**  
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Validation of Honduras:

Final assessment by the EITI International Secretariat

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# Summary

Honduras has implemented the EITI Standard since 2013, publishing four EITI Reports covering 2012 to 2018. The EITI process has led to some significant improvements in government systems. Notably, the mining regulator INHGEOMIN has improved disclosures in areas such as licensing, production and export data, and voluntary social and environmental payments. Reported revenues and payments from 2012 to 2018 reflect stagnation in the sector. The extractive industries account for less than 0.5% 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.

While EITI Honduras has made efforts to advance the multi-stakeholder dialogue, engagement by the three constituencies has been uneven. This was initially noted during Honduras’s first Validation in 2017. The wider context also pointed to a decline in trust and increased uncertainty. First, the atmosphere around the presidential elections in November 2017 was tense. International organisations were engaged in monitoring the election. While the Organisation of American States (OAS) questioned its validity[[1]](#footnote-2), the European Union acknowledged the polarised context, the unevenness of resources but concluded that “vote counting in polling stations respected voters’ will”[[2]](#footnote-3).

Second, there have been several concerns raised by many international civil society organisations (CSOs) regarding civic space and human rights. In 2018 the UN visited Honduras. Particularly in relation to the extractive sector, 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 extractive companies [[3]](#footnote-4). These challenges notwithstanding, civil society organisations are engaged in the EITI process and have been able to operate freely.

Thirdly, in 2017 the Supreme Court of Honduras declared that several articles from the General Mining Law (Decree No. 32-2013) were unconstitutional[[4]](#footnote-5). Relevant issues affected by this review were the tax framework and the issue of environmental permits[[5]](#footnote-6). INHGEOMIN proposed reforms in early 2019 to address the issues raised in the Supreme Court ruling [[6]](#footnote-7). The Institute for Access to Public Information (IAIP) overruled, in October 2019, the restrictions on access to information on environmental regulations[[7]](#footnote-8).

In sum, these conditions have not been conducive to investment, the engagement of extractive stakeholders and a vibrant multi-stakeholder group. With continuous regulatory uncertainty and broad opposition to mining, the growth of the sector has been insignificant and its potential to contribute to development unfulfilled.

Within this wider context, the dynamism of the EITI process has required additional effort from all stakeholders. The engagement of government, industry and civil society in the EITI process has been adequate, although challenges remain as to how the EITI can best contribute going forward.

The second Validation of Honduras assesses EITI implementation from 2017 to 2019 and the progress made in addressing the corrective actions identified in the country’s first Validation from 2017. This assessment has reviewed the steps taken by Honduras to address the 12 corrective actions as of the commencement of its second Validation on 25 April 2019.

On 13 May 2020 the Honduran MSG provided extensive comments on the draft assessment sent by the EITI International Secretariat on 27 March 2020. The MSG highlighted a substantial amount of information, including several developments subsequent to the commencement of Validation that they argued should be considered. This included the 2019-2020 work plan and Honduras’ 2017-2018 EITI Report published on 10 February 2020. The new information presented by the MSG demonstrates the renewed engagement of stakeholders. Government agencies, including the tax authority (SAR), INHGEOMIN, the Central Bank, the Finance Ministry, the Ministry for the Environment[[8]](#footnote-9), and the IAIP, along with municipal governments, have been actively involved[[9]](#footnote-10). The government’s renewed engagement has been accompanied by greater engagement from civil society organisations. This includes greater engagement in the MSG deliberations and the reporting process, using EITI data in the national debate regarding the extractive sector[[10]](#footnote-11) and linking the EITI process to other transparency efforts such as the OGP process[[11]](#footnote-12). In addition, companies have also engaged in the EITI process, increasing the number of reporting companies and greater participation in public fora on transparency and governance of the extractive sector.

Subject to the Board’s consideration of new information published after the commencement of the second Validation, the International Secretariat’s assessment is that **Honduras has addressed seven corrective actions, with assessments of either “satisfactory progress” or “not applicable”** on government engagement (Requirement 1.1), work plan (Requirement 1.5), comprehensive disclosure of taxes and revenues (Requirement 4.1), subnational payments (Requirement 4.6), social payments (Requirement 6.1), economic contribution (Requirement 6.3) and results and impact of EITI implementation (Requirement 7.4). The International Secretariat’s assessment is that **Honduras has made meaningful progress in addressing the other five corrective actions**.The outstanding gaps relate to company engagement (Requirement 1.2), civil society engagement (Requirement 1.3), data quality (Requirement 4.9), public debate (Requirement 7.1) and follow-up to recommendations (Requirement 7.3). Additionally, the International Secretariat has reviewed progress on Requirement 4.7 and found that Honduras has failed to meet Requirement 4.7 relating to disaggregation.

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 them. Even though the MSG has recovered some of its initial dynamism, there is still the need to ensure full, active and effective engagement on EITI implementation. There are also still gaps in the data comprehensiveness and quality, and more remains to be done in promoting a broader debate of EITI information and linkages to the wider priorities of the sector. Based on the identified gaps, the size of the extractive sector in the country and the increased interest in the EITI process manifested by the different actors represented in the MSG, the International Secretariat concludes that Honduras needs to reassess its objectives for EITI implementation and discuss the best way to achieve them. The country would benefit from strengthening their engagement in EITI implementation, and from consolidating the efforts and resources invested in it. Honduras should ensure that EITI implementation can contribute to the national priorities. If EITI Honduras considers so, the MSG together with the International Secretariat could work 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 options available in the EITI Standard to report, including the [limited engagement policy](https://eiti.org/document/limited-engagement-policy)[[12]](#footnote-13) and request EITI Board approval for recalibrating EITI implementation in the country in a more efficient way while also aligning it with the national objectives.

The draft assessment was sent to Honduras multi-stakeholder group (MSG) on 27 March 2020. Following comments from the MSG received on 13 May 2020, the assessment was 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. The EITI Board found that Honduras had made ‘meaningful progress’ in implementing the EITI Standard[[13]](#footnote-14). 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)

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

* The MSG held 16 meetings between November 2017 and March 2019[[14]](#footnote-15).
* The MSG published the 2015-2016 EITI Report on 29 June 2018.
* The MSG appointed the Independent Administrator, Jorge Tovar, on 31 July 2019[[15]](#footnote-16)
* The MSG published Honduras’ 2017-2018 EITI Report on 11 February 2020[[16]](#footnote-17).
* The MSG published the 2017 and 2018 annual progress reports on July 2018 and April 2019, respectively.
* The MSG updated and published the 2017-2018 EITI work plan on 11 November 2017[[17]](#footnote-18).
* The MSG approved and published the 2019-2020 EITI work plan on 4 July 2019[[18]](#footnote-19).

While the Validation commenced as planned in April 2019, the International Secretariat encountered difficulties in completing the assessment in accordance with the schedule set out in the Validation procedures. The departure of key staff and challenges in managing a backlog of Validation work contributed these delays. At the request of the MSG, the International Secretariat substantially revised its final assessment to take account of the most recent developments for consideration by the Board.

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[[19]](#footnote-20). 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 initial view is that there is evidence requiring the review of progress regarding MSG oversight (Requirement 1.4). Nonetheless, after careful consideration, the International Secretariat concluded that the evidence raising concerns over possible back-sliding represented an isolated case which did not justify downgrading the assessment of Requirement 1.4 to “meaningful progress”.

In this document, two main references will be cited: the 2015-2016 EITI Report[[20]](#footnote-21) and the 2017-2018 Report.[[21]](#footnote-22) The 2017-2018 EITI Report was published on 10 February 2020, subsequent to the commencement of the second Validation. Should the EITI Board agree to exercise its discretion and consider the 2017-2018 Report, there is an additional issue that warrants attention regarding the disaggregation of data in accordance with Requirement 4.7. Disaggregation by individual project was demanded by the 2016 EITI Standard for reports covering fiscal year 2018 following the MSG definition of what constitutes an individual project. This was not addressed in the 2017-2018 EITI Report. Should the EITI Board agree to exercise its discretion and consider the 2017-2018 Report, the International Secretariat recommends that Requirement 4.7 be downgraded to “meaningful progress”.

# Review of corrective actions

As set out in the Board decision on Honduras’s first Validation, the EITI Board agreed 12 corrective actions[[22]](#footnote-23). 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. This final report also takes note of the comments provided by the Honduran MSG to the draft assessment sent by the International Secretariat on 27 March 2019. Noting that the Board has the discretion to consider new information published after the commencement of the second Validation, the assessment also highlights developments as outlined in the minutes of MSG meetings since April 2019, the updated EITI work plan covering 2019-2020, and the 2017-2018 EITI Report.

## 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. However, 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 by the Minister of Foreign Affairs.

### Progress since the first 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 modernisation 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, Modernisation 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.

Subsequently, the MSG has informed of further developments. In their comments received on 13 May 2020 they describe the Agreement on Cooperation and Reciprocal Assistance between the SAR and INHGEOMIN as one of the measures the Honduran government is taking to comply with the corrective actions. This Agreement would allow for a more transparent and effective sharing of the information gathered by both agencies, as well as enhancing the verification of the data collected through their systems[[23]](#footnote-24).

The 2016-2018 work plan revealed that the government was not providing adequate funding for EITI Honduras. The limited funding had only been secured through the EU MADIGEP project. On 28 November 2018, INHGEOMIN enacted a resolution ensuring the government’s commitment to provide adequate funding for EITI Honduras (Resolution no. 303/2018)[[24]](#footnote-25). This resolution was directed explicitly to comply with the corrective actions requested by the International Secretariat in October 2017. As a result, INHGEOMIN has been hosting the National Secretariat since November 2018[[25]](#footnote-26). It has tasked staff to support the EITI Honduras’ national coordination on ad-hoc basis. In 2020 the Honduras budget law allowed INGHEOMIN to dedicate specific staff to EITI implementation support.

The lack of resources had been one of the most salient issues mentioned across the stakeholders consulted during the Validation mission in May 2019. In these consultations, the mayors from the municipalities of La Unión, El Corpus and Los Cedros highlighted the lack of resources for EITI implementation. Although INHGEOMIN decided to host the EITI National Secretariat, in practice stakeholders had noted then that there was no other staff working full time on this, besides the National Coordinator who was not physically located at INHGEOMIN’s offices.

In September 2018, the MSG*[[26]](#footnote-27)* asked the SCGG to make use of the funding agreed with the EU (Support measures for institutional development and management of public policies-MADIGEP” project)[[27]](#footnote-28). By May 2019, the three projects to be funded by the EU (i.e. Independent Administrator for the 2017 EITI Honduras Report, updating the EITI Honduras website and development of the EITI online portal) had not been completed.

As documented in the MSG comments submitted in May 2020, the 2020 General Budget Law (Ley de Presupuesto General de Ingresos y Egresos de la República, Ejercicio Fiscal 2020, Art, 274) set a special allocation of funds to support INHGEOMIN efforts in hosting the national secretariat. The budget provision allows the agency to modify its structure and adapt its payroll to fund the work of EITI Honduras[[28]](#footnote-29). To this aim, the Honduras EITI 2019-2020 work plan sets out the staffing and support for the national secretariat in INHGEOMIN[[29]](#footnote-30).

Regardless of the general limitations, the resource constraints have been partly addressed with the participation of personnel from different government agencies such as INHGEOMIN, the Secretary of General Government Coordination (Secretaría de Coordinación General de Gobierno), the Presidential Directorate of Transparency, Modernisation and Digital Government (Dirección Presidencial de Transparencia, Modernización y Gobierno Digital), the Secretary of Natural Resources and Environment (Secretaría de Recursos Naturales, Ambiente), the Secretary of Finances (Secretaría de Finanzas), Income Management Service (Servicio de Administración de Rentas), the Secretary of International Services and Cooperation (Secretaría de Relaciones Exteriores y Cooperación Internacional) and the Central Bank[[30]](#footnote-31). It is noteworthy to mention the participation of local government representatives in the MSG’s discussions[[31]](#footnote-32).

The earlier 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. As documented in the MSG comments submitted in May 2020, the Honduras EITI website (www.eitihonduras.org) is, since March 2020, a functioning platform with information on the EITI, including EITI Reports, information on the MSG and its members, the annual EITI work plan, and relevant news. The website also includes data on royalties and production of the extractive activities.

Several civil society organisations consulted had highlighted that certain recent government reforms were not supporting transparency in the extractives. They noted 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 had enacted a resolution on the confidentiality of information related to environmental licenses. The ministerial agreement 1402-2018[[32]](#footnote-33) 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. It also guarantees the protection of this information, limiting in this way the right of access to data on environmental licenses.

However, in October 2019, IAIP overruled the ministerial resolution from the Ministry of Natural Resources and Environment, which had categorised all information on environmental licenses as secret[[33]](#footnote-34). The MSG comments received on 13 May 2020 underscore that this decision by the IAIP corrected an existing violation of international norms such as the 169 ILO Convention on the Rights of Indigenous and Tribal Peoples, the Inter-American Convention on Human Rights and the Inter-American Convention Against Corruption. The MSG highlighted that the IAIP decision “makes every information on licenses and environmental permits totally public”[[34]](#footnote-35). The Ministry of Environment did not contest the IAIP resolution.

The first Validation of Honduras signaled that “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.” In this regard, the introductory section to the Honduras EITI 2019-2020 plan states that it “represents the commitment of the Honduras government, the will of the extractive sector companies and the full, active and effective participation of civil society to strengthen the implementation of the initiative as a tool for transparency, and accountability in the extractive activities in Honduras”[[35]](#footnote-36).

### Secretariat’s Assessment

At the commencement of the second Validation, the International Secretariat’s assessment is that Honduras had partly addressed the corrective action and had achieved meaningful progress with considerable improvements on Requirement 1.1. Subject to the Board’s consideration of new information published after the commencement of the second Validation, the International Secretariat’s assessment is that Honduras has fully addressed the corrective action and has achieved satisfactory progress on Requirement 1.1.

There is evidence that the government has renewed its engagement in EITI through the participation of different government agencies in the process, as well as through the reallocation of the EITI national secretariat to INHGEOMIN, the allocation of funds in National Budget law, and the lifting of secrecy provisions on environmental licenses.

The commitment of relevant ministries and agencies has remained active, particularly in terms of the provision of requested EITI information. The government’s commitment was evidenced in the role of the EITI Champion, Carlos López Contreras, who appears to have the confidence of all constituencies. Regarding funding, following the limited support from the EU, the provisions in the National Budget Law 2020 allow for implementing key activities from the work plan (*see Requirement 1.5*).

*If the Board does not consider new information published after the commencement of the second Validation, Honduras would need to address the following corrective action*: 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 and adequate resources for implementing the agreed work plan. The government should undertake efforts to overcome legal and regulatory barriers to EITI implementation.

To strengthen implementation, the government of Honduras may wish to consider mechanisms that allow for sustaining the momentum gained in its renewed engagement through the different agencies involved in the EITI process. The government is also encouraged to consider all available options that can ensure the EITI implementation is commensurate with the size and priorities of the extractive sector in Honduras.

## 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 the first 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 had been providing requested information as instructed.

In general, the industry constituency had seemed not to be a driver of EITI implementation in Honduras but is rather focused on responding to data collection requests. However, there is some evidence of further industry participation in EITI implementation. First, in terms of participation in MSG meetings, the 2018 annual progress report (p. 10) [[36]](#footnote-37) and minutes of MSG meetings, indicate that the private sector has been participating in the process regularly. 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 participate through these industry associations. This was ratified by consulted stakeholders in May 2019, who confirmed the lack of obstacles to company participation in the EITI.

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[[37]](#footnote-38). The two additional companies (Cobra Oro de Honduras, S.A. of C.V and Incal, S.A. of C.V) provided timely EITI information. The Federation of Chambers of Commerce and Industry in Honduras acknowledges its participation in the EITI Honduras as one of its alliances with other sectors in combatting corruption and promoting transparency[[38]](#footnote-39). In the 2017-2018 EITI Report, published in February 2020, the number of reporting companies has increased to 11, from 9 companies in the previous one. According to this report, these 11 companies represent more than 98% of the whole mining sector in Honduras (metallic and non-metallic) measured by payments to the state.[[39]](#footnote-40).

With regards to companies’ engagement with the wider constituency, extractives companies are grouped within industry associations. This seems to ensure reach to the wider constituency given 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. There are no specific guidelines for the industry constituency’s engagement in the EITI through the industry associations. However, the representatives from the chambers explained that coordination occurs in practice. To coordinate the wider constituency’s input to EITI, the chamber representatives communicate with their constituency through email. This allows these representatives to provide updates on issues discussed and to consult companies not directly represented on the MSG. The industry representatives are engaged in MSG activities such as preparing for reporting, dissemination, work plan and impact discussions, as it can be seen in the MSG minutes and in the Honduras 2018 Progress Report[[40]](#footnote-41). The industry representatives have brought for MSG discussion relevant issues for their members, such as the incident with the MINOSA mine, underscoring the importance the MSG holds in addressing critical issues for the constituency.

Finally, with regards to participation in EITI activities, there is evidence that industry stakeholders have participated in several fora regarding transparency and human rights in the extractive sector,[[41]](#footnote-42) and in public events organised to disseminate and analyse the EITI reports and discuss transparency in the extractive sector in Honduras[[42]](#footnote-43).

### Secretariat’s Assessment

At the commencement of the second Validation, the International Secretariat’s assessment is that Honduras had only partly addressed the corrective action and had achieved meaningful progress with no improvements in meeting Requirement 1.2. Subject to the Board’s consideration of new information published after the commencement of the second Validation, the International Secretariat’s assessment is that Honduras has made meaningful progress with considerable improvements towards meeting Requirement 1.2.

Companies’ participation in EITI implementation has been active and collaborative. They have complied with the requirements of information, have participated in the events and discussions organised by the EITI National Secretariat, and have participated in other fora. Companies’ participation in the MSG has led to the broader constituency’s engagement, as well as the incorporation of new companies in the EITI 2017-2018 Report. However, there is still insufficient evidence to demonstrate that the industry constituency is fully engaged in the EITI process, especially in driving the process to ensure effective implementation.

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. To strengthen implementation, the industry constituency of the MSG in Honduras is encouraged to reinvigorate its engagement in the EITI process, and become one of its drivers. The companies are encouraged to work closely, and if possible directly, with the MSG – addressing, and not only reporting the requests or participating in the dissemination exercises, but also taking the lead on other aspects of EITI implementation such as the design of work plans, and review of outcomes and impacts. 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 organisations linked this decrease in engagement to the EITI process itself, nor to any obstacles that could have impaired or limited their participation.

Nonetheless, CSOs recognised the enormous security risks faced by organisations 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 the first 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, beside 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” (see Annex B) Their concerns were focused on a press release from the MSG from December 2018 (see Annex A), 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 B) that argued that the 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 notoriously controversial Carlos López Contreras”, questioning in this way the “integrity” of the EITI National Secretariat. It also questioned the decisions of the EITI National Council “because the language used in its communiqué promotes hate, encourages persecution, criminalisation and probably even the murder of people and social organisations 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 organisations (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). The obstacles for environmental information to be publicly available were lifted in 2019.

*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 the EITI. Freedom of association is enshrined in articles 78 and 79 of Honduras’ Constitution[[43]](#footnote-44). The country has a special law regulating the non-governmental development organisations (Decree No. 32-2011)[[44]](#footnote-45). It 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 the EITI, through a structure of two “blocks”: one which groups academics from several universities, and another, centred around FOPRIDEH, which is an association of various non-profit organisations.

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[[45]](#footnote-46), 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 EITI implementation. 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”[[46]](#footnote-47).

*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[[47]](#footnote-48). The event was attended by 60 organisations, including CSOs, mining companies, government institutions, and municipalities[[48]](#footnote-49).
* *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[[49]](#footnote-50). Authorities from various municipalities, including their mayors, attended the event.

However, based on minutes published on the Honduran website[[50]](#footnote-51), 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 at all times had both organisations 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 consulted stakeholders, who highlighted their disappointment with the fact that the communiqué was published without having had the opportunity to review it. They noted 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 noted 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.

The MSG comments on the draft assessment received in May 2020 argue that civil society engagement has improved from February 2019 onwards. This can be seen mainly in two factors: their participation in the MSG has been more regular, mainly through the representatives from the two member universities (Universidad Jose Cecilio del Valle - UJCV and Universidad Nacional Autónoma de Honduras – UNAH)[[51]](#footnote-52), and their engagement in wider fora related to the extractive sector in Honduras. Civil Society organisations have used EITI Honduras as a source to inform their analysis. They have also been more involved in the dissemination efforts of the EITI in the country. These efforts have been implemented through OGP-related activities [[52]](#footnote-53), through publications focused on mining industry challenges[[53]](#footnote-54) and initiatives on transparency efforts in Honduras [[54]](#footnote-55).

*Access to public decision-making:* CSOs interact directly with government authorities, mostly within the framework of the Open Government Partnership. The most recent Honduras’s OGP Action Plan 2018-2020 includes transparency in the extractive industries (Commitment 19)[[55]](#footnote-56). In this commitment, INHGEOMIN appears as responsible for environmental monitoring of mining activities, as well as for promoting civic participation and inclusion. INHGEOMIN’s work has also been closely accompanied by the Municipal Environmental Units (UMA) from La Unión, Copán, Las Vegas, Santa Bárbara; Corpus, Choluteca; Cedros, Francisco Morazán; El Níspero Santa Bárbara; Tocoa, Colón; and Gualaco, Olancho. In this sense, and in line with the OGP’s goals, there is evidence of CSOs addressing the vulnerabilities of the communities affected by the extractive activities. This can be seen in the National Climate Change Strategy[[56]](#footnote-57). However, during consultations, several stakeholders highlighted their lack of eagerness for engaging in public matters and explained that this lack of enthusiasm was partially related to the controversies around the 2017 presidential elections. CSOs were frustrated with the lack of government engagement, although they have made the point that officials involved directly on EITI are doing their best efforts.

The CSOs consulted during the International Secretariat’s mission to Honduras also referred to the MSG and EITI implementation more broadly as a useful platform to discuss some of their concerns about extractive industry governance. This can be noted in the minutes from MSG meetings, as well as in diverse publications which are partly based on the data provided by the EITI reports[[57]](#footnote-58).

According to the MSG comments submitted on 13 May 2020, following the December 2018 communiqué on the MINOSA situation, there has been further dialogue between the company and the CSOs involved in the social conflict around the MINOSA’s mine. The company signed an agreement on 29 July 2019 with the Community of Azacualpa and the Department of Copan for the payment of reparations. CSOs were part of the Honduras delegation in the 2019 EITI Global Conference in Paris. The delegation brought to the attention of the conference the improvements in making subnational and social payments by mining companies[[58]](#footnote-59). Minutes of MSG meetings since June 2019 indicate an increased participation of CSOs in the MSG. CSO’s have been using the EITI data more widely and have also increased the dissemination of the EITI in different publications[[59]](#footnote-60).

In the 2017-2018 report [[60]](#footnote-61), CSOs asked for future inclusion of issues such as free, prior and informed consultations in the communities with extractive activities. They also suggested future consideration of international regulations and agreements on the protection of indigenous peoples’ rights[[61]](#footnote-62).

### Secretariat’s Assessment

At the commencement of the second Validation, the International Secretariat’s assessment is that Honduras had partly addressed the corrective action and had achieved meaningful progress with no improvements in meeting Requirement 1.3. Subject to the Board’s consideration of new information published after the commencement of the second Validation, the International Secretariat’s assessment is that Honduras has made meaningful progress in meeting Requirement 1.3.

The Secretariat considers that there is evidence of CSOs’ engagement in all aspects of EITI implementation. Even though their attendance at MSG meetings diminished between 2017-2018 the CSOs engagement has increased since June 2019. This is reflected in more regular attendance at MSG meetings but also by reaching out to other organisations to be part of the EITI process (i.e. reaching out to OXFAM following the December 2018 communique on the MINOSA situation)[[62]](#footnote-63). CSOs have also been engaged in broader EITI dissemination, use of EITI data and expanding the scope of EITI reports. In sum, the participation of CSOs in the EITI process has shown significant improvement from the weak engagement as documented in the first Validation. At the commencement of the second Validation the reduced CSO participation was explained by weak interest and coordination within the constituency, rather than due to restrictions imposed by the government. There is no evidence of restrictions limiting participation in the EITI process.

EITI Honduras is required to address the following corrective action: in accordance with Requirement 1.3, civil society should demonstrate that it is fully, actively and effectively engaged in the EITI process. Civil society should clarify their objectives for EITI engagement and ensure it is well represented and capacitated to participate fully in the process. They should work closely and directly with the MSG enhancing the dissemination and debate of EITI data and findings. This could include ensuring that EITI is better link to national priorities. Finally, CSOs could consider refreshing its representation to ensure all representatives in the MSG are fully engaged in the EITI work.

## 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 the first 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 [[63]](#footnote-64). 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[[64]](#footnote-65).

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[[65]](#footnote-66), it presented the following gaps:

* The 2017-2018 work plan did 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 lacked evidence regarding the MSG reviewing the outcomes and impact of EITI implementation to date and revising the work plan objectives accordingly.
* The work plan did not include a timetable. Even though the objective 4 of the work plan proposed the inclusion of measurable and time-bound activities, several activities listed on it lacked specific dates for completion and there was not a general timetable that would allow for a consistent track of progress.
* Objective 5 of the work plan raised the fact of responding to the recommendations carried out by the International Secretariat. Nonetheless, it did not address any the corrective actions in specific terms.
* In terms of funding, the work plan was 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 were 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[[66]](#footnote-67).
* Regarding the activities aimed at addressing legal or regulatory obstacles, the work plan focused 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[[67]](#footnote-68). In this sense it provided 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.

The 2019-2020 EITI work plan was published on the website of the IAIP[[68]](#footnote-69), albeit later on 19 July 2019. The 2019-2020 work plan references in its preamble the wider problematic situation of the sector including legal uncertainties and affected operations by social conflicts. The work plan also sets a number of specific objectives, such as improving the citizen’s understanding of the sector revenues, raising of awareness of EITI data, supporting environmental monitoring, community engagement through the reports, and enhancing inter-agency cooperation. In terms of its framing, the 2019-2020 work plan sets out clear dates for conducting the listed activities and prioritizes the capacity building of the MSG members as well as the search for new funding sources that can support and complement the funds provided by the Honduran government. The work plan was agreed by key stakeholders as the mining regulator INGHEOMIN, the tax office, IAIP, Secretary of Government and Ministry of Natural Resources, industry associations and broader private sector associations Fedecamara and ANDI, and civil society organizations including those grouped under FOPRIDEH and FONAC. FOPRIDEH includes indigenous people organizations[[69]](#footnote-70). The work plan includes extending the EITI to cover the automatization of production data (section 10), environmental monitoring (section 12) and establishing a unique industry classification for tax purposes (objective 13). Finally, section 2,3,4,5 of the work plan are aligned with EITI reporting and objective 8 with Validation deadlines[[70]](#footnote-71).

### Secretariat’s Assessment

At the commencement of the second Validation, the International Secretariat’s assessment is that Honduras had not addressed the corrective action related to the work plan and has not made satisfactory progress towards meeting Requirement 1.5. Subject to the Board’s consideration of new information published after the commencement of the second Validation, the International Secretariat’s assessment is that Honduras has addressed the corrective action related to the work plan and has made satisfactory progress towards meeting Requirement 1.5.

By the start of Honduras’ second Validation in April 2019 the absence of a work plan was problematic. The 2019-2020 work plan published in July 2019, corrects this omission and addresses the gaps identified in its predecessor.

If the EITI Board agrees to consider the current work plan, then it can be concluded that the Honduras MSG has fulfilled Requirement 1.5 by having an updated EITI work plan. This plan was presented in a timely manner, it includes the 2019-2020 activities with specific goals aligned with the national priorities for the extractive sector and establishes time-bound activities as well as identifying necessary funding sources. The work plan also establishes outreach to different donors as a means of strengthening the implementation of EITI in Honduras.

*If the Board does not consider new information published after the commencement of the second Validation, Honduras would need to address the following corrective action:* 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 1.5b, the work plan must reflect the results of consultations with key stakeholders.

To strengthen implementation, the MSG is encouraged to have detailed and timely updated work plans that specify the financial, logistical and staff needs for the EITI process in Honduras. These plans should be built on the debates from the three constituencies and propose detailed and time-bounded actions directed at addressing gaps as well the new aspects of EITI implementations, such as project level reporting, beneficial ownership disclosure and contract transparency. The MSG is encouraged to develop a work plan that focuses on an approach to EITI implementation which is commensurate to the size and priorities of the extractive sector in Honduras.

## 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 INHGEOMIN 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 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. The IA also explained they were instructed to reconcile the given list of seven 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 the first Validation

Since the first Validation, the MSG has conducted efforts on developing a classification protocol that ensures 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 2015-2016 EITI Report (pp.104-106). This agreement was signed in 10 June 2019 between INHGEOMIN and SAR.

*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[[71]](#footnote-72), although the basis for the MSG’s selection of these 15 revenue streams is unclear. However, the 2015-2016 EITI Report ended up including 19 revenue streams in the scope of reconciliation (p.59). Yet the 2015-2016 EITI Report demonstrates that no revenue was collected during the years under review 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) [[72]](#footnote-73). 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 2015-2016 EITI Report (pp.59). However, the 2015-2016 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. The 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.

Subsequent to the commencement of the second Validation, Honduras published its 2017-2018 EITI Report on 10 February 2020. The report documents the MSG decision on 19 August 2019 regarding the definition of materiality for the 2017-2018 report. The definition is based on the export data and consisted on a target coverage of 85% of the total revenue flows (pp. 90). The definition did not establish a threshold in local currency (Lempiras) or USD Dollars. The report includes 16 revenue flows at the national and local levels.

*Description of material revenue streams:* The 2015-2016 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. This is also the case for the 2017-2018 EITI Report (pp. 58), according to the minutes from the MSG meetings in preparation for the report.[[73]](#footnote-74)

*Materiality threshold for companies:* There was no evidence of a clear approach to establishing a materiality threshold for selecting companies in the scope of reconciliation for the 2015-2017 EITI Report. 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). Eleven companies participated in the 2017-2018 EITI Report.

For the 2015-2016 EITI Report and based on 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 2015-2016 EITI Report did 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. 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 2015-2016 EITI Report (p.59). 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.

The 2017-2018 Report followed a similar approach. It includes companies that have exported based on information from the National Statistics Office and the Central Bank. The MSG considered that the report was material if companies representing at least 85% of the total revenues received by the government reported (p.90).

*Material government entities*: The 2015-2016 EITI report listed the eight government entities and the material revenue streams collected by each (p.61). This list included a group called the “Municipal Mayor’s Office” (MMO) which involves eight municipalities. All government entities, except for SAR[[74]](#footnote-75), submitted the requested data disaggregated by revenue stream. The SAR provided only aggregate figures on revenues collected from the mining sector.

The 2017-2018 Report lists seven government entities that participate in the report, as well as nine municipalities from five departments (p. 93).

*Comprehensiveness:* Reconciliation for the 2015-2016 EITI Report 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.

For the 2017-2018 EITI Report, the 11 participating companies represented 98.7% and 99% of the total revenues collected by the government from extractive sector in 2017 and 2018 respectively (p. 92).

*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[[75]](#footnote-76) 551 million, which amounts to approximately USD 74 million in 2016 The report also included 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). For the 2017-2018 EITI Report, the report indicates that total government revenue from the extractive sector was 875 HNL, which is approximately USD 37 million in 2017, and 1 billion HNL, which is approximately 42 USD million in 2018[[76]](#footnote-77).

*Discrepancies*: The 2015-2016 EITI Report included 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 EITI 2015-2016 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 2015-2016 Report included 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).

For the 2017-2018 EITI Report, the reconciliation tables (pp. 109-125) shows discrepancies. They were insignificant and in the exceptional cases they were not, they are explained in the report.

### Secretariat’s Assessment

At the commencement of the second Validation, the International Secretariat’s assessment is that Honduras had not addressed the corrective action on comprehensiveness and had made meaningful progress without considerable improvements towards meeting Requirement 4.1.

In accordance with Requirement 4.1, “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 confirms that any 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 INHGEOMIN, 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.

Subject to the Board’s consideration of new information published after the commencement of the second Validation, the International Secretariat’s assessment is that Honduras has addressed the corrective action and has made satisfactory progress towards meeting Requirement 4.1.

The International Secretariat’s notes that while the MSG did not explicitly agree which payments and revenues were material, including appropriate materiality thresholds, the reconciliation exercise covered 98.7 and 99% of all revenues received by the government from the extractive sector. The report also disclosed all revenues received by all government entities according to the agreed scope. Although the Independent Administrator did not list the non-reporting companies in the EITI Report (see Requirement 4.9, below), it is reasonable to conclude that the overall objective of this requirement (i.e. the comprehensive disclosure of company payments and government revenues from the extractive industries) has been achieved. If the 2017-2018 Report is taken into account, the International Secretariat’s assessment is that Honduras made satisfactory progress with Requirement 4.1.

*If the Board does not consider new information published after the commencement of the second Validation, Honduras would need to address the following corrective action:* 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.

To strengthen implementation, Honduras is strongly encouraged to ensure that future reporting adheres to the standard Terms of Reference for Independent Administrators approved by the EITI Board. In particular, that the future adopted definition of materiality is set according to the Standard and it guarantees that the next EITI Report includes a list of non-reporting entities and assess the materiality of their payments or revenues. Similarly, the MSG should review the scope of revenue streams both at national and subnational level to ensure that revenue flows are considered material according to part 4.1.b of this requirement.

## 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 2014 EITI Report 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 the first 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 2015-2016 EITI Report (p.58) listed 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 did not provide an explanation of the specific types of payments that were actually undertaken by extractives companies in the years under review, but it confirmed 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 implied that these were the only payments received by municipalities, although this was not explicitly stated in the report.

The “Municipal Tax on Mining Activity” was 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 2015-2016 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 of 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.

Subsequent to the commencement of the second Validation, Honduras published the 2017-2018 EITI Report. The 2017-2018 EITI Report includes the disclosure of seven municipal revenue streams. These are: Mining activity tax, Industry and commercial tax, Property tax, Municipal tax, Operation permits, Inspection fee and Environmental fee. These are all taxes and fees established by law (Municipalities law and Mining law) (p. 87). The MSG did not establish a material threshold. Therefore, all these revenues were considered material. These subnational revenues represented 9.9% and 7.1% of total revenues (national and subnational) collected by the government. The 2017-2018 EITI Report includes the reconciliation of these seven revenue streams by company (pp. 121-125). Each company operates in only one municipality[[77]](#footnote-78). Some discrepancies were not explained. The report explained that data quality was ensured by the fact that all municipalities are monitored and audited by the Supreme Auditor (Tribunal Superior de Cuentas). The Supreme Auditor attested the accounts by correspondence to the EITI Champion of 29 August and 25 November 2020 (pp.87 and 137-138).

### Secretariat’s Assessment

At the commencement of the second Validation, the International Secretariat’s assessment is that Honduras had not addressed the corrective action related to direct subnational payments and had made inadequate progress without improvements towards meeting Requirement 4.6. Subject to the Board’s consideration of new information published after the commencement of the second Validation, the International Secretariat’s assessment is that Honduras has addressed the corrective action related to subnational payments, and has made satisfactory progress in meeting Requirement 4.6.

The 2017-2018 EITI Honduras Report discloses all material direct payments made by reporting companies for the years under review. The report also includes a reconciliation of these revenues by company with only minor discrepancies. The only discrepancies above the threshold approved by the MSG related to Property Tax (Impuesto Bienes Inmuebles). However, this revenue stream represents just 1.8% and 2.5% of total subnational revenues and only 0.17% and 0.16% of total revenues in 2017 and in 2018 respectively. It is therefore reasonable to conclude that these deviations do not compromise the comprehensiveness of the subnational revenue reconciliation in the 2017-2018 EITI Report.

*If the Board does not consider new information published after the commencement of the second Validation, Honduras would need to address the following corrective action*: 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.

To strengthen implementation, the MSG is encouraged to reassess the materiality of municipal revenue streams to ensure the approach to reporting these payments is commensurate with the size of the revenue streams relative to total revenues.

## 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 the first 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 2015-2016 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 2015-2016 EITI 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[[78]](#footnote-79) (p.63). The 2015-2016 EITI Report confirms that the HCA audits are publicly accessible through the HCA website. The 2015-2016 EITI Report also explains that municipalities in Honduras periodically report to the HCA (p. 13), and the 2018 Annual Progress Report adds that the HCA has granted audit records to those municipalities which have been subject to audits[[79]](#footnote-80). In connection to this, the 2015-2016 EITI Report explains that SEFIN has been implementing the Integrated Municipal Administration System (SAMI) , 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).

Subsequent to the commencement of the second Validation, Honduras published the 2017-2018 EITI Report. The report similarly explained the audit practices for the government agencies including municipalities (p. 97). Similar to the previous report, it does not include the rules regarding audit procedures for extractives companies. In its recommendations, though, the Independent Administrator suggests an evaluation of the data quality assurance in future reports (p. 130).

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).

Similarly, the 2017-2018 EITI Report describes the quality assurances for EITI reporting agreed by the MSG (p. 97). These were: a letter of attestation from senior officials confirming the integrity of the data; the letter authorizing the tax office SAR to release confidential information and the signed reporting templates.

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, the EITI 2015-2016 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[[80]](#footnote-81). 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).

For the 2017-2018 EITI Report, the reconciliation exercise covered 99.7% and 99% of all government extractives revenues for 2017 and 2018 respectively. The Independent Administrator clarified that in the case of the “Security Population Fee” it was disclosed unilaterally by the companies since the tax office SAR cannot disclose this revenue stream as it cannot be attributed to a singular company (i.e. this tax is collected by commercial banks and reported to SAR in aggregate. This can be deducted from the income tax) (p. 127).

Assurance omissions: The 2015-2016 EITI 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.

The 2017-2018 EITI Report included the quality assurances received from the Supreme Auditor for reporting government agencies including municipalities (adding links to the Supreme Auditor repository of government audits) (pp. 97, 127 and Annex 9). However, the report does not explain the compliance with the quality assurance mechanisms agreed for the reporting companies. Moreover, in its recommendations the Independent Administrator commented that companies did not consistently submitted the letter of attestation and recommended to include audited financial statements in future reports (p.130).

Data reliability and comprehensiveness assessment: The 2015-2016 Report did not include a statement by the IA on the comprehensiveness and reliability of reconciled financial data in the EITI Report.

In the 2017-2018 EITI Honduras Report the Independent Administrator commented on the comprehensiveness and reliability of the reconciled financial data. While the IA provided an assessment on the comprehensiveness and reliability of government and municipalities disclosures, it omitted a similar assessment for companies. Moreover, the IA made recommendations of how to improve data quality in future reports regarding companies’ assurances such as the obligation to sign reporting templates by an authorized high official and to include audited financial accounts (pp. 91-92, p.97, p.130).

### Secretariat’s Assessment

At the commencement of the second Validation, the International Secretariat’s assessment is that Honduras had not addressed the corrective action on data reliability and had made meaningful progress with no improvement toward meeting Requirement 4.9. Subject to the Board’s consideration of new information published after the commencement of the second Validation, the International Secretariat’s assessment is that Honduras has partially addressed the corrective action on data reliability and has made meaningful progress with considerable improvement toward meeting Requirement 4.9.

Even though payments and revenues were reconciled by a credible IA, in line with Requirement 4.9.b, the IA for the 2015-2016 Report 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. For the 2017-2018 EITI Report, the IA provided an incomplete assessment of the comprehensiveness and reliability of the reconciled financial data. The IA provided an assessment of government and municipalities data, but did not comment on the reliability of company, or address the issue of any non-reporting companies. Both reports 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 the first 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[[81]](#footnote-82) 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. For 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 2015-2016 EITI 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 organisations 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 2015-2016 EITI 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 it 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.

Subsequent to the commencement of the second Validation Honduras the 2017-2018 EITI Report was published. The 2017-2018 EITI Report also includes voluntary social payments as reported in the annual declaration to the mining authorities (p. 101). The 2017-2018 EITI Report also includes voluntary contributions made by the companies for environmental purposes (forest projects, water quality, residuals, communal nurseries, etc.) (p. 103).

### Secretariat’s Assessment

The International Secretariat’s 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 years 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. This was also confirmed in the 2017-2018 EITI Report.

To strengthen implementation, companies in the extractive sector in Honduras are encouraged to further disaggregate the data they provide on their voluntary social and environmental 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 the first Validation

*Share of GDP*: The 2015-2016 EITI Report provided 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 showed that the extractive sector represented about 0.5% of total GDP in Honduras in each year. An estimate of informal sector activity was not mentioned in the Report.

The 2017-2018 EITI Report includes the size of the extractive industries in absolute terms and as a percentage of GDP (p.48). Table 6.1.1 discloses the extractive industries’ contribution to GDP, indicating that, in absolute terms its contribution was of 402 million lempiras and 429 million lempiras for 2017 and 2018, respectively. The report also shows that the extractive sector represents about 0.2% of total GDP in Honduras in each year. An estimate of informal sector activity is not mentioned in the 2017-2018 EITI Report.

*Government Revenues*: The 2015-2016 EITI Report disclosed total government revenues generated by the extractive sector in absolute terms but did not provide them 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[[82]](#footnote-83), and HNL 123,275,615,139 for the fiscal year 2016 [[83]](#footnote-84). This means that the extractive sector contributed 0.2% to the total government revenues in 2015 and 0.45% in 2016.

The 2017-2018 Report followed the same approach. Total government revenues from the extractive sector was provided in the report (p.92). Total government revenue was found in the website of the Ministry of Finance[[84]](#footnote-85). The extractive sector contributed 0.5 % of the total government revenues in 2017 and 0.6 % in 2018.

*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.

The 2017-2018 EITI Honduras Report indicates that extractive sector’s exports totalled 181m USD and 199m USD in 2017 and 2018 respectively. These represent 4% and 4.6% of total exports in 2017 and 2018.

*Employment:* In the 2015-2016 EITI Report, employment in extractive industries is disclosed in absolute terms and as a share of total employment (p.32). In the 2017-2018 report employment is equally reported in absolute terms and as a share of total employment (p.53). The 2017-2018 EITI Report also included employment in the mining sector disaggregated by gender (p. 104).

*Location:* The 2015-2016 EITI Report mentioned that key areas of production are the departments of Santa Bárbara and Olancho (p.32). The 2017-2018 EITI Report indicates the two areas where mining (gold and silver) is concentrated (p. 53).

### Secretariat’s Assessment

The International Secretariat’s 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 reports disclose 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.

To strengthen implementation 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 organisations 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[[85]](#footnote-86) was barely disseminated and discussed.

### Progress since the first 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 during 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[[86]](#footnote-87).
* On 29-30 November 2018, in accordance with its work plan, the MSG held a national congress for the socialisation of the 2015-2016 EITI Report and a civil society dialogue on the extractive sector. The EITI National Conference 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[[87]](#footnote-88).
* 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.
* During both the National congress for the discussion of the EITI Report 2015-2016 and the Civil Society Dialogue about Mining in Honduras, a digital copy of the report and other EITI printed documents were distributed to participants.

The MSG work in terms of communications had 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 ensured 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 Organisations 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[[88]](#footnote-89), 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 minute from September 2018, the SCGG agreed with the EU the hiring of contractors for several tasks, including assistance on the design, construction and launching of the EITI Honduras website. The EITI webpage, which was finally completed at the beginning of 2020, provides access to information on royalties, taxes and production, as well as MSG membership, EITI Reports and relevant news on the extractive sector[[89]](#footnote-90).

Subsequent to the commencement of the second Validation Honduras published the 2017-2018 EITI Report. The 2017-2018 EITI Report indicates that the EITI open data policy follows the general open policy enforced by the IAIP (p. 96).

There is evidence of use of EITI data by different stakeholders and contribution of EITI data to public debate. The EITI has served as a forum to raise awareness in government agencies to, for example, the MINOSA mine conflict with the Azacaya community. EITI Honduras has liaised with OGP Honduras, to address issues such as vulnerabilities at local level in the extractive communities. For example, these issues have been included in the National Climate Change Plan and the Open Government Partnership Action Plan (PAGAH) 2016-2018[[90]](#footnote-91). 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.

During 2019, two reports that draw on EITI data were published by civil society organisations such as OXFAM, FOSDEH, and the National Autonomous University of Honduras. These publications use not only data gathered through the EITI, but also the role of the EITI in strengthening transparency in Honduras extractive industries.[[91]](#footnote-92) They also address challenges that the sector is facing in the country.[[92]](#footnote-93)

The consulted civil society organisations which are not part of the EITI process but work on issues related to mining, expressed certain concerns on the lack of communication with the 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

At the commencement of the second Validation, the International Secretariat’s assessment is that Honduras had not addressed the corrective action and had achieved inadequate progress on Requirement 7.1 at the commencement of the second Validation. Subject to the Board’s consideration of new information published after the commencement of the second Validation, the Secretariat’s assessment is that Honduras has partly addressed the corrective action on public debate and has made meaningful progress towards meeting Requirement 7.1.

Before the commencement of the second validation, the MSG had undertaken outreach activities aimed at raising awareness on EITI implementation, which had not proven to be sufficient for ensuring that EITI disclosures and findings were effectively communicated or contributed to public debate. Nonetheless, the completion of the EITI Honduras website represents an improvement on this matter. It makes EITI data not only publicly available, but it is also presented in a more user-friendly manner. In addition, the use of the EITI platform to discuss the MINOSA conflict, the inclusion of issues identified by the EITI on engagement with local stakeholders included in the National Climate Change and OGP action plans and the use of EITI data in independent reports produced by civil society organizations constituted an improvement in the EITI contribution to public debate.

In accordance with Requirement 7.1, Honduras should ensure that future EITI Reports are actively disseminated, promoted and contribute to public debate, while combining this with effective outreach activities. Honduras is encouraged to make use of available funding for dissemination and communication activities.

## 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 these recommendations appeared as key to ensure that the EITI can contribute to the objectives set out for EITI Honduras.

### Progress since the first Validation

According to MSG meeting minutes, there have been some discussions on monitoring progress regarding the corrective actions from the first Validation, particularly related to the hiring of the Independent Administrator, and ToRs for the EITI website design[[93]](#footnote-94). 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. For example, the latest 2017-2018 EITI Report published in July 2020 (covering FY 2017-2018) shows that the number of reporting companies increased once more, adding two new companies.

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 2015-2016 EITI Report highlight discrepancies in the reconciliation of payments and revenues (p.88). It is noted 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 these discrepancies, neither possible mechanisms for addressing them in future reporting exercises.

Subsequent to the commencement of the second Validation, Honduras published its 2017-2018 EITI Report on 10 February 2020. The report found also discrepancies in the disclosure of Population Security Fee. It explains that the tax office SAR does not record the payment of this fee by individual company. Companies pay this fee via commercial banks which then report the aggregated payments to SAR. This renders impossible for SAR to report on these individual payments. The 2017-2018 EITI Report also includes a set of recommendations from the Independent Administrator (p.123).

On 10 June 2019, INHGEOMIN and SAR signed a covenant of cooperation and reciprocal assistance. The objective of this agreement is to improve the sharing and cross-checking of information in a more transparent and effective manner. The agreement also allows the government agencies to define the mechanisms for collecting information from companies, and make sure that their data sets are compatible with each other. The 2017-2018 EITI Report notes that INHGEOMIN has started consolidating information on social, economic and environmental expenditures in the company’s annual fiscal declaration (Declaración Anual Consolidada) (p. 24-25).

### Secretariat’s Assessment

At the commencement of the second Validation, the International Secretariat’s assessment is that Honduras had not addressed the corrective action and had achieved meaningful progress with no improvement on Requirement 7.3. Subject to the Board’s consideration of new information published after the commencement of the second Validation, the International Secretariat’s assessment is that Honduras has partly addressed the corrective action on follow-up on EITI recommendations and has made meaningful progress with considerable improvement toward meeting Requirement 7.3.

The first Validation noted that the Honduran MSG had made some efforts in addressing recommendations from EITI Reports. The 2018 APR provided evidence of the MSG’s discussions and follow-up on the EITI recommendations primarily through EITI reporting. For example, this could be seen in the debates the MSG had regarding the hiring of the Independent Administrator, as well as the consultancy conducted for improving the new EITI webpage[[94]](#footnote-95) and in the completion of the SAR-INHGEOMIN agreement discussed earlier in this assessment. Subject to the Board’s consideration of new information published after the commencement of the second Validation, the 2017-2018 EITI Report included explanations on the difficulties to report disaggregated government data on the Population fee, the cooperation between tax office SAR and INGHEOMIN and the consolidation of data reported by the companies in INGHEOMIN annual declaration. These were gaps previously identified in the EITI process. However, the MSG lacks a systematic approach to list and monitor the recommendations resulting from EITI implementation.

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 required to strengthen the mechanisms, beyond MSG discussions, for listing and following-up on the recommendations derived from previous reporting exercises.

## 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 modernisation efforts.

### Progress since the first Validation

The MSG published the 2018 Annual Progress Report (APR) on 24 April 2019. Besides this, there is some evidence in MSG meetings’ minutes regarding the discussions on outcomes and impact of EITI implementation on natural resource governance. The APR does not address in detail the recommendations from previous reporting but does provide evidence of stakeholders effectively participating in the production of this document, and discussing the outcomes and impact of EITI implementation.

Consultation with stakeholders confirmed the lack of systematised efforts directed at reviewing these issues. However, the MSG has discussed these matters, as reflected in the MSG meetings minutes.

Subsequently to the commencement of the second Validation, Honduras published its 2017-2018 EITI Report on 10 February 2020. The 2017-2018 EITI Report includes a section on discussing the impact of EITI implementation in Honduras (p.45). It identifies several aspects of the implementation of the EITI in Honduras that have had a relevant impact in the governance of the extractive sector. The report notes that the EITI has helped gather political support for reforms to improve the mining cadastre, as well as changes in the internal processes in INHGEOMIN. According to the report, the EITI has also helped “municipalities with mining activities in identifying opportunities to strengthen the management of the resources they receive from the mining companies” (p. 45).

The report also lists other impacts of EITI implementation in Honduras such as a stronger interoperability of public databases with information from mining activities (including environmental monitoring), the operation of a public registry of the different mining licenses in the country, as well as modernization of administrative procedures regarding the information of the annual tax and production reports. There is a new Gender Unit at INHGEOMIN that produces information in the mining sector with a gender perspective, along with the reforms that strengthen the information sharing processes between INHGEOMIN and SAR.

### Secretariat’s Assessment

At the commencement of the second Validation, the International Secretariat’s assessment is that Honduras had not addressed the corrective action and had achieved meaningful progress with no improvement on Requirement 7.4. Subject to the Board’s consideration of new information published after the commencement of the second Validation, the International Secretariat’s assessment is that Honduras has fully addressed the corrective action on reviewing the outcomes and impact of EITI implementation and has made satisfactory progress towards meeting Requirement 7.4.

The first Validation noted that the MSG made some efforts in reviewing the outcomes and impact of EITI implementation. The 2018 APR had focused more on activities than on impact. While the MSG lacks a systematic approach for reviewing outcomes and impact, their recorded discussions have included some focus on these matters. However, the 2017-2018 EITI Report documents and reports on the stakeholder’s discussion and identification of areas of impact (pp. 45-46). The impact assessment was endorsed by the MSG and is publicly available through the report.

*If the Board does not consider new information published after the commencement of the second Validation, Honduras would need to address the following corrective action*: in accordance with Requirement 7.4, the MSG should review the outcomes and impact of EITI implementation on natural resources governance and document it in an annual progress report or through other means agreed by the multi-stakeholder group. This should include any actions undertaken to address issues that the MSG has identified as priorities for 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 considered a possible back-sliding on Requirement 1.4 on MSG oversight and level of disaggregation (Requirement 4.7). The International Secretariat’s view is that there is not sufficient evidence to suggest that progress has fallen below the required standard on Requirement 1.4 but found that Requirement 4.7 is no longer met.

## 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 was already addressed in the first Validation under Requirement 1.1.

### Progress since the first 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 the 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. The ToRs also 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.

To strengthen implementation, 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.

## 5.2 Assessment of Level of disaggregation (#4.7)

### Findings from the first Validation

The first Validation concluded that Honduras had made satisfactory progress in meeting this requirement. The data in the 2014 EITI Report was disaggregated by individual company, government entity and revenue stream. As reporting companies only paid subnational taxes to one municipality each, the municipal revenue flows are effectively disaggregated by company and municipality.

### Progress since the first Validation

The 2015-2016 EITI Report is disaggregated by individual company, government entity and revenue stream. Subsequent to the commencement of the second Validation, Honduras published its 2017-2018 EITI Report on 10 February 2020. The report covers fiscal year 2018. Requirement 4.7 requires that EITI data is disaggregated by each individual project. The 2017-2018 EITI Report did not include any consideration by the MSG on which instances are considered a single project. Disaggregation by individual project was demanded by the 2016 EITI Standard for reports covering fiscal year 2018 following the MSG definition of what constitutes an individual project. This was not addressed in the 2017-2018 EITI Report.

### Secretariat’s Assessment

Subject to the Board’s consideration of new information published after the commencement of the second Validation, the International Secretariat’s assessment is that Honduras has failed to maintain adherence to Requirement 4.7. In accordance to this requirement Honduras is required to ensure that EITI data is disaggregated by each individual project, company, government entity and revenue stream.

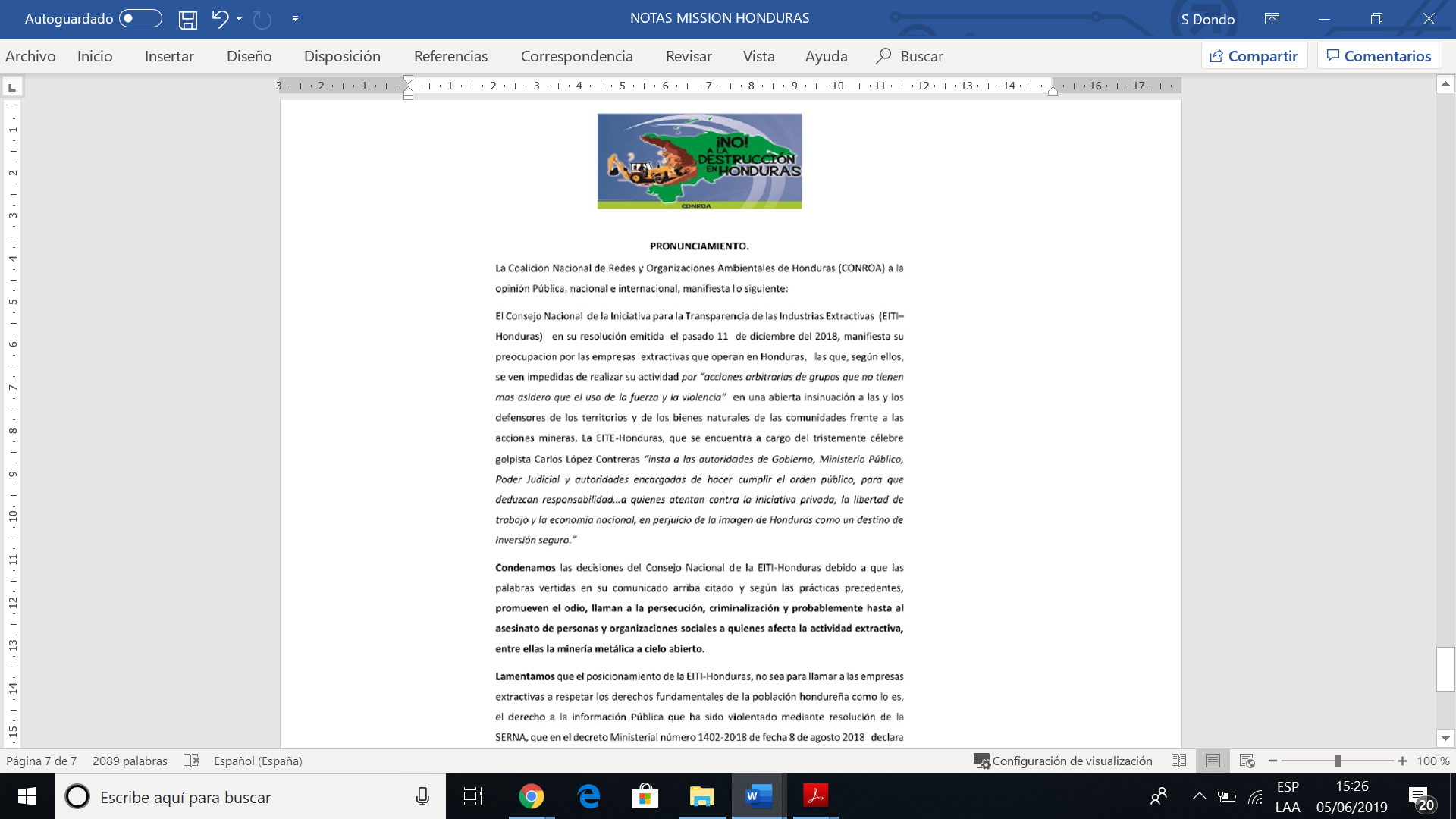
# Conclusion

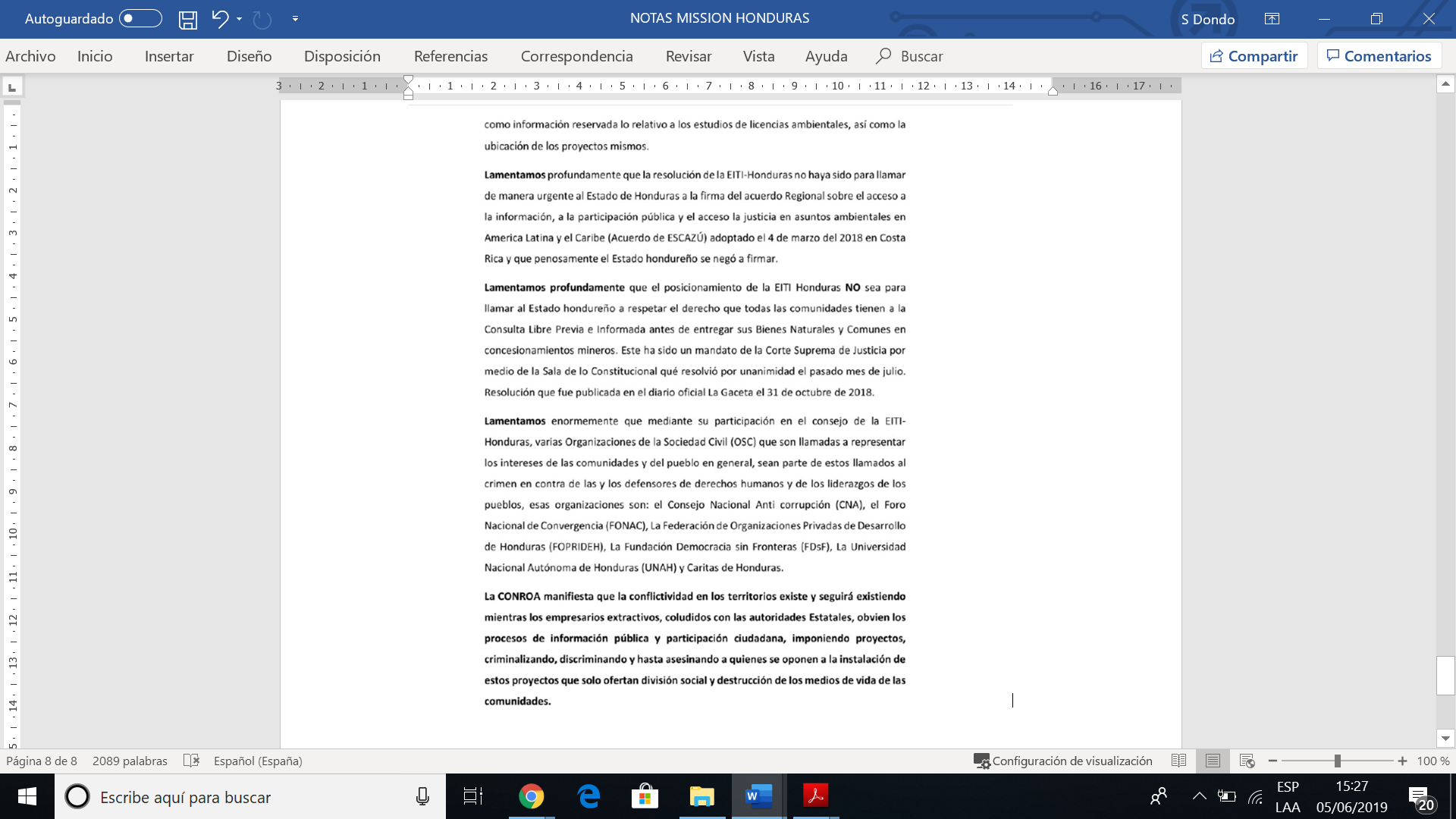
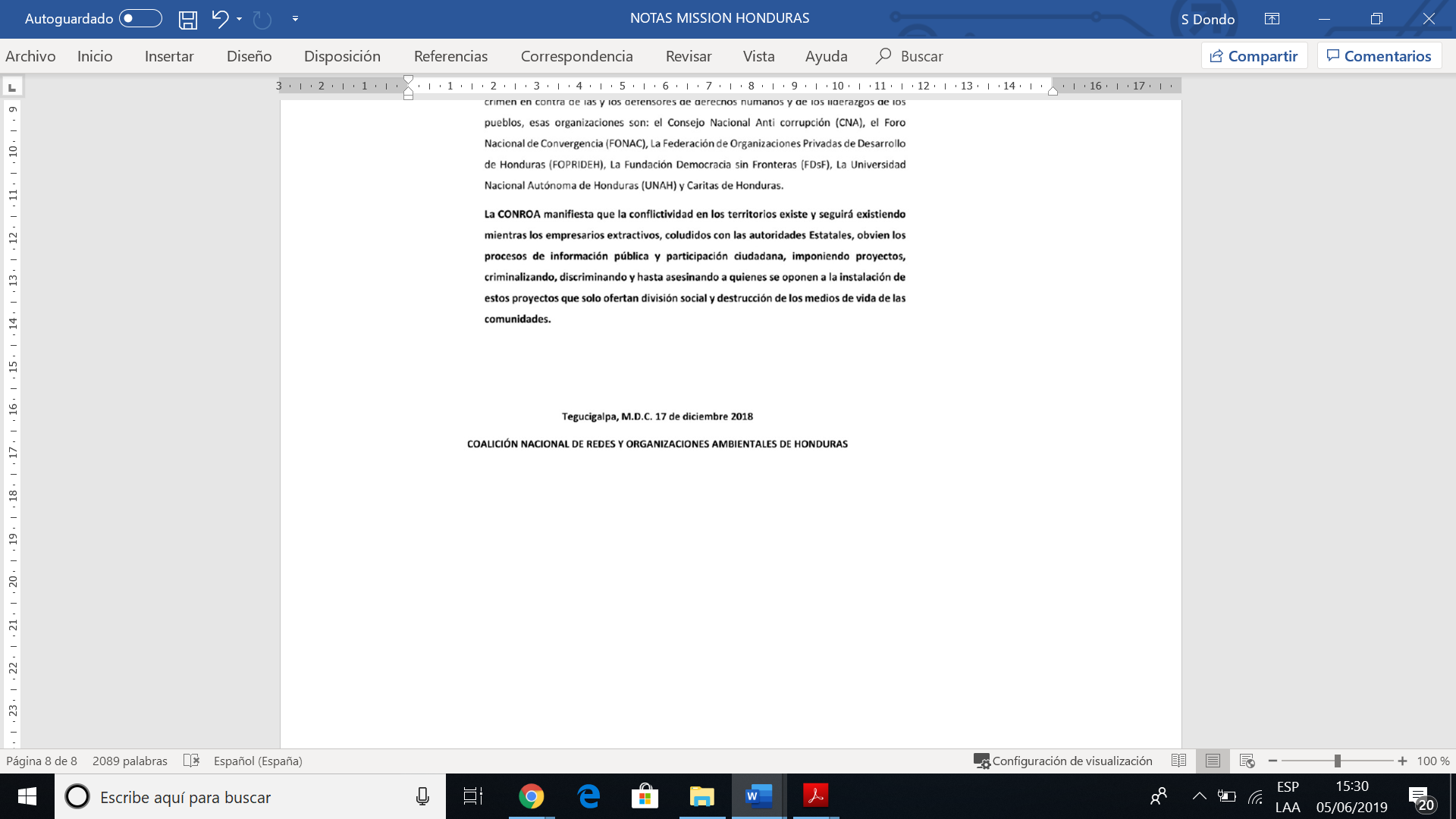
Having reviewed the steps taken by Honduras to address the 12 corrective actions requested by the EITI Board at the commencement of its second Validation (25 April 2019), it can be reasonably concluded that seven of the 12 corrective actions have been fully addressed and that Honduras has made meaningful progress on the other five corrective actions. The corrective actions with assessments of either “satisfactory progress” or “not applicable” refer to: government engagement (Requirement 1.1), work plan (Requirement 1.5), comprehensiveness (Requirement 4.1), subnational payments (Requirement 4.6), social payments (Requirement 6.1), economic contribution (Requirement 6.3) and results and impact of EITI implementation (Requirement 7.4). Of the outstanding five corrective actions, the International Secretariat’s assessment is that there has been no regression in progress, and that these relate to industry engagement (Requirement 1.2), civil society engagement (Requirement 1.3), data quality (Requirement 4.9), public debate (Requirement 7.1) and follow-up to recommendations (Requirement 7.3). Additionally, the International Secretariat has reviewed Requirement 4.7 and found that Honduras has regressed in meeting Requirement 4.7 on level of disaggregation.

# Annexes

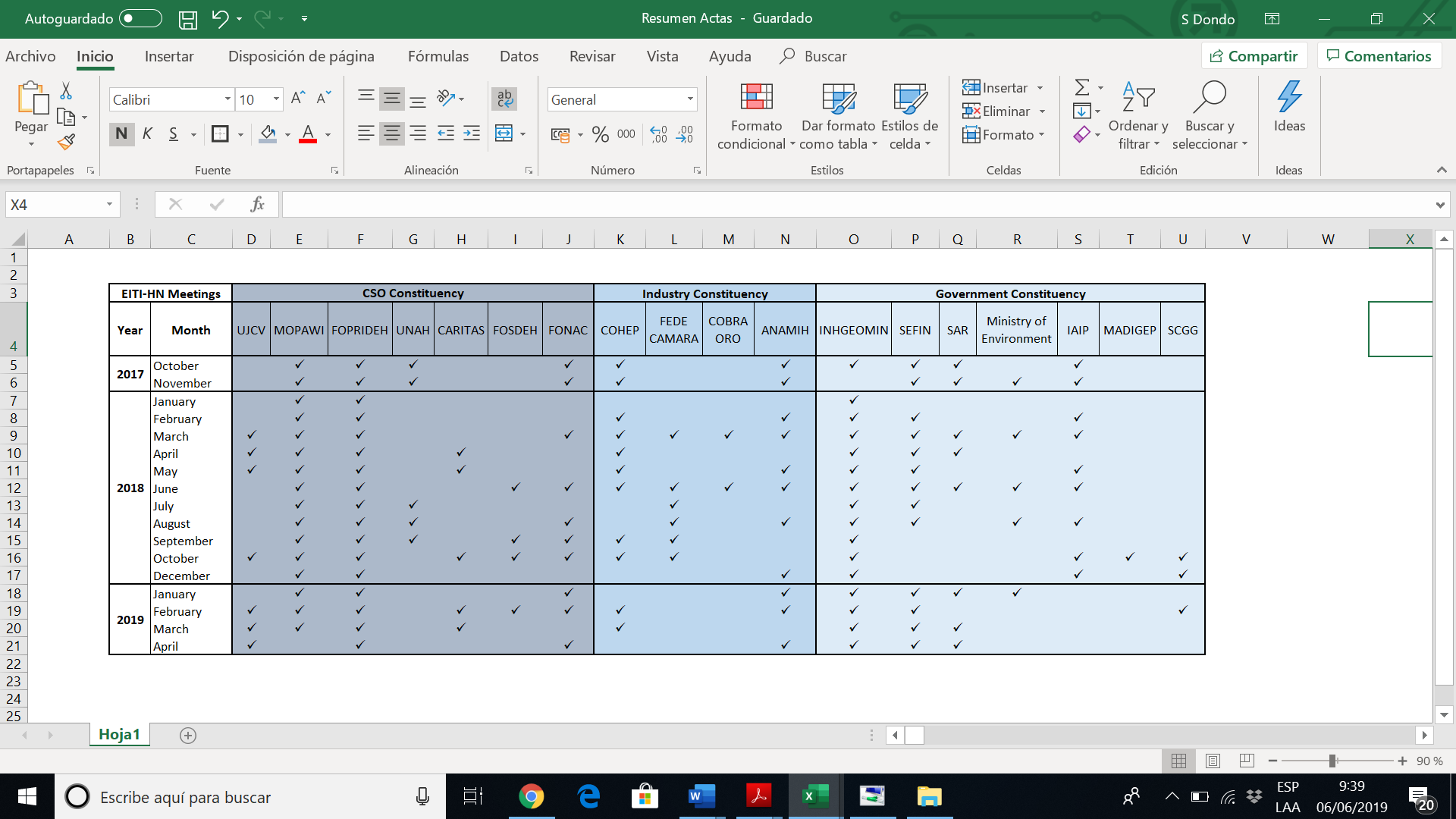
## Annex A: Communiqué sent by EITI on 11 December 2018

## 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.

## Annex E: Municipalities where extractive companies operate

|  |  |  |  |
| --- | --- | --- | --- |
| **Company** | **Information** | | |
| **Contact person** | **Department** | **Municipality** |
| (MINOSA) MINERALES DE OCCIDENTE S.A. DE C.V. | Nadia Sofía Aguilar Fortín | COPÁN | LA UNIÓN |
| Richmond Fenn |
| AMERICAN PACIFIC HONDURAS S.A | Olbin Sarmiento Mena | SANTA BÁRBARA | LAS VEGAS |
| Ricardo Sierra |
| CONSTRUCCIONES Y SUMINISTROS ORTEGA S DE R.L | Ondina Leticia Miranda Reyes | ATLÁNTIDA | LA CEIBA |
| Emigdio Angel Ortega López |
| AGREGADOS DEL CARIBE S.A | Ana Lourdes Martínez Cruz | CORTÉS | PUERTO CORTÉS |
| Rafael Alberto Flores G. |
| CEMENTOS DEL NORTE S.A. | Fátima Pineda | CHOLOMA |
| Edwin Argueta Tróchez |
| HARRY STEPHEN PANTING ZELAYA | Héctor Mauricio Castro Ortéz | SAN PEDRO SULA |
| Harry Panting Zelaya |
| CONHSA-PAYHSA | Cesar Milian Prado |
| José Raúl Durón Contreras |
| INCAL S.A. | Juan Carlos López Orellana | POTRERILLOS |
| Juan Carlos Flores |
| COMPAÑÍA MINERA CERROS DEL SUR S.A DE C.V | Alina Castro | CHOLUTECA | EL CORPUS |
| Kyle G. Pickard |
| COBRA DE HONDURAS S.A DE C.V | José María Díaz Ávila | CHOLUTECA |
| Iris Dionisia Zavala Ponce |
| JAMAR COMERCIAL INDUSTRIAL S.A DE C.V | Manuel Rodrigo Mazariegos | OLANCHO | GUALACO |

Source: INHGEOMIN

1. See <https://www.oas.org/en/media_center/press_release.asp?sCodigo=E-092/17> accessed 5 June 2020. [↑](#footnote-ref-2)
2. See EEAS (March 2018) Honduras Final Report. General Elections 2017, p. 1. Retrieved from <https://eeas.europa.eu/sites/eeas/files/373045796-eu-eom-honduras-2017-final-report.pdf>, Accessed 5 June 2020 [↑](#footnote-ref-3)
3. See United Nations. Human Rights Council (January 2019) Retrieved from <https://undocs.org/A/HRC/40/60/Add.2> 5 June 2020 [↑](#footnote-ref-4)
4. The 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: Honduras Supreme Court (June 2017). Recurso de Inconstitucionalidad EXP. SCO – 1165- 2014. Retrieved from <https://tbinternet.ohchr.org/Treaties/CCPR/Shared%20Documents/HND/INT_CCPR_FCO_HND_32139_S.pdf> on 5 June 2020 [↑](#footnote-ref-5)
5. See: <https://criterio.hn/socializan-propuesta-reformas-la-ley-mineria-honduras/> Accessed 5 June 2020 [↑](#footnote-ref-6)
6. See: <https://www.laprensa.hn/honduras/1263079-410/propuesta-reforma-ley-mineria-instituto-hondure%C3%B1o-geologia-minas-honduras> Accessed 5 June 2020 [↑](#footnote-ref-7)
7. See: <https://tiempo.hn/iaip-anula-resolucion-declaraba-secreto-informacion-licencias-ambientales1/>. Accessed June 2020 [↑](#footnote-ref-8)
8. See Honduras MSG (December 2019). Minute 15 of MSG meetings. <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NjYwMDI0ODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> Accessed 5 June 2020. [↑](#footnote-ref-9)
9. See Honduras MSG (August 2019) Minute 9 of MSG Meetings: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NTg5MjkxODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==>Accessed 5 June 2020. [↑](#footnote-ref-10)
10. See UNAH, FOSDEH, OXFAM (April 2019). *Territorios en Riesgo*. *Minería, hidrocarburos y generación de energía eléctrica en Honduras.* <https://cng-cdn.oxfam.org/honduras.oxfam.org/s3fs-public/file_attachments/Teritorios%20en%20Riesgo%20II%20-%20Miner%C3%ADa,%20generaci%C3%B3n%20de%20energ%C3%ADa%20el%C3%A9ctrica%20e%20hidrocarburos%20en%20Honduras.pdf>, Accessed 5 June 2020, as well as FOSDEH (September 2019) *Iniciativas Internacionales de Transparencia en Honduras 2019* <https://fosdeh.com/wp-content/uploads/2019/09/iniciativas-internacionales-transparencia-hn.pdf> Accessed 5 June 2020. [↑](#footnote-ref-11)
11. Please refer to <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NTAwNzA5ODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==>, for more examples. Accessed 5 June 2020. [↑](#footnote-ref-12)
12. See EITI Board (October 2017) Limited Engagement Policy. Decision 2017-48/BM-38 retrieved from:

    <https://eiti.org/document/limited-engagement-policy> Accessed Jun2 5, 2020. [↑](#footnote-ref-13)
13. EITI (2016), ‘2016 EITI Standard’, available at: <https://eiti.org/document/eiti-standard-requirements-2016> Accessed 5 June 2020 [↑](#footnote-ref-14)
14. The Minutes from MSG meetings are available at <https://portalunico.iaip.gob.hn/portal/index.php?portal=442> Accessed 5 June 2020 [↑](#footnote-ref-15)
15. MSG meeting minute available at: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NTY1OTI3ODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> Accessed 5 June 2020 [↑](#footnote-ref-16)
16. See Honduras EITI (February 2020) Honduras 2017-2018 EITI Report. Available at: <https://eiti.org/document/honduras-20172018-eiti-report> Accessed 5 June 2020. [↑](#footnote-ref-17)
17. See: Honduras EITI. (July 2019). Work Plan 2019-2020. Available here: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=Mzc0NjY5ODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> Accessed 5 June 2020 [↑](#footnote-ref-18)
18. See: Honduras EITI MSG (July 2019). Minute 7. MSG Meetings. Available at <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NTUwMDQ1ODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> Accessed 5 June 2020. [↑](#footnote-ref-19)
19. EITI (2019), ‘EITI Validation Guide’, available at: <https://eiti.org/document/eiti-validation-guide> Accessed 5 June 2020. [↑](#footnote-ref-20)
20. See Honduras EITI (June 2018) Honduras 2015-2016 EITI Report. Available at <https://eiti.org/document/20152016-honduras-eiti-report>, Accessed 5 June 2020. [↑](#footnote-ref-21)
21. See Honduras EITI (February 2020) Honduras 2017-2018 EITI Report. Available at: <https://eiti.org/document/honduras-20172018-eiti-report> Accessed 5 June 2020. [↑](#footnote-ref-22)
22. See: EITI Board (October 2017). Decision on Honduras. Decision 2017-52/BM-38

    <https://eiti.org/BD/2017-52> Accessed 5 June 2020. [↑](#footnote-ref-23)
23. The agreement is available here: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NTY1OTMyODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> Accessed 5 June 2020. [↑](#footnote-ref-24)
24. See INHGEOMIN (January 2019) Resolution 303/2018 retrieved from: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NDcyMjU4ODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> Accessed 5 June 2020. [↑](#footnote-ref-25)
25. See Honduras MSG (December 2018) Minute from MSG meetings. (p. 2) Retrieved from <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NDU3NzA5ODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> Accessed 5 June 2020 [↑](#footnote-ref-26)
26. See Office Document 29 from September 2018 (p. 4) for further examples: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NTAyMjc2ODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> Accessed 5 June 2020 [↑](#footnote-ref-27)
27. This project was approved on 20 November 2018 as reflected in the minutes of the MSG’s Technical Committee meeting. See Honduras MSG (November 2018) Minute (p. 4), retrieved from: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NDU3Njk2ODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> Accessed 5 June 2020 [↑](#footnote-ref-28)
28. See Decree No. 171-2019 (31 December 2019) retrieved from <https://www.tsc.gob.hn/web/leyes/Decreto-171-2019.pdf>, p.99, Accessed 5 June 2020 [↑](#footnote-ref-29)
29. See Honduras MSG 2019-2020 (July 2019) Work Plan (point 11), Available here: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NTUwMDgwODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> Accessed 5 June 2020. [↑](#footnote-ref-30)
30. See Honduras MSG (December 2019) Minute 15. MSG Meetings. Available here <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NjYwMDI0ODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> Accessed 5 June 2020 [↑](#footnote-ref-31)
31. See Honduras MSG (August 2019) Minute 9. MSG Meetings. Available here: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NTg5MjkxODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==>, Accessed 5 June 2020. [↑](#footnote-ref-32)
32. See Secretary of Natural Resources and the Environment (August 2018) Ministerial Agreement No. 1402-2018. Available here: <https://tzibalnaah.unah.edu.hn/bitstream/handle/123456789/8638/20180817.pdf?sequence=2&isAllowed=y> Accessed 5 June 2020 [↑](#footnote-ref-33)
33. See: See IAIP (October 2019). Resolution SE-004-2019. Retrieved from: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NzE3NjI4ODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> Accessed 5 June 2020 [↑](#footnote-ref-34)
34. See: Edwin Funes (October 31, 2019) “IAIP anula resolución que declaraba en secreto información de licencias ambientales” Available here:

    <https://tiempo.hn/iaip-anula-resolucion-declaraba-secreto-informacion-licencias-ambientales1/> Accessed 5 June 2020 [↑](#footnote-ref-35)
35. See Honduras MSG (July 2019). EITI Honduras work plan, retrieved from: <https://eiti.org/files/documents/honduras_-_plan_de_trabajo_2019_eiti-hn_vff.pdf> Accessed 5 June 2020. [↑](#footnote-ref-36)
36. See EITI Honduras (April 2019) Progress Report 2018. Available here <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NTIyODQ3ODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg> Accessed 5 June 2020 [↑](#footnote-ref-37)
37. See EITI Honduras (February 2016) EITI Report 2014. Available here <https://eiti.org/sites/default/files/documents/eiti-hn-2014.pdf> Accessed 5 June 2020 [↑](#footnote-ref-38)
38. See FEDECAMARA website for further examples: <http://www.fedecamarahn.org/fv2/index.php/actividades/alianzas/397-resumen-de-alianzas-y-colaboraciones>, Accessed 5 June 2020 [↑](#footnote-ref-39)
39. See EITI Honduras (February 2020) Honduras 2017-2018 EITI REPORT Report, Available here: <https://www.inhgeomin.gob.hn/images/EITI-HN/Informe%20EITI%20-%20Honduras%20periodos%202017-2018.pdf>, pp. 90-93, Accessed 5 June 2020 [↑](#footnote-ref-40)
40. See EITI Honduras (April 2019) Progress Report 2018. Available here <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NTIyODQ3ODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> Accessed 5 June 2020 [↑](#footnote-ref-41)
41. See: <https://honduras.oxfam.org/press-release/foro-nacional-empresa-derechoshumanos-honduras> for further evidence. Accessed 5 June 2020. [↑](#footnote-ref-42)
42. For further examples, see: <https://onedrive.live.com/?cid=4019917025010926&id=4019917025010926%213868&authkey=%21ANIPnhvDJn6k%5Fgw> Accessed 5 June 2020. [↑](#footnote-ref-43)
43. See Honduras’s Constitution, retrieved from <https://www.oas.org/dil/esp/Constitucion_de_Honduras.pdf> Accessed 5 June 2020. [↑](#footnote-ref-44)
44. See Honduras Congress. (June 2011). Decree 32-2011. Available here: <https://mk0rofifiqa2w3u89nud.kinstacdn.com/wp-content/uploads/Honduras_HondurasNGOD.pdf?_ga=2.109701063.336570538.1591319248-312514858.1591319248> Accessed 5 June 2020 [↑](#footnote-ref-45)
45. See Honduras MSG (March 2019). Minute 3. MSG Meetings (p. 3). Available here: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NTAzNzcyODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> Accessed 5 June 2020 [↑](#footnote-ref-46)
46. See Honduras MSG (December 2018). Minute 12. MSG Meetings (p.3). Available here: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NDU3NzA5ODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> Accessed 5 June 2020 [↑](#footnote-ref-47)
47. See Honduras MSG (September 2017). Minute 9. MSG Meetings (p. 2). Available here: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=MzEyMzc5ODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> Accessed 5 June 2020 [↑](#footnote-ref-48)
48. See <https://foprideh.org/panel-sobre-cambio-climatico-y-gobernanza-de-la-eiti-en-la-comunidades-mineras/> For detailed example. Accessed 5 June 2020 [↑](#footnote-ref-49)
49. See Honduras MSG (October 2018). Minute 10. MSG Meetings. (p. 2) <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NDU3Njk2ODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> Accessed 5 June 2020. [↑](#footnote-ref-50)
50. For access to minutes of every MSG session, see: <https://portalunico.iaip.gob.hn/portal/index.php?portal=442> Accessed 5 June 2020 [↑](#footnote-ref-51)
51. See Honduras MSG (February 2019) Minute 2. MSG Meetings. Available here: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NTAwMTQ4ODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> Accessed 5 June 2020 [↑](#footnote-ref-52)
52. For further evidence, see: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NTAwNzA5ODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> Accessed 5 June 2020 [↑](#footnote-ref-53)
53. See UNAH, FOSDEH, OXFAM (April 2019). *Territorios en Riesgo*. *Minería, hidrocarburos y generación de energía eléctrica en Honduras.* <https://cng-cdn.oxfam.org/honduras.oxfam.org/s3fs-public/file_attachments/Teritorios%20en%20Riesgo%20II%20-%20Miner%C3%ADa,%20generaci%C3%B3n%20de%20energ%C3%ADa%20el%C3%A9ctrica%20e%20hidrocarburos%20en%20Honduras.pdf>, Accessed 5 June 2020 [↑](#footnote-ref-54)
54. See FOSDEH (September 2019) *Iniciativas Internacionales de Transparencia en Honduras 2019* <https://fosdeh.com/wp-content/uploads/2019/09/iniciativas-internacionales-transparencia-hn.pdf>. Accessed 5 June 2020 [↑](#footnote-ref-55)
55. See: Honduras Government. Secretaría de Coordinación General de Gobierno (August 2018). Open Government Partnership Work Plan. Available here: <http://www.gobiernoabiertohonduras.org/descargas/IV_PLAN_DE_ACCION_DE_ESTADO_ABIERTO_HONDURAS_2018-2020.pdf> Accessed 5 June 2020 [↑](#footnote-ref-56)
56. See Honduras Government. Secretaría de Recursos Naturales y Ambiente (May 2018). Plan Nacional de Adaptación al Cambio Climático. Available here: <http://www.miambiente.gob.hn/media/adjuntos/pdf/DNCC/2018-05-10/16%3A35%3A53.282976%2B00%3A00/PNA.pdf> Accessed 5 June 2020 [↑](#footnote-ref-57)
57. See, for further examples, UNAH, FOSDEH, OXFAM (April 2019). *Territorios en Riesgo*. *Minería, hidrocarburos y generación de energía eléctrica en Honduras.* <https://cng-cdn.oxfam.org/honduras.oxfam.org/s3fs-public/file_attachments/Teritorios%20en%20Riesgo%20II%20-%20Miner%C3%ADa,%20generaci%C3%B3n%20de%20energ%C3%ADa%20el%C3%A9ctrica%20e%20hidrocarburos%20en%20Honduras.pdf>, Accessed 5 June 2020 [↑](#footnote-ref-58)
58. Interview with Sayra Vargas, CSO representative in the MSG representing Cecilio Valle University (26 May 2020). [↑](#footnote-ref-59)
59. See Honduras MSG (September 2019). Minute 11. MSG Meetings. Available here: Accessed 5 June 2020 [↑](#footnote-ref-60)
60. See EITI Honduras (December 2019). 2017-2018 EITI Report. Available here: <https://www.inhgeomin.gob.hn/images/EITI-HN/Informe%20EITI%20-%20Honduras%20periodos%202017-2018.pdf>, p. 41, Accessed 5 June 2020. [↑](#footnote-ref-61)
61. Interview with Oswaldo Munguía, CSO representative in the MSG representing MOPAWI (27 May 2020). [↑](#footnote-ref-62)
62. See Honduras MSG (May 2019). Minute 5. MSG Meetings. (p. 3). Available here: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NTIzMDcyODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> [↑](#footnote-ref-63)
63. See Honduras MSG (March 2019). Minute 3. MSG Meetings. (p. 2) Available here: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NTAzNzcyODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> Accessed 5 June 2020. [↑](#footnote-ref-64)
64. See Honduras MSG (May 2019). Minute 6. MSG Meetings. (p. 3) Available here: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NTM2NjE4ODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==>. Accessed 5 June 2020 [↑](#footnote-ref-65)
65. See EITI Honduras (November 2017). EITI Honduras work plan 2017-2018. Available here: <https://portalunico.iaip.gob.hn/Archivos/EITI/informes/informes/2017/PLAN%20DE%20TRABAJO%202017_EITI_HN%20%20(va).pdf> Accessed 5 June 2020 [↑](#footnote-ref-66)
66. See EY (March 2018). Minute of a meeting with the IA, (p. 6). Available here: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=MzcyNjMxODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> Accessed 5 June 2020 [↑](#footnote-ref-67)
67. The 2017-2018 EITI Honduras 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 EITI Honduras (November 2017). EITI Honduras 2017-2018 work plan. pp. 4. Available here: <https://portalunico.iaip.gob.hn/Archivos/EITI/informes/informes/2017/PLAN%20DE%20TRABAJO%202017_EITI_HN%20%20(va).pdf> Accessed 5 June 2020 [↑](#footnote-ref-68)
68. See EITI Honduras (July 2019). EITI Honduras 2019-2020 work plan. Available here: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NTUwMDgwODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> Accessed 5 June 2020 [↑](#footnote-ref-69)
69. See minutes of MSG meetings available here: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NTAzNzcyODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> and <https://www.eitihonduras.org/wp-content/uploads/2020/02/6-de-septiembre-de-2019-.pdf> [↑](#footnote-ref-70)
70. See work plan 2019-2020, available here: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NTUwMDgwODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> [↑](#footnote-ref-71)
71. See EY (March 2018). Minute of a meeting with the IA, Available here: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=MzcyNjMxODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> Accessed 5 June 2020 [↑](#footnote-ref-72)
72. See EY (March 2018). Minute of a meeting with the IA, Available here: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=MzcyNjMxODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> Accessed 5 June 2020 [↑](#footnote-ref-73)
73. See Honduras MSG (August 2019). Minute 9. MSG Meetings. Available here: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NTg5MjkxODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> Accessed 5 June 2020. [↑](#footnote-ref-74)
74. 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.

    For further examples, 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> Accessed 5 June 2020. [↑](#footnote-ref-75)
75. Honduran Lempira:. Honduras’ currency. [↑](#footnote-ref-76)
76. Exchange rate: 23.62 and 24.39 HNL/USD for 2017 and 2018 respectively. [↑](#footnote-ref-77)
77. See Annex E- Municipalities where extractive companies operate (INHGEOMIN) [↑](#footnote-ref-78)
78. For further examples see: [www.tsc.gob.hn](http://www.tsc.gob.hn) Accessed 5 June 2020 [↑](#footnote-ref-79)
79. 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-Cortés. [↑](#footnote-ref-80)
80. 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-81)
81. See: Ley General de Minería (April 2013). Decree 32-2013. Available here: <http://inhgeomin.gob.hn/images/Documentos/Portal-Transparencia/Leyes/Ley-General-de-Mineria.pdf> Accessed 5 June 2020. [↑](#footnote-ref-82)
82. See: Honduras Congress (2014) Decree 140-2014. Total Government Revenues. Available here: <http://www.sefin.gob.hn/wp-content/uploads/Presupuesto/2015/aprobado/Disposiciones%202015.pdf> Accessed 5 June 2020. [↑](#footnote-ref-83)
83. See: Honduras Congress (2015) Decree 168-2015. Total Government Revenues. Available here: <http://www.sefin.gob.hn/wp-content/uploads/Presupuesto/2016/Aprobado/Disposiciones%202016.pdf> Accessed 5 June 2020 [↑](#footnote-ref-84)
84. See: Secretary of Finance (2020). <http://www.sefin.gob.hn/cifras-macrofiscales/> Accessed 5 June 2020. [↑](#footnote-ref-85)
85. See Honduras EITI (2014). EITI 2014 Report. Available here: <https://eiti.org/sites/default/files/documents/eiti-hn-2014.pdf> Accessed 5 June 2020 [↑](#footnote-ref-86)
86. For further examples see: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NDAwMjAwODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> Accessed 5 June 2020 [↑](#footnote-ref-87)
87. See, for additional examples: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NDczNzYzODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> Accessed 5 June 2020 [↑](#footnote-ref-88)
88. See: <https://portalunico.iaip.gob.hn/portal/index.php?portal=442> Accessed 5 June 2020 [↑](#footnote-ref-89)
89. See EITI Honduras webpage, available here: <https://www.eitihonduras.org> Accessed 5 June 2020 [↑](#footnote-ref-90)
90. See: Honduras Government. Secretaría de Coordinación General de Gobierno (August 2018). Open Government Partnership Work Plan. Available here <http://www.gobiernoabiertohonduras.org/descargas/IV_PLAN_DE_ACCION_DE_ESTADO_ABIERTO_HONDURAS_2018-2020.pdf>, Accessed 5 June 2020 [↑](#footnote-ref-91)
91. See FOSDEH (September 2019) *Iniciativas Internacionales de Transparencia en Honduras 2019* <https://fosdeh.com/wp-content/uploads/2019/09/iniciativas-internacionales-transparencia-hn.pdf> Accessed 5 June 2020 [↑](#footnote-ref-92)
92. See UNAH, FOSDEH, OXFAM (April 2019). *Territorios en Riesgo*. *Minería, hidrocarburos y generación de energía eléctrica en Honduras.* <https://cng-cdn.oxfam.org/honduras.oxfam.org/s3fs-public/file_attachments/Teritorios%20en%20Riesgo%20II%20-%20Miner%C3%ADa,%20generaci%C3%B3n%20de%20energ%C3%ADa%20el%C3%A9ctrica%20e%20hidrocarburos%20en%20Honduras.pdf> Accessed 5 June 2020 [↑](#footnote-ref-93)
93. See: MSG Honduras (September 2018). Minute 9. MSG Meetings. Available here: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NDMyNTM1ODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> Accessed 5 June 2020 [↑](#footnote-ref-94)
94. See: EITI Honduras (April 2019). Annual Progress Report 2018. Available here: <https://portalunico.iaip.gob.hn/portal/ver_documento.php?uid=NTIyODQ3ODkzNDc2MzQ4NzEyNDYxOTg3MjM0Mg==> Accessed 5 June 2020 [↑](#footnote-ref-95)