Board Decision on the Validation of Honduras

Номер решения: 2017-52/BM-38
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The Board came to the following decision regarding Honduras’ status:

The Board agrees that Honduras has made meaningful progress overall in implementing the 2016 EITI Standard. The Board’s determination of Honduras’s progress with the EITI’s requirements is outlined in the assessment card below.

The key areas of concern relate to government engagement (requirement 1.1), industry engagement (1.2), civil society engagement (1.3), EITI work plan (1.5), comprehensiveness of revenue disclosures (4.1), direct subnational payments (4.6), data quality and assurance (4.9), mandatory social expenditures (6.1), economic contribution of the extractive sector (6.3), public debate (7.1), follow-up on recommendations (7.3) and outcomes and impact of implementation (7.4).

Accordingly, the EITI Board agreed that Honduras will need to take corrective actions outlined below. Progress with the corrective actions will be assessed in a second Validation commencing on 25 April 2019. In accordance with the EITI Standard, Honduras’s multi-stakeholder group may request an extension of this timeframe, or request that Validation commences earlier than scheduled. Failure to achieve meaningful progress with considerable improvements across several individual requirements in the second Validation will result in suspension in accordance with the EITI Standard.

The Board’s decision followed a Validation that commenced on 1 January 2017. In accordance with the 2016 EITI Standard, an initial assessment was undertaken by the International Secretariat. The findings were reviewed by an Independent Validator, who submitted a draft Validation report to the MSG for comment. The MSG’s comments on the report were taken into consideration by the independent Validator in finalising the Validation report and the independent Validator responded to the MSG’s comments. The final decision was taken by the EITI Board.

The validation process commenced on 1 January 2017. In accordance with the Validation procedures, an initial assessment was prepared by the International Secretariat. The Independent Validator reviewed the findings and wrote a draft Validation report. Comments were received from the MSG. The Independent Validator reviewed the comments and responded to the MSG, before finalising the Validation report.

The Validation Committee reviewed the case on 4 October 2017. Based on the findings above, the Validation Committee agreed to recommend the assessment card and corrective actions outlined below.

The Committee also agreed to recommend an overall assessment of “meaningful progress” in implementing the 2016 EITI Standard. Requirement 8.3.c. of the EITI Standard states that:

ii. Overall assessments. Pursuant to the Validation Process, the EITI Board will make an assessment
of overall compliance with all requirements in the EITI Standard.

iv. **Meaningful progress.** The country will be considered an EITI candidate and requested to undertake corrective actions until the second Validation.

The Validation Committee agreed to recommend a period of 18 months to undertake the corrective actions. This recommendation takes into account that the challenges identified are relatively significant and takes into consideration that Presidential elections are scheduled for November 2017 and a change in administration often involves delays in reaffirming confirming government commitment to EITI implementation.

### Карта оценки

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<td><strong>Социально-экономический вклад</strong></td>
<td>Обязательные социальные расходы (#6.1)  &lt;br&gt; Квазифискальные расходы ГП (#6.2)  &lt;br&gt; Экономический вклад (#6.3)</td>
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## Board Decision on the Validation of Honduras

**Номер решения:** 2017-52/BM-38  
**24 October 2017**  

### EITI International Secretariat  
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### Нет прогресса. Все или почти все аспекты каждого требования остаются невыполненными и более широкие цели требований не выполнены.

### Неадекватный прогресс. Значительные аспекты каждого требования не были выполнены, а также, более широкие цели требований далеки от выполнения.

### Значимый прогресс. Значительные аспекты каждого требования были выполнены, а также выполняются более широкие цели требований.

### Удовлетворительный прогресс. Все аспекты каждого требования, а также более широкие цели требований были выполнены.

### Outstanding progress (Beyond). The country has gone beyond the requirements.

### МГЗС продемонстрировало, что это требование не применимо в стране. МГЗС продемонстрировало, что это требование не применимо в стране.

## Корректирующие действия

The EITI Board agreed the following corrective actions to be undertaken by Honduras. Progress in addressing these corrective actions will be assessed in a second Validation commencing on **25 April 2019**:

1. In accordance with requirement 1.1, the government should demonstrate that it is fully, actively and effectively engaged in the EITI process. The government should demonstrate its

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commitment to by providing adequate support and funding for EITI-Honduras. The government should consider hosting the National Secretariat in a government agency already involved in EITI work. The MSG should ensure that the Secretariat provides adequate support and coordination to deliver the agreed work plan. In accordance with requirement 8.3.c.i, the government is requested to develop and disclose an action plan for addressing the deficiencies in government engagement documented in the initial assessment and validator’s report within three months of the Board’s decision, i.e. by 25 January 2018.

2. In accordance with requirement 1.2, industry should demonstrate that it is fully, actively and effectively engaged in the EITI process. The industry constituency should review its engagement in the EITI, consider opportunities to work more closely with the MSG to ensure that EITI-Honduras discusses, addresses and communicates more effectively not only the Standard-mandated disclosures but other issues of interest to the industry constituency. This assessment should inform and be reflected in the MSG’s revised work plan. In accordance with requirement 8.3.c.i, industry is requested to develop and disclose an action plan for addressing the deficiencies in industry engagement documented in the initial assessment and validator’s report within three months of the Board’s decision, i.e. by 25 January 2018.

3. In accordance with requirement 1.3, civil society should demonstrate that it is fully, actively and effectively engaged in the EITI process. The civil society constituency should review its engagement in the EITI, clarify the objectives for EITI engagement, and explore options to ensure that it has adequate technical and financial capacity to participate fully in the process. Such an assessment could inform and be reflected in the MSG’s revised work plan. CSOs could also consider reinvigorating its participation in the MSG by, for example, refreshing its representation. In accordance with requirement 8.3.c.i, civil society is requested to develop and disclose an action plan for addressing the deficiencies in civil society engagement documented in the initial assessment and validator’s report within three months of the Board’s decision, i.e. by 25 January 2018.

4. In accordance with requirement 1.4, the MSG is encouraged to reconfirm the MSG membership and agree clear rules for rotating representatives of the MSG member organizations and ensure that these procedures are followed and documented.

5. In accordance with requirement 1.5, the MSG should agree a revised and fully costed work plan. The MSG should review the outcomes and impact of EITI implementation to date and revise the work plan objectives to ensure that they are clearly aligned with the national priorities for the extractive industry. The revised work plan would be an opportunity to reinvigorate government, industry, civil society and donor engagement. The Government could consider convening an EITI national conference to agree high-level objectives to inform future EITI work.

6. In accordance with requirement 2.3, the government is encouraged to provide INHGEOMIN with resources to update the technological platform supporting the cadastre system to allow improved public accessibility.

7. In accordance with requirement 3.2, the MSG might wish to include in future reporting information on how the production volumes and values are calculated and any other information that could enhance the understanding on how mining production is monitored. The MSG may wish to explore working with the mining regulator INHGEOMIN, the customs
agency and the finance ministry in ensuring mining production is properly recorded and monitored. The EITI Report can be used to comment on progress addressing these issues.

8. In accordance with requirements 3.2 and 3.3, the government is encouraged to continue strengthening INHGEOMIN’s internal systems including the modernization of the consolidated annual declaration (DAC) and monitoring capacities and the collaboration with the customs agency, including harmonization of procedures.

9. In accordance with requirement 4.1, the MSG should ensure that future reporting adheres to the standard terms of reference approved by the EITI Board. In particular, the MSG should adopt a definition of materiality that ensures that the scope of the reporting process is comprehensive and that all material companies participate. The MSG is encouraged to work with government authorities including INGHEOMIN and SAR to developing a classification protocol that ensure that the universe of mining companies is clearly identified.

10. In accordance with requirement 4.6, the MSG should clearly establish whether direct payments, within the scope of the agreed benefit streams, from companies to municipalities are material. If material, the MSG should ensure that company payments to municipalities and the receipt of these payments are disclosed and reconciled in the EITI Report. The MSG is encouraged to consider collaborating with municipalities in mining areas to improve their capacity to collect, record and manage revenues from the extractive industries.

11. In accordance with requirement 4.9 and with the standard terms of reference, the MSG should ensure that the Independent Administrator provides an assessment of whether all companies and government entities within the agreed scope of the EITI reporting process provided the requested information. Any gaps or weaknesses in reporting to the Independent Administrator must be disclosed in the EITI Report, including naming any entities that failed to comply with the agreed procedures, and an assessment of whether this is likely to have had material impact on the comprehensiveness of the report. The Independent Administrator should also provide an assessment on the comprehensiveness and reliability of the (financial) data presented, clearly indicating the coverage of the reconciliation exercise based on the government’s disclosure of total revenues.

12. In accordance with requirement 5.1, the MSG might wish to consider bringing more information about how the revenues collected through the Population security fee are budgeted and spent.

13. In accordance with requirement 6.1, the MSG should ensure that the reporting of social expenditures required by the Honduras Mining Law is comprehensive. Where the beneficiary of the mandated social expenditure is a third party, i.e. not a government agency, it is required that the name and function of the beneficiary be disclosed.

14. In accordance with requirement 6.3, the MSG should ensure future EITI reporting includes the total of government revenues.

15. In accordance with requirement 7.1, the MSG is encouraged to consider developing a communication strategy to ensure that EITI disclosures and findings are communicated more effectively and contribute to public debate. This could include more analytical work, better linkages with the work advanced by other organizations, and addressing other issues such as
industry cost structures.

16. In accordance with requirement 7.3, the MSG is encouraged to take a more active role in developing recommendations from EITI Reports, and monitoring progress with implementing these recommendations.

17. In accordance with requirement 7.4 and as suggested in recommendation 5 (requirement 1.5), the MSG might wish to review the outcomes and impact of the EITI implementation with a view on informing the discussion and elaboration of the next work plan, including setting specific implementation objectives that reflect the current national priorities for the extractive industry.

The MSG is encouraged to document the MSG’s responses to these recommendations in the next annual progress report.

Новости

**EITI Board welcomes progress on oil, gas and mining transparency in Honduras**

*Report highlights further opportunities to promote greater transparency and accountability.*

**25 October 2017** - Honduras has made “meaningful progress” in implementing the EITI Standard. Honduras joined the EITI in 2013, and has published information about the sector covering fiscal years 2012 to 2014.

Validation is the EITI’s independent evaluation mechanism. It assesses whether EITI implementation is in line with the EITI Standard, examines the impact of the EITI, and makes recommendations for further reforms.

In a statement, the EITI Board recognised Honduras’ efforts to institutionalise extractive industry transparency through the 2013 Mining Law and contracts in the hydrocarbon sector that require companies to comply with the EITI Standard.

The EITI has brought together government, industry and civil society in trust-building collaboration, and stakeholders have worked together to provide an unprecedented and comprehensive review of the Honduras’s extractive industries.

The Board highlighted important gaps, such as monitoring of production, modernization of the mining annual company declarations, the collection of municipal taxes and disclosures of mandated social payments.

It also encouraged stakeholders to consider further opportunities to add value, e.g., by further improving the cadastre system to include beneficial ownership information, harmonizing the classification of extractive companies by the mining regulator, and integrating revenue collection data in the systems of the tax agency (SAR). It encouraged the government to integrate the EITI’s
disclosure requirements into existing systems in the mining regulator, the tax agency, the finance ministry and Institute for Access to Public Information (IAIP).

Reflecting on the impact of EITI implementation in Honduras, Chair of the EITI Board Fredrik Reinfeldt said:

_The Board recognises Honduras’ efforts to ensure that key data on extractive industry transparency is systematically disclosed through the 2013 Mining Law and hydrocarbon contracts. I hope stakeholders will build on this foundation and fully embed the disclosure of EITI data in the management of the oil, gas and mining sectors. Prompt implementation of the beneficial ownership requirement, in particular, will help Honduras to ensure licenses are awarded more fairly and that obscure owners are exposed to scrutiny._

Carlos Lopez-Contreras, Chair of the MSG, said:

_"The EITI Board decision recognises the intention of Honduras of adhering to the principles of open government in this, rather modest in size, sector as part of its overall commitment to the OGP"_

**Notes**

- [Validation](https://eiti.org/honduras-2017-validation) is the EITI’s independent evaluation mechanism. It assesses countries against progress made in meeting the 2016 Standard.
- The **Board decision** in full, including corrective actions and impact of the EITI in the country, can be found here: [https://eiti.org/honduras-2017-validation](https://eiti.org/honduras-2017-validation)
- The reports giving an extensive review of Honduras’ extractive sector can be found here: [https://eiti.org/document/validation-of-honduras-2017-documentation](https://eiti.org/document/validation-of-honduras-2017-documentation)
- The Board has taken decisions on the status of Honduras on 25 October 2017: [eiti.org/document/validation-schedule-decisions](https://eiti.org/document/validation-schedule-decisions)
- See here for a full explanation of the various levels of progress under the EITI Standard.
- See [here](https://eiti.org/document/validation-schedule-decisions) for a full explanation of the various levels of progress under the EITI Standard.
- For further information about the EITI in Honduras, please visit the [country page](https://www.eiti.org) on the EITI website.