which Panama is conducting during the year 2021.

Additionally, Panama presented its Forest Restoration Programme whose objective is to protect, conserve and increase the existing forest resources in the country, prevent and control soil erosion and protect and manage hydrographic basins, through which it is expected to

restore approximately 51 thousand hectares within 5 years. Within this plan, in joint work with the Ministry of Government, the Extra-Muro Programme provides those deprived of liberty the opportunity to support MIAMBIENTE in their projects, through reforestation, the creation of fire barriers and the Ecological Barrier to catch solids (BEAS).

**The European Union** presented an update of its climate strategy stemming from the European Green Deal: On one hand, the Climate Law adopted in April 2021, which enshrines into EU law the objectives of climate neutrality by 2050 and reduction of greenhouse gas emissions of 55% by 2050. On the other hand, a series of legislative actions to implement these objectives (e.g., an emissions trading system, a carbon border adjustment mechanism and a strengthened approach to land use and forestry).

With a view to strengthening global ambition and mutual cooperation on climate neutrality, notably ahead of the COP26, the EU reiterated its wish to pursue a policy dialogue with Central American partners.

The EU also expressed an interest to receive further details on regional and national approaches to forestry and land use in general, including agriculture. Such issues represent an important share in carbon neutrality strategies and have an important impact on trade.

On other environmental elements, the EU presented additional priority initiatives under the European Green Deal that were adopted in the past year as an essential part of its recovery strategy: the Circular Economy Action Plan, the Biodiversity Strategy 2030, the “Farm-to-Fork” Strategy, the Chemicals Strategy for Sustainability and the recently adopted Zero Pollution Action Plan for air, water and soil. It also mentioned initiatives that are still planned for 2021, namely a sustainable product initiative and legislation addressing the risk of placing products associated with deforestation and forest degradation on the EU market.

The EU further highlighted the global dimension of the European Green Deal and the need for a global green transition on which it is happy to continue to actively exchange with global partners. In particular, circular economy and post-2020 global biodiversity framework were mentioned as EU priorities on global level.

As regards circular economy, the EU invited Central American partners to join the Global Alliance on Circular Economy and Resource Efficiency, launched in February 2021, and to share their experiences with similar initiatives on national or regional levels, including, for example, the Latin American and Caribbean Regional Coalition on Circular Economy. Furthermore, the EU mentioned the ambition to launch a global agreement on plastics and asked the partner countries to consider supporting such ambitions.

On a post-2020 global biodiversity framework, the EU pointed out the need for a “Paris moment” for biodiversity and called upon the partner countries to support the conclusion of an ambitious global agreement on the new post-2020 global biodiversity framework at the next CBD COP15 in China. It was explained that the EU focuses on three key areas: conclusion of specific goals and targets, the need for stronger monitoring and review mechanisms as well as ensuring effective means of implementation. The EU also mentioned the Leaders Pledge for Nature as a key initiative to build the momentum for the COP15 and called upon El Salvador and Nicaragua to consider joining the Pledge.

As regards specific questions on MEAs, the EU raised the following questions with the partner countries:

1. Basel Convention: The EU encouraged the partner countries to share their experiences with the implementation of the Basel Convention, notably on the latest amendments of the Convention on plastic waste, which entered into force on 1 January 2021.
2. Rotterdam Convention: The EU enquired about Central American countries' views on listing certain formulations containing paraquat under the Rotterdam Convention, expressing its availability for bilateral meetings on the matter. The EU also kindly reminded Guatemala and Nicaragua of the obligation to submit import responses for chemicals listed in Annex III of the Convention.
3. Stockholm Convention: The EU kindly reminded all partners except Panama of the obligation to regularly revise the National Implementation Plans (NIP) under the Stockholm Convention and to submit revised NIPs to the Secretariat. The revision of the NIPs in order to address newly listed POPs is very important to achieve the objectives of the Convention. Revised NIPs that address the listing decisions adopted at three or more COPs are pending. The EU also kindly reminded Guatemala that it is important to ratify all amendments that list new POP substances under the Stockholm Convention and to take the appropriate action to eliminate those POPs. That action should be reflected in the revised National Implementation Plans. Seven amendments to list new POPs are still to be ratified.

Costa Rica posed some questions about the scope and implementation of carbon border adjustment measures (CBAs), and made a request for further information on the development of this issue. The EU indicated that CBAs are considered environmental measures and are to be implemented to prevent carbon leakage and to support a high climate ambition globally, and that said measures will be set in line with the WTO agreements.

**State of play and next steps regarding the implementation of the provisions on Trade Favouring Sustainable Development in the TSD Title (including those related to COVID-19 and relevant international developments): Relevant developments and potentialities for organic production in Central America.**

With the objective of article 288 of the TSD chapter in mind, notably to facilitate and promote trade in products that respond to sustainability consideration such as organics, the EU and Central America discussed the situation and prospects for organic agricultural production in the EU and in Central American countries. The exchange of views provided both parties useful insights into the respective conditions for organic agricultural production, trade patterns and product categories, the legal framework as well as challenges and opportunities relevant to further promote trade in organic products as trade in organics has the potential to yield benefits in terms of sustainability. The EU presentation showed the steadily increasing demand for organic products in the EU market, 2nd largest globally, while Central American presentations revealed the dynamic development of organic value chains for several products, which are part of the most important agricultural goods export categories to the EU, generating employment opportunities in a sustainable fashion and benefits for the environment. Both parties expressed an interest to continue the dialogue on this matter.

More in detail:

**The EU** referred to the European Commission's Green Deal policy, among which is the "Farm to Fork" strategy, particularly the organic agriculture initiative whose objective is that a quarter of the EU's agricultural surface be devoted to agricultural production. To this end, the action plan for the development of organic production was adopted on March 25, 2021. The EU shared some relevant data regarding organic agriculture:

Minutes agreed both in English and Spanish.

- The area of EU countries dedicated to organic production has increased by 63% in the last 10 years.
- The EU is the second largest organic market in the world after the USA, followed by China.
- The EU made some studies to evaluate the organic policy that higher price for these products can be achieved, compared to traditional products. In addition, a large share of the price goes to producers in the value chain, which promotes rural and economic development in the countries.
- The EU ex-post evaluation of the Agreement will include some case studies that address the issue of organic production and its impact.
- Tropical fruits, dried fruits, nuts and spices, account for 27% of the total organic products imported by the EU, whereby CA is a traditional and strong supplier of these products to the EU.
- The case of Honduras was highlighted, which despite being a small country has become the second most important supplier of organic coffee to the EU.
- The EU approved a new regulation No 2018/848 on organic production, which will enter into force in 2022.
- The EU has equivalence agreements with 13 countries in the world, including Costa Rica. In addition, the EU has a preferential agreement with 7 of them. The case of Costa Rica is an example of a partner with which it has both instruments (equivalence agreement and preferential agreement).
- Regarding organic agriculture in CA, the EU expressed interest in learning about the existing regulations, the percentage that this type of production represents in relation to traditional production, as well as some data on exports of organic products to markets such as the EU and the United States.

In response to the EU's queries, the Central American countries made presentations detailing aspects of the applicable national regulations; the main products exported; the percentage of areas cultivated under organic production; the main countries to which they export; and the challenges they face in promoting this type of production and their exports.

**Costa Rica** mentioned the country's interest in adjusting the Agreement as a Third Country for Organic Agriculture with the EU, in order to adapt to the new EU regulations. It also indicated that it will be working on updating the regulations on organic agriculture.

The Director of the State Phytosanitary Service (SFE) made a presentation in which he highlighted the percentage of production areas allocated to organic agriculture by product, with cocoa representing over 30% of organic production area in Costa Rica, bananas about 7%, sugar cane around 5%, pineapple 3% and coffee almost 1%.

It was indicated that during the last decade the main market was the EU, for products such as fresh fruit, pineapple puree and juice, banana puree, sugar and dry cocoa. Costa Rica also indicated that as of 2020, the United States market showed a considerable increase imports from Costa Rica, mainly of fresh pineapple. With respect to this market, Costa Rica does not have an agreement for the recognition of organic standards.

Costa Rica noted that the regulations applicable in organic matters in the country require updating, so it requests to accelerate the negotiations with the EU, to update its regulatory framework based on the EU regulations.

The Ministry of Agriculture and Livestock of **El Salvador** reported on the country's organic production, highlighting the production of cashew, noni and coffee.

Minutes agreed both in English and Spanish.

The sector has a total of 390 producers engaged in organic production, who together produce an annual volume of more than 1,800 metric tons. Exports are estimated at approximately 613 metric tons of organic production, which were exported to destinations such as Japan, Taiwan, France, the United States, Germany, Canada and Norway.

El Salvador indicated the regulations applicable in the country in terms of organic production. It also highlighted a number of challenges for developing organic agriculture as the need to establish a strategy to encourage consumption; to have a certification mechanism accessible to small and medium-sized producers; to train technical personnel in inspection; and to restructure the institutional framework.

**Guatemala** presented the status of organic agriculture, indicating that the Directorate of Organic Agriculture (DAO) is responsible for developing standards and issuing permits and licenses. Guatemala also pointed out that a total of 8% of the production area is destined to organic production and the main organic products are:

- “Ramón seed”, “fat pepper”, chicozapote latex and coffee.
- Currently there are 129 organic operators (producers) and the volume of organic production increased by 10%.
- Currently, there are 4 certifying agencies in the country.
- In 2010, 80% of organic production was exported to the EU. However, currently 80% of this production is exported to the United States, and only 15% to the EU.

The challenges the country faces include the creation of a promotion division, the necessary modification of regulations, the implementation of a manual of sanctions and penalties, the strengthening of human resources, and the creation of a laboratory for residue analysis.

The EU asked Guatemala why exports of organic products now go mostly to the United States and not to the EU. Guatemala indicated that this is because U.S. regulations are less complex than those of the EU, as well as some aspects such as proximity and the fact that the U.S. pays better prices.

**Honduras** highlighted the legal framework that governs matters related to organic agriculture, which is linked to consumer protection mechanisms and to ensure the development of the production, processing and marketing stages, both for domestic consumption and for export. The legal framework is the Phytosanitary Law, the organic agriculture regulation and the Central American technical regulations. Honduras also noted that the Central American regulation is in accordance with the food codex of the EU, the U.S. and Japan through national and international certifying agencies.

Between 2006 to 2020, the cultivation of organic products went from 4,936 hectares to 56,571.76 hectares with a great variety of products, such as coffee, pineapple, cocoa, banana, mango, various citrus fruits, avocado, panela, brown sugar, apricot, pomegranate, chili, coconut, aloe, cardamom, tomato, onion and beet, among others. Regarding the export of these products, there are 27 different countries documented, the main destinations are the European Union, the United States, Latin America and some countries in Southeast Asia.

**Nicaragua** noted that organic agriculture is one of the great benefits and opportunities of the Agreement for the Central American region. Nicaragua indicated that organic agriculture is a fragile and vulnerable sector, facing challenges such as climate change and regulatory changes. Nicaragua also pointed out the importance of EU cooperation and the information it provides, in order to continue advancing on this issue, which will bring economic, social and

environmental benefits. Nicaragua also noted that they will compile information with the corresponding authorities and subsequently submit it to the EU.

**Panama** indicated that Law 8 that regulates organic agricultural activity in the national territory was adopted in 2002 and enacted for the second time in 2015, adjusting to international standards and regulations.

Panamá also indicated that in 2017, the Panama Organic Products Certification and Control Authority (ACERT) was created as a public control and certification body attached to the Ministry of Agricultural Development and was adopted the Organic Panama Seal, through a cooperation project between the national government, the Spanish Agency for Cooperation and the interested private sector.

Panama reported that for the year 2017, it had more than 1,500 small organic producers, covering approximately 7,000 hectares of production and that this productive base has been increasing in recent years through the development of 1,500 hectares of organic production of mango, avocado, lemon, banana and melon and approximately 3,000 hectares of cocoa, among other items such as coffee and vegetables.

Similarly, the production of coffee in the province of Chiriquí and the production of cocoa in the province of Bocas del Toro, which is exported to destinations such as Germany, Belgium, Holland and South Africa was highlighted.

### **Revision of the letter submitted to the TSDB by the Advisory Groups**

The TSDB included a discussion and review of the note from the Advisory Groups received on May 31, 2021, within the coordination agenda item for the CSDF meeting. The note was read and discussed in depth by the members of the TSDB, on this issue the members stated:

- The Parties thanked the Domestic Advisory Groups (DAGs) for their note of 31 May 2021 and their interest in the implementation of the Trade and Sustainable Development (TSD) Title. The Parties also took note of the recommendations communicated by the DAGs in their joint declaration of November 2020.
- The Parties reiterated the importance of DAGs being proactive in expressing their views to the Parties, generating a dialogue at the national level that can also transcend the regional sphere, when appropriate.
- The Parties welcomed and encouraged the active dialogue among the Central American and EU DAGs, as most recently manifested in a joint meeting of DAGs on 20 May 2021.
- The TSDB expressed its commitment to inform its discussions and maintain an open dialogue with the advisory groups as well as with civil society in general through the CSDF.
- The members of the TSDB reiterated their commitment to strengthen the dialogue with their respective DAG, considering the proposals raised in the 2020 joint declaration and the note of the DAGs.
- The TSDB noted that most of the requests included in the DAGs' joint note of November 2020 have already been addressed during its 2021 meeting:
  - The Board discussed the following elements and reported on these discussions to the DAGs as well as the CSDF:
    - COVID-19 response measures taken by the Parties;
    - Follow-up to the ILO recommendations directed to the Parties;
    - Responsible Business Conduct policies, including Due Diligence requirements;
    - Ex-post evaluation of the EU-Central America Association Agreement;

- The Parties are working towards a regional event on labour matters to be held in early 2022, which resonates with the DAGs' recommendation to hold seminars on decent work.
- The TSDB reiterated the importance of continuing with the cooperative efforts to strengthen the DAGs.

### **Preparation of the meeting of the Trade and Sustainable Development Board and the Civil Society Dialogue Forum and the DAGs**

**Costa Rica** reported on the preparations for the Civil Society Dialogue Forum, to be held on June 4. It indicated that it will circulate a list of the individuals that have registered so far, so that the Parties can validate if they meet the agreed criteria to participate. It also indicated that the CSDF will be moderated by a colleague from the Ministry of Foreign Trade of Costa Rica, who will be in charge of maintaining the order of the interventions. Finally, it was agreed that Costa Rica will present the report of the TSDB meeting.

### **Conclusions and next steps**

- Regarding the progress reported in *terms of responsible business conduct and due diligence*, the Parties underlined the importance of keeping an open information exchange on the progress of the policies and initiatives underway in the EU that were discussed during the meeting, particularly on those that will directly affect global supply chains.
- Derived from the *discussion of the issues on labour matters*, the Parties will share additional information on the specific questions that were raised during the meeting and proceed to complete the round of bilateral follow-up meetings initiated in 2021, as well as to work towards a joint labour conference in 2022 if possible.
- Regarding *environmental matters*, the Parties expressed their willingness to continue exchanging information on the issues discussed during the meeting. In particular, there is great interest in continuing the information exchange regarding the questions posed on circular economy strategies, biodiversity, agricultural practices and climate change, the application of carbon border adjustment measures (CBAs), as well as exchanging positions in relation to the application of multilateral conventions related to the sound management of chemicals and waste (Basel, Rotterdam, Stockholm and Minamata).
- The Parties noted the importance of exchanging specific questions prior to future meetings on topics of interest so that more detailed information can be provided to all Parties during the meeting discussions.
- Regarding *trade favouring sustainable development*, specifically on the issue of organic production, the Parties welcome the possibility of following up on the opportunities that the European market poses for organic products, so the possibility to provide subsequent exchanges of information is kept open.

In relation to the *ex-post evaluation of the Association Agreement*, the Parties expressed their commitment to collect the information required to carry out this evaluation. Likewise, the importance of promoting broad participation by governments and advisory groups in this process was expressed.

**At the end of the meeting, the representatives of the Parties reviewed the draft minutes and reached consensus on 3 June 2021.**

Minutes agreed both in English and Spanish.