

Observations and comments on the Independent Validator's report for 2014.

Upon sharing the report of the Independent Validator and reviewing its recommendations, the National Council submitted a number of observations, for which a session of the EITI-Honduras National Council was held on 31 August 2017 in the Meeting Room of the Honduran Institute of Geology and Mining (INHGEOMIN) laboratory.

The meeting was attended by the three sectors of which the EITI-Honduras initiative is composed: State, civil society and private enterprise. The purpose of the meeting was to discuss and analyse the report of the Independent Validator presented to the Council. The various parties made important observations, which are reflected in this document.

Licences and contracts

Regarding recommendation 6 of the Independent Validator's report, INHGEOMIN has provided public access on its website to the mining licences or concession agreements in the Single Transparency Portal.

It should be noted that the Register and Mining Cadastre are totally public documents and INHGEOMIN has permanent access to the Offices of the Cadastre for review of points or coordinates that stakeholders or applicants wish to obtain, giving a prompt response.

We are currently working on improving the user-friendliness of the information platform containing information on licences and contracts granted.

Uploading the entire system of cadastral maps to a website is one of the institution's objectives, which is currently undergoing a review of technical and budgetary aspects. Undoubtedly, this is the leap in quality required by the issue of accessibility to information, but we do emphasize that the public nature of the Honduran Cadastre and Mining Register is indisputable.

Production values and volumes, and monitoring of mining production

The mechanism for monitoring production volumes of metallic and non-metallic minerals works through verification of compliance with circular DE-INHGEOMIN-01-2015, of 11 March 2015, based on the provisions of article 21 of the General Mining Law, which requires that during the operational phase, updated records and inventories of production at the mine head and collection sites are kept, to at all times establish raw mineral volumes and volumes delivered to processing plants, if applicable. These records and inventories are forwarded to the Mining Authority every month during the term of the mining operation concession, submitted on the 5th of the month following the previous month in question.

Production volumes reported under circular DE-INHGEOMIN-01-2015 are cross-checked against the annual production volumes report made in each year's Annual Consolidated Statement, as required by articles 46 and 47 of the Regulations of the General Mining Law. This is verified on site by means of a field inspection that checks the progress of the operating programme and the operating system, that is, the mining project's production programme that includes its production rate and the sectors under extraction and to be extracted.



The monetary values of production volumes for sale are reported in each year's Annual Consolidated Statement pursuant to articles 46 and 47 of the Regulations of the General Mining Law. These data are the bases of the calculation of royalties pursuant to article 76 of the General Mining Law.

Currently, INHGEOMIN is undertaking the redesign of the presentation of production volumes pursuant to the requirements of circular DE-INHGEOMIN-01-2015, adding for its effect the monetary values of production volumes that are not included in the reports presented on the 5th of each month. The aforementioned will provide the design and implementation of a single form that will include production volumes with their respective values, managed through a web-based electronic information submission system.

This system will allow the creation of a more rigorous control system that will facilitate cross-checking production volumes with their respective monetary values for domestic and export sale, without these being presented at separate times and in separate documents. This seeks to correct the gap and immediacy of the provisions of article 21 of the General Mining Law, which omits presentation of the monetary values of production volumes, which are currently presented separately pursuant to circular DE-INHGEOMIN-01-2015 and the Annual Consolidated Statement, thus leading to duplication of information. As a result, the calculation of taxes will be made without the omission of information related to the sale values of each mining project, giving INHGEOMIN immediate and up-to-date information.

With regard to the process of audit of exported minerals, please note that in January 2017, INHGEOMIN AGREEMENT No. 15/2016 was published in the Official Journal, *La Gaceta*. This refers to the TECHNICAL GUIDE FOR SAMPLING PRECIOUS METALS with code INHGEOMIN-GM-MP, pursuant to article 62 of the Regulation of the General Mining Law. This document establishes a reference framework and methods to be used for taking samples of mining products for export, as well as the procedures and general guidelines to be followed for its application.

The foregoing is based on article 33 of the General Mining Law where it lays down that all mining product intended to legally leave the country shall be submitted to qualitative and quantitative analysis.

The procedure with code INHGEOMIN-P-GM-MP was generated from the Technical Guide for Precious Metals, which defines new guidelines for the export of precious metals, strengthening the link with the Customs Authority, with which the content of the Technical Guide for Precious Metals was shared; considering the provisions of article 35 of the General Mining Law, which lays down that authorization for the export of minerals will not be permitted unless the Customs Authority has previously received from the exporter the certificate attesting to analysis of the mining product.

INHGEOMIN is currently in the process of acquiring all the equipment, tools and implements for the respective analyses for the export processes of mining products.

It should be noted that all State institutions, as INHGEOMIN details in this document, have their mechanisms for auditing production.

EITI budget allocation

The EITI National Secretariat is made up of the EITI High Representative and the Technical Secretariat, after which is formed and organized the National Council, composed of three sectors: Government, private sector and civil society. The National Secretariat is currently under the Secretariat of General Coordination of Government, but steps are being taken for the Technical Secretariat to be under the physical and financial responsibility of INHGEO MIN.

It is important to note that EITI has always been part of the State structure and in the last year State budgets and structures have been under review to facilitate the strengthening of the management of the Extractive Industries Transparency Initiative.

Sub-national payments or payments to municipalities

The 2014 EITI Report includes payments made by mining companies to local government (municipalities). We recognize that how these taxes return to communities cannot be seen in detail and that is why there are activities ongoing to resolve this weakness, such as:

Honduras has an Integrated Municipal Administration System (SAMI), which is a sub-system of the Integrated Financial Administration System (SIAFI) for local governments and a tool for official use by them, which are gradually being incorporated into SAMI. Those municipalities with which the Ministry of Finance has established cooperation agreements via SAMI are required to use SAMI for the conduct of activities related to budget execution, accounting and accountability. Municipalities will have an integrated system, through which they will achieve an adequate level of modernization and strengthening.

Also, as a National Council, we are in talks with local governments for the conduct of local projects entitled Municipal EITI, for the review and oversight of these taxes.

Security charge

The Ministry of Finance publishes quarterly information on the financial statements relating to the Public Security Charge, pursuant to the Law of Transparency and Access to Public Information. There is also the accounting record of the Public Security Charge under the Public-Sector Regulations, which publishes on a monthly basis the financial statements of the Central Administration.

BG GROUP contract

In relation to the exploration contract with BG GROUP, information is attached to this document that it is important that the validator should officially know, about contracts and progress on commitments.

Results of implementation

Finally, as a National Council, we see implementation of the EITI Standard in Honduras as positive since the progress that the country has made because of it is undeniable. Here are two specific examples:

- Cleaning the Cadastre (2014): In order to generate accurate information and ensure the transparency of the processes of granting licences (there is a section on this in the EITI Reports). This process was recognized internationally and we have had important recognitions due to this issue.

Institutional strengthening has been remarkable thanks to implementation of the Standard. Another clear example:

- The Electronic Foreign Trade System in Honduras.

Institutions involved:

INHGEOMIN – Central Bank- Internal Revenue Service (SAR) (Income Execution Directorate, DEI):

Before implementing the Standard, there was no synergy between any of the institutions that were involved in the process. Now, the joint work that we carry out to unify the information that the Initiative requires has given us an enormous boost, making us much more efficient in our actions. The process of exporting minerals is now integrated into a system that enables us to establish whether applicant companies are up-to-date with their tax payments and have current licence agreements, making the processes of exporting from Honduras more transparent.

Without a doubt, the recommendations made by the Independent Validator are of considerable importance and will be an input very much to bear in mind for our work in the EITI Honduras National Council. As a council, we are working for the strengthening of the Initiative in Honduras and we are at the Independent Validator's entire disposal to clarify any issues. We are currently in the process of evaluating the company to make the country's 2015 EITI Report, for which reason these recommendations are opportune for thus improving the information that should be in that report.