**  
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Validation of Honduras:

Draft assessment by the EITI International Secretariat

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# Summary

Honduras has been implementing the EITI Standard since 2013. Four reports have been published including for FY 2017 and 2018 published on 10 February 2020. The EITI process has led to improvements in government systems, notably in the mining regulator INHGEOMIN. Processes have been established and/or improved disclosure of licensing and cadastre information, production and export data and voluntary social payments. The EITI reports cover extractive industry revenues and payments from 2012 to 2018, exposing stagnation in the sector. The extractive industries account for only 0.2% of GDP. The development of the hydrocarbon sector has not materialized as expected in 2013 when EITI-Honduras was established. The mining sector has seen only modest growth in the non-metallic subsector following a construction boom. The metallic sector has stagnated.

While EITI-Honduras represented an effort in advancing multi-stakeholder dialogue, the interest and level of engagement has declined in recent years. This was first noted when Honduras was first validated in 2017. The wider context also points out to a decline in trust. The last presidential elections in Honduras, held on 26 November 2017, were linked to a series of scandals. The Organisation of American States (OAS), which monitored the election, questioned the validity of the election. [[1]](#footnote-2) In recent years, several international civil society organizations (CSOs) have raised concerns about civic space and human rights. In 2018 the UN visited Honduras to assess the situation of human rights defenders and to review government efforts, progress and challenges in ensuring their protection. Particularly in relation to the extractive sector projects in the country, Michel Forst, the United Nations Special Rapporteur on Human Rights, highlighted that there was a need for a regulatory framework which promotes transparency, mainly with regards to environmental permits granted to companies and extractive industries. [[2]](#footnote-3) These current conditions have not been ideal for investment climate, extractive stakeholders’ engagement and a vigorous multi-stakeholder (i.e MSG) functioning .

In 2017 the Supreme Court of Honduras declared that several articles from the General Mining Law (Decree No. 32-2013) were unconstitutional.[[3]](#footnote-4) This followed a push from several organizations aimed at reforming the General Mining Law, mostly focused on a review of the tax framework and the issue of environmental permits.[[4]](#footnote-5) During early 2019 the Congress debated the reform proposed by the mining agency (INHGEOMIN), which focused on addressing the issues raised in Supreme Court ruling regarding the General Mining Law.[[5]](#footnote-6) The extractive sector has stagnated in the last years and the prospects for growth are at the moment not auspicious. INHGEOMIN has made significant progress in making its procedures and information more transparent. However, given this regulatory uncertainty and still broader opposition to mining the growth of the sector has been insignificant and its potential to contribute to development outcomes unfulfilled.

Within this wider context, it is not surprising that the dynamism of EITI process has not been sustained. The second Validation assessed implementation from 2017 to 2019 and, in particular, the progress made in addressing the corrective actions identified in 2017. Having reviewed the steps taken by Honduras to address the 12 corrective actions as of the commencement of its second Validation on 25 April 2019, the International Secretariat’s preliminary assessment is that **Honduras has fully addressed only two corrective actions**, with assessments of either “satisfactory progress” or “not applicable” on requirements 6.1 (social payments) and 6.3 (economic contribution). The International Secretariat’s preliminary assessment is that Honduras **has made inadequate or meaningful progress in addressing the other corrective actions.** The outstanding gaps relate to government engagement (Requirement 1.1), industry engagement (Requirement 1.2), civil society engagement (Requirement 1.3), work plan (Requirement 1.5), comprehensiveness (Requirement 4.1), subnational payments (Requirement 4.6), data quality and assurance (Requirement 4.9), Public debate (Requirement 7.1), follow-up to recommendations (Requirement 7.3) and results and impact of EITI implementation (Requirement 7.4).

This second Validation is based on the information available by mid-2019. The International Secretariat acknowledges that the delay in concluding this evaluation, due to capacity constrains in the International Secretariat, is suboptimal. The publication of Honduras’s 2017-2018 EITI Report on 10 February 2020 brings fresh information on the state of EITI implementation. This report includes reconciliation of revenues and payments for 2017 and 2018, progress made by INHGEOMIN in a number or disclosures related to licensing, cadastre, environmental and social data and gender and employment figures. While it is outside the agreed Validation procedures to consider information published after the deadline set for Validation, the International Secretariat acknowledges the effort made by EITI-Honduras in continuing implementing the Standard and bringing additional information on gender and voluntary social and environmental contributions.

However, the overall assessment is that implementation of the EITI Standard is subpar. Notably, there has not been progress in the oversight of the multi-stakeholder group. Furthermore, there are still gaps in the comprehensiveness and quality of information and dissemination and debate of EITI data continues to be limited.

Honduras has been committed to the EITI process, but their efforts in reporting and in addressing the corrective actions from their first validation have not been sufficient to fully address the corrective actions. The multi-stakeholder nature of its EITI implementation has deteriorated, and interest from the constituencies in EITI has decreased. The government continues to be the primary driver of implementation, but the other constituencies have signalled that their interest in the process has diminished. While INHGEOMIN has provided relatively consistent engagement from the government side, participation in EITI implementation has been uneven across other government agencies. The participation of civil society and companies is organised through coalitions. A handful of their representatives contribute actively through MSG meetings. However, it is apparent that there is a lack of more strategic engagement in EITI implementation on the part of their broader constituencies. The EITI continues to operate in a silo, with limited contributions to broadening the public’s understanding of the extractive industries.

In sum, the International Secretariat concludes that Honduras needs to reassess its objectives for EITI implementation and discuss the best way to achieve them. It should ensure that EITI implementation contributes to address national priorities. If EITI-Honduras considers that the EITI could add value and assist Honduras in achieving those objectives, the MSG and the International Secretariat could work together in identifying the issues of most interest and importance on which the limited resources available could be devoted. EITI-Honduras and the International Secretariat could make use of the [limited engagement policy](https://eiti.org/document/limited-engagement-policy)[[6]](#footnote-7) and request EITI Board approval for recalibrated EITI implementation that is more efficient and aligned with the national objectives.

The draft assessment was sent to Honduras multi-stakeholder group (MSG) on XX XXX 2020. Following comments from the MSG expected on XX XXX 2020, the assessment will be finalised for consideration by the EITI Board.

# Scorecard

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **EITI Requirements** | | | **Level of progress** | | | | |  |
| **Honduras second Validation scorecard** | | | No progress | Inadequate | Meaningful | Satisfactory | Beyond | **Direction of Progress** |
| **Categories** | | **Requirements** |  |  |  |  |  |  |
| **MSG oversight** | | Government engagement (#1.1) |  |  |  |  |  | → |
| Industry engagement (#1.2) |  |  |  |  |  | → |
| Civil society engagement (#1.3) |  |  |  |  |  | = |
| MSG governance (#1.4) |  |  |  |  |  | = |
| Work plan (#1.5) |  |  |  |  |  | = |
| **Licenses and contracts** | | Legal framework (#2.1) |  |  |  |  |  | = |
| License allocations (#2.2) |  |  |  |  |  | = |
| License register (#2.3) |  |  |  |  |  | = |
| Policy on contract disclosure (#2.4) |  |  |  |  |  | = |
| Beneficial ownership (#2.5) |  |  |  |  |  |  |
| State participation (#2.6) |  |  |  |  |  | = |
| **Monitoring production** | | Exploration data (#3.1) |  |  |  |  |  | = |
| Production data (#3.2) |  |  |  |  |  | = |
| Export data (#3.3) |  |  |  |  |  | = |
| **Revenue collection** | | Comprehensiveness (#4.1) |  |  |  |  |  | = |
| In-kind revenues (#4.2) |  |  |  |  |  | = |
| Barter agreements (#4.3) |  |  |  |  |  | = |
| Transportation revenues (#4.4) |  |  |  |  |  | = |
| SOE transactions (#4.5) |  |  |  |  |  | = |
| Direct subnational payments (#4.6) |  |  |  |  |  | = |
| Disaggregation (#4.7) |  |  |  |  |  | = |
| Data timeliness (#4.8) |  |  |  |  |  | = |
| Data quality (#4.9) |  |  |  |  |  | = |
| **Revenue allocation** | | Distribution of revenues (#5.1) |  |  |  |  |  | = |
| Subnational transfers (#5.2) |  |  |  |  |  | = |
| Revenue management & expenditures (#5.3) |  |  |  |  |  |  |
| **Socio-economic contribution** | | Social expenditures (#6.1) |  |  |  |  |  | → |
| SOE quasi-fiscal expenditures (#6.2) |  |  |  |  |  | = |
| Economic contribution (#6.3) |  |  |  |  |  | → |
| **Outcomes and impact** | | Public debate (#7.1) |  |  |  |  |  | = |
| Data accessibility and open data (#7.2) |  |  |  |  |  |  |
| Recommendations from EITI (#7.3) |  |  |  |  |  | = |
| Outcomes & impact (#7.4) |  |  |  |  |  | = |
| *Legend to the assessment card* | | | | | | | | |
|  |  | | | | | | | |
|  | **No progress.** All or nearly all aspects of the requirement remain outstanding and the broader objective of the requirement is not fulfilled. | | | | | | | |
|  | **Inadequate progress.** Significant aspects of the requirement have not been implemented and the broader objective of the requirement is far from fulfilled. | | | | | | | |
|  | **Meaningful progress.** Significant aspects of the requirement have been implemented and the broader objective of the requirement is being fulfilled. | | | | | | | |
|  | **Satisfactory progress.** All aspects of the requirement have been implemented and the broader objective of the requirement has been fulfilled. | | | | | | | |
|  | **Outstanding progress.** The country has gone beyond the requirement. | | | | | | | |
|  | This requirement is only encouraged or recommended and should not be taken into account in assessing compliance. | | | | | | | |
|  | The MSG has demonstrated that this requirement is not applicable in the country. | | | | | | | |

# Background

Honduras joined the EITI in May 2013. Honduras’ first Validation under the 2016 EITI Standard concluded in 25 October 2017, in which the EITI Board found that Honduras had made ‘meaningful progress’ in implementing the EITI Standard.[[7]](#footnote-8) Twelve corrective actions were identified by the Board, to be assessed in a second Validation commencing on 25 April 2019. The 12 corrective actions relate to:

1. Government engagement (Requirement 1.1);
2. Industry engagement (Requirement 1.2);
3. Civil society engagement (Requirement 1.3);
4. Work plan (Requirement 1.5);
5. Comprehensive disclosure of taxes and revenues (Requirement 4.1);
6. Subnational Payments (Requirement 4.6);
7. Data quality and assurance (Requirement 4.9);
8. Social expenditures by extractive companies (Requirement 6.1)
9. The contribution of the extractive sector to the economy ((Requirement 6.3)
10. Public Debate (Requirement 7.1)
11. Discrepancies and recommendations from EITI Reports (Requirement 7.3)
12. Review the outcomes and impact of EITI implementation (Requirement 7.4)

There are several issues that have proven controversial throughout the Validation process. Nonetheless, the consultations have shown that there is broad stakeholder agreement on the fact that the EITI is a valuable platform for promoting transparency and dialogue between government, industry and civil society.

Honduras has undertaken a number of activities to address the corrective actions:

* The MSG held 16 meetings between November 2017 and March 2019.[[8]](#footnote-9)
* The MSG published the 2015-2016 EITI Report on 29 June 2018.
* The MSG appointed the Independent Administrator, Jorge Tovar on 31 July 2019[[9]](#footnote-10)
* The MSG published Honduras’ 2017-2018 EITI Report on 11 February 2020[[10]](#footnote-11).
* The MSG published the 2017 and 2018 annual progress reports on July 2018 and April 2019, respectively.
* The MSG updated and published the 2016-2018 EITI work plan on 11 November 2017[[11]](#footnote-12).
* The MSG approved and published the 2019-2020 EITI work plan on 4 July 2019.[[12]](#footnote-13)

The following section addresses progress on each of the corrective actions. The assessment covers the corrective actions established by the Board and the associated requirements in the EITI Standard. The assessment follows the guidance outlined in the Validation Guide.[[13]](#footnote-14) In the course of undertaking this assessment, the International Secretariat has also considered whether there is a need to review additional requirements, i.e. those assessed as “satisfactory progress” or “beyond” in the 2017 Validation. While these requirements have not been comprehensively assessed, the International Secretariat’s view is that there was evidence requiring the review of progress regarding MSG oversight (Requirement 1.4). Nonetheless, after careful consideration, the International Secretariat reached the conclusion that the existing evidence represented an isolated case which did not justify downgrading to “meaningful progress” on Requirement 1.4.

# Review of corrective actions

As set out in the Board decision on Honduras’s first Validation, the EITI Board agreed 12 corrective actions.[[14]](#footnote-15) The Secretariat’s assessment below discusses whether the corrective actions have been sufficiently addressed. The assessments are based on the minutes of the MSG meetings from November 2017 to March 2019, the 2015-2016 EITI Report published on 29 June 2018, the minutes from the meeting between the MSG and Independent Administrator from 15 March 2018, the Annual Progress Reports from 2017 and 2018, the updated 2016-2018 work plan, clarifications and comments from the MSG, e-mail correspondence, and stakeholder consultations (in-person during the International Secretariat’s mission on 28-31 May 2019 and via skype), as well as data publicly available prior to 25 April 2019.

## Corrective action 1: Government engagement (#1.1)

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 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**.**

### Findings from the first Validation

The first Validation concluded that Honduras had made meaningful progress in meeting this requirement. It noted that the government was engaged in the EITI process, with its agencies having played an active role in EITI implementation. Two senior individuals were appointed to lead on the EITI, and the Ministry of Foreign Affairs had seconded staff to support EITI day-to-day coordination. However, the first Validation also pointed out that EITI-Honduras was lacking sufficient resources to sustain EITI implementation and to execute the agreed work plan.

Until 2016, EITI-Honduras was mostly funded by the World Bank Multi-Donor Trust Fund (WB-MDTF). Since then, EITI-Honduras had faced a significant shortage of funding. The champion was able to mobilize some resources from European Union (EU) funds, but no additional financial resources had been allocated from the national budget to support EITI implementation. The failure to secure public adequate funding to support EITI implementation was seen by many actors as a sign that the government, at the top level, had not given priority to the EITI.

Stakeholders had observed less high political support and engagement during 2016, nonetheless they also commended the dedication and competence of government agencies’ technical staff and mid-level authorities. The EITI secretariat had been staffed via an ad-hoc procedure and went from having been supported by a full-time staff paid with funds from the World Bank grant, to a situation in which they had only one staff member seconded from the Minister of Foreign Affairs. No formal transition had been arranged, which gave way to a loss in institutional memory: records from MSG meetings and activities were misplaced and the closure of the EITI-Honduras website contributed to delays during this transition. The contract with the information technology provider hosting the website was cancelled due to lack of funds and not proper backup procedures were in place.

### Progress since Validation

The EITI Champion Carlos López Contreras, appears to maintain the confidence of all stakeholders and the authority and freedom to coordinate action on EITI across relevant ministries and agencies. According to MSG meetings minutes, representatives from the government constituency have participated regularly. The government representation includes the following agencies: Institute of Geology and Mines (INHGEOMIN), SEFIN, Tax Office (SAR), Ministry of Environment and IAIP (see Annex D). Several stakeholders highlighted the difficulties in cooperation with the tax office, SAR. An agreement between INHGEOMIN and SAR aimed at strengthening regulatory procedures was proposed more than two years ago but had not yet been signed at the time of consultations.

Nonetheless, stakeholders also pointed out that other government members, and especially the National Coordinator, Elena Hilsaca, appear committed to EITI implementation. An example of this commitment could be found in the modernization of their main reporting tool, the Consolidated Annual Statement (DAC), a platform through which companies report information to INHGEOMIN including production volumes and values per commodity and other information on their projects (including social investments).

Stakeholders consulted highlighted the progress the government had made regarding EITI Honduras’s work plan. On 7 May 2018, the Secretariat of General Government Coordination’s (SCGG) Director of Transparency, Modernization and Digital Government (DPTMGD) Renán Sagastume Fernández released a statement acknowledging the results of the first Validation, explaining the government’s activities to support EITI Implementation, and efforts to address some of the corrective actions. These efforts included hosting of the Honduras EITI secretariat in INHGEOMIN, and development of a cooperation agreement between INHGEOMIN and the Tax Office (SAR), among others.

The latest work plan (2016-2018) published in May 2019 reveals that the government is not providing adequate funding for EITI Honduras. So far, the limited funding support has only been secured through the EU MADIGEP project. On 28 November 2018, INHGEOMIN enacted Resolution no. 303/2018[[15]](#footnote-16) committing the government’s commitment to provide adequate funding for EITI Honduras. As a result, INHGEOMIN has hosted the National Secretariat since November 2018.[[16]](#footnote-17)

Following a formal request from the MSG*[[17]](#footnote-18)*, the SCGG has agreed with the EU to hire consultants for three projects within the framework of the EU’s “Measures Support Institutional Development Public Management project (MADIGEP)” project[[18]](#footnote-19). Consultants were to be hired for assistance in hiring the Independent Administrator for the 2017 EITI Honduras Report, assistance in updating the EITI Honduras website, and assistance in developing an EITI online portal. However, no consultants had yet been hired as of as of May 2019.

Despite these efforts, the lack of resources was one of the issues of most concern across most stakeholders consulted. Consultations with city mayors from La Union, El Corpus and Los Cedros municipalities highlighted the scarcity of resources for EITI implementation because INHGEOMIN had ceased to perceive the mining tax from mining companies, due to the Supreme Court ruling on Article 76 from the General Mining Law declaring it unconstitutional. This tax had accounted for around 50% of revenue prior to 2016. Although INHGEOMIN decided to host the EITI National Secretariat, in practice stallholders noted that there was no staff working full time for EITI, other than the National Coordinator not physically located at INHGEOMIN’s offices.

The closure of the EITI-Honduras’ website due to lack of funds was highlighted repeatedly during meetings. Several stakeholders consulted highlighted the dependency on external funding, noting that the 2015-2016 EITI Report could not have been published without the funds provided by the EU.

Finally, several civil society organisations consulted highlighted that certain recent government reforms were not supporting transparency in the extractives. They highlighted the lack of access to public information about key mining projects, including environmental licenses. On 17 August 2018, the Secretariat of Environment and Natural Resources enacted a resolution on the confidentiality of information related to environmental licenses. Ministerial Agreement 1402-2018[[19]](#footnote-20) designates “the analysis of technical characteristics included in the environmental licenses, all other environmental procedures presented to this Secretariat of State in the Offices of Natural Resources and Environment, as well as the location of the same”, as reserved information (*Información Reservada*). It also guarantees the protection of this information, limiting in this way the right of access to data on environmental licenses

### Secretariat’s Assessment

The International Secretariat’s preliminary assessment is that Honduras has partly addressed the corrective action on government engagement and has made meaningful progress *with considerable improvements* towards meeting Requirement 1.1. There is some evidence, albeit limited, of government engagement in EITI, in its continued commitment through an EITI Champion, Carlos López Contreras, who appears to have the confidence of all constituencies. In addition, hosting of the EITI secretariat has been transferred to INHGEOMIN, a government agency involved in EITI, and the government has made some effort to secure funding, albeit limited, from the EU. However, there is limited evidence that the Government of Honduras has been fully, actively and effectively engaged in all aspects of EITI implementation in the 2017-2019 period. In particular funding for EITI implementation remains inadequate to implement key activities in the work plan (*see Requirement 1.5*). The commitment of relevant ministries and agencies remains insufficient, particularly in terms of the provision of requested EITI information. While the EITI secretariat has been moved to INHGEOMIN, the secretariat does not appear to be adequately staffed. Additionally, there has been insufficient effort by government to promote extractives transparency through laws and regulations that facilitate disclosure of information.

In accordance with Requirement 1.1, the government should demonstrate that it is fully, actively and effectively engaged in all aspects of EITI implementation. The government should demonstrate its commitment to the EITI by providing adequate support and funding for EITI Honduras, including adequate funding for staffing of the national secretariat hosted by INHGEOMIN and adequate resources for implementing the agreed work plan. The government should undertake efforts to overcome legal and regulatory barriers to EITI implementation.

## Corrective action 2: Industry engagement (#1.2)

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.**

### Findings from the first Validation

The first Validation concluded that Honduras had made meaningful progress in meeting this requirement. There had been an enabling environment for company participation, and industry had been engaged in the EITI process. However, more could have been done to be fully, actively and effectively engaged to ensure that the EITI process was enhancing its potential. Even though there were no specific obstacles to industry engagement, a better understanding of how companies actively participate could have improved the governance of the sector and would encourage them to get more involved. The engagement of the industry constituency had been limited to attending MSG meetings, and submitting the data requested for EITI reporting. Thus, the private sector was suggested to reinvigorate their engagement by working more closely with other stakeholders.

### Progress since Validation

Stakeholders consulted considered that there were no obstacles to company participation in the EITI process. They explained that companies had regularly attended MSG meetings through the representation of industry associations (chambers) and been providing requested information as instructed. Nonetheless, and despite an environment that enables private industry to engage in all aspects of EITI implementation, it was noted that industry participation had been somewhat limited, considering the slow progress of EITI implementation more broadly. The industry constituency does not seem to be a driver of EITI implementation in Honduras, but is rather focused on responding to responding to data collection requests.

There is some evidence of industry participation in EITI implementation. First, in terms of *participation in MSG meetings*, the 2018 annual progress report[[20]](#footnote-21) (p. 10) and minutes of MSG meetings indicate that the private sector has been participating in MSG meetings regularly. This was confirmed by stakeholders consulted, who confirmed the lack of obstacles to company participation in EITI.

Industry stakeholders include the Federation of Chambers of Commerce and Industries of Honduras (FEDECAMARA), National Association of Metal Mining of Honduras (ANAMIMH) and the Honduran Council of Private Companies (COHEP) (see Annex D). Industry representatives tend to delegate participation to these industry associations and only participate personally in a few MSG meetings a year, typically when relevant issues such as approval of EITI Reports or terms of reference (ToRs) were discussed.

There are no specific guidelines the industry constituency’s engagement in the MSG meeting through the industry associations. However, representatives from the chambers consulted were able to explain the constituency’s coordination in practice. To coordinate the wider constituency’s input to EITI, the chamber representatives who usually participate in MSG meetings communicate with their constituency through email to provide updates on issues discussed and to consult companies not directly represented on the MSG for those MSG meetings in which votes are cast. The industry representatives are engaged in MSG activities such as preparing for reporting, dissemination, work plan and impact discussions.

Stakeholders consulted said that there were no obstacles to company participation in the EITI process. Companies were regularly attending MSG meetings through the representation of chambers and have provided the requested information as instructed.

With regards to the *submission of requested information*, the 2015-2016 EITI Report expanded the number of reporting companies to nine, up from seven reporting companies in the previous EITI Report[[21]](#footnote-22). The two additional companies (Cobra Oro de Honduras, S.A. of C.V and Incal, S.A. of C.V) provided timely EITI information. Several companies have also republished the EITI Reports on their websites, thereby contributing to their dissemination.

With regards to companies’ *engagement with the wider constituency*, extractives companies are grouped within industry associations. This is possible due to the small number of companies operating in the extractive sector. Extractive companies are active through the national umbrellas of the industry association and the mining association, which coordinate and represent the sector in the EITI and in national debates.

With regards to *participation in EITI activities*, there is evidence that industry stakeholders have participated in several fora, including dissemination of EITI Reports. Industry’s representatives presented the private sector views and engaged in the debate with other stakeholders.

### Secretariat’s Assessment

The International Secretariat’s preliminary assessment is that Honduras has partly addressed the corrective action on industry engagement and has made meaningful progress *with considerable improvements* towards meeting Requirement 1.2. Companies’ participation in EITI implementation has been active and collaborative. Their engagement has been commensurate to the EITI process of the country: they comply with the requirements of participation but do not appear to be drivers of the process. Nonetheless, the industry constituency appears not to be fully engaged in the EITI process. The constituency usually limits its participation to responding to the basic requirements for EITI data collection, but has not provided leadership on specific aspects of implementation. The companies’ participation in the MSG through the chamber representative has not led to the broader constituency’s engagement, as companies only appear to be involved in discussing specific EITI-related questions only when decisions within the chambers are required through formal voting,

In accordance with Requirement 1.2, the industry should demonstrate that it is fully, actively and effectively engaged in the EITI process. Industry’s commitment to EITI should be demonstrated by working closer to the MSG, ensuring that EITI process in Honduras is reinvigorated, and driving its focus to address the issues that are salient to the sector and are aligned with national priorities. The constituency should be one of the drivers of the process, and not just a provider of the data requested for the disclosures, neither simply a participant in dissemination exercises. To improve the implementation of Requirement 1.2, companies are encouraged to further engage and reinvigorate their participation in the EITI process. This could be done by actively participating in the EITI process, working closely, and if possible directly, with the MSG and addressing not only the reporting requests, but also other aspects of EITI implementation such as annual work planning, review of outcomes and impacts as well as dissemination and outreach. The industry constituency is encouraged to enhance their participation in the MSG’s debates, either by directly taking part in them or by outlining clear guidelines for their chamber representatives aimed at enriching the discussion.

## Corrective action 3: Civil Society engagement (#1.3)

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**.

### Findings from the first Validation

The first Validation concluded that Honduras had made meaningful progress in meeting this requirement. It was noted that CSOs had been actively engaged in the EITI process, especially in the first years of EITI implementation. However, it was also noted that CSOs’ engagement beyond MSG participation had fluctuated – depending on the availability of funding. Funding had been more limited and cursory in 2016, the last year before the first Validation, which appeared to be the reason for CSOs’ undermined engagement.

During the first validation, representatives from CSOs reconfirmed that their engagement had decreased from very active and satisfactory to more passive and perfunctory. While they were actively involved in the first years of EITI implementation, participating in the design of the governance structures, the reporting scope and templates and training and capacity building activities; participation in the later years had been more mechanical and superficial. None of the consulted organizations linked this decreased in engagement to the EITI process in itself, nor to any obstacles that could have impaired or limited their participation.

Nonetheless, CSOs recognised the enormous security risks faced by organizations or activists operating in areas with weak rule of law enforcement, but did not consider that these risks had impacted their work on EITI.

### Progress since Validation

### In the last couple of years, international CSOs have raised concerns about civic space and civil rights in general in Honduras.

*Expression: Articles 72, 73 and 74 of the Constitution ensure freedom of speech and the press.* The International Secretariat has not found evidence pointing to obstacles regarding freedom of expression in Honduras. Nonetheless, the International Secretariat has neither found evidence that CSOs in Honduras are fully, actively and effectively using this freedom of expression in relation to the EITI process, besides their participation in dissemination events regarding the EITI reports.

In February 2019 Oxfam, together with other CSOs (grouped in CONROA - National Coalition of Environmental Networks and Organisations of Honduras) raised concerns regarding civic space and EITI in Honduras (“Communiqué EITI - CONROA”). In this communication they explained that, “as discussed in the first Validation, the issue of activist organisations in areas of mining investment is one of the main causes of social conflict in the country.” Their concerns were focused on a press release from the MSG from December 2018 (see Annex B), which expressed the MSG’s support for extractive activities and expressing concerns about ongoing protests of civil society organisations that were blocking routes and/or impeding mining operations. This document, which was published without all MSG members’ explicit consent, caused immediate rejection from CONROA, which issued a formal response on 17 December 2018 (see Annex C) that argued that EITI was not encouraging companies to respect the rights of the Honduran population. In its statement, CONROA states that EITI Honduras "is in charge of the notorious controversial Carlos Lopez Contreras”, questioning in this way the “integrity” of the EITI National Secretariat, and condemns the decisions of the EITI National Council “because the language used in its communiqué promotes hate, encourages persecution, criminalization and probably even the murder of people and social organizations affected by extractive activity, including metal mining”. CONROA also noted regretfully that EITI Honduras "does not call on extractive companies to respect the fundamental rights of the Honduran population, such as the right to public information that has been violated by Ministerial Decree 1402-2018 dated 8 August 2018, which declares as confidential information the studies of environmental licenses, as well as the location of the projects themselves.” In conclusion, the main concerns highlighted by CONROA and echoed by OXFAM regarding the EITI communiqué were centred both on the fact that the document was published without civil society organizations (CSOs) MSG members’ endorsement and that the language used in the EITI Honduras communiqué was considered inflammatory.

*Operation:* The legal and operational framework is conducive to civil society’s participation in EITI and Honduras’ wider public debate. Nonetheless, the country faces important risks related to the high level of crime and violence that has prevailed in the country for years, which has translated into concerns regarding limitations on civil liberties.

During 2018, the UN visited Honduras to assess the situation of human rights defenders and to review government efforts, progress and challenges in ensuring their protection and in enabling their role. United Nations Special Rapporteur on Human Rights Michel Forst issued a UN Special Report (A/HRC/40/60/Add.2), in which he recommends implementing an adequate regulatory framework that promotes transparency and specifically demands “the procedure for the approval of Ministerial Agreement No. 1402-2018 [to be] halted” (p. 19).

*Association:* There is no evidence pointing to obstacles regarding freedom of association in Honduras. The country has an enabling legal framework for civil society organisations to participate in EITI, with freedom of association enshrined in articles 78 and 79 of Honduras’ Constitution.[[22]](#footnote-23) The country has a special law regulating the non-governmental development organizations (Decree No. 32-201124)[[23]](#footnote-24), and which allows for international civil society to operate independently and in association with local NGOs or other public and private entities. The NGO Law’s article 8 states that international NGOs could establish a national office for representation and article 9 states that they also can subscribe an agreement for cooperating with national entities. This framework has enabled the CSOs constituency to freely participate in EITI, through a structure of two “blocks”: one which groups academics from several universities, and another, centred around FOPRIDE, which is an association of various non-profit organizations.

The aforementioned regulation has also enabled CSOs to recently start a dialogue with the international NGO OXFAM. According to MSG meeting minutes from March 2019[[24]](#footnote-25), representatives from MOPAWI-FOPRIDEH suggested to engage with OXFAM, not to make them a part of the MSG itself, but to brief them more generally on in EITI implementation and on the role of EITI in Honduras. This was a reaction to OXFAM and other CSOs’ concerns regarding the MSG’s December 2018 resolution that called for authorities to keep those involved in the protests responsible of attempts “against private initiative, freedom of work and the national economy, to the detriment of the image of Honduras as a safe investment destination.”

*Engagement:* Civil society representatives have participated in MSG meetings and have also been engaged in debating governance in a number of meetings with mining communities, on topics such as social and environmental issues and mitigation measures. These included:

* *A Workshop on “Climate Change and EITI Governance in Mining Communities”* held on August 2017, organised jointly by CSOs and the SCGG[[25]](#footnote-26). The event was attended by 60 organisations, including CSOs, mining companies, government institutions, and municipalities[[26]](#footnote-27).
* *A Civil Society Dialogue Forum "Past, Present and Expectations of the Mining Industry"* held on 29 and 30 November 2018, organised by CSOs according to the MSG minutes[[27]](#footnote-28). Authorities from various municipalities, including their mayors, attended the event.

However, based on minutes published on the Honduran Institute of Access to Public Information (IAIP) website[[28]](#footnote-29), participation has not been consistent across the constituency. There are only two CSOs (MOPAWI and FOPRIDEH) that have been regularly engaged, while the others have been absent or attended intermittently from October 2017 (see Annex C). Stakeholders consulted in May 2019, clarified that not all the times had both organizations been present at MSG meetings: in some cases MOPAWI representatives have attended on behalf of FOPRIDEH..

The communiqué issued by the EITI in December 2018 also appears to be an indicator of poor communication within the MSG, and lack of full engagement from CSOs. The fact that some of the CSO stakeholders were unaware of its publication, raises a concern regarding the MSG communication, as well as the constituency’s interest in the EITI process. This was confirmed by some stakeholders consulted, who highlighted their disappointment with the fact that the communiqué was published without having had the opportunity to review it, given that the issue was raised during the MSG meeting on 11 December 2018, when only one CSO (FOPRIDEH) was present (see Annex C). In this sense, they also added that the proper procedure was not followed, and that the communiqué was made public despite the fact that it was not circulated to those not present at the MSG meeting in order to gather their comments.

Most of the CSOs from the MSG did not know about this communiqué, and the consequent reaction, until the International Secretariat contacted them in February 2019 to discuss this issue. According to the interviews, the MSG received a letter of protest from one of the CSOs because of the way this matter was handled.

*Access to public decision-making:* There is no evidence that CSOs use the channels to influence public decision-making, despite the fact that such channels exist. During consultations, several stakeholders highlighted their lack of enthusiasm for engaging in public matters and explained that this lack of enthusiasm was partially related to the controversies around the 2017 presidential elections. The trust of CSOs in any activity of the current government is undermined, which can also be reflected on the CSOs’ representatives’ frustrations and demotivation with the EITI process and the actions of high-level government officials. CSOs are frustrated with the lack of government engagement, although they have made the point that officials involved directly on EITI are doing their best efforts.

### Secretariat’s Assessment

The International Secretariat’s preliminary assessment is that Honduras has not addressed the corrective action related to civil society engagement and has made meaningful progress without improvements towards meeting Requirement 1.3, There is only limited evidence of CSOs’ engagement in all aspects of EITI implementation. Their attendance at MSG meetings has been in decline since 2017, which explains the participation of only one CSO MSG member at the MSG’s discussion of the MINOSA mine closure[[29]](#footnote-30). CSOs have considered reinvigorating its participation in the MSG by, for example, by proposing the engagement with OXFAM[[30]](#footnote-31). The fact that there has been no further engagement with OXFAM and the CSOs who participate in the MSG after this proposal could be considered as an expression of lack of interest within the wider constituency. All in all, the participation of CSOs in the EITI process has not shown any improvements from the weak engagement assessed during the first Validation. The broader objective of civil society participation in all aspects of EITI implementation has not yet been fulfilled. Even when an important issue was brought to the attention of the MSG, as in the case of MINOSA disruptions in December 2018, the participation of CSOs was very limited. The first Validation documented the security risks facing activists and organisations operating in rural areas and concluded that it did not affect engagement in the EITI. Evidence indicates that continued weak engagement by civil society in the EITI is due to lack of interest and coordination within the constituency, rather than restrictions imposed by the government.

In accordance with Requirement 1.3, the civil society constituency should demonstrate that it is fully, actively and effectively engaged in the EITI process. The civil society constituency should clarify their objectives for EITI engagement and ensure their adequate technical and financial capacity to participate fully in the process. These could be reflected in the MSG’s work plan, as well as in clear guidelines regarding the participation and representation of CSOs within the MSG. CSOs are encouraged to further reinvigorate the EITI process in Honduras, by working closely and directly with the MSG, enhancing the dissemination of EITI data and connecting the process with wider national priorities for the extractive sector. Finally, civil society could also consider refreshing its representation and incorporating new stakeholders that could be interested in the process.

## Corrective action 4: Workplan (#1.5)

In accordance with Requirement 1.5.a, the MSG should maintain a current work plan that sets EITI implementation objectives that reflect national priorities for the extractive industries. In accordance with Requirement 1.5.b, the work plan must reflect the results of consultations with key stakeholders.

### Findings from the first Validation

The first Validation found that Honduras had made inadequate progress in meeting Requirement 1.5. Honduras started EITI implementation with an adequate work plan (costed, aligned with national priorities and reporting requirements), which had most of its activities for the period covered (2013-2015) satisfactorily completed. During the first Validation, it became unclear whether the 2016 work plan was approved by the MSG, and if so when had this happen. At that point, the document reviewed by the International Secretariat did not meet the requirements set out in the EITI Standard, and the document had been functioning more as a planning tool than as a specific work plan. Also during the first validation, it became clear that there had been no discussion in terms of the 2017 work plan for EITI Honduras.

### Progress since Validation

At the start of the second Validation in April 2019, Honduras did not have a current (2019) work plan that was publicly available and approved by the MSG. According to the 2018 annual progress report (p.7), the EITI National Council was in the process of approving the 2019-2020 work plan, but no concrete results had been achieved by April. This progress was also evidenced in minutes of the MSG’s March 2019 meeting, where the Ministry of Finance (SEFIN) proposed the creation of a work plan drafting committee. [[31]](#footnote-32) Subsequently, during the MSG’s May 2019 meeting, it was confirmed that the work plan had been prepared and would be reviewed for approval at the June 2019 meeting.[[32]](#footnote-33)

The latest publicly available EITI Honduras work plan available at the start of Validation covered 2017-2018. Despite being publicly available through the Honduran IAIP website[[33]](#footnote-34), it presented the following gaps:

* The work plan does not appear to be fully aligned with the national priorities: out of a total of 11 action points, 10 were narrowly related to EITI reporting rather than broader national reform priorities.
* It lacks evidence regarding the MSG reviewing the outcomes and impact of EITI implementation to date and revising the work plan objectives accordingly.
* The work plan does not include a timetable. Even though the objective 4 of the work plan proposes the inclusion of measurable and time-bound activities, several activities listed on it lack specific dates for completion and there is not a general timetable that would allow for a consistent track of progress.
* Objective 5 of the work plan raises the fact of responding to the recommendations carried out by the International Secretariat. Nonetheless, it does not address any the corrective actions in specific terms.
* In terms of funding, the work plan is not fully costed and some activities on it appear with no reference to possible funding sources.
* The activities related to the scope of EITI reporting are not expressly included in the workplan. Despite this, they do appear mentioned in the minutes of the meeting with the interdependent administrator (IA) held on March 2018, when there was a discussion on the scope of the EITI Report 2015-2016.[[34]](#footnote-35)
* Regarding the activities aimed at addressing legal or regulatory obstacles, the work plan focuses on the sections from the General Mining Law which were declared unconstitutional in 2017 by the Constitutional Court and highlights that these directly affect the development of the mining sector.[[35]](#footnote-36) In this sense it provides a general plan for facing these difficulties by requiring High-Level government officials, as well as members of the legislative branch to make the corresponding amendments that would allow for the mining authority to expand the extractive sector.

During the stakeholder consultations in May 2019, the MSG and National Secretariat were consulted about the work plan covering years 2019-2020. Even though the document was requested, there was no submission of it and the National Secretariat explained that they were at the stage of finalizing the 2019-2020 work plan. Later, on 19 July 2019, the 2019-2020 EITI work plan was published on the website of the Institute for Access to Public Information (IAIP)[[36]](#footnote-37). Similar gaps to those listed above, were also identified in this work plan: out of the 13 specific objectives, 11 have to do specifically with EITI reporting and only two of them refer to wider objectives in connection to national priorities.

### Secretariat’s Assessment

The International Secretariat’s preliminary assessment is that Honduras has not addressed the corrective action related to the work plan and has made inadequate progress towards meeting Requirement 1.5. The MSG did not agree a revised and fully costed work plan for 2019 at the start of its second Validation in late April 2019. At the start of the second validation, the 2017-2018 work plan was the latest publicly available work plan. This document did not review the outcomes and impact of EITI implementation to date and had several gaps regarding time-bounded activities, allocation of funds for carrying them out, and did not address any specific aspect related to the corrective actions from the first Validation. The work plan objectives prepared by the MSG were narrowly related to EITI implementation, and they seemed to lack a clear connection to the national priorities for the extractive sector.

In accordance with Requirement 1.5, the Honduras MSG is required to have a current EITI work plan updated on an annual basis.. The MSG should ensure that their work plan is publicly available in a timely manner, reflects activities that are aligned with the national priorities for the extractive sector, and establishes time-bound activities as well as the funding for them. The revised work plan would represent an opportunity for the government, industry, civil society and donor engagement to agree on the best approach for future EITI work that is commensurate with these priorities and the resources available.

## Corrective action 5: Comprehensiveness (#4.1)

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 develop a classification protocol that ensures that the universe of mining companies is clearly identified.

### Findings from the first Validation

The first Validation concluded that Honduras had made meaningful progress in meeting requirement 4.1. At that time EITI-Honduras had agreed on a definition of materiality prior to commissioning the 2014 EITI Report, and following materiality discussions and lessons learnt from the 2012-2013 EITI Report. The Independent Administrator was instructed to provide a commentary on the proposed definition (INVEST-Honduras, 2015), and finally materiality was set as a target coverage (expressed as percentage) based on value of production. This ended up being quite problematic, since the definition adopted of materiality did not clearly address what constituted a material payment. In practice, this meant for example that a company responsible for 8.25% of the total value of production was left out of the reporting process. Although the universe of revenue streams covered appeared to be comprehensive, some revenue streams that seemed to be non-material were included in the reporting templates.

This suggested that the analysis leading to the agreement of which revenues were to be included was flawed. The IA confirmed that a significant number of municipalities did not report, and also explained that they were instructed to reconcile the given list of 7 companies (metallic and non-metallic). Due to the limited time available for producing the report (three weeks at the end of 2015), the IA explained that they were unable to confirm its comprehensiveness - even though this was requested in their terms of reference.

The lack of an adequate classification of extractive companies in the tax office hindered the identification of the complete universe of mining companies that paid taxes, and therefore, the disclosure of the total revenues received by the SAR (tax agency). SAR confirmed that they did not have a system for classifying companies and allowing them to know exactly which was the total universe of extractive companies. In this sense, they explained that to estimate this universe, they relied on INHGEOMIN to indicate which companies were having active exploitation licenses at the time. Connected to this, INHGEOMIN confirmed that they relied on the cadastre information and the information from the customs office to estimate which companies were producing (based on export data).

### Progress since Validation

Since the first Validation, the MSG has conducted some efforts on developing a classification protocol that ensures that the universe of mining companies is clearly identified for future reporting. In that sense, EITI Honduras has prepared a draft collaboration plan between INHGEOMIN and SAR, aimed at strengthening the regulatory procedures for the classification and identification of companies in the extractive sector, as highlighted in the EITI Report (pp.104-106). However, there has so far been no evidence that this agreement has been concluded by the start of the second Validation.

*Materiality threshold for revenue streams:* The 2015-2016 EITI Report does not contain evidence of a clear approach to establishing a materiality threshold. The report does not refer to an explicit decision by the MSG on a clear materiality threshold for selecting revenue streams for reconciliation.

The MSG’s approach was to include 15 revenue streams (MSG meeting with the IA minutes, p. 3) and tasking the IA with corroborating their decision[[37]](#footnote-38), although the basis for the MSG’s selection of these 15 revenue streams is unclear. However, the EITI Report ended up including 19 revenue streams in the scope of reconciliation (p.59). Yet the EITI Report demonstrates that no revenue was collected in 2015-2016 under several of the revenue streams selected for reconciliation (pp.70-87), thereby raising significant concerns over the comprehensiveness of the MSG’s approach to selecting material revenue streams.

The MSG meeting minutes referenced above include a mapping of all revenue streams received by INHGEOMIN and their values in 2015-2016 (in percentage terms). [[38]](#footnote-39) Based on the provided information, the MSG and IA concluded that the revenue streams received by INHGEOMIN which were excluded from the scope of EITI reporting were only marginal and their omission did not appear to affect the comprehensiveness of the report.[[39]](#footnote-40). However, the EITI Report confirms that revenue streams that were not considered material accounted for an aggregate contribution of around 15% of government extractives revenues collected by INHGEOMIN in 2015-2016. Minutes of MSG meetings however highlighted that SAR was not able to provide similar data. SAR disclosed total revenues received by reporting companies and total government revenues received by the universe of companies, without any disaggregation by revenue stream.

*Description of material revenue streams:* The EITI Report (pp.38-45) and the minutes from the meeting between the IA and the MSG (pp.3-6) describe the material revenue streams..

*Materiality threshold for companies:* There is no evidence of a clear approach to establishing a materiality threshold for selecting companies in the scope of reconciliation. Given the tax confidentiality provisions applicable in Honduras’ Tax Code, the decisions on company materiality were based on extractives export values and non-tax revenues collected by INHGEOMIN. Royalties were used as the basis for the materiality calculations. Besides identifying the material companies based on this approach, the IA also invited other companies to voluntarily report, based on their participation in the last two EITI Reports. In response, nine companies accepted to report (pp.60-61).

Based on this list of nine companies, the MSG had a target reconciliation of 90% of export values and 85% of non-tax revenues received by the INHGEOMIN in 2015 and 2016. Metallic and non-metallic mining companies were included in the scope of reporting (pp.4, 88). However, the report does not provide assurances that no single company accounting for a significant share of the 15% of non-tax revenues was excluded from the scope of reconciliation.

The IA received data on extractive revenues perceived by the tax office, SAR, albeit only after data collection was complete. The MSG sought ex post confirmation regarding the coverage of extractive tax revenues, as they asked the SAR to confirm that the list of material companies selected represented a coverage of more than 85% of tax revenues from extractives companies, as confirmed in the EITI Report (p.59). Despite the request, SAR did not expressly confirm that the reconciliation coverage resulting from the agreed materiality approach achieved coverage of 85% of tax revenues from extractives companies.

The “Materiality exercise” conducted by the MSG shows that, according to revenues collected by the regulator INHGEOMIN, SAR and the Municipalities, these nine reporting companies represented 89.13% and 95.10% of total royalty payments to government in 2015 and 2016.

*Material government entities*: The EITI report lists the eight government entities and the material revenue streams collected by each (p.61). This list includes a group called the “Municipal Mayor’s Office” (MMO) which involves eight municipalities. All government entities, except for SAR[[40]](#footnote-41), submitted the requested data disaggregated by revenue stream. The SAR provided only aggregate figures on revenues collected from the mining sector.

*Comprehensiveness:* Reconciliation covered 89.13% and 95.10% of all government extractive revenues in 2015 and 2016 respectively. The reconciliation coverage thus exceeds the target of 85% set by the MSG, though there is no evidence of a clear approach to establishing a materiality threshold. In fact, the reconciliation exercise did not assess its comprehensiveness, and the International Secretariat found no evidence that the reconciliation covered all material revenue streams. The EITI Report lacks a listing of companies and government entities that did not report, and it does neither assess the materiality of their payments in the years under review.

Stakeholders consulted said that there are no indications of the MSG agreeing on a quantitative materiality threshold for selecting revenue streams or companies for reconciliation. Based on the scoping study undertaken by the IA, it is not possible to confirm whether there is any revenue streams or companies that were material and had been left out. The MSG meeting minutes also lack any indication regarding an agreement on a clear materiality threshold.

Subsequent to stakeholder consultations, SAR officials provided written comments to the International Secretariat (see Annex D). According to the comments, only one of the companies excluded from the 2015-2016 reconciliation accounted for 3.92% of extractives companies’ tax payments in 2015 and 1.78% in 2016. The comments also explained that the significant difference in revenues reported by SAR between 2015 and 2016 are due to the fact that the largest contributor, Minerales de Occidente, had omitted to file their tax return for year 2014 and ended up filing both tax returns, 2014 and 2015, in 2016. This company represents 89.95% of the total income tax generated by mining sector.

*Full government disclosure:* The EITI report notes that total government revenue from the extractive sector was HNL208 million, which is approximately USD 28 million in 2015, and HNL[[41]](#footnote-42) 551 million, which amounts to approximately USD 74 million in 2016 The report also includes a table with total government revenues received by the government agencies (INHGEOMIN, SAR and Municipalities), but does not disaggregate these figures by each revenue stream (p. 60).

*Discrepancies*: The report includes the reconciliation tables (pp.70-87) which point to discrepancies. Many of these discrepancies between the revenues reported by government entities and payments made by companies can be explained due to differences in exchange rates and other technical differences in the reporting. The explanation for discrepancies is provided in the report (pp.70-87). Despite this, there are still some discrepancies that have not been addressed, such as those related to the Population Security Fee, an exclusive contribution from the mining sector. The information about this fee was provided by companies, but not by SAR, which does not include this revenue in its 2015 and 2016 registers. The EITI Report includes a recommendation that the MSG undertake actions to access more complete information in government revenues, in order to be able to better process the reconciliation of payments (p.89).

### Secretariat’s Assessment

The International Secretariat’s preliminary assessment is that Honduras has not addressed the corrective action on comprehensiveness and has made meaningful progress without considerable improvements towards meeting Requirement 4.1. Following this Requirement, “the MSG is required to agree which payments and revenues are material and therefore must be disclosed including appropriate materiality definitions and thresholds.” The 2015-2016 EITI Report mentions the final result in terms of the reconciliation coverage but does not explain the materiality thresholds adopted nor confirm that no material revenue stream or company making material payments to government was excluded from the scope of reconciliation. Minutes of MSG meetings confirm that materiality was defined in terms of the aggregate reconciliation coverage, not in terms of each revenue stream and company’s share of total government extractives revenues. The approach to materiality is based on production and export values as well as non-tax revenues collected by INGHEOMIN, not in terms of total government (tax and non-tax) revenues in the year under review.

While the MSG asked for an ex-post confirmation of comprehensiveness from the Tax Office (SAR), this confirmation was only that the final reconciliation coverage was consistent with the reconciliation target of 85% of extractives revenues, which does not provide assurances that all material revenue streams and companies were covered in the reconciliation. Written comments from SAR as part of the Validation confirmed that the largest extractives payment to SAR in the year under review came from a company that was not selected as material, yet accounted for 3.92% of tax revenues in 2015 and 1.78% in 2016.

In accordance with Requirement 4.1, Honduras is required to ensure that the reporting adheres to the standard Terms of Reference for Independent Administrators approved by the EITI Board, and in particular, that the adopted definition of materiality guarantees a comprehensive scope for the reporting process which includes all material companies. The MSG is required to guarantee that the next EITI Report includes a list of non-reporting entities and assess the materiality of their payments or revenues. Finally, the MSG is encouraged to work together with the government authorities, including INGHEOMIN, SAR and the different municipalities, towards developing a classification method that ensures that the universe of material extractive companies is clearly identified.

## Corrective action 6: Subnational Payments (#4.6)

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.

### Findings from the first Validation

The first Validation concluded that Honduras had made inadequate progress in meeting this requirement. The EITI Report 2014 included subnational direct payments: six municipalities and seven material companies were asked to report on this. The report disclosed on the four municipal-level revenue flows that were considered material, and their figures were reconciled by the Independent Administrator. The reconciliation yielded important discrepancies.

These discrepancies were the consequence of incomplete reporting from the municipalities - one of them (Juticalpa) for example, had not reported at all. Besides the lack of complete information, the report also remained silent about the quality of the municipal data reported. Although it was later confirmed that five municipalities provided certified reporting templates, it was not fully clear which were the quality assurances offered. The International Secretariat concluded that the reconciliation of subnational payments suggested important gaps in the municipalities’ capacity to collect and report revenues.

### Progress since Validation

The MSG did not clearly set a materiality threshold for selecting direct subnational payments.. However, as disclosed in the report, these payments represented 40% and 12% of the sector total revenues for 2015 and 2016, respectively. The revenues received by municipalities during 2015 accounted for HNL 83m of the extractive industries’ total payments to government of HNL 208m, and during 2016 it represented HNL 61m out of the HNL 551m total industry payments of HNL 551m (p.60).

The EITI Report (p.58) lists the following subnational payments established by the Municipalities Law and the Mining Law: Property Tax, Municipal Tax on Mining Activity, Permission to Operate Tax, and Extraction and Exploitation of Resources Tax. Despite listing these taxes, the report does not provide an explanation of the specific types of payments that were actually undertaken by extractives companies in the years under review, but it does confirm that municipalities provided certificates for the payments received related to the “Municipal Tax on Mining Activity” (General Mining Law – Art. 76). The report’s reference to certificates only for this type of tax payment implies that these were the only payments received by municipalities, although this is not explicitly stated in the report.

The “Municipal Tax on Mining Activity” is the only subnational payment disclosed in the report. This tax used to be applicable to mining and was calculated as 1% of the total monthly value of sales or exports. The payments corresponding to this tax were reconciled in the EITI Report (pp.86-87). Nonetheless, their materiality was not assessed in relation to total government revenues, and the important discrepancies identified regarding eight of the nine reporting companies were not explained either.

In August 2017, the “Municipal Tax on Mining Activity” was declared unconstitutional by a High Court ruling, which required revisions to the basis for its calculation. In this sense, the High Court explained it to be a matter of public interest, under which the legislator should review the tax’s value and adjust it to international standards, thereby ensuring it be aligned with the objective of achieving the economic development.

Several stakeholders consulted explained that their primary concern was the lack of regulations on mining activities and the fact that rates paid by mining companies in Honduras were considered low by international standards. After being declared unconstitutional on 2017, no new rate was formally established for the 1% Municipal Tax. Despite this, city mayors consulted explained that each Municipality had its own informal arrangements with mining companies operating in their areas. The nature, scope and setup of these arrangements were explained by local government stakeholders consulted. Some suggested that as municipalities received revenues from these informal arrangements, the contribution to the national treasury was diminished, which explained why the mining industry’s contribution to central government revenues had reduced over time.

### Secretariat’s Assessment

The International Secretariat’s preliminary assessment is that Honduras has not addressed the corrective action related to direct subnational payments and has made inadequate progress without improvements towards meeting Requirement 4.6. Similar to the observations from the first Validation, the 2015-2016 EITI Report lists the types of taxes paid directly by companies to subnational government entities but does not specify whether these payments were considered material by the MSG. Nonetheless, direct subnational payments are clearly material given that they accounted for a combined 40% of extractives company payments to government in 2015 and 12% for 2016. The EITI Report does not present a complete reconciliation of material subnational payments, and thus there is little evidence that the MSG has addressed the corrective action from the first Validation. The “Municipal Tax on Mining Activity” was the only direct subnational payment reconciled in the EITI Report (p. 86-87), despite the lack of clarity on the materiality assessment of other direct subnational payments. This represents a potential gap, given that other revenues such as the “Operations Permit” appear to be municipality revenues that are not accounted for in the EITI Report. According to stakeholders consulted, there seems to be an “annual fee” paid by companies to municipalities although the EITI Report does not clarify the nature and basis for these payments, nor provide an assessment of their materiality. In addition, the reconciliation of “Municipal Tax on Mining Activity” payments does not appear to be comprehensive, given the materiality of discrepancies and the fact that some municipalities reported incompletely.

In accordance with Requirement 4.6, Honduras should confirm whether direct payments, within the scope of the agreed benefit streams, from companies to municipalities are material. Where material, company direct subnational payments to municipalities should be reconciled with municipalities’ revenues and publicly disclosed.

## Corrective action 7: Data quality and assurance (#4.9)

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.

### Findings from the first Validation

The first Validation concluded that Honduras had made meaningful progress in meeting this requirement. The initial assessment confirmed that a credible IA, applying international auditing standards, reconciled payments and revenues from the operating extractive companies during the fiscal year 2014. The IA’s terms of reference were aligned with the standard terms of reference for IA approved by the EITI Board. In practice, however, there were some substantial deviations from the latter. First, while the IA was content with the scope of reporting and the definition of materiality, it did not formally comment on the comprehensiveness of this approach and the data provided. Second, although discrepancies were identified and addressed as instructed in the terms of reference, the IA did not provide an assessment on how the unresolved discrepancies affected the comprehensiveness of the reconciliation exercise. Finally, while the IA provided a description of the assurance mechanisms in line with the terms of reference, it did not provide an assessment on the reliability of the (financial) data presented. While the IA mostly followed the standard terms of reference, the significant departures from the required procedure and, overall, the insufficient attention to data quality issues prevented Honduras from meeting this requirement.

### Progress since Validation

Since the first Validation, the MSG has worked towards ensuring that the Terms of Reference (ToRs) for the IA adhere to the standard ToRs. Honduras published its 2015-2016 EITI Report on June 2018. While the report provides certain descriptions of assurances mechanisms in line with the terms of reference (pp.63-67), it does not provide a concrete assessment on the reliability of the financial data presented, as well as a confirmation that the agreed quality assurances were followed in practice. Consultations with stakeholders confirmed certain limitations and concerns regarding the quality of data.

Review of audit practices: The EITI Report describes the statutory rules for audit and assurances in the public sector but does not include any reference for rules regarding audit procedures for extractives companies.

The report describes the statutory rules for audits in the public sector, and confirms that audits of government entities are published in the High Court of Accounts’ (HCA) website[[42]](#footnote-43) (p.63). The report confirms that the HCA audits are publicly accessible through the HCA website. The report also explains that Municipalities in Honduras periodically report to the HCA (p. 13), and the APR 2018 adds that the HCA has granted audit records to those municipalities which have been subject to audits.[[43]](#footnote-44) In connection to this, the report explains that SEFIN has been implementing the Integrated Municipal Administration System (SAMI)[[44]](#footnote-45), which seeks to establish better mechanisms aimed at enhancing effectiveness and transparency in the use of public resources (p.13). The implementation of SAMI began in 2012 with 10 municipalities and has been incorporating new municipalities over the years; by 2018, 163 municipalities had implemented SAMI (see Annex III and p.101).

Assurance methodology: The 2015-2016 EITI Report describes the quality assurances for EITI reporting agreed by the MSG (p.63). The quality assurances required from companies and government entities included an attestation letter from a senior company management or a senior government entity representative, referring to the accuracy and integrity of the data reported. In cases in which the law requires an external audit for the company, the management attestation referred to reporting templates being consistent with audited financial statements (p.66).

Reconciliation coverage: The reconciliation in the report covered 89.13% and 95.10% of all government extractive revenues, for 2015 and 2016 respectively. Even though the reconciliation coverage exceeded the target of 85% set by the MSG, there report holds no evidence of a clear approach to establishing the materiality threshold used.

In connection to this, the report mentions that “all companies have provided the requested information” (p.96). However, this statement can be misleading, since it could be read as referring to all the companies in the sector, but actually seems to be signalling to the nine companies that have accepted the invitation to participate in the report.[[45]](#footnote-46). In terms of the government entities the report explains that all those contacted, except for the municipality of Juticalpa, Olancho provided the requested information.

Some consulted stakeholders raised their concerns regarding the municipalities that failed to report or simply referred to information contained in copies of the payment receipts for the amounts paid by the companies. Also, they pointed to misinterpretations between the Government and the industry, who seem not to have a common understanding in relation to all revenue streams (e.g. the Security Population Fee is reported by the companies, but not reported by the SAR).

Assurance omissions: The report does not give any indications on the assurance omissions, neither on the part of companies nor of government. It simply describes the assurance mechanisms, but does not specify at any time whether they were actually followed. There is no indication whether the processes explained (agreed templates, signature by representative, sworn statement, etc) were indeed satisfied by each company and government entity. Quite to the contrary, some consulted stakeholders said that mining companies did not refer to their audited financial statements. The report confirms that these financial statements are not publicly available.

Data reliability and comprehensiveness assessment: The report did not include a statement by the IA on the comprehensiveness and reliability of reconciled financial data in the EITI Report.

### Secretariat’s Assessment

The International Secretariat’s preliminary assessment is that Honduras has not addressed the corrective action on data reliability and has made meaningful progress without improvements towards meeting Requirement 4.9. Even though payments and revenues were reconciled by a credible IA, in line with Requirement 4.9.b, the IA did not assess the comprehensiveness and reliability of the reconciled financial data, nor provide an assessment of whether the agreed quality assurances for EITI reporting were followed. The EITI Report lacked a clear listing of those reporting entities which did not provide the required quality assurances, as well as an assessment of the materiality of these reporting entities’ payments or revenues.

In accordance with Requirement 4.9 and with the standard terms of reference for the Independent Administrator, 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 comply with the agreed quality assurance mechanism in future EITI reporting. Any gaps or weaknesses in providing this information should be noted by the Independent Administrator in the EITI Report with an assessment of whether this is likely to have had material impact on the reliability of the financial data presented.

## Corrective action 8: Social Expenditures (#6.1)

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.

### Findings from the first Validation

The first Validation found that Honduras had made meaningful progress in meeting this requirement. Honduras Mining Law mandated payments that the International Secretariat considered to be “material social expenditures by companies are mandated by law” as per Requirement 6.1 of the EITI Standard. The EITI Report 2014 included the unilateral disclosure of aggregated social payments made by the companies but did not provide information on the beneficiaries of such contributions. As the recipients of these contributions were not government entities, the lack of information on the beneficiaries was considered problematic.

### Progress since Validation

The 2015-2016 EITI Report explains that all participating companies make social contributions to communities located near the production area (p.66). However, these contributions are not established by law, but instead are voluntary, either as part of social responsibility programs, or pre-arranged between the municipality and the operating company. The report provides companies’ disclosures of their voluntary social payments, albeit with gaps related to the detail of these expenditures.

The International Secretariat reviewed and confirmed that Honduras Mining Law[[46]](#footnote-47) refers to obligations of the companies regarding “support for raising environmental awareness, information programs and capacitation for personnel, municipalities and affected communities’ population to encourage actions that minimise environmental damages and the protection of flora and fauna in the affected regions”, but does not establish any particular social payment. The law says that the “planning and execution of these programs must be reported annually in the declaration to the mining authorities” (art. 54 part c), but does not specify the level of disaggregation for that reporting.

This understanding was confirmed through stakeholders consultations, who corroborated that there were no mandatory social payments in the years covered in the report, either by law or by contract governing the resource extraction. In terms of mining, they clarified that the contracts were standardized and governed by the specific law mentioned before, which meant that none of the mining contracts could contain bespoke clauses mandating social payments. During consultations, they also explained that, despite not being mandatory, some companies do contribute with social payments, on a voluntary basis. This is reflected in the report, which discloses social contributions for 2015 and 2016, detailing amounts paid by each reporting company (p.67). Similar to the issue raised in the first Validation, these disclosures on voluntary social payments do not provide specific information on the recipients of these payments. These contributions are paid to the communities in the mining areas, based on specific agreements either with the corresponding municipalities or civil society organizations operating in the area. The report mentions some of the projects financed with them, mostly focused on education (building and maintenance of rural schools).

Regarding social payments from the hydrocarbon sector, the report mentions that there was only one contract for exploration in the period covered. This contract was with BG (now Shell) and included mandatory social payments (p.54). Nonetheless, the report also adds that the company conducted some exploration activities which provided no revenues (p. 23-24) – situation which was corroborated by the environmental agency (SERNA/MiAmbiente) and the consulted stakeholders. As it appears in the report, BG was not a material company on the years under review. The International Secretariat’s understanding, confirmed by stakeholders, is that the activities of the referred contract were suspended, and the obligations derived from did not entered into force, making the social payments not applicable. Since then no further contracts for exploration and production of oil have been awarded.

### Secretariat’s Assessment

The International Secretariat’s preliminary assessment is that Honduras has fully addressed the corrective action on social expenditures and that Requirement 6.1 was not applicable to Honduras in the year under review. The 2015-2016 EITI Report clearly states that social expenditures are not established by any law nor contract governing resource extraction. Furthermore, all stakeholders consulted confirmed that social payments are voluntary and not mandatory in Honduras.

Companies in the extractive sector in Honduras are encouraged to further disaggregate the data they provide on their voluntary social payments. The MSG is also encouraged to request further information to be disclosed, regarding the companies’ voluntary contributions paid to the communities in the mining areas, including the terms of their specific agreements with the municipalities and other local recipients.

## Corrective action 9: Economic Contribution (#6.3)

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

### Findings from the first Validation

The first Validation concluded that Honduras had made meaningful progress in meeting this requirement. More specifically, Honduras had made progress in disclosing part of the information required such as share of GDP, exports and employment, but was lacking the data on government revenues generated by the extractive industries - in absolute terms and as a percentage. At the time of the first validation, stakeholders did not express any particular views related to the contribution of the extractive sector to the economy. The Initial Assessment established that the MSG should ensure that future EITI reporting includes the total of government revenues.

### Progress since Validation

*Share of GDP*: The 2015-2016 EITI Report provides the size of the extractive industries in absolute terms and as a percentage of GDP (p. 27). Table 2 discloses the extractive industries’ contribution to GDP, indicating that, in absolute terms its contribution was of 334 million lempiras and 346 million lempiras for 2015 and 2016, respectively. The report also shows that the extractive sector represents about 0.5% of total GDP in Honduras in each year. An estimate of informal sector activity is not mentioned in the Report.

*Government Revenues*: The report discloses total government revenues generated by the extractive sector in absolute terms but does not provide it as a percentage of total government revenues, given that the latter amount is not informed (p.60). However, consultations with stakeholders confirmed that the total value of government revenues is publicly accessible from the Secretary of Finance (SEFIN) website. Total government revenues for the fiscal year 2015 were HNL 105,011,369,978[[47]](#footnote-48), and HNL 123,275,615,139 for the fiscal year 2016 [[48]](#footnote-49). This means that the extractive sector contributed 0.2% to the total government revenues in 2015 and 0.45% in 2016.

*Exports*: The value of extractives exports in absolute terms, for 2015 and 2016 is provided in the report - indicated in volume of sales and in USD. Table 4 presents the relative terms, showing that these exports represent only a 4% of total exports of the country for both years.

*Employment:* Employment in extractive industries is disclosed in the report in absolute terms and as a share of total employment (p.32).

*Location:* The report mentions that key areas of production are the departments of Santa Barbara and Olancho (p.32).

### Secretariat’s Assessment

The International Secretariat’s preliminary assessment is that Honduras has addressed the corrective action on the contribution of extractive industries to the economy and has made satisfactory progress towards meeting Requirement 6.3. The report discloses complete information, both in absolute and relative terms, on the size of extractive industries, exports, employment and key areas, accomplishing Requirement 6.3 (a)(c)(d)(e). While the report only provides the value of government extractive revenues in absolute terms, not as a share of total government revenues, it is possible to calculate the relative contribution of extractives revenues based on figures on total government revenues available from official government sources, fulfilling in this way Requirement 6.3.b.

The MSG is encouraged to source the figures on total government revenues available through the budget execution report and ensure that these are systematically disclosed, together with the other figures related to Requirement 6.3 This would simplify the disclosure, in absolute and relative terms, of the data related to the contribution made by the extractive industries to government revenues.

## Corrective action 10: Public Debate (#7.1)

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.

### Findings from the first Validation

The first Validation concluded that Honduras had made inadequate progress in meeting this requirement. Honduras conducted a reasonable amount of communication and outreach efforts, especially in 2014 and 2015. However, these efforts were drastically reduced in 2016. All the communication and outreach activities conducted in 2016 were funded by partners, mostly with in-kind contributions. The EITI Report 2014[[49]](#footnote-50) was barely disseminated and discussed.

### Progress since Validation

The 2018 Annual Progress Report documents the MSG’s efforts to develop a communication strategy to disseminate EITI findings, effective communication and contribution to public debate. The following were some of the MSG’s activities to enhance their communication efforts in the 2018-2019 period:

* On 11-18 March 2018, during the celebration of OGP week in the National Autonomous University (UNAH), EITI Honduras coordinated a panel on "Clarity and Transparency", which included representatives from the three constituencies. The forum was attended by a large number of students from the universities UNAH and UJCV.
* On 19 July 2018, during the 4th International Conference on Mining and Geology in Honduras, EITI Champion, López Contreras, participated on two events aimed at disseminating the data from EITI reports. [[50]](#footnote-51)
* On 29-30 November 2018, the MSG, in accordance with its work plan, held a national congress for the socialization of the 2015-2016 EITI Report and a civil society dialogue on the extractive sector. The EITI National Conference, which included the participation of representatives from INHGEOMIN, the Ministry of Environment, SAR, municipalities, CSOs, ANAMIMH and the National Secretariat. The CSOs’ event included a series of conferences in relation to metallic and non-metallic mining activity, legal status and related issues.[[51]](#footnote-52)
* Communication and coordination activities directed at the municipal authorities of the main mining communities in Honduras, within the frame of the Association of Honduran Municipalities (AMHON). The participation of 17 municipal mayors helped disseminate the EITI Report.

Despite these efforts, the MSG seems to lack a clear action plan with regards to wider communication strategy. Their work in terms of communications has been focused on actions around specific elements of dissemination to date, mostly presenting the report at specific events and accompanying these launches with speeches from different MSG members.

Regarding the 2015-2016 EITI Report, the MSG failed to formally publish it in an EITI-Honduras website. The reason for this was rooted in the fact that, even though the European Union (EU) had approved a consultancy service to develop a new EITI-Honduras website and platform, the agreement had not yet been implemented by the start of Validation. As an interim solution the MSG ensure that the report was published on partners’ websites including the Institute for Access to Public Information (IAIP), the Secretariat of General Coordination of Government (SCGG), the Honduran Institute of Geology and Mines (INHGEOMIN), the Federation of Non-Governmental Organizations for the Development of Honduras (FOPRIDEH), the José Cecilio del Valle University (UJCV), the Honduran Council of Private Enterprise (COHEP) and the National Association of Metallic Mining of Honduras (ANAMIMH).

At the start of Validation, the EITI-Honduras website was not operational, and many of the documents generated by EITI-Honduras had only been published in the website of IAIP. Given the wide variety of information and documents available on the IAIP portal[[52]](#footnote-53), the accessibility of EITI documents does not appear to be user-friendly, and requires specific filters in the search function. Also, from time to time the IAIP website search function has presented technical issues, which have made access and consultation of EITI documents more challenging.

As stated in MSG meeting minutes from September 2018, the SCGG agreed with the EU the hiring of contractors for several relevant tasks, including assistance on the design, construction and launching of the EITI-Honduras website. So far, there has been no evidence of progress on this issue. Stakeholders consulted confirmed this and explained that the consultancy firm in charge of the EITI-Honduras website had not yet been hired and explained that the terms of reference for this consultancy were still under discussion at the commencement of the second Validation.

The MSG lacks a clear policy on the access, release and re-use of EITI data. There is no evidence of use of EITI data by different stakeholders, nor of its contribution to public debate. Summary data from the 2015-2016 EITI Report has been prepared in open data format and submitted to the International Secretariat in February 2019, although not yet published online. The International Secretariat’s requests for clarifications regarding the draft summary data have not been addressed by EITI Honduras to date.

Civil society organisations consulted that are not part of the EITI process but working on issues related to mining expressed their concerns on the lack of communication with EITI in the areas where the projects are located. Most stakeholders highlighted that a stronger communication strategy, including analytical work and better linkages with other organisations’ studies, would require more resources for EITI implementation.

### Secretariat’s Assessment

The International Secretariat’s preliminary assessment is that Honduras has not addressed the corrective action on public debate and has made inadequate progress without improvements towards meeting Requirement 7.1. The 2015-2016 EITI Report has not been actively promoted nor contribute to public debate to date. Outreach events were undertaken for raising awareness on EITI implementation, but they were not sufficient for ensuring that EITI disclosures and findings were communicated effectively nor contribute to public debate. The MSG has not conducted more thorough dissemination and debate campaigns despite funding available from the EU to support such activities. While external sources of funding have been made available, the government has not allocated any funding or resources for communication activities aimed at enhancing EITI’s contribution to public debate. The MSG has not yet agreed a clear policy on the access, release and re-use of EITI data.

In accordance with Requirement 7.1, Honduras should ensure that future EITI Reports are actively disseminated, promoted and contribute to public debate, combined with effective outreach activities. Honduras is encouraged to make use of available funding for dissemination and communication activities. Honduras is required to agree a clear policy on the access, release and re-use of EITI data.

## Corrective action 11: Follow-up to recommendations (#7.3)

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.

### Findings from the first Validation

The first Validation found that Honduras had made meaningful progress in meeting this requirement. EITI-Honduras had addressed the discrepancies from their reconciliation exercises and had identified gaps. Government agencies, like INHGEOMIN, had incorporated lessons from EITI implementation and embedded some of the requirements into their systems. Other agencies identified the potential of using EITI for further developing their systems and procedures. The MSG had taken stock on what had been achieved and opportunities for further improvements based on the requirements and suggestions of the Standard. However, the MSG fell short on developing a clear set of recommendations that could be communicated to other stakeholders, including government agencies. In this line, it was mentioned that future reports could include a clearer set of recommendations to be followed up and discussed. Implementing those recommendations appeared as key to ensure that the EITI can contribute to the objectives set out for EITI-Honduras.

### Progress since Validation

According to MSG meeting minutes, there have been some discussions on monitoring progress regarding the corrective actions from the first validation.[[53]](#footnote-54) Despite this, neither the 2018 Annual Progress Report nor the 2017-2018 EITI work plan address the actions for following up on recommendations from past EITI reporting.

Out of the six recommendations listed in the 2015-2016 EITI Report (p.89), three were identical to those included in the 2014 EITI Report with limited evidence of follow-up (p.90). The repeated recommendations on both reports refer to:

1. *Uniform classification of extractives revenues:* This topic was discussed at the National Secretariat’s and MSG meetings held on August and September 2018, with representatives of INHGEOMIN, SAR, SCGG. The Honduran legal regulations were thoroughly reviewed and analysed in order to facilitate the signing of the Interinstitutional Collaboration Agreement between INHGEOMIN and SAR. The SAR representatives committed to send the draft document with the new observations to the EITI Technical Secretariat, however, there is no further evidence of efforts made to implement this recommendation in practice.
2. *Data provided*: The 2015-2016 EITI Report did once more draw on the export data for defining materiality (see corrective action 5). This shows a lack of follow-up on this recommendation, since there is no evidence that the MSG considered other methods for defining the materiality threshold on which companies are to be selected for EITI reporting. This is a key element to address for future reports, in order to ensure that all the material companies and revenue flows are actually covered in the disclosures.
3. *Reporting companies*: EITI-Honduras was suggested to work on encouraging the participation of smaller companies in the reconciliation process, thus to increase the transparency of the sector. The 2014 EITI Report included seven reporting companies, out of which six were involved in metallic mining and only one in non-metallic mining. The 2014 EITI Report recommended that more companies be included in the scope of EITI reporting, specifically from the non-metallic sector. Partially in line with the recommendation, the 2015-2016 EITI Report included two additional companies, although only one of them represents a non-metallic mining (Incal, S.A. de C.V.). This shows that the MSG has considered this previous recommendation and acted accordingly in trying to increase the number of reporting companies in Honduras.

Besides these three repeated recommendations, the 2015-2016 EITI Report refers to another three recommendations related to automation of data, early start of reconciliation for the 2017 fiscal year and the need for having better knowledge of the total revenues of the tax and non-tax payments that the Government Institutions receive from the extractive industry. The International Secretariat is not aware of any evidence pointing to follow-up by the MSG on these recommendations. These topics do not seem to have been discussed by the MSG in the meetings after the publication of the EITI report, neither in the preparations for the following reporting exercise.

Furthermore, the general conclusions of the EITI Report highlight discrepancies in the reconciliation of payments and revenues (p.88). These highlight that several discrepancies still need to be resolved, such as in the case of the Population Security Fee payments by mining companies. Even though companies have provided information on their payments of this fee, the SAR did not recognise this tax in its 2015 and 2016 revenues, causing significant discrepancies (*see Requirement 4.1*). This issue is directly related to what the report indicates as a lack of homogeneous terminology for tax concepts (p.45). Despite these issues being highlighted on the report, the MSG does not seem to have focused on them or on possible ways to overcome them. There is no evidence of the MSG having discussed the causes behind the discrepancies, neither possible mechanisms that could aid in reducing them for future reporting exercises.

Several stakeholders consulted considered that the EITI had become dormant in some respects. They explained that they had discussed the recommendations and challenges for future EITI implementation, but had done so in a general way without addressing specific issues. They noted that governmental agencies did not get involved in considering recommendations from previous EITI Reports. They highlighted this evidence of lack of engagement from certain government stakeholders (*see Requirement 1.1*).

### Secretariat’s Assessment

The International Secretariat’s preliminary assessment is that Honduras has not addressed the corrective action on follow-up on EITI recommendations and has made meaningful progress without improvements towards meeting Requirement 7.3. The first Validation noted that the MSG made some efforts in addressing recommendations from EITI Reports. However, since then there seems to be only limited evidence on the MSG discussing the EITI recommendations and trying to reflect on them during the last reporting cycle. For example, even though some stakeholders mentioned efforts made to act upon lessons learned from EITI reporting, there is no evidence in the Annual Progress Report 2018 or other documents that can point to concrete steps that would have been taken to act upon these. Implementation of previous EITI recommendations is crucial for the EITI to support progress towards Honduras’ national reform priorities for the extractive industries.

In accordance with Requirement 7.3, Honduras should take steps to discuss and, when considered pertinent, act upon lessons learned from EITI reporting. The MSG is also encouraged to develop a systematic mechanism for following-up on the recommendations derived from previous reporting exercises, in order to ensure that their implementation is in line with the gaps identified and provides for ways to overcome them,

## Corrective action 12: Results and impact of EITI implementation (#7.4)

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.

### Findings from the first Validation

The first Validation concluded that Honduras had made meaningful progress in meeting this requirement. The MSG had reviewed and discussed the outcomes and impact of the EITI implementation in preparing the Annual Progress Report. Bearing in mind the reduced resources available for EITI-Honduras, the International Secretariat found it understandable that this exercise was limited and did not yield a clear list of recommendations and actions for strengthening the impact of EITI implementation. While Honduras had addressed the elements listed in this requirement, it fell short in completely fulfilling the wider objective of the requirement. The International Secretariat concluded that the MSG should review the outcomes and impact of EITI implementation ahead of agreeing a new work plan, and undertake, in consultation with all constituencies, an impact assessment with the intention of identifying opportunities to increase impact. The MSG was encouraged to explore options for extending EITI implementation, in order to address issues that could contribute with Honduras’s modernization efforts.

### Progress since Validation

The MSG published the 2018 Annual Progress Report (APR) on 24 April 2019. Besides this, there are no other references of the MSG reviewing outcomes and impact of EITI implementation on natural resource governance. The APR does not address in detail the recommendations from previous reporting, and there is no evidence of stakeholders effectively participating in the production of this document.

Consultation with stakeholders confirmed the lack of a systematised efforts directed at reviewing outcomes and impact of the EITI. Some stakeholders mentioned that the 2018 APR was reviewed as a draft document circulated via email but signalled that there were no discussions on the draft at any of the MSG’s meetings.

### Secretariat’s Assessment

The International Secretariat’s preliminary assessment is that Honduras has not addressed the corrective action on follow-up on EITI recommendations and has made meaningful progress without improvements towards meeting Requirement 7.4 The first Validation noted that the MSG made some efforts in reviewing the outcomes and impact of EITI implementation. However, since then there has been no evidence that such efforts were undertaken. The 2018 APR focused more on activities than on impact. The MSG does not seem to have developed any systematic approach for reviewing outcomes and impact, and there has not been any specific consultation or discussion on the development of the APR within the MSG.

In accordance with Requirement 7.4, Honduras should review the outcomes and impact of EITI implementation on natural resources governance and document it through means agreed by the multi-stakeholder group, such as the annual progress report or other EITI documents. This documentation of impact and outcomes should include efforts to enhance the impact of EITI implementation.

# Requirements assessed as satisfactory in 1st Validation

In the course of undertaking this assessment, the International Secretariat has also considered whether there is a need to review additional requirements, i.e. those assessed as “satisfactory progress” or “beyond” in the first Validation. In particular, the Secretariat reviewed possible back-sliding on Requirement 1.4 on MSG oversight. The International Secretariat’s view is that there is not sufficient evidence to suggest progress has fallen below the required standard on Requirement 1.4

## 5.1 Assessment of MSG Oversight (#1.4)

### Findings from the first Validation

The first Validation concluded that Honduras had made satisfactory progress in meeting this requirement. At the time, there was an active and engaged EITI multi-stakeholder group for most of the three and half years of EITI implementation. The composition, mandate and governance of the MSG appeared to be appropriate, and the three constituencies were engaged in the process. In particular, the government was committed to working with civil society and companies. While the lack of a well-resourced national secretariat had affected the capacity of the MSG to function, Honduras was considered to have fulfilled the broader objective of this requirement. The lack of adequate resources for EITI-Honduras were already addressed in the first Validation under Requirement 1.1.

### Progress since Validation

The incident involving the MSG communiqué from December 2018 and the following response from the CONROA civil society coalition, have raised concerns regarding the functioning of the MSG in Honduras, and the participations of the constituencies. The press release from the MSG from December 2018 (Annex A), which sits at the centre of the incident, expressed support for a specific mining project and criticise CSO opposition to it, raising concerns about ongoing activities and protests of civil society. This communiqué was published without all the MSG members knowing about it, and this caused an immediate rejection from CONROA, who issued a formal response on 17 December 2018 (Annex B), highlighting, amongst other issues, that the document had been published without endorsement from all CSOs on the MSG.

This can be interpreted as an indicator of poor engagement from CSOs. Most of the CSOs consulted confirmed this to be an issue, stressing the fact that the communiqué had been adopted without input from a number of MSG members. They explained that this happened as a consequence of the issue being raised during the MSG meeting on 11 December 2018, in which only one CSO (FOPRIDEH) was present (see Annex C). They also added that the proper procedure for issuing this type of communications was not followed, and that the communiqué was made public despite the fact that it was not circulated before the meeting for those not present to learn about its content and provide their respective comments.

The ToRs of the MSG provide a quorum of at least 2 participants per constituency (Art. 13 h.), condition which was not fulfilled in the meeting of 11 December 2018, given that only one representative from civil society was present. The ToRs also require minutes to be circulated and 48 hours to be given for any member to make comments or observations (Art. 13. h) – another condition which, according to the consulted stakeholders was neither fulfilled. Finally, the ToRs establish that the minutes ought to be signed in the following meeting, (Art. 13. h), which was neither the case regarding the 11 December 2018.

Finally, the International Secretariat found out that most of the CSOs from the MSG did not know about this communiqué, and the consequent reaction from CONROA. They only found out about these once the International Secretariat contacted them in February 2019 to discuss the issue. According to consultations, the MSG subsequently received a letter of protest from one of the CSOs because of the way in which this matter was handled.

### Secretariat’s Assessment

The International Secretariat considers that Honduras has made satisfactory progress on Requirement 1.4. After consideration, the International Secretariat reached the conclusion that the MSG has provided oversight of EITI implementation in the 2017-2019 period, and that the event of the MSG communiqué from December 2018, represents an isolated incident, which does not provide sufficient evidence for downgrading Honduras’ progress on this requirement. The International Secretariat also notes that, as an isolated event, the handling of the MSG communiqué from December 2018 represents a breach of Requirement 1.4 (b) (vi) and (vii), for not having timely circulation of the documents up for debate, and for not acting in accordance with the procedures set forth in the MSG’s ToRs.

The MSG is encouraged to record any practical deviations from its Terms of Reference. They are also encouraged to ensure that there is sufficient advance notice of meetings and a timely circulation of documents prior to their debate and proposed adoption, in order to avoid similar events as the one regarding the MSG communiqué from December 2018.

# Conclusion

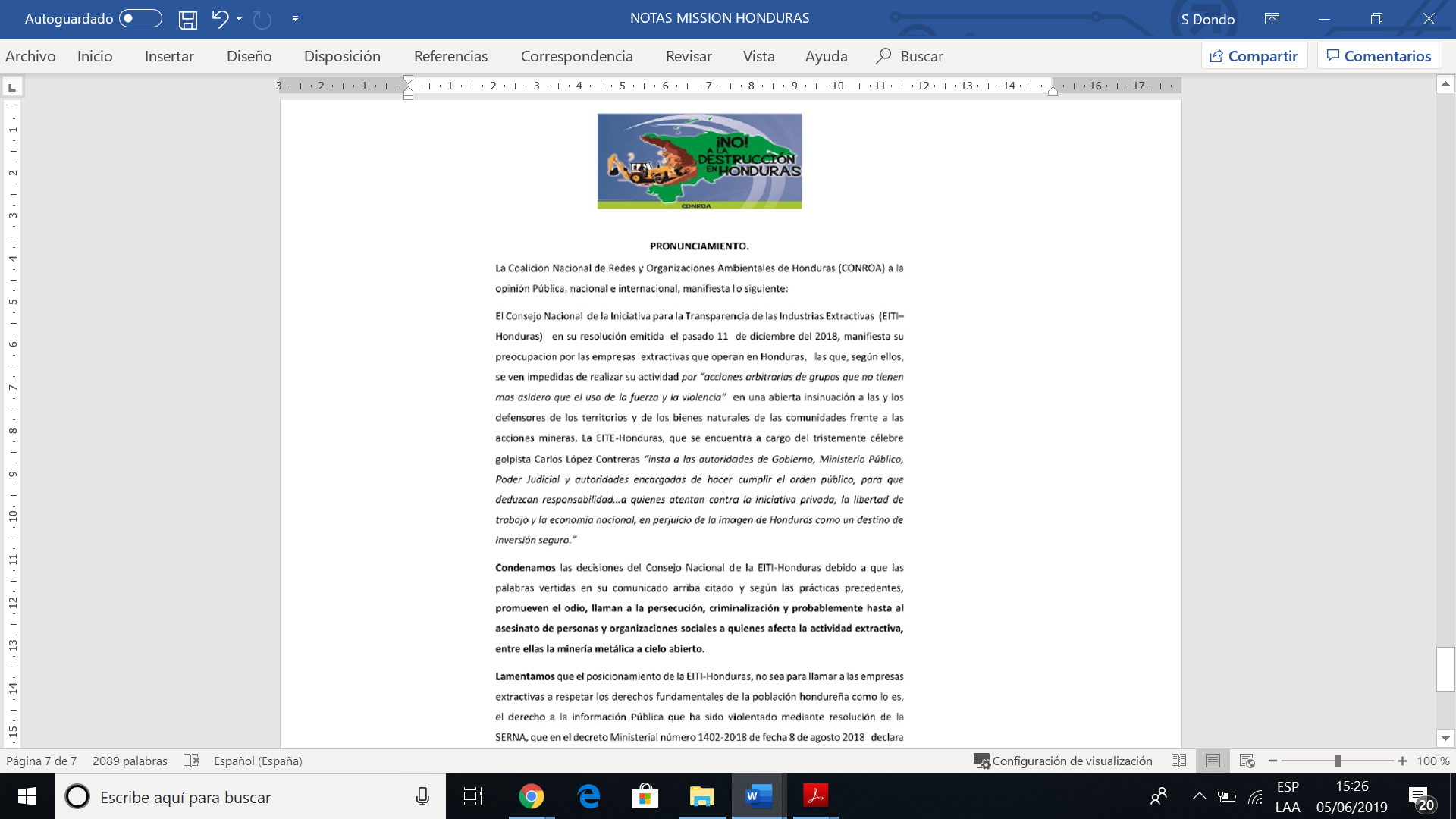
Having reviewed the steps taken by Honduras to address the 12 corrective actions requested by the EITI Board as of the commencement of its second Validation (25 April 2019), it can be reasonably concluded that only two of the 12 corrective actions have been fully addressed and that Honduras has made either meaningful or inadequate progress on the other 11 corrective actions. The corrective action that has been fully addressed relates to economic contribution of the extractive sector (Requirement 6.3), and social expenditures (Requirement 6.1), which was not applicable in the years under review. Of the outstanding 10 corrective actions, the International Secretariat’s assessment is that there has been no regression in progress, and that these relate to government engagement (Requirement 1.1), industry engagement (Requirement 1.2), civil society engagement (Requirement 1.3), work plan (Requirement 1.5), comprehensiveness (Requirement 4.1), subnational payments (Requirement 4.6), data quality (Requirement 4.9), Public debate (Requirement 7.1), follow-up to recommendations (Requirement 7.3), and results and impact of EITI implementation (Requirement 7.4).

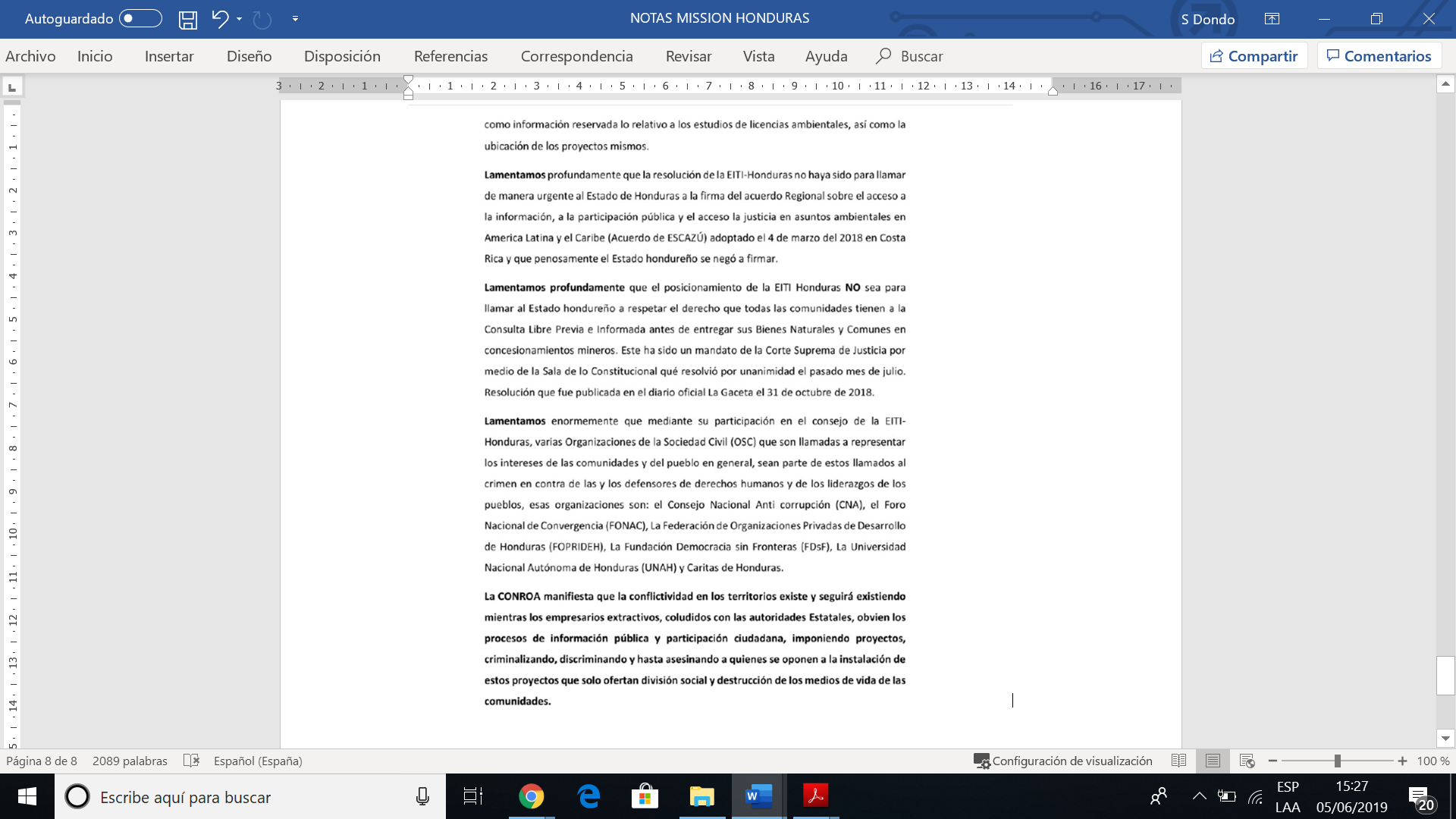
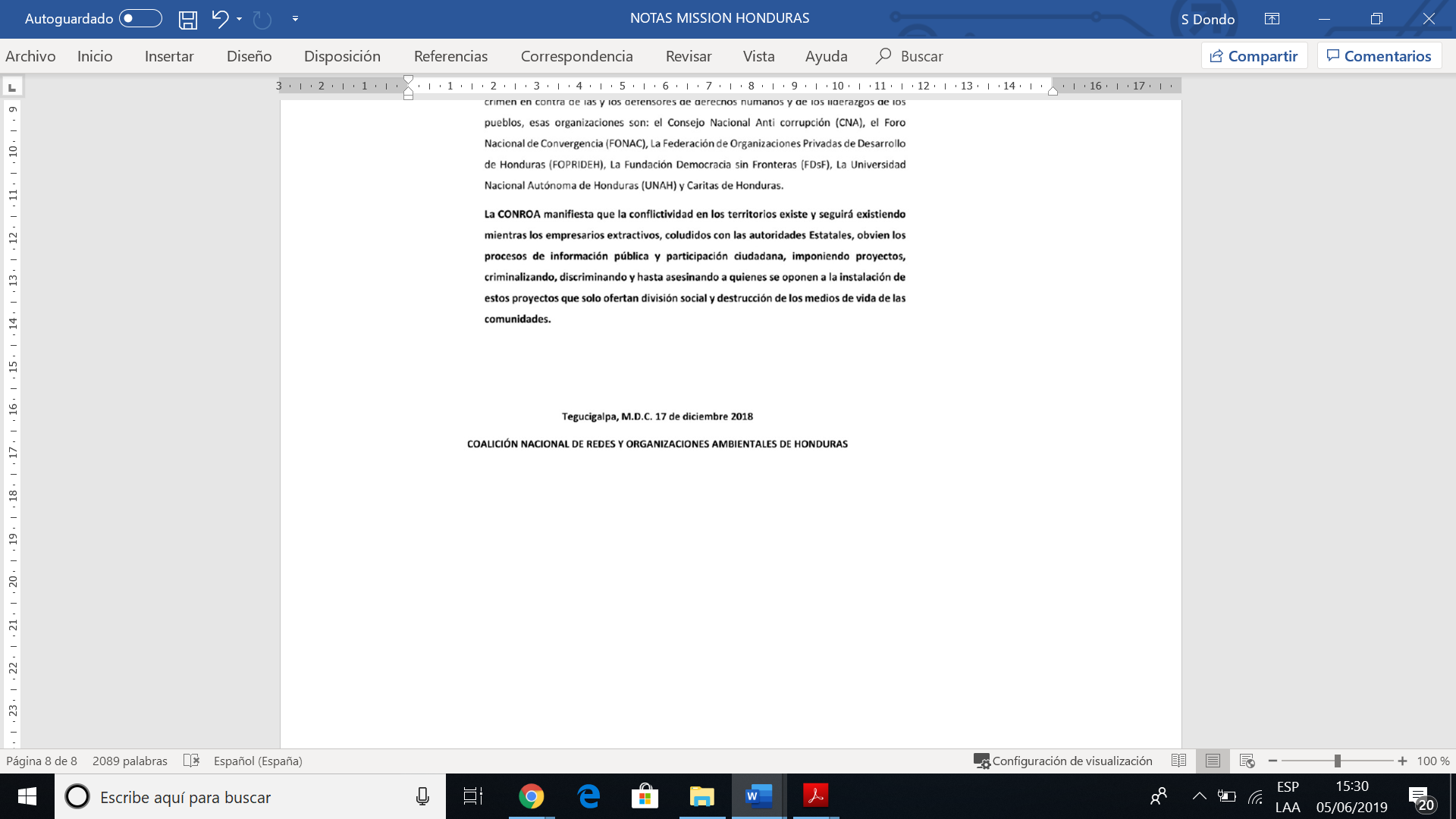
# Annexes

## Annex A: Communiqué sent by EITI on 11 December 2018

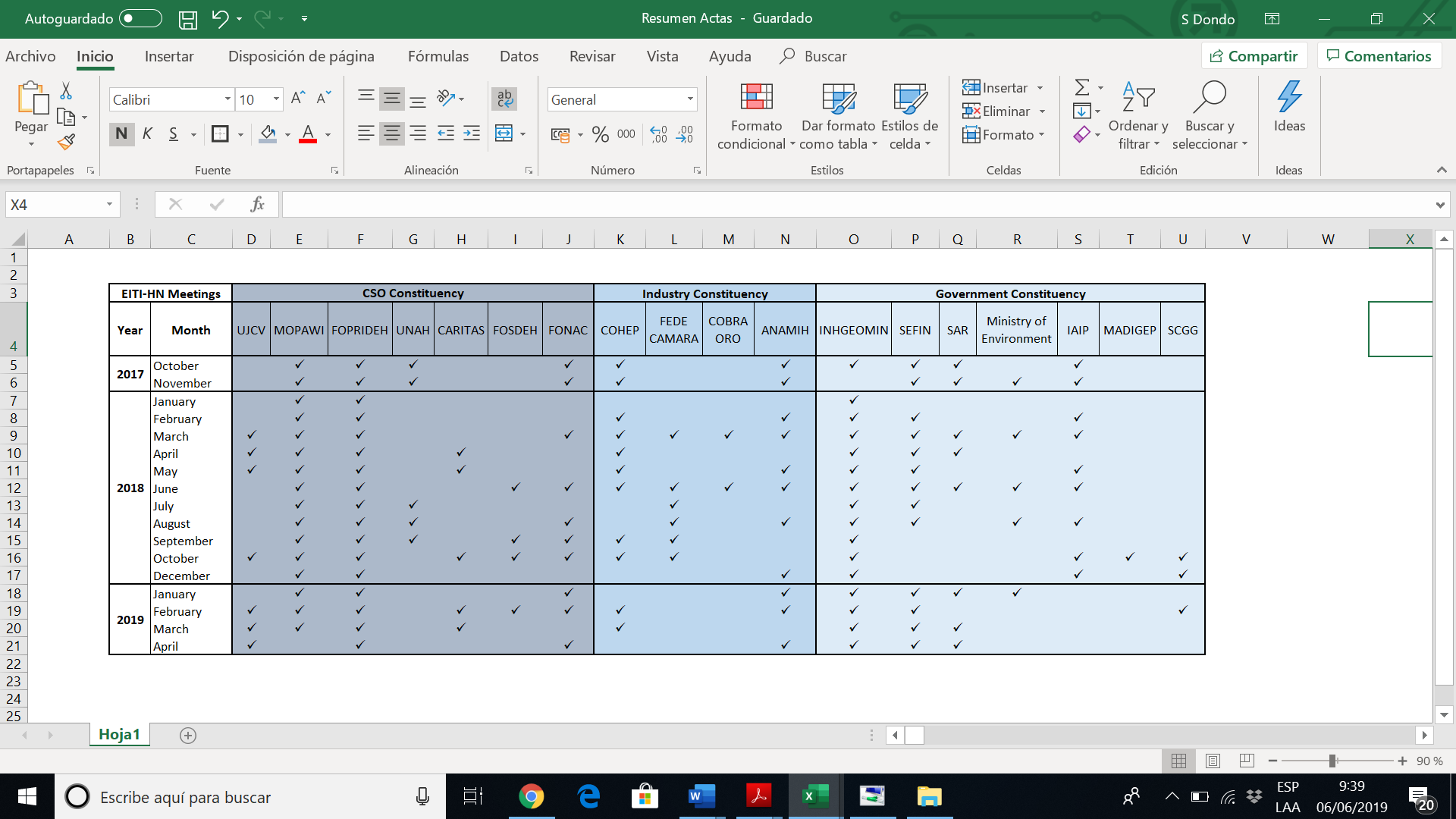


## Annex B: Document published by CONROA on 17 December 2018





## Annex C: Summary of attendance at Technical Secretariat’s Meetings



## Annex D: Email from SAR to international Secretariat, dated as of 6 June 2019

**From:** Cristian Erazo Delgado <[cedelgado@sar.gob.hn](mailto:cedelgado@sar.gob.hn)>   
**Sent:** torsdag 6. juni 2019 11.57  
**To:** Santiago Dondo <[SDondo@eiti.org](mailto:SDondo@eiti.org)>  
**Subject:** RV: Respuesta a consulta de Información EITI-HD

Saludos Santiago…te reenvio la información recopilada

Espero te sea de utilidad, cualquier consulta me lo haces saber

Msc. Cristian Erazo Delgado

***Director Nacional Juridico***

**De:** Alejandra Yaneth Figueroa Aguilar <[afigueroa@sar.gob.hn](mailto:afigueroa@sar.gob.hn)>   
**Enviado el:** miércoles 05 de junio de 2019 15:42  
**Para:** Cristian Erazo Delgado <[cedelgado@sar.gob.hn](mailto:cedelgado@sar.gob.hn)>  
**Asunto:** Respuesta a consulta de Información EITI-HD

Buenas tardes Abogado

 Para dar respuesta a las preguntas planteadas por el Señor Santiago Dondo, y según la información obtenida por el Departamento de Recaudación e Inteligencia Fiscal, las respuestas son las siguientes:

**1.-** **Dato del total recaudado a nivel país (no sólo de actividad minera, sino total absoluto) para años 2015 y 2016**.

**Respuesta:**

Para el año 2015 la recaudación fue de  **L. 77,646,451,110.99**

Para el año 2016 la recaudación fue de  **L. 88,762,221,226.11**

**2.-** **Asumiendo las siguientes definiciones: (A) es el total recaudado por SAR de parte de actividad minera; (B) la empresa minera, NO incluida en el reporte EITI 2015-2016, que más dinero pagó a SAR en esos años. Necesitaríamos que, sin dar nombres ni montos, nos puedan responder/informar lo siguiente: ¿Qué porcentaje de (A) representó el pago de (B), tanto en año 2015 como en año 2016?**

**Respuesta:**

Recaudación sector minero 2015 L. 73,867,706.00/ 2,894,958.00 (Empresa no incluida que más pagó)

Recaudación sector minero 2016 L. 448,034,950.20/7,970,100.26(Empresa no incluida que más pagó)

La Empresa minera no incluida en el reporte EITI 2015-2016, que mas dinero pagó a la Administración Tributaria representó el siguiente porcentaje:

para el año 2015 fue del 3.92%

Para el año 2016 fue del 1.78%

**3.-** **En cuanto a la diferencia en recaudación SAR a mineras entre 2015 y 2016,**

**Respuesta:**

La diferencia significativa es porque la Empresa Minerales de Oriente S.A de C.V., presentó las declaraciones en el año 2016, (la declaración del 2014 estaba omisa y ambas declaraciones 2014 y 2015 las presento en el año 2016).

Cabe destacar que esta empresa (Minerales de Occidente) representa el 89.95% de total de los Impuesto sobre la renta generado de L 410,583,918.13 por este sector.

1. See <https://www.oas.org/en/media_center/press_release.asp?sCodigo=E-092/17> [↑](#footnote-ref-2)
2. See <https://undocs.org/A/HRC/40/60/Add.2> [↑](#footnote-ref-3)
3. These articles ruled unconstitutional were: art. 22 (for not establishing a maximum duration for licenses), art. 27 (for being vague on the technology requirements for extractive activities, and not guaranteeing certain protections for the environment and public health), art. 56 (for establishing low rates for the taxes applicable), arts. 67 and 68 (for violating the requirement of prior consultation in allowing that the procedure be conducted in the largest municipality for those projects that are located in more than one municipality), art. 76 (for establishing very low cannons for municipal taxes: 2% for metallic mining and 1% for non-metallics) and art. 77 (for violating municipalities autonomy in managing their revenues from the extractive sector). See Supreme Court Decision: <https://tbinternet.ohchr.org/Treaties/CCPR/Shared%20Documents/HND/INT_CCPR_FCO_HND_32139_S.pdf> [↑](#footnote-ref-4)
4. See: <https://criterio.hn/socializan-propuesta-reformas-la-ley-mineria-honduras/> [↑](#footnote-ref-5)
5. See: <https://www.laprensa.hn/honduras/1263079-410/propuesta-reforma-ley-mineria-instituto-hondure%C3%B1o-geologia-minas-honduras> [↑](#footnote-ref-6)
6. <https://eiti.org/document/limited-engagement-policy> [↑](#footnote-ref-7)
7. EITI (2016), ‘2016 EITI Standard’, available at: <https://eiti.org/document/eiti-standard-requirements-2016> [↑](#footnote-ref-8)
8. The Minutes from MSG meetings are available at: <https://portalunico.iaip.gob.hn/> [↑](#footnote-ref-9)
9. MSG meeting minute available at: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NTY1OTI3ODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> [↑](#footnote-ref-10)
10. The Honduras’ 2017-2018 EITI Report is available at: <https://portalunico.iaip.gob.hn/portal/index.php?portal=442> [↑](#footnote-ref-11)
11. See: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=Mzc0NjY5ODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> [↑](#footnote-ref-12)
12. See: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NTUwMDQ1ODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> [↑](#footnote-ref-13)
13. EITI (2019), ‘EITI Validation Guide’, available at: <https://eiti.org/document/eiti-validation-guide> [↑](#footnote-ref-14)
14. <https://eiti.org/BD/2017-52> [↑](#footnote-ref-15)
15. See <http://transparencia.scgg.gob.hn/descargas/Decreto_Ejecutivo_No._PCM-013-2018.pdf> [↑](#footnote-ref-16)
16. See Minute from December 2018 (p. 2) <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NDU3NzA5ODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> [↑](#footnote-ref-17)
17. See Office Document 29 from September 2018 (p. 4): <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NTAyMjc2ODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> [↑](#footnote-ref-18)
18. This project was approved on 20 November 2018 as reflected in the minutes of the MSG’s Technical Committee meeting. See Minute from November 2018 (p. 4): <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NDU3Njk2ODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> [↑](#footnote-ref-19)
19. See Ministerial Agreement (p. 2) <https://tzibalnaah.unah.edu.hn/bitstream/handle/123456789/8638/20180817.pdf?sequence=2&isAllowed=y> [↑](#footnote-ref-20)
20. See APR 2018: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NTIyODQ3ODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg> [↑](#footnote-ref-21)
21. See EITI Report 2014: <https://eiti.org/sites/default/files/documents/eiti-hn-2014.pdf> [↑](#footnote-ref-22)
22. See: <https://www.oas.org/dil/esp/Constitucion_de_Honduras.pdf> [↑](#footnote-ref-23)
23. See: <http://www.icnl.org/research/library/files/Honduras/leyong.pdf> [↑](#footnote-ref-24)
24. See Minute from March 2019 (p. 3) <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NTAzNzcyODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> [↑](#footnote-ref-25)
25. See Minute from September 2017 (p. 2) <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=MzEyMzc5ODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> [↑](#footnote-ref-26)
26. See <https://foprideh.org/panel-sobre-cambio-climatico-y-gobernanza-de-la-eiti-en-la-comunidades-mineras/> [↑](#footnote-ref-27)
27. See Minute from October 2018 (p. 2) <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NDU3Njk2ODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> [↑](#footnote-ref-28)
28. See: <https://portalunico.iaip.gob.hn/portal/index.php?portal=442> [↑](#footnote-ref-29)
29. <https://www.mining.com/protesters-force-aura-minerals-suspend-operations-honduras/>. [↑](#footnote-ref-30)
30. See Meeting from May 2019 (p. 3): <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NTIzMDcyODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> [↑](#footnote-ref-31)
31. See Meeting from March 2019 (p. 2): <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NTAzNzcyODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> [↑](#footnote-ref-32)
32. See Meeting from May 2019 (p. 3): <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NTIzMDcyODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> [↑](#footnote-ref-33)
33. See work plan 2017-2018 <https://portalunico.iaip.gob.hn/Archivos/EITI/informes/informes/2017/PLAN%20DE%20TRABAJO%202017_EITI_HN%20%20(va).pdf> [↑](#footnote-ref-34)
34. See Minutes from March 2018 (p. 6) <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=MzcyNjMxODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> [↑](#footnote-ref-35)
35. The 2017-2018 work plan explains that the Court Decision brings along difficulties and limitations for expanding the sector. It also adds that due to this ruling, only those tributes from the extractive companies with concessions currently in force would be considered, excluding the government from perceiving taxes from new mining companies during their exploration phase. See p. 4 of work plan 2017-2018 <https://portalunico.iaip.gob.hn/Archivos/EITI/informes/informes/2017/PLAN%20DE%20TRABAJO%202017_EITI_HN%20%20(va).pdf> [↑](#footnote-ref-36)
36. See: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NTUwMDgwODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> [↑](#footnote-ref-37)
37. See Meeting from March 2018 <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=MzcyNjMxODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> [↑](#footnote-ref-38)
38. See Meeting from March 2018 <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=MzcyNjMxODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> [↑](#footnote-ref-39)
39. See p. 59 of 2015-2016 EITI Report, and Meeting from March 2018 <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=MzcyNjMxODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> [↑](#footnote-ref-40)
40. Some consulted stakeholders provided further details on the functioning of the tax authority (SAR). They explained that the agency was created recently (in 2016), as part of a wider project supported by the IADB, Ecuador and the CIAT, and that this was done as a response to the inefficiency and lack of transparency of the former agency for tax administration in Honduras (DEI). They also highlighted that the process of migration and opening of new offices had caused certain difficulties and delays in SAR’s functioning.

    See <https://www.elheraldo.hn/pais/944160-466/el-bid-la-ciat-y-ecuador-asesoran-creaci%C3%B3n-del-sar> and <http://www.sefin.gob.hn/download_file.php?download_file=/wp-content/uploads/2017/02/IVtrim2016_SAR.pdf> [↑](#footnote-ref-41)
41. Honduran Lempira:. Honduras’ currency. [↑](#footnote-ref-42)
42. See [www.tsc.gob.hn](http://www.tsc.gob.hn) [↑](#footnote-ref-43)
43. The APR 2018 attaches the request of certificates to the HCA regarding the audits carried out in 2015 and 2016 for the municipalities of Puerto Cortés, Las Vegas Santa Bárbara, La Unión Copán, El Corpus -Choluteca, Juticalpa-Olancho, Cedros -Francisco Morazán, Potrerillos-Cortes. [↑](#footnote-ref-44)
44. See <http://sami.sefin.gob.hn/SAMI/LogIn/frmLogin.aspx> [↑](#footnote-ref-45)
45. In the same page, the report explains that all the companies which participated in the last two reports, plus two new companies, had been invited to participate in the report, and following that it lists all the companies that have actually accepted to do so (total of 9 companies). After that, it adds that “all companies have provided the requested information” – so it is not all those invited, but the nine reporting companies. [↑](#footnote-ref-46)
46. http://inhgeomin.gob.hn/images/Documentos/Portal-Transparencia/Leyes/Ley-General-de-Mineria.pdf [↑](#footnote-ref-47)
47. See: <http://www.sefin.gob.hn/wp-content/uploads/Presupuesto/2015/aprobado/Disposiciones%202015.pdf> [↑](#footnote-ref-48)
48. See: <http://www.sefin.gob.hn/wp-content/uploads/Presupuesto/2016/Aprobado/Disposiciones%202016.pdf> [↑](#footnote-ref-49)
49. <https://eiti.org/sites/default/files/documents/eiti-hn-2014.pdf> [↑](#footnote-ref-50)
50. See: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NDAwMjAwODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> [↑](#footnote-ref-51)
51. See: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NDczNzYzODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> [↑](#footnote-ref-52)
52. See: <https://portalunico.iaip.gob.hn/> [↑](#footnote-ref-53)
53. See from September 2018: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NDMyNTM1ODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> [↑](#footnote-ref-54)