

EITI International Secretariat

15 July 2017

Validation of Honduras

Report on initial data collection
and stakeholder consultation

Table of Contents

Abbreviations	4
Executive Summary	5
Introduction	12
Part I – MSG Oversight	17
1. Oversight of the EITI process	17
Government engagement in the EITI process (#1.1)	17
Industry engagement in the EITI process (#1.2)	19
Civil society engagement in the EITI process (#1.3).....	20
MSG governance and functioning (#1.4)	25
Workplan (#1.5).....	30
Part II – EITI Disclosures	34
2. Award of contracts and licenses	34
Legal framework (#2.1).....	34
License allocations (#2.2)	36
Initial assessment	38
License registers (#2.3)	39
Contract disclosures (#2.4)	40
Beneficial ownership disclosure (#2.5)	43
State participation (#2.6).....	45
3. Monitoring and production	47
Overview of the extractive sector, including exploration activities (#3.1)	47
Production data (#3.2).....	48
Export data (#3.3)	49
4. Revenue collection	50
Materiality (#4.1).....	50
In-kind revenues (#4.2).....	56
Barter and infrastructure transactions (#4.3).....	56
Transport revenues (#4.4)	57
Transactions between SOEs and government (#4.5).....	57
Subnational direct payments (#4.6)	58
Level of disaggregation (#4.7)	59
Data timeliness (#4.8).....	59
Data quality (#4.9)	60
5. Revenue management and distribution	66
Distribution of revenues (#5.1).....	67
Sub-national transfers (#5.2)	68
Additional information on revenue management and expenditures (#5.3)	68
6. Social and economic spending	70
Social expenditures (#6.1)	70
SOE quasi fiscal expenditures (#6.2).....	72
Contribution of the extractive sector to the economy (#6.3).....	72
Part III – Outcomes and Impact	74
7. Outcomes and Impact	74

Validation of Honduras: Report on initial data collection and stakeholder consultation	
Public debate (#7.1).....	74
Data Accessibility (#7.2).....	76
Lessons Learned and follow-up on recommendations (#7.3)	77
Outcomes and impact of implementation (#7.4)	78
8. Impact analysis (not to be considered in assessing compliance with the EITI provisions).....	83
Annexes	86
Annex A – List of MSG member organizations and representatives.....	86
Annex B – MSG meeting attendance in 2016.....	87
Annex C – Cost of EITI Reports	90
Annex D – List of stakeholders consulted.....	91
Annex E – List of reference documents	94

Index of figures and tables

Figure 1– <i>Initial assessment card</i>	10
Table 3 – <i>Summary initial assessment table: Monitoring and production</i>	49
Table 4 – <i>Summary initial assessment table: Revenue collection</i>	65
Table 5 – <i>Summary initial assessment table: Revenue management and distribution</i>	69
Table 6 – <i>Summary initial assessment table: Social and economic spending</i>	73
Table 7 – <i>Summary initial assessment table: Outcomes and impact</i>	81

Abbreviations

ANAMIN	Asociación Nacional de Minería Metálica (Metallic Mining National Association)
ANDI	Asociación Nacional de Industriales (Industry National Association)
ASJ	Asociación para una Sociedad más justa (Association for a More Just Society)
COHEP	Consejo Hondureño de Empresa Privada (Honduran Council of Private Enterprises)
CSOs	Civil Society Organizations
DAC	Declaración Anual Consolidada (Annual Consolidated Declaration)
DEFOMIN	Dirección Ejecutiva de Fomento a la Minería (Directorate for Mining Promotion)
DEI	Dirección Ejecutiva de Ingresos (Executive Tax Direction)
FEDECAMARA	Federación de Cámaras de Comercio e Industria (Federation of Chambers of Commerce and Industry)
FONAC	Foro Nacional de Convergencia (National Convergence Forum)
FOSDEH	Foro Social sobre la Deuda Externa (Social Forum for the External Debt and Development)
IAIP	Instituto de Acceso a la Información Pública (Institute for Access to Public Information)
ICF	Instituto Nacional de Conservación Forestal (National Institute for Forestry Conservation)
IHAH	Instituto Hondureño de Antropología e Historia (Honduran Institute of Anthropology and History)
INHGEOMIN	Instituto Hondureño de Geología y Minas (Honduran Geological and Mining Institute)
MOU	Memorandum of Understanding
MSG	Multi-Stakeholder Group (EITI Honduras National Council)
NO-EITIH	National Organization of EITI Honduras
SAMI	Sistema de Administración Municipal Integrado (Municipal Administration Integrated System)
SAR	Servicio de Administración de Rentas (Service of Rent Administration)
SCGG	Secretaría de Coordinación General de Gobierno (Ministry of General Government Coordination)
SDHJGD	Secretaría de Derechos Humanos, Justicia, Gobernanza y Descentralización (Ministry of Human Rights, Justice, Governance and Decentralization)
SERNA	Secretaría de Energía, Recursos Naturales, Ambiente y Minas (Ministry for Natural Resources and Environment)
SIAF	Sistema Integrado de Administración Financiero (National Integrated System of Financial Administration)
SIMHON	Sistema de Información Minera de Honduras (Honduras Mining Information System)
ToRs	Terms of Reference

Executive Summary

Honduras began implementing the EITI in 2013, at an auspicious moment for its oil, gas and mining sectors. Although the extractive industries represented less than 1% of GDP, the country was hopeful that the exploration of a significant offshore oil block, recently licensed to the BG Group, would lead to a substantial expansion of the sector. Honduras saw the EITI as a tool to help the country ensure that future revenues were used transparently and for the benefit of society. With widespread anti-mining sentiment, especially in areas with mining potential, Honduras wanted to avoid corruption and wasteful use of resources by promoting accountable management and social monitoring.

Honduras became an EITI Candidate country on 22 May 2013. The EITI has been adopted, formally and in practice, as the reference on good transparency practices aimed at improved governance in the extractive industries. In April 2013, a Mining Law was passed embedding the EITI Requirements into law. Previously, the contract signed with the BG Group in November 2012 included provisions committing to the disclosure of information in accordance with the EITI. Concurrently, several other institutions were reformed and modernised. The mining law established a new regulator, Instituto Hondureño de Geología y Minas (INHGEOMIN). In other areas, such as tax collection, the former tax office was overhauled. Other institutions, including the access-to-information watchdog Instituto de Acceso a la Información Pública (IAIP) and the municipalities association Asociación de Municipalidades de Honduras (AMHON) referenced the EITI as a way to embed transparency and accountability in government systems.

Honduras has since published two EITI Reports covering revenues from the extractive sector in 2012, 2013 and 2014 and disclosing information on the sector's legal framework, licensing, production, exports, social contribution and revenue distribution. The EITI has been also identified by stakeholders as a useful tool to address beneficial ownership in licensing and operating companies, and the social and environmental impact of the extractive industries.

EITI Honduras has, however, contributed less than its full potential. There appear to be two key constraints. First, while EITI-Honduras initially had adequate funding, in recent years it has operated with very limited resources. Second, the hosting of the EITI-Honduras secretariat has been problematic. In 2016, the secretariat was inoperative for some time. Transition in staffing meant lost institutional memory. The secretariat depended on an ad-hoc hosting arrangement with staff seconded from the Ministry of Foreign Affairs. These challenges have clearly hampered EITI implementation.

The EITI International Board agreed at its 33rd Board meeting in May 2016 that Honduras should be Validated commencing on 1 January 2017. The EITI International Secretariat undertook a desk review, carried out data collection and stakeholder consultation in Tegucigalpa from 6 to 10 February 2017. The Secretariat followed the [Validation procedures](#) and have applied the [Validation Guide](#) approved by the EITI Board on May 2016 in assessing Honduras's progress with the EITI Standard.

While this assessment has not yet been reviewed by the Independent Validator, the Secretariat's initial assessment is that progress on requirements 1.1, 1.2, 1.3, 1.5, 4.1, 4.6, 4.9, 6.1, 6.3, 7.1, 7.3 and 7.4 are less than satisfactory.

Overall conclusions

Honduras set out to implement the EITI in 2013 with sound multi-stakeholder engagement. The initial effort given to the EITI was meticulous and in full alignment with the EITI Standard. Crucially, Honduras embedded the EITI Standard into its legislative framework. The Mining Law of 2013 mandates mining title holders to comply with the Standard. The contract signed with the BG Group also obliged the company to follow the EITI's disclosure requirements. The process was supported by international partners including the World Bank with funding through the multi-donor trust fund (MDTF).

In preparing for the first reporting cycle, EITI-Honduras sought to address capacity constraints, raising awareness about transparency and good management of natural resources. More importantly, government agencies involved in managing and monitoring the oil, gas and mining sector prepared to provide information in accordance with the EITI Standard. The mining regulator, the tax office and the finance ministry were brought together to understand and design the scope of the reporting process. The mining regulator overhauled the licensing and cadastre system and other internal procedures with the EITI as guide. Civil society and industry representatives actively engaged with government officials during this phase. Stakeholders comment that the multi-stakeholder group collaboration was institutionalised. In a country with high level of distrust toward the mining and oil industries, this trust-building collaboration was a significant achievement.

The two EITI Reports published by EITI-Honduras to date, covering three fiscal years, have provided an unprecedented overview of the extractive industries. While some of the data was not new, it had never previously been brought together in this way. In addition, the report provided disaggregated data that was not previously publicly available. That said, this initial assessment has identified several areas that require further attention.

As noted above, the EITI Standard has been an important reference for government agencies in modernizing their systems and embedding transparency. This work could be further strengthened, e.g., by further improving the cadastre system to include beneficial ownership information, harmonizing the classification of extractive companies by the mining regulator, and integrating revenue collection data in the systems of the tax agency (SAR). There are also opportunities, using the financial monitoring systems (national and municipal) in the finance ministry, to examine how EI revenues are distributed and utilised.

While the EITI has made a good start in building trust, the information produced through the EITI needs to put to better use. The data could be used to examine whether all companies have paid the correct amount of tax (a subject of considerable debate), and disclosing municipal-level information on revenue transfers and the utilisation of these funds. Others issues such as the cost structure in the mining industry and social contributions from mining companies could be more widely addressed and discussed.

Finally, the government needs to put the EITI on a sounder footing. Honduras's oil, gas and mining sector is small, and there should be a careful consideration of costs and benefits. The government should consider hosting the EITI supporting unit in one of the government agencies already involved in the EITI work. The government should also continue to explore opportunities to integrate the EITI's disclosure requirements in existing systems in the mining regulator, the tax agency, the finance ministry and IAIP. This approach would free up resources, with the EITI playing a greater role in analysing this data and communicating it more effectively. This approach could reduce the cost of EITI implementation while

Validation of Honduras: Report on initial data collection and stakeholder consultation increasing its impact at the national and local level.

Recommendations

1. The MSG should agree a revised and fully costed work plan. The MSG should review the outcomes and impact of EITI implementation to date and revise the work plan objectives to ensure that they are clearly aligned with the national priorities for the extractive industry. The revised work plan would be an opportunity to reinvigorate government, industry, civil society and donor engagement. The Government could consider convening an EITI national conference to agree high-level objectives to inform future EITI work.
2. The MSG is encouraged to reconfirm the MSG membership and agree clear rules for rotating representatives of the MSG member organizations and ensure that these procedures are followed and documented.
3. The government should provide 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.
4. 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.
5. 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.
6. The government is encouraged to provide INHGEOMIN with resources to update the technological platform supporting the cadastre system to allow improved public accessibility.
7. The MSG might wish to include in future reporting information on how the production volumes and values are calculated and any other information that could enhance the understanding on how mining production is monitored. The MSG may wish to explore working with the mining regulator INHGEOMIN, the customs agency and the finance ministry in ensuring mining production is properly recorded and monitored. The EITI Report can be used to comment on progress addressing these issues.
8. The government is encouraged to continue strengthening INHGEOMIN's internal systems including the modernization of the consolidated annual declaration (DAC) and monitoring capacities and the collaboration with the customs agency, including harmonization of procedures.

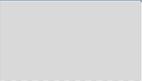
Validation of Honduras: Report on initial data collection and stakeholder consultation

9. The MSG should ensure that future reporting adheres to the standard terms of reference approved by the EITI Board. In particular, the MSG should adopt a definition of materiality that ensures that the scope of the reporting process is comprehensive and that all material companies participate. The MSG is encouraged to work with government authorities including INGHEOMIN and SAR to developing a classification protocol that ensure that the universe of mining companies is clearly identified.
10. The MSG should clearly establish whether direct payments, within the scope of the agreed benefit streams, from companies to municipalities are material. If material, the MSG should ensure that company payments to municipalities and the receipt of these payments are disclosed and reconciled in the EITI Report. The MSG is encouraged to consider collaborating with municipalities in mining areas to improve their capacity to collect, record and manage revenues from the extractive industries.
11. In accordance with the standard terms of reference, the MSG should ensure that the Independent Administrator provides an assessment of whether all companies and government entities within the agreed scope of the EITI reporting process provided the requested information. Any gaps or weaknesses in reporting to the Independent Administrator must be disclosed in the EITI Report, including naming any entities that failed to comply with the agreed procedures, and an assessment of whether this is likely to have had material impact on the comprehensiveness of the report. The Independent Administrator should also provide an assessment on the comprehensiveness and reliability of the (financial) data presented, clearly indicating the coverage of the reconciliation exercise based on the government's disclosure of total revenues.
12. The MSG might wish to consider bringing more information about how the revenues collected through the Population security fee are budgeted and spent.
13. The MSG should ensure that the reporting of social expenditures required by the Honduras Mining Law is comprehensive. Where the beneficiary of the mandated social expenditure is a third party, i.e. not a government agency, it is required that the name and function of the beneficiary be disclosed.
14. The MSG should ensure future EITI reporting includes the total of government revenues.
15. The MSG is encouraged to consider developing a communication strategy to ensure that EITI disclosures and findings are communicated more effectively and contribute to public debate. This could include more analytical work, better linkages with the work advanced by other organizations, and addressing other issues such as industry cost structures.
16. The MSG is encouraged to take a more active role in developing recommendations from EITI Reports, and monitoring progress with implementing these recommendations.
17. As suggested in recommendation 1 (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.

Figure 1– Initial assessment card

EITI Requirements		Level of progress				
		No progress	Inadequate	Meaningful	Satisfactory	Beyond
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 and expenditures (#5.3)					
Socio-economic contribution	Mandatory social expenditures (#6.1)					
	SOE quasi-fiscal expenditures (#6.2)					
	Economic contribution (#6.3)					
Outcomes and impact	Public debate (#7.1)					
	Data accessibility (#7.2)					
	Follow up on recommendations (#7.3)					
	Outcomes & impact of implementation (#7.4)					
Overall assessment	To be determined by the Board					

Legend to the assessment card

	No progress. The country has made no progress in addressing the requirement. The broader objective of the requirement is in no way fulfilled.
	Inadequate progress. The country has made inadequate progress in meeting the requirement. Significant elements of the requirement are outstanding and the broader objective of the requirement is far from being fulfilled.
	Meaningful progress. The country has made progress in meeting the requirement. Significant elements of the requirement are being implemented and the broader objective of the requirement is being fulfilled.
	Satisfactory progress. The country is compliant with the EITI requirement.
	Beyond. 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.

Introduction

Brief recap of the sign-up phase

Honduras announced its intention to implement the EITI in November 2012. The Honduras National Council (the MSG) was formally established by the Decree PCM-008-2013¹ on 5 February 2013. Honduras became an EITI Candidate country on 22 May 2013. In April 2013 the Mining Law was passed after ten years of debate in Congress and more than a decade of licensing moratorium. The Government also awarded a hydrocarbon exploration contract to British Gas (BG) Group (now Shell)². Managing public expectations regarding possible revenues from this project was an important driver of stakeholder interest in the EITI. Objectives for implementation and overall progress in implementing the work plan.

The objectives for EITI implementation in Honduras are set out in the EITI Honduras's Memorandum of Understanding (MOU) and the Terms of Reference (ToRs) for the multi-stakeholder group agreed by all stakeholders in 2013. The MOU states that EITI Honduras is to ensure that the income resulting from extractive industries is invested *"transparently and effectively in order to drive sustainable human development of the Honduran people, strengthen national trust, prevent corruption and to foster a more competitive investment climate, as per the Law of Vision for the Country and the National Plan"* (EITI Honduras, 2013c, p. 2).

One of objectives of the Honduras' Country Vision and National Plan was the rational exploitation of the natural resources. At the time, Honduras aimed to prioritize management of the non-renewable natural resources under a sustainable framework so that resource exploitation could translate into increased revenues for the state, poverty reduction and human development (EITI Honduras, 2013a, p. 1). These objectives were incorporated into the country's first EITI work plan for 2013-2015. The 2015 work plan did not refer to any additional overarching national objectives (EITI Honduras, 2015c). Subsequent work plans list objectives related to more operational activities. The listed goals relate to the EITI reporting process, ensuring a working national secretariat, and other communication and capacity building activities. The International Secretariat understands that the MSG discussed a work plan for 2016, but could not confirm if the work plan had been approved. At the time of this assessment, Honduras has not yet produced a work plan for 2017.

History of EITI Reporting

The EITI reporting requirements are legally mandated by article 53 of the 2013 Mining Law and in the transparency clause of the contract with BG Group. Decree PCM-044-2012³ of 27 November 2012

¹ <https://eiti.org/document/honduras-establishment-of-eitihonduras>

² <http://ta.reuters.com/article/domesticNews/idLTASIE93900X20130410>

³ <https://eiti.org/document/honduras-announcement>

established the duty for all relevant government agencies to report for EITI purposes. Honduras has subsequently produced two EITI reports covering three fiscal periods. Company participation and coverage has gradually increased but the choice of a materiality definition based on export/production values makes it difficult to ascertain the comprehensiveness of the reports.

The first Honduras EITI Report, covering 2012 and 2013, was published in May 2015. In accordance with the 2013 EITI Standard, it reconciled payments made by six metallic mining companies with the receipts collected by the central government and municipalities. It also reconciled the payments by BG International Limited as per their contractual obligations.

The 2014 EITI Report was published in September 2016 (although it was approved by the MSG in April 2016). The non-metallic mining sector was included. The Independent Administrator noted the need to continue improving reporting mechanisms, especially at the municipal level. The second report documents the improvements introduced to the mining registry and cadastre by the mining regulator, INHGEOMIN. The MSG has commenced preparations for their third report covering 2015, which is required by the end of 2017.

Summary of engagement by government, civil society and industry

Honduras decided to implement the EITI to guarantee transparency, accountability and to ensure the payments from the extractives industries contributed to the sustainable development of Honduran people (Government of Honduras, 2013b) (Government of Honduras, 2012a). The Government of Honduras issued a public statement on 27 November 2012 on its commitment to implement the EITI (Government of Honduras, 2012a). The High Commissioner Roberto Herrera, a senior government official, was appointed to lead the implementation of the EITI. (Government of Honduras, 2012b). President of Honduras, Juan Orlando Hernández, and Minister of General Government Coordination, Jorge Hernández-Alcerro, met with the Head of the International Secretariat, Jonas Moberg, at the OGP Global Summit in Paris in December 2016. President Hernández confirmed his government support for the EITI.

Government engagement was institutionalised through the Decree PCM-088-2013 of 5 February 2013 which created the Organization of EITI Honduras (Government of Honduras, 2013a). The Organization of EITI Honduras is embedded in the Presidential Direction for Transparency and Modernization of the State in the Ministry of General Government Coordination (SCGG); although, in practice the national coordinator and the national secretariat operate from the Ministry of Foreign Affairs. The 2013-2015 Honduras work plan outlined that the Government would provide financial support for the execution of the work plan (EITI Honduras, 2013a), but such resources have not yet been planned or disbursed.

Industry actors and civil society organizations have been engaged in the EITI through participation in the MSG meetings and activities. Companies have participated actively in disclosing information for two EITI reporting cycles. Civil society organizations' engagement beyond MSG participation has fluctuated according to the availability of funding. CSOs have arranged outreach and communication activities with wider constituencies, including mining communities at the sub-national level. Stakeholders agree that there is an enabling environment for participation and the opportunities for harnessing EITI's potential for building trust with broader stakeholders.

Key features of the extractive industry

Honduras's extractive sector is small, but there has been interest in expanding mining investments and in developing the hydrocarbon sector. According to the most recent EITI Report, the mining sector contributes 1% to GDP, accounts for 4% of exports⁴, provides approx. 6 500 jobs and accounts for 0.8% of government revenue. Informal mining activities are estimated to be three to four times larger than those of the commercial mining sector (EITI Honduras, 2016f).

The mining sector in Honduras is regulated by the General Mining Law of 2013 and managed by INHGEOMIN under the EITI Principles. The Ministry of Natural Resources and Environment (SERNA/MIAMBIENTE) is responsible for managing the hydrocarbon sector. Extractive companies are subjected to taxes as per the Tax Code, the General Mining Law, the Hydrocarbon Law, the prevailing hydrocarbon contracts and municipal taxes levied directly at the sub-national level as per the Municipal Law. Mining licenses are administered by INHGEOMIN.

Development prospects in the extractive sectors are uncertain. Low commodity prices, increased operation costs and a lack of social license to operate has clouded the outlook for mining companies exploring for gold, iron oxide, lead, silver and zinc. Plans for formalising the informal mining sector are delayed due to the failure to secure an operator for a proposed 200-hectare artisanal mining park. Municipal governments along with the mining regulator INHGEOMIN coordinate efforts to organize the high levels of small scale, artisanal, informal and illegal mining across the country.

The hydrocarbon sector is managed under a contract regime with licenses negotiated directly between the Government and the companies. In 2013 the Government of Honduras signed a contract with British Gas (BG) to explore for oil offshore. The area of approximately 300 million km² is located in eastern province of Mosquitia near the Caribbean Sea. With current low oil prices, the outlook of this project is uncertain⁵. If exploration goes ahead as planned, it is expected the citizens of Honduras will know by August 2017 if their country has commercial quantities of oil⁶. Other oil exploration contracts have been inactive.

Mining and oil are regarded as a medium-long term sources of economic growth by the government and the industry. Civil society organizations (CSOs) and local communities question the negative environmental impacts, including those associated with informal mining. There was also an expectation that the 2013 Mining Law would help stabilize tax levels. More generally, following a recommendation of the International Monetary Fund (IMF), Honduras' tax system is being overhauled, resulting in the

⁴ http://www.bch.hn/honduras_en_cifras.php

⁵ <http://www.latribuna.hn/2016/06/28/pasa-british-gas/>

⁶ <http://www.elheraldo.hn/pais/990024-466/bg-group-shell-se-prepara-para-comenzar-fase-de-perforar-pozos-en>

creation of the new tax authority, the System for Rent Administration (SAR).

Explanation of the Validation process

Validation is an essential feature of the EITI implementation process. It is intended to provide all stakeholders with an impartial assessment of whether EITI implementation in a country is consistent with the provisions of the EITI Standard. It also addresses the impact of the EITI, the implementation of activities encouraged by the EITI Standard, lessons learnt in EITI implementation, as well as any concerns stakeholders have expressed and recommendations for future implementation of the EITI.

The Validation process is outlined in chapter 4 of the EITI Standard⁷. It has four phases:

1. Preparation for Validation by the multi-stakeholder group (MSG)
2. Initial data collection and stakeholder consultation undertaken by the EITI International Secretariat.
3. Independent quality assurance by an independent Validator who reports directly to the EITI Board
4. Board review.

The [Validation Guide](#) provides detailed guidance on assessing EITI Requirements, and more detailed [Validation procedures](#), including a standardised procedure for data collection and stakeholder consultation by the EITI International Secretariat and standardised terms of reference for the Validator.

The Validation Guide includes a provision that: “Where the MSG wishes that validation pays particular attention to assessing certain objectives or activities in accordance with the MSG work plan, these should be outlined upon the request of the MSG”. The Honduras’ MSG did not request any issues for particular consideration.

In accordance with the Validation procedures, the International Secretariat’s work on the initial data collection and stakeholder consultation was conducted in three phases:

1. Desk Review

The desk review was conducted in the period **1st January 2017 to 30th March 2017** and included documents provided by EITI-Honduras, including:

- The EITI work plan and other planning documents;
 - The multi-stakeholder group’s Terms of Reference;
 - Minutes from multi-stakeholder group meetings;
 - EITI Reports, and associated documentation;
-

⁷ See also <https://eiti.org/validation>

- Communication materials; and
- Annual progress reports.

In accordance with the Validation procedures, the Secretariat has not taken into account actions undertaken after the commencement of Validation.

2. Country visit

A country visit took place on **6th to 10th February 2017**. All meetings took place in **Tegucigalpa**. The secretariat met with the multi-stakeholder group and its members, the Independent Administrator and other key stakeholders, including stakeholder groups that are represented on, but not directly participating in, the multi-stakeholder group. In addition to meeting with the MSG as a group, the Secretariat met with its constituent parts (government, companies and civil society) either individually or in constituency groups, with appropriate protocols to ensure that stakeholders are able to freely express their views and that requests for confidentiality are respected. The list of stakeholders consulted is outlined in Annex D.

3. Reporting on progress against requirements

This report provides the International Secretariat initial assessment of progress against requirements in accordance with the Validation Guide. It does not include an overall assessment of compliance.

The International Secretariat's team comprised: Aida Aamot, Francisco Paris and Sam Bartlett.

Part I – MSG Oversight

1. Oversight of the EITI process

1.1 Overview

This section relates to stakeholder engagement and the environment for implementation of EITI in country, the governance and functioning of the multi-stakeholder group (MSG), and the EITI work plan.

1.2 Assessment

Government engagement in the EITI process (#1.1)

Documentation of progress

Public statement:

The Government of Honduras has made several unequivocal public statements of the government's intention to implement the EITI, including: a) Presidential Decree no.PCM-044-2012 of 27 November 2012 and b) Executive Decree No.008-2012 of 29 December 2012 (Government of Honduras, 2012a) (Government of Honduras, 2012b). These decrees were issued by the former Honduras' President, Porfirio Lobo. Public statements have been made by other senior government representatives. Honduras' candidature application⁸ includes evidence that the government's commitment has been widely publicised, including copies of speeches, media releases and news stories in the local press. In these statements the Government has committed to meet the EITI Principles and Criteria and rules throughout and beyond compliance. Executive Decrees have also instructed all government agencies to support the EITI-Honduras National Council in implementing the EITI. Notably, the article 53 §h of the Mining Law, passed in April 2013 before Honduras became EITI candidate country, established the obligation for mining title holders to report as required by the EITI.

Senior lead:

The Decree of 29 December 2012 appoints High Representative Roberto Herrera as EITI Champion and National Coordinator for EITI implementation. This appointment was published in Official Gazette on 29 December 2013. Following the change of government, former Minister of Foreign Affairs Carlos López-Contreras was appointed as EITI Champion and National Coordinator in June 2014 (Agreement No. 253-2014, La Gaceta No. 33,541, 26 September 2014). The champion has coordinated action on EITI across

⁸ <https://eiti.org/document/honduras-eiti-candidature-application>

relevant government agencies.

The champion appears to have the confidence of all stakeholders and the authority and freedom to coordinate action on EITI across relevant ministries and agencies. The government was initially able to mobilise financial support from donors, but funding for the EITI has been problematic in recent years.

Funding for the EITI and the hosting of the national secretariat needs to be addressed. Currently, EITI-Honduras is not adequately resourced. Until the first quarter of 2016, EITI-Honduras was mostly funded by the World Bank Multi-Donor Trust Fund (WB-MDTF). EITI-Honduras has faced a significant shortage of funding since then. The champion has been able to mobilize some resources, mostly in-kind. For example, upon termination of the contract with the National Coordinator in March 2016, the government through the Ministry of Foreign Affairs seconded Elena Hilsaca to support the Champion and the MSG. No additional financial resources have been allocated from the national budget to support EITI implementation. No formal transition was arranged resulting in the loss of important institutional memory. Records from MSG meetings and activities were misplaced or lost (EITI Honduras, 2016a). The closure of the EITI-Honduras website contributed to delays. The contract with the information technology provider hosting the website was cancelled due to lack of funds and no backup procedures were in place. Dissemination of the 2014 EITI Report was postponed from April to November 2016 due to a lack of resources. For most of 2016 EITI Honduras lacked resources to implement the work plan.

Active engagement:

President Porfirio Lobo was succeeded by President Juan Orlando Hernandez in January 2014. After a cabinet restructuring, the EITI was assigned to the Directorate for Transparency and Reform of the State in the Ministry of General Government Coordination (EITI Honduras, 2016a, p. 5). This directorate is also responsible for other transparency initiatives such as the Open Government Partnership (OGP) and the Construction Sector Transparency Program (COST). Director of Transparency Renan Sagastume has expressed his support for EITI implementation. Minister of Natural Resources José Antonio Galdámes addressed the 7th EITI Global Conference in Lima on March 2016 ratifying the government's commitment to the EITI⁹. President Juan Orlando Hernández and Minister of General Government Coordination, Jorge Hernández-Alcerro met with the Head of the International Secretariat, Jonas Moberg, in the OGP Global Summit in Paris in December 2016. President Hernández confirmed his government support for the EITI.

Stakeholder views

There was consensus across all constituencies that, in general, the government is engaged in the EITI process and most stakeholders appreciate it. However, stakeholders observed reduced political support and engagement in the last year. They contrasted this situation with the direct support and active engagement of government agencies at mid-rank levels. These include the Ministry of Finance, the Mining

⁹ https://eiti.org/sites/default/files/documents/m_galdames_speech_honduras_7global_conference.pdf

Regulator INHGEOMIN, the Tax Office DEI/SAR, the Institute for the Access to Public Information (IAIP) and the Ministry of Foreign Affairs. These government agencies have provided in-kind resources to support EITI implementation. Most stakeholders commended the dedication and competence of government agencies' technical staff and mid-level authorities.

The efforts from the champion and National Coordinator to advance EITI implementation in absence of financial resources in 2016 were noted and appreciated by all. However, the failure to secure adequate funding to support EITI implementation is seen by many actors as a sign that the government, at the highest level, has not given priority to the EITI. Some noted that this situation is in contrast with the support given to other initiatives such as COST and OGP which are also managed by Ministry of General Government Coordination, the same hosting agency for EITI.

Stakeholders lamented that the lack of resources for EITI implementation have limited the scope and possibilities for further impact from EITI implementation.

Initial assessment

The International Secretariat's initial assessment is that Honduras has made meaningful progress in meeting this requirement. The government is engaged in the EITI process. Government's agencies have played an active role in implementing the EITI. Two senior individuals have been appointed to lead on the EITI. The Ministry of Foreign Affairs has seconded staff to support EITI day-to-day coordination. However, EITI-Honduras has lacked sufficient resources to sustain EITI implementation and to execute the agreed workplan.

Industry engagement in the EITI process (#1.2)

Documentation of progress

Active engagement: Representatives from industry have been actively engaged in the design, implementation, monitoring and evaluation of the EITI process. Industry representatives participate regularly in the MSG although industry participation in MSG's meetings have been reduced in 2016. The formal sector is small and not too complex. The industry associations led by the Honduran Council for Private Sector (COHEP) have been engaged in the EITI from the outset. Companies have been active in outreach activities mostly in the areas where they operate. The International Secretariat could not find further evidence of industry engagement beyond these efforts and MSG participation.

Enabling environment: The implementation of the EITI in Honduras demonstrates that there is a sufficiently enabling environment for industry participation. The International Secretariat has not identified any obstacles to company participation in the EITI process. More broadly, the Government has

been promoting several spaces of tri-partite dialogue including Citizen Budgets¹⁰ and the Economic and Social Council of Honduras¹¹.

Stakeholder views

Industry representatives confirmed their commitment to EITI implementation. They pointed out that they have regularly participated in MSG meetings and EITI activities. They have reported as instructed and waived confidentiality rights to information held by the tax office SAR. They lamented, though, that the engagement with other stakeholders has been limited. Although no one mentioned any specific obstacles, some company representatives noted that they are not always treated as an equal partner. They have the perception that the EITI is only a vehicle for scrutinizing companies and less to engage in furthering a common understanding of the challenges to improve good governance of the sector. Some industry representatives argued that some government stakeholders do not have a full understanding of the companies' economic and fiscal contribution. However, they recognised that there is an enabling environment and potential for improved communication and more meaningful engagement with other stakeholders.

Initial assessment

The International Secretariat's initial assessment is that Honduras has made meaningful progress in meeting this requirement. There is an enabling environment for company participation. Industry is engaged in the EITI. However, industry could do more to be fully, actively and effectively engaged in the EITI process, and help ensure that the EITI realises its potential.

Civil society engagement in the EITI process (#1.3)

Documentation of progress

While the legal and operational framework is generally conducive to civil society's participation in the EITI process (see below), the country faces important risks related to the high level of crime and violence. The country's growing crime wave has increased concerns about further limitations on civil liberties, making Honduras one of the most violent countries in the world. The UN Office on Drugs and Crime reported a homicide rate of 82.1 per 100,000 inhabitants in 2011. This high homicide rate is attributed to the proliferation of organized crime, youth gangs and drug-trafficking syndicates. An Amnesty International

¹⁰ <http://www.sefin.gob.hn/?p=15826>

¹¹ <http://www.trabajo.gob.hn/ces/>

report estimated that more than 90% of all homicides and abuses against human rights defenders went unpunished.

A Human Rights Watch assessment of Honduras states:

“Rampant crime and impunity for human rights abuses remain the norm in Honduras. Despite a downward trend in recent years, the murder rate is among the highest in the world. Efforts to reform the institutions responsible for providing public security have made little progress. Marred by corruption and abuse, the judiciary and police remain largely ineffective. Journalists, peasant activists, and lesbian, gay, bisexual, and transgender individuals are among those most vulnerable to violence. Government efforts to investigate and prosecute violence against members of these groups made little progress”¹².

Most reports on human rights, corruption and crime issues in Honduras, such as reports by Freedom House¹³ and the Inter-American Commission on Human Rights¹⁴ reach similar conclusions. Most observers acknowledge the efforts made by the government in recent years to tackle the situation, but with limited progress made in practice. These efforts include:

- the enactment of the Law on the Protection of Human Rights Defenders, Journalists, Media Workers, and Justice Operators (Decree 34-2015, La Gaceta N.33-730¹⁵),
- the Collaboration and Good Faith Agreement for the Promotion of Transparency, the Fight against Corruption, and the Strengthening of Integrity Systems, signed by the Government of Honduras and Transparency International on October 6, 2014¹⁶,
- the establishment of the Organization of the American States’ Mission to Support the Fight against Corruption and Impunity in Honduras (MACCIH)¹⁷, and
- the Special Commission for the Depuration of the Police with the participation of Transparency International national chapter *Asociación para una Sociedad más Justa (ASJ)*¹⁸.

The Inter-American Commission on Human Rights concludes in their Honduras’ report in 2015:

The situation of violence and insecurity in Honduras described in this report has direct repercussions on the population’s enjoyment of their human rights. The Commission acknowledges the State’s efforts to address that situation. However, the information received indicates that Honduras still faces major challenges in ensuring the effectiveness of the measures

¹² <https://www.hrw.org/americas/honduras>

¹³ <https://freedomhouse.org/report/freedom-world/2016/honduras>

¹⁴ <http://www.oas.org/en/iachr/reports/pdfs/Honduras-en-2015.pdf>

¹⁵ <http://asjhonduras.com/webhn/tag/comision-especial-de-depuracion-policial/>

¹⁶ <http://www.scgg.gob.hn/content/convenio-entre-el-gobierno-de-honduras-y-transparencia-internacional>

¹⁷ <http://www.oas.org/en/spa/dsds/m/maccih/new/default.asp>

¹⁸ <http://asjhonduras.com/webhn/tag/comision-especial-de-depuracion-policial/>

adopted, as well as challenges to adopt additional reforms to strengthen the legal framework and the public policy. Those challenges involve the prevention of violence, the State's response to it, and the subsequent investigation and punishment of violent acts (IACHR, 2015).

In 2016, Global Witness (GW) published a report on Honduras documenting five cases of “*shocking levels of violence and intimidation suffered by rural communities for taking a stand against the imposition of dams, mines, logging or agriculture on their land*” (Global Witness, 2017a). One of the cases, that of Buena Vista Mine in the Nueva Esperanza area, is directly related to the extractive sector. The GW report documents intimidation and attempts to bribe activists opposing this iron oxide development on environmental grounds. INHGEOMIN informed the International Secretariat that Buena Vista's license was awarded in November 2011 under the old Mining Law and the license is in the process of being revoked (INHGEOMIN, 2017a).

Expression

Articles 72, 73 and 74 of the Constitution ensure freedom of speech and the press, as well as the right to use information media. There is no evidence that, in practice, civil society organizations engaged in EITI implementation have been censored or restricted to participate in the EITI process because of coercion or reprisal.

Operation

Honduras passed a special law for non-governmental development organizations in 2011, regulated in Decree No. 32-2011¹⁹. The law 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 can establish a national office for representation and article 9 states that they also can subscribe an agreement for cooperating with national entities. There are a number of other legal instruments including international treatments against corruption, the National Plan, the Transparency and Access to Information Law, Code of Ethics and Public Administration Law that all complement the enabling framework for civil society to participate in the EITI. For example, the 2006 Citizen Participation

¹⁹ <http://www.icnl.org/research/library/files/Honduras/leyong.pdf>

Law (Decree No. 3- 2006²⁰) protects the role of civil society groups and individuals in the democratic process. The EITI specific legal framework that support EITI implementation (discussed in requirement 1.1) provide additional elements to incentivise and facilitate CSOs participation in the EITI process

Association

There is an enabling legal framework for civil society organisations to participate in EITI. Articles 78 and 79 of the Constitution of the Republic of Honduras²¹ provide for freedom of association. In practice, CSOs have not been restricted from engaging other similar organizations. They have participated in joint outreach activities, including those organised by academic institutions. There is no evidence that CSOs have not been able to communicate and cooperate with each other regarding the EITI process.

Engagement:

CSOs are actively engaged in the EITI process. They participate regularly in the MSG although civil society participation in MSG's meetings have been more irregular in 2016. From the outset, a number of civil society organizations were engaged in the design, implementation and monitoring of the EITI process. The organizations ranged from umbrella civil society bodies such as the Federation of NGOs for development, FOPRIDEH, to academic organizations such as the University Cecilio del Valle, and organizations linked to the catholic church like CARITAS. CSOs have participated in capacity building activities, outreach and communication activities in the capital and mining communities. There have been outreach efforts to engage the wider constituency through different channels (direct invitation, social networks, radio and TV). The International Secretariat is not aware of any instances where the government has sought to narrow or restrict public debate in relation to the implementation of the EITI, or any obstacles that have impaired or limited civil society participation in EITI implementation.

Access to public decision-making:

The debate about EITI implementation has been open and constructive. For example, the National Coalition of Environmental Networks was invited to participate in the EITI in 2013 during the establishment of the MSG. The Coalition has responded critically on various aspects related to the extractive sector, including concerns about the EITI's lack of EITI coverage of environmental issues. The Coalition indicated its willingness to observe the process but has abstained from participating in the multi-stakeholder group. Oxfam Honduras also participates as an observer. In 2016 the think-tank Institute on Central American Fiscal Studies (ICEFI) published an analytical report revealing gaps on EITI in Honduras

²⁰ <http://pdba.georgetown.edu/Parties/Honduras/Leyes/LeyParticipacion.pdf>

²¹ https://www.oas.org/dil/esp/Constitucion_de_Honduras.pdf

vis-à-vis the implementation of the Standard (ICEFI, 2016).

Stakeholder views

CSO representatives noted that their engagement has progressed from very active and satisfactory to more passive and perfunctory. While CSOs 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 past year had been more mechanical and superficial. Representatives from CSOs pointed out that EITI implementation has been affected by the lack of resources, the loss of momentum after the publication of the first report and not following up with activities such as the planned ought-to-be paid audits and analysis of the findings from the first reporting cycle. They acknowledged that this reduced engagement in the EITI process does not stem from any restrictions, coercion or threats of reprisal.

Some civil society stakeholders commented that there has been an erosion of trust between some CSOs and the government. This follows the perception from these organisations that the government has used some positive developments in implementing initiatives such as COST to exaggerate progress in bringing more transparency in general. They also lamented that the government did not acknowledge the contribution of other stakeholders. There are also concerns with the introduction of new legal restrictions through the passing of the Law of Public Secrets that may undermine previous gains. This law, passed in 2014, allows for a significant number of exceptions, on security grounds, to what is covered in the Transparency and Access to Public Information Law. Similarly, the proposed criminalization of public protest in the penal code in Honduras has been widely criticized by international bodies such as the Inter-American Human Rights Commission. With regard to funding, CSO representatives noted that sources of funding have reduced in part due to the decision by many international funders to not be exposed to the security risks in Honduras (as illustrated case of Berta Caceres highlighted above). Taken together, some CSOs stakeholders concluded that there is a need to boost trust and for the government to be more proactive in engaging with CSOs in the EITI.

Commenting on the enabling environment, stakeholders across the CSOs constituency confirmed the situation described by observers, international bodies and colleagues from other civil society organisations in the country. They commented that capital-based organizations such as most of the CSOs engaged in the EITI process operate freely and have access to media and other ways to express opinions and critical views. But it is a much different situation in remote areas in the interior of the country where the rule of law is much more threatened. As in the cases documented in the Global Witness report, journalists, union leaders and activists in rural areas face enormous security risks. This situation has led to many organisations and media outlets to self-censor and exert caution in expressing critical views. Stakeholders described as “heroic” those who have risked personal safety for opposing hydroelectric, logging or mining developments. There was a consensus among the CSOs actors consulted that while there are significant weaknesses in the capacity of the government to tackle these issues, this has not impacted their work on the EITI

A number of stakeholders confirmed that there have been government responses to, for example, all the cases highlighted in the Global Witness report. The effectiveness of these responses was open to question. The Transparency International chapter in Honduras, for example, has been collaborating with

the government on a project regarding reforming the national police forces. They commented that efforts like this would take years in showing clear results even with government commitment to the process. Government's stakeholders such as the Vice-Ministry for Human Rights and Justice and the High Commission for Human Rights, consulted for this assessment, also highlighted efforts to address these issues.

Initial assessment

The International Secretariat's initial assessment is that Honduras has made meaningful progress in meeting this requirement. CSOs have been actively engaged in the EITI process, especially in the first years of EITI implementation. However, CSO engagement has been more limited and cursory in the last year. There was consensus among CSOs that a lack of resources, both for the EITI and for CSOs general work, has undermined their engagement. None of the consulted organizations associated this reduced engagement in the EITI process to any action from the government curtailing civil society participation or restricting public debate. CSOs recognise the enormous security risks for organizations or activists operating in areas with weak rule of law enforcement but don't consider that these risks have impacted their work on the EITI.

MSG governance and functioning (#1.4)

Documentation of progress

Multi-stakeholder group composition and membership: Honduras adopted a governance structure modelled on the international EITI (Members, Board). The top governance level (equivalent to the Members meeting of the EITI Association) is the National Organization of EITI Honduras (NO-EITIH) which is constituted as a "Conference". EITI-Honduras is then operationalised through the following bodies: The National Council (i.e. the multi-stakeholder group); the technical working group and the national secretariat; and the high representative (EITI Champion) and National Coordinator. The Conference gathers together all organizations and parties interested in the governance of the extractive sector and that have expressed an interest in participating in the EITI process. It includes organizations that do not necessarily hold a seat on the multi-stakeholder group. Any organization can join the Conference by expressing interest and by committing to participate actively (EITI Honduras, 2013d, p. 2). The mandate of the Conference is to adopt, by consensus, recommendations to improve the activities of EITI-Honduras and to share best practices related to the implementation of the EITI. The Conference is convened and chaired by the EITI Champion once a year (EITI Honduras, 2013d). The Conference last met on 2 December 2016.

The multi-stakeholder group (the National Council) is mandated to implement, oversee and assess the activities related to the EITI implementation (Government of Honduras, 2013a). The National Organization of EITI-Honduras is composed of the representatives of seven government agencies, nine civil society organizations and six private companies or organizations as described in the following table:

Table 1 – Member organizations of the MSG

Validation of Honduras: Report on initial data collection and stakeholder consultation

Government constituency	<ol style="list-style-type: none"> 1. Secretaria de Recursos Naturales y Ambiente (SERNA) 2. Instituto Hondureño de Geología y Minas (INHGEOMIN) 3. Secretaria de Finanzas (SEFIN) 4. Secretaria de Planificación (SEPLAN) 5. Banco Central de Honduras (BCH) 6. Instituto de Acceso a la Información Pública (IAIP) 7. Asociación de Municipios de Honduras (AMHON)
Civil society constituency	<ol style="list-style-type: none"> 1. Caritas Honduras 2. Consejo Nacional Anti-corrupción (CNA) 3. Federación de Organizaciones para el Desarrollo (FOPRIDEH) 4. Foro Nacional de Convergencia (FONAC) 5. Foro Social de la Deuda Externa (FOSDEH) 6. Universidad Cecilio del Valle 7. Universidad Nacional Autónoma (UNAH) 8. Universidad Católica de Honduras (UNICAH) 9. Universidad Politécnica de Ingenierías (UPI)
Industry constituency	<ol style="list-style-type: none"> 1. Nyrstar American Pacific 2. Minerales de Occidente 3. Asociación Nacional de Minería Metálica 4. Asociación Nacional de Industriales (ANDI) 5. Consejo Hondureño de Empresa Privada (COHEP) 6. Federación Nacional de Comercio e Industria (FEDECAMARA)

The MSG (Consejo Nacional) is composed of four principal and four alternates members chosen from the National Organization as described above. In practice, there have not been such distinction and all member of the National Organization have formed part of the MSG without differentiation of principal or alternate members. The International Secretariat confirmed that decisions have been taken by consensus of all three constituencies.

Annex A lists the organizations that are members of the MSG and the names of their representatives. Annex B documents MSG meeting attendance for the year 2016. Each constituency has the right to designate its members. The representatives were nominated through open, free and transparent processes. Each member organization serves on the council for three years with re-election possible for an additional period. Members serve in the MSG *ad-honorem*. The MSG is chaired by the EITI Champion (EITI Honduras, 2013d, p. 2). The Honduras candidature application documented the nomination process of member organizations represented on the MSG. In practice, all three constituency groups have a flexible approach for designating who represents the member organizations. Participating institutions have often replaced their representative. This does not appear to have compromised the integrity of the MSG process. However, it would be timely to reconfirm the MSG membership and agree clear rules for representing the member organizations and voting.

Government representation: The member organizations from the government were appointed in 2013. The current Champion, Carlos Lopez-Contreras, was appointed in September 2014 (Government of Honduras, 2014). The MSG is supported by a national secretariat composed of one staff seconded from the Ministry of Foreign Affairs, Elena Hilsaca, from June 2016. The member organizations from the

government are listed in Table 1. As noted that while the government representation has been institutionally stable (i.e. same government agencies have been members) there have been some replacement and rotation of the individuals representing those agencies.

Civil society representation: 12 organizations have signed the Memorandum of Understanding for the EITI Honduras Organization in 2013 (Government of Honduras, 2013a), (EITI Honduras, 2013c) and nine organizations were included in the National Organization appointed by President Porfirio Lobo in March 2013. MSG seats were assigned to organizations and there has been replacement and rotation among the representatives of a number of these organizations²². The member organizations from civil society are listed in Table 1. Other organizations have been included as observers such as Democracy without Borders Foundation, Patriotic Solidarity Coalition and Mosquitia Pawisa Apiska (MOPAWI). The latest organization, MOPAWI, has represented FOPRIDEH in some MSG meetings. As FOPRIDEH is an umbrella organization they have been occasionally represented by one of the affiliate organizations, as in the case of MOPAWI. The civil society groups involved in the EITI appear to be operationally, and, in policy terms, independent from government and industry.

Industry representation: The representatives from industry were also appointed in 2013. The industry constituency includes business associations such as Industry National Association (ANDI), Metallic Mining National Association (ANAMIN), the National Council of Private Enterprises (COHEP) and the Federation of Chambers of Commerce and Industry (FEDECAMARA) and mining companies Nyrstar, American Pacific and Minerales de Occidente. BG Group has observed MSG meetings. The companies and industry associations represented in the MSG have remained the same with less rotation among the individuals representing them.

Capacity of the MSG: The 2013-2015 work plan included capacity building activities for the MSG members (EITI Honduras, 2013a). A workshop on the extractive industries' value chain conducted by the Catholic University of Peru was held with participants from all constituencies during 2014 (EITI Honduras, 2016a, p. 8)²³. Other capacity building activities included a workshop on social conflict management and prevention, the participation of selected MSG members in EITI regional trainings or exchanges with other regional peers (EITI Honduras, 2016a, p. 8). Members of the MSG have demonstrated that they have the

²² Annex A – List of MSG members and Annex B – MSG meeting attendance show the different individuals that have represented civil society organizations in the MSG.

²³ Also pictures in Facebook site: https://www.facebook.com/pg/eitihonduras/photos/?tab=album&album_id=824565674253021

capacity to carry out their duties.

Terms of reference: The ToRs for the MSG were agreed on 11 March 2013. The ToRs include the Statutes of EITI-Honduras (Conference, MSG, EITI Champion, national secretariat), the Code of Ethics for the MSG and a memorandum of understanding (MOU), (EITI Honduras, 2013d) (EITI Honduras, 2013c). Through the MOU the stakeholders agreed the principles, general scope and commitments to EITI objectives. The ToRs were initially available on the EITI-Honduras webpage, which is now inoperative. The International Secretariat has confirmed these documents are available at the EITI-Honduras website hosted by the Institute for Access to Public Information (IAIP)²⁴. However, the documents are poorly organised, making it very difficult for users to find them. The ToRs establish the role, responsibilities and rights of the members of the MSG. They empower the MSG to approve the work plan, the TORs for the Independent Administrator, selection of the Independent Administrator, EITI Reports, EITI-Honduras budget, internal norms and hiring of MSG-supporting staff (art.8) (EITI Honduras, 2013d). The internal norms include decision-making rules, duration of mandate, minimum notice to convene meetings, quorum, and requirement of written records of discussions and decisions (art. 12). The practice of paying per diems or meeting-attendance fees is not allowed (art. 12). The TORs also addressed the role of the national secretariat, including implementing the MSG actions in accordance to the work plan, convening and organising MSG meetings, requesting funding and managing financial resources; managing contracts with third parties (including the Independent Administrator) and; keeping written records of MSG meetings and decisions.

The MSG has met regularly. During peak periods in the EITI reporting cycle the MSG has met several times a month. The national secretariat shared a summary of the meetings and attendance in 2016 (see Annex B).. Internal discussions have been open and thorough and decision-making has been inclusive with active participation of all constituencies. Minutes from the meetings have been taken and shared with the International Secretariat. The meeting minutes have been uploaded to the EITI page hosted by the IAIP²⁵ but are difficult to find. During the transition in staffing at the national secretariat in the first semester of 2016 some records from meetings (minutes) from previous years (2013-2015) were lost and it was necessary to reconstruct some of the institutional memory from individual records including emails and personal recollections of the MSG discussions. MSG members played an important role at helping the national secretariat to reconstruct this institutional memory. The International Secretariat understands that most decisions have been taken by consensus with no need for voting.

Stakeholder views

Stakeholders consulted agreed that there have not been any issues regarding governance of the MSG. Stakeholders expressed no concerns with the composition, selection and appointment of MSG members.

²⁴ <http://portalunico.iaip.gob.hn/portal/index.php?portal=442>

²⁵ <http://portalunico.iaip.gob.hn/portal/index.php?portal=442>

There were also no objections to the functioning of the MSG in terms of structure, inclusive decision-making and frequency of meetings.

Stakeholders noted that the representation from all organizations members of the MSG since May 2013 has been adequately maintained. They confirmed that there been some changes in the representatives from these organizations but that this has not affected the functioning of the MSG.

Regarding liaising with the wider constituencies, CSOs recognise that although a significant number of organizations not represented in the MSG are aware of the EITI and informally in contact with representatives of CSOs in the MSG, there is scope for more structured exchanges, discussion and analysis of EITI Reports and findings.

Stakeholders observed that while in general the MSG has met regularly in the three and half years of EITI implementation and has been able to deliver on its role and responsibilities, there have been a number of cases where meetings have been poorly prepared. They note that meetings have often been hastily convened, without circulating documents with sufficient advanced notice. As noted in requirement 1.2, industry stakeholders have felt at times as if they have been treated more as a scrutinized party rather than as a partner. They, however, did not cite any instances where this perceived treatment affected their independence and capacity to participate in MSG decision-making.

Stakeholders commended some members of the MSG and members of the technical working group from supporting government agencies that collaborated with the MSG to reconstruct EITI-Honduras records. It was noted that these practical obstacles affected the capacity of the MSG to carry out their duties. It was also noted by all stakeholders that the functioning of the MSG in 2016 was affected by the limited resources available for EITI implementation and by the transition in the national secretariat. In order to enhance quality and sustainability, stakeholders agree that the technical capacity of the national secretariat should be strengthened so that it can play a role at assisting the MSG in connecting the EITI to the relevant national policy, reforms efforts, and reaching out to extractive sector stakeholders. Some stakeholders pointed out that the national secretariat would benefit from being embedded in a more relevant government agency.

Initial assessment

The International Secretariat's initial assessment is that Honduras has made satisfactory progress towards meeting this requirement. EITI-Honduras has had 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 seem appropriate, although it would be timely to reconfirm the MSG membership and agree clear rules for rotating representatives of the MSG member organizations and ensure that these procedures are followed and documented. The government has been committed to work with civil society and companies. While the lack of a well-resourced national secretariat has affected the capacity of the MSG to function, Honduras fulfils the broader objective of this requirement.

Workplan (#1.5)

Documentation of progress

Honduras has had two work plans in the last four years. The 2013-2015 work plan included a number of activities mostly funded by the World Bank's Multi-Donor Trust Fund. Most of the activities were completed (EITI Honduras, 2016a, p. 12). In February 2016, Honduras discussed the 2016 work plan (EITI Honduras, 2016a, p. 13), but there is no record of it being formally adopted. A work plan for 2017 has not yet been produced. The assessment below is based primarily on the draft 2016 work plan.

Objectives of EITI implementation: The objectives of EITI implementation in Honduras are set out in the EITI memorandum of understanding and the TORs for the multi-stakeholder group agreed by all stakeholders in 2013. The MOU states that EITI Honduras's main objective is *"to ensure that the income resulting from extractive industries is invested transparently and effectively in order to drive sustainable human development of the Honduran people, strengthen national trust, prevent corruption and to foster a more competitive investment climate, as per the Law of Vision for the Country and the National Plan"* (EITI Honduras, 2013c, p. 2). The objectives reflect national priorities and were incorporated into the 2013-2015 work plan (EITI Honduras, 2013a). The 2016 work plan does not make reference to these objectives. The wider objectives are not broken down into a more concrete set of expected output and outcomes. Instead, the 2016 work plan lists several more operational objectives related to ensure a working national secretariat, updating the work plan, organizing capacity training workshops, participating in the EITI Global Conference, piloting municipal implementation and communicating the EITI. The Annual Progress Report states that the work plan was consulted and approved by the MSG (EITI Honduras, 2016a) (EITI Honduras, 2016c). However, there are no MSG meeting minutes documenting the approval of the 2016 work plan. There is no evidence of consultation with stakeholders beyond the MSG.

Measurable and time-bound activities: the 2016 work plan included activities that are measurable and time-bound. The information presented for each activity included: time frame, responsible, output(s), outcome indicator, funding and comments. The work plan did not address any capacity constraints. The scope of EITI reporting is not mentioned in the work plan nor any plans to address legal or regulatory obstacles to EITI implementation. Finally, the work plan does not outline any plans to implement recommendations from EITI reporting.

Funding from domestic and external sources: From 2013 to 2015 EITI-Honduras received support from the World Bank and OLADE. The International Secretariat understands that at the closure of the Multi-Donor Trust Fund's grant in December 2015 there were still some funds to be disbursed. However, the funding situation changed drastically in 2016. The 2016 work plan included only one external funding source (from OLADE) targeting some communications activities and a consultant for developing the Annual Progress Report. Other sources of funding were sought but never materialised. The Inter-American Development Bank considered the possibility of providing funding in the first semester of 2016. However, this was at the time of the transition in the national secretariat and conversations with potential donors were not followed up. The industry sector contributed with some in-kind communication materials e.g., CDs with the 2014 EITI Report. CSOs had access to funds from donors such as Cordaid in the Netherlands and the Norwegian Church Aid but these sources are uncertain for the future. The government did not provide any funding to EITI-Honduras.

Publicly accessible workplan: Although the 2016 work plan was discussed by the MSG in several meetings, there is no evidence that the work plan was made public. The document was later included as part of the 2016 annual progress report submitted to the International Secretariat in December 2016, but no records confirming that the MSG approved and published the work plan were identified.

Stakeholder views

Stakeholders confirmed that several MSG meetings were dedicated to discussing the 2016 work plan and concerns related to the funding challenges. Some actors said that the government should provide funding to ensure stability and sustainability. MSG representatives agree on the need to review the overarching objectives of EITI in Honduras so that they are adjusted to the new reality of the extractive sector: uncertain hydrocarbon exploration, lower commodity prices affecting operational costs and profitability of mining companies, the expansion of small scale and artisanal mining, the proliferation of illegal mining, and others.

Some stakeholders commented that even though the fiscal contribution from the mining sector is still small, EITI Honduras could help in addressing other challenges related to, for example, increased conflicts in mining communities, the formalization of small scale and artisanal miners, and providing more transparency on non-fiscal contributions from companies to municipalities.

Initial assessment

The International Secretariat's initial assessment is that Honduras has made inadequate progress towards meeting this requirement. Honduras started EITI implementation with an adequate work plan (costed, aligned with national priorities and reporting requirements). It seems that most activities of the 2013-2015 were completed satisfactorily. It is unclear whether the 2016 work plan was approved by the MSG and when. The document reviewed by the International Secretariat does not meet the requirements set out in the EITI Standard, and the document has functioned as an effective planning tool. There have not been any discussions on the 2017 work plan.

Table 2 – Summary initial assessment table: MSG oversight

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions (to be completed for 'required' provisions)
Government oversight of the EITI process (#1.1)	The government is engaged in the EITI process. Government's agencies have	Meaningful progress

Validation of Honduras: Report on initial data collection and stakeholder consultation

	<p>played an active role in implementing the EITI. Two senior individuals have been appointed to lead on the EITI. The Ministry of Foreign Affairs has seconded staff to support EITI day-to-day coordination. However, since early 2016 EITI-Honduras has lacked sufficient resources to sustain EITI implementation.</p>	
Company engagement (#1.2)	<p>There is an enabling environment for company participation. Industry is engaged in the EITI. However, Industry could do more to help lift the process up and increase the EITI's value and impact.</p>	Meaningful progress
Civil society engagement (#1.3)	<p>CSOs have been actively engaged in the EITI process. However, this engagement has been reduced in the last year. Lack of resources, both for the EITI and for CSOs work in general, has limited their engagement. None of the consulted organizations associated this reduced engagement in the EITI process to any action from the government curtailing civil society participation or restricting public debate.</p>	Meaningful progress
MSG governance and functioning (#1.4)	<p>EITI-Honduras has had an active and engaged EITI multi-stakeholder group. The composition, mandate and governance of the MSG seems appropriate. The government has been committed to work with civil society and companies and there have been no obstacles to effective collaboration other the funding constraints noted above. While the lack of a well-resourced national secretariat has affected the capacity of the MSG, the MSG is operating effectively.</p>	Satisfactory progress
Work plan (#1.5)	<p>Honduras had an adequate work plan (costed, aligned with national priorities and reporting requirements) for 2013-2015. However, it is unclear whether the 2016 work plan was approved by the MSG. The draft reviewed by the International Secretariat does not meet the EITI's</p>	Inadequate progress.

	<p>requirements. Moreover, it was never fully implemented due to a lack of funds and there have not been any discussions on the 2017 work plan.</p>	
<p>Secretariat's recommendations:</p> <ol style="list-style-type: none"> 1. The MSG should agree a revised and fully costed work plan. The MSG should review the outcomes and impact of EITI implementation to date and revise the work plan objectives to ensure that they are clearly aligned with the national priorities for the extractive industry. The revised work plan would be an opportunity to reinvigorate government, industry, civil society and donor engagement. The Government could consider convening an EITI national conference to agree high-level objectives to inform future EITI work. 2. The MSG is encouraged to reconfirm the MSG membership and agree clear rules for rotating representatives of the MSG member organizations and ensure that these procedures are followed and documented. 3. The government should provide 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. 4. 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. 5. 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. 		

Part II – EITI Disclosures

2. Award of contracts and licenses

2.1 Overview

This section provides details on the implementation of the EITI requirements related to the legal framework for the extractive sector, licensing activities, contracts, beneficial ownership and state participation.

2.2 Assessment

Legal framework (#2.1)

Documentation of progress

The 2014 EITI Report provides a description of the legal framework and fiscal regime for the mining sector (EITI Honduras, 2016f, pp. 57-68). It also explains the most relevant aspects of the 2013 Mining Law. These include the classification of mining rights, the environmental license, the mining regulator INHGEOMIN and the rules for monitoring the sector. There is a brief explanation of the Law of Transparency and Access to Public Information and its objectives. In addition, INHGEOMIN's website provides an overview of and access to all applicable laws, regulations, agreements and executive decrees²⁶. The EITI Report explains that the hydrocarbon sector is regulated through the 1984 Hydrocarbon Law and the contracts the Government of Honduras has signed with companies (EITI Honduras, 2016f, p. 39).

The 2014 EITI Report explains there are no mandatory transfers from the national to subnational governments linked to extractive revenues. There is a mandatory transfer from the national budget to municipalities (equivalent to approximately 11% of national revenues), but this is not extractives-specific. Municipalities are, however, entitled to collect a mining specific tax regulated in the Mining and the Municipal laws. The report explains the relevant reforms applicable to the reporting period (EITI Honduras, 2016f, pp. 61-62). There had been changes to the Tax Code (Codigo Tributario) and the Sales Tax (Ley de Impuestos Sobre Ventas).

The annual progress report (EITI Honduras, 2016a) provides further information on the legal framework,

²⁶ http://inhgeomin.gob.hn/index.php?option=com_content&view=article&id=134&Itemid=614

including additional tax norms applicable to the extractive sector (i.e. tax surcharges). The report documents that the MSG discussed the legal and regulatory norms applicable to the sector as reported in the EITI Report (EITI Honduras, 2016a, p. 18).

Stakeholder views

The Independent Administrator commented that the interpretation of the applicable taxation varies significantly between companies and various government agencies (EITI Honduras, 2016f, pp. 67-68). It further noted that the Mining Law does not provide clarity on the role of some government agencies regarding the collection of some taxes like the so-called “Coalianza tax”. This tax is applicable to only those companies that have formed alliances with the public sector as allowed in the Coalianza regulations. The companies participating in the EITI Report argue that they are not liable in respect to this tax, while the government considers they are covered by this tax. This situation was not resolved at the time of publishing the 2014 EITI Report.

The MSG commented that the Mining Law, enacted in 2013, included a direct reference to the EITI. The license holders’ and government agencies’ duties to report were aligned to those required in the EITI. (EITI Honduras, 2016a, p. 18).

Stakeholders welcomed the recent complete overhaul of the tax office, formerly known as the Executive Directorate for Revenues (DEI) and now as Servicio de Administración de Rentas (SAR)²⁷. It was recognised that during the production of the 2014 EITI Report in 2016, the tax office SAR was being reorganised. This had implications for the regulatory framework that applies to the extractive sector. The tax and customs offices were separated. New procedures, including classification of extractive companies according with the type of activities (exploitation, commercialization, processing) were drawn. It was noted that the new customs office was also working with INHGEOMIN to update reporting procedures for exports and measurement of mining production. The changing regulatory framework made the task of describing the legal framework difficult for the Independent Administrator. However, stakeholders stressed the positive role of the EITI Standard in informing some of these recent regulatory reforms.

Initial assessment

The International Secretariat’s initial assessment is that Honduras has made satisfactory progress in meeting this requirement. The EITI Report provides a comprehensive description of the legal framework and fiscal regime governing the extractive industries and addresses reform efforts. It also includes a description of the roles of the main regulatory body as well as commentary from the Independent

²⁷ http://www.tsc.gob.hn/leyes/Creacion_Servicio%20de_Administracion_de_Rentas_SAR.pdf

Administrator on the clarity of some provisions in the mining law.

License allocations (#2.2)

Documentation of progress

The 2014 EITI Report provides comprehensive information on license allocations. The procedures for awarding and transferring licenses is established in the 2013 Mining Law and its regulations, which are publicly available in the official gazette. All licensing information is available upon request through the Transparency Office of the Honduran Institute of Geology and Mining (INHGEOMIN). The 2014 EITI Report also included a list of all licenses awarded in 2014, and in previous years (EITI Honduras, 2016f, pp. Annex 1 - 2).

Mining

The 2014 EITI Report explains the process for transferring and awarding licenses including the procedures applied for granting big and mid-scale mining titles and mining permits to the small scale and artisanal mining sector (EITI Honduras, 2016f, pp. 34-38). The Mining Law regulates the procedures for awarding mining licenses (i.e. titles and permits). INHGEOMIN, the mining authority, is the government entity responsible for administering these processes as per the Mining Law additional norms (in Spanish, Reglamento de la Ley de Minería).

The application procedures for mining exploration and exploitation licenses vary. Exploration licenses are awarded per the procedures of the article 66 and 48 of the Mining Law and the article 23 of the Mining Law additional norms (EITI Honduras, 2016f, p. 35). INHGEOMIN is mandated to update the protected areas in the cadastre as per information received by the National Institute for Forestry Conservation (ICF) and the Honduran Institute of Anthropology and History (IHAH). Exploration licenses are awarded upon completion of all technical, environmental, safety and social requirements. Exploration rights are awarded for a period between four to ten years and can be revoked if the area is not explored (EITI Honduras, 2016f, pp. 34-35).

Exploitation licenses are granted for 15 years or more after satisfying the technical, geological, environmental, safety and social evaluations as per articles 26 and 36 of the Mining Law additional norms (EITI Honduras, 2016f, p. 35). After agreeing the project is technically feasible, the mining regulator INHGEOMIN must consult affected communities according to the articles 91, 92 and 93 of the Mining Law additional norms and the Law of Municipalities (EITI Honduras, 2016f, p. 36). Upon completing consultations satisfactorily, INHGEOMIN assesses the social, financial and legal aspects of the project. Once all these aspects are completed, the awarded exploitation rights are registered in the national cadastre.

The small scale and artisanal mining sector (ASM) is regulated since 2013 through the Mining Law. Small scale mining, defined in art. 86 of the Mining Law, require a mining permit to operate (art. 39-41 and art. 90-93). Municipalities are entitled to grant these permits and INHGEOMIN is developing guidance on the matters (EITI Honduras, 2016f, p. 36).

The 2014 EITI Report provides an overview of the mining exploration and exploitation licenses that were awarded, suspended or in process by December 2014 (EITI Honduras, 2016f, p. 37). Annex 2 of the EITI Report lists all the licenses awarded during the fiscal period covered by the report, including the licenses awarded to companies covered in the report (EITI Honduras, 2016f, p. 38). The information includes:

- information to identify the title (code and file number),
- the name of the area,
- awarding date,
- classification (metallic and non-metallic),
- location (department and municipality),
- the license holder,
- the date of application/award and duration, and
- the status (exploration or production).

There is no commentary in the EITI Report on any deviations from the agreed procedures as, in the authorities' view, there is no scope for deviating from these procedures. INHGEOMIN and the Ministry of Natural Resources SERNA confirmed that the mining and hydrocarbon laws does not allow deviations to awarding and transferring procedures. The mining law, the 2014 EITI Report indicates, (EITI Honduras, 2016, ss. 34-44), establishes the procedures for awarding and transferring licenses and there are no room for deviations and in the case of the hydrocarbon sector licenses can be negotiated but they need to be approved by Congress.

Hydrocarbons

The hydrocarbon sector is managed under a contractual regime (EITI Honduras, 2016f, p. 41). The Hydrocarbon Law (enacted on 25 October 1984 and published on 28 February 1985) provides a framework for contract negotiation including optional bidding rounds. The 2014 EITI Report explains which conditions are required for awarding hydrocarbon exploration and exploitation licenses (EITI Honduras, 2016f, pp. 41-42). In Honduras, all current valid contracts had been negotiated directly between the state, represented by the Chief Legal Officer (In Spanish, Procurador General) and the companies. There is no dedicated hydrocarbon registry but all contracts are published in the official

journal “*La Gaceta*”²⁸. Contract transparency is assessed under the EITI requirement 2.4 below.

Transfers of these concessions need to be approved by the government through the Ministry of Natural Resources (EITI Honduras, 2016f, p. 34). The Independent Administrator confirmed that there were no transfers in 2014. The 2014 EITI Report lists two valid oil and gas exploration concessions and two request for concessions that have not been agreed (EITI Honduras, 2016f, pp. 39-40). These concessions are dormant. The report includes further explanations, including financial obligations, on the most significant of these contracts, the exploration concession granted to BG Group in 2013 (EITI Honduras, 2016f, p. 43). Details of the government approval of the contract and the contract, contained in Decree 90-2013 of 23 May 2013, are available in the official journal *La Gaceta* 33185 of 25 July 2013. These include the details expected in this requirement (name, area reference by coordinates, duration of the concession). The contract is also available at the Portal of Transparency of the Ministry of Natural Resources²⁹:

Stakeholder views

The MSG commented that they had access to the BG contract. In particular, they verified that the contract included a clause that demanded BG to pay USD 300.000 corresponding to a land fee. They added that the contract is publicly available and some parts are kept confidential following authorization by the access to information Ombudsman (Instituto de Acceso a la Información Pública- IAIP-) but it does not affect the information demanded to be disclosed per this requirement. They also added that the legal department of the Ministry of Natural Resources confirmed that in 2014 only BG Group was exploring in accordance with the licence obtained in 2013 (EITI Honduras, 2016f, p. 39). The Ministry of Natural Resources also confirmed that in 2013 a commercialization permit was granted to Minera Clavo Rico in accordance to the Mining Law (art. 42) and the license was transferred to Minera Cerros del Sur. INHGEOMIN confirmed that there were not mining licenses transferred in 2014.

Initial assessment

The International Secretariat’s initial assessment is that Honduras has made satisfactory progress towards meeting this requirement. The requisite information regarding the award and transfer of licenses are disclosed in the EITI Report.

²⁸ <http://www.lagaceta.hn/>

²⁹ [http://portalunico.iaip.gob.hn/Archivos/SERNA/Regulaciones\(normativa\)/Diario%20Oficial%20La%20Gaceta/2016/Contrato%20b g.pdf](http://portalunico.iaip.gob.hn/Archivos/SERNA/Regulaciones(normativa)/Diario%20Oficial%20La%20Gaceta/2016/Contrato%20b g.pdf)

License registers (#2.3)

Documentation of progress

The Honduran Geological and Mining Institute (INHGEOMIN), established in the 2013 Mining Law, started operations in April 2013. As per the law and the regulation, INHGEOMIN is responsible for managing mining licenses in accordance with the EITI Standard (EITI Honduras, 2016f, p. 69). During 2014, the INHGEOMIN migrated and updated the cadastre from paper files to a digital platform. The new cadastre system, the Honduras Mining Information System (Sistema de Información Minera de Honduras – SIMHON) contains updated geo-references, routines for the guaranteeing mining rights' traceability, a database and other features (EITI Honduras, 2016f, pp. 69-71). The system can only be accessed internally. A study by the National University of Argentina' Geographical Information Research Centre concluded that reforms introduced to SIMHON increased technical and legal transparency, reduced corruption and enhanced trust in the way the mining cadastre is managed by the government (Herrera, Año 9, Número 9, 2017).

For the hydrocarbon sector, there is no register but all contracts are available in the official journal La Gaceta. The information published in La Gaceta is not available online, but the EITI report provides a summary of the two awarded contracts (Victory Resources in 1993; BG Group in 2013) and the two requests for concession (Rose Dome Energy in 2008, CaribX Oil and Gas in 2010). The concession to BG Group is for offshore areas and the rest for continental areas (EITI Honduras, 2016f, pp. 39-40). The contracts provide the information demanded in this requirement, including the coordinates of the license area.

License information published in the EITI Report:

The 2014 EITI Report listed the licences associated with the reporting mining companies (EITI Honduras, 2016f, p. 38). This information includes:

- code assigned to each license and an identification record,
- the date of application,
- the classification (metallic, non-metallic)³⁰,
- the name of the license holder,
- the department/municipality and

³⁰ In addition to the metallic/non-metallic classification, disaggregated commodity information is available in SIMHON, mainly for licenses in the production phase.

- the size of the area.

The online cadastre system SIMHON uses UTM NAD27 coordinates for geo-referencing. The data and maps are available upon request through the transparency office of INHGEOMIN. The Independent Administrator noted that the information in INHGEOMIN's Transparency Portal was sometimes difficult to find. In their view: "...the information online does not follow a standardised format ...and can be inconsistent" (EITI Honduras, 2016f, p. 37).

Stakeholder views

INHGEOMIN stressed the value of the EITI Standard for the work of the agency. As a new agency, created in 2013, they had to update the procedures and information held by its predecessor, the Directorate for Mining Promotion (DEFOMIN). The EITI Standard was used as a reference for the information the agency needs to provide including: collected revenue, cadastre information, mining production and exports. The changes introduced by INHGEOMIN are explained in the 2014 EITI Report as mentioned above. These include harmonization of data bases, digitalization of manual information, updating of pending requests, actualization of pending paperwork, resolving overlapping and missing, and relocation of the agency's offices for customer services. INHGEOMIN welcomed the opportunity to use the EITI platform for dialogue and information sharing with stakeholders. However, some industry stakeholders expressed a concern about occasional hostility from the mining regulator. Consulted stakeholder did not expand on how this hostility was expressed by INHGEOMIN toward the companies.

Representatives from INHGEOMIN confirmed that the government had considered developing a publicly available mining cadastre. However, the advice received from international experts was to wait until the system has been tested for some time. INHGEOMIN does not yet have sufficient technological infrastructure to make SIMHON fully available online. Therefore, INHGEOMIN has established routines to timely provide licensing information through the EITI Report, their transparency portal and deliver any information requests as per Law on Transparency and Access to Public Information.

Initial assessment

The International Secretariat's initial assessment is that Honduras has made satisfactory progress towards meeting this requirement. Information regarding licenses awarded to companies in the extractive sector, as required in the EITI Standard, is publicly available register in the EITI Report. This information is extracted from the official register kept in the regulator's information system SIHMOM. The transparency portal of the regulator INHGEOMIN makes also public the information disclosed in the EITI Report. Additionally, the public can access this information by requesting it according to the law of access to information.

Contract disclosures (#2.4)

Documentation of progress

There are no contracts in the mining sector. Licensing and operations are regulated by the 2013 Mining

Law.

Licensing for the hydrocarbon sector is regulated by contracts (EITI Honduras, 2016f, p. 39). The Hydrocarbon Law provides a framework for contract negotiation, including bidding rounds, although these are not mandatory. The Chief Legal Officer (Procurador General) represents the government in any direct negotiations with companies. Any agreed contract needs to be ratified by Congress. In Honduras, all contracts have been negotiated directly with the companies (EITI Honduras, 2016f, p. 41). Contracts are published on the official journal “La Gaceta”. To date, this official publication is not available online.

The 2014 EITI Report describes the main features of the offshore exploration contract signed between the government and the company BG Group. It explains several financial obligations, including the payment of surface fees (USD 300.000, already collected and reported in previous EITI Reports, capacity building fees (payments made in 2015), and for social and environmental programmes (USD 250.000) (EITI Honduras, 2016f, pp. 43-44).

The Law on Transparency and Access to Public Information, approved by Decree 170-2006, published in the official journal, La Gaceta on 30 December 2006, establishes contract transparency as a national government policy. It guarantees the right to access to public information to anyone. The law stresses that its mandate is “strengthening of the rule of law and consolidation of democracy in citizen participation”. Article 3, numeral 5 of the law, includes as areas subject to the application of this law any license granted by the state. This includes the mining licenses and the contracts for the exploration and exploitation of hydrocarbons.

The Ministry of Natural Resources has the responsibility for the hydrocarbon licenses and the regulator INHGEOMIN for the mining sector. SERNA’s transparency portal includes the BG Group contract. Some information could be reserved as allowed in the transparency law (e.g. national security related information) and publication needs to be authorized by the access to information ombudsman (Honduras EITI MSG, 2016). However, the contract explicitly mandates that any information considered confidential can be disclosed and published without prior consent of the parties for EITI purposes (§24: 2, f).

The 2014 EITI Report describes the two awarded contracts signed with Victory Resources in 1993 and BG Group in 2013, and the two requests for oil and gas licenses from Rose Dome Energy made in 2008 and CaribX Oil and Gas in 2010 (EITI Honduras, 2016f, pp. 39-43). The Independent Administrator describes the status of exploration activities, noting that only BG Group was undertaking exploration activities in 2014 (EITI Honduras, 2016f, p. 39).

The Ministry of Natural Resources transparency portal includes the contract signed between the

government and the company BG Group³¹. A link to the portal is provided in the 2014 EITI Report³². The Independent Administrator points out that “the information is not easy to find; a search should be undertaken” (EITI Honduras, 2016f, p. 41). It also notes that the other contract, signed with Victory Resources in 1993, was not found available online (EITI Honduras, 2016f, p. 41). To access the contracts for Victory Resources, Rose Dome Energy and Caribix Oil and Gas, citizens need to request copies through the transparency section in the Ministry of Natural Resources.

Stakeholder views

Stakeholders did not express any views on contract transparency related to extractive sector. While the Law on Transparency and Access to Public Information is praised and the work of the access to information ombudsman is appreciated, several stakeholders including from civil society organizations expressed concerns about the Law of Official Secrets and Declassification of Public Information passed on 14 January 2014³³. This law allows for some type of the information to be kept confidential (i.e. not publicly available and not even available upon request). For example, the law exempted the information on a tax, the Population security fee, to be public. This tax is paid by the extractive companies, among others companies³⁴. In the view of several stakeholders, this secrecy law undermines the gains in transparency established in the 2006 access to information’s law. However, these concerns were related more to the general framework governing access to public information. This new secrecy law does not affect the mining and hydrocarbon laws, including the BG contract that is available in the Ministry of Natural Resources’ portal.

Initial assessment

The International Secretariat’s initial assessment is that Honduras has made satisfactory progress towards meeting this requirement. The government’s policy regarding contract transparency is clearly stated in the EITI Report. In the mining sector, contractual arrangements are standardised per the mining law and

31

<http://portalunico.iaip.gob.hn/Archivos/SERNA/Planeacion%20y%20rendicion%20de%20cuentas/Concesiones/2015/Contrato%20OBG%20Ultimo.pdf>

³² [Ibid](#)

³³ <http://www.elheraldo.hn/tag/442997-213/ley-de-secretos-oficiales-de-honduras-es-una-derrota-a-la-libertad>

³⁴ <http://www.web.ellibertador.hn/index.php/noticias/nacionales/866-honduras-frustracion-en-tribunal-de-cuentas-por-no-auditar-tason>

are publicly available. Oil and gas contracts are published in the official gazette and in the Ministry of Natural Resources' portal.

Beneficial ownership disclosure (#2.5)

Documentation of progress

The 2014 EITI Report does not include any information on beneficial ownership. In 2015, EITI Honduras conducted a pilot project on beneficial ownership. The country produced a scoping study identifying the main aspects to be considered and concluded that the disclosure of beneficial owners in Honduras would have to be on voluntary basis as there were no legal instruments to oblige companies to provide such information (EITI Honduras, 2015b).

Government policy

Honduras' commercial code (in Spanish, Código de Comercio) establishes the obligation (see articles 384-395) to disclose in the Public Registry of Commerce³⁵ (in Spanish, Registro Público de Comercio) all shareholders including both legal entities and individuals. Although the commercial code does not directly require legal entities to disclose their shareholders, they need to provide all the information that is included in the statutes of the company. The statutes of a company include who are the shareholders (legal entity or individual). It is uncertain if the information contained in the Public Registry can be accessed by the public. The MSG expects that by 2020 a legal reform will allow beneficial ownership information to be disclosed in line with the EITI Standard (Honduras EITI MSG, 2016).

In the mining sector, the Honduras Mining Information System (SIMHON) collects information on the owners, individuals and legal entities, that have applied and are awarded licenses. Similar to the Public Registry of Commerce, companies need to submit their statutes to INHGEOMIN. There is no obligation on companies to disclose who are the beneficial ownership of the legal entities that are shareholders to companies which hold mining titles.

BO Pilot

As part of the pilot, all reporting companies for the 2012-2013 EITI Report were invited to provide information. The information provided by five out of six companies is vague. It only provides a reference to five companies' listing countries and the name of the parent company.

³⁵ <http://www.sefin.gob.hn/wp-content/uploads/leyes/C%C3%B3digo%20del%20Comercio.pdf>

Minerales de Occidente indicated they are a subsidiary of Aura Minerals, listed in the Toronto stock exchange. Eurocantera and Five Star Mining indicated they are a subsidiary of Goldlake, a legal entity constituted in Italy which as a “fully controlled” entity is not subject to disclose beneficial information (it is not clear in the pilot report what is the source for this conclusion). American Pacific indicated they are a subsidiary of Nyrstar which is listed in the New York Stock Exchange and in Euronext Brussels and, finally, BG International Limited Sucursal Honduras is a subsidiary of BG Group which is listed in the London Stock Exchange. The rest of material companies did not provide information on beneficial ownership (EITI Honduras, 2015b).

The pilot report noted that companies with Honduran shareholders did not participate. Security concerns were cited as the main reason for not participating. The pilot report also included commentary from civil society representatives noting the importance of beneficial ownership data. In their view, this is key to know who are responsible for any potential damages to the community where mining is conducted (EITI Honduras, 2015b).

BO Roadmap

The MSG submitted a BO roadmap per this requirement on 30 December 2016.³⁶ The roadmap was approved by the MSG on 21 November 2016. To address BO disclosure requirements by 2020, Honduras’ MSG aims at establishing the necessary legal framework by 2019. A working group will be tasked to draft a BO Bill envisaged to be discussed in the parliament during 2019. The roadmap also includes activities aiming at developing a BO definition including politically exposed persons in line with the EITI Standard and developing a reporting framework (EITI Honduras, 2016b).

Honduras published its Beneficial Ownership (BO) roadmap ahead of the 31st December 2016 deadline.

Stakeholder views

Industry stakeholders noted their concern that publishing beneficial ownership information could impose a security risk and stressed the high security risks in a violent country. Civil society stakeholders noted their interest in knowing who owns mining and hydrocarbon licenses. The government is keen on using

³⁶ <https://eiti.org/document/honduras-beneficial-ownership-roadmap>

the EITI beneficial ownership disclosures to ensure transparent ownership of licenses and operating companies. President Juan Orlando Hernandez expressed to the Head of the International Secretariat Jonas Moberg the high priority his government gives to transparent ownership in the extractive sector as an important tool to prevent the sector to be used by obscure ownership structures linked to organised crime³⁷. Honduras has signed to several initiatives to fight corruption and money laundering.

Initial assessment

Implementing countries are not yet required to disclose beneficial ownership and progress with this requirement does not yet have any implications for a country's EITI status. Honduras published the roadmap for disclosing beneficial ownership information in accordance with requirement 2.5.b. ii.

State participation (#2.6)

Documentation of progress

The Independent Administrator and the MSG confirm that there are no state-owned enterprises (SOE) in Honduras responsible for exploration, exploitation or commercialization of mining products (EITI Honduras, 2016f, p. 23). The Government, through INHGEOMIN, confirmed it does not have any participation in any mining or hydrocarbon projects, including areas that are not currently being operated (INHGEOMIN, 2016).

Stakeholder views

No views were expressed on these matters.

Initial assessment

The International Secretariat's initial assessment is that this requirement is not applicable.

Table 3- Summary initial assessment table: Award of contracts and licenses

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions (to be completed for

³⁷ EITI International Secretariat, Bilateral Meeting at the Open Government Partnership Summit on 8th December 2016.

Validation of Honduras: Report on initial data collection and stakeholder consultation

		'required' provisions)
Legal framework (#2.1)	The EITI Report provides a comprehensive description of the legal framework and fiscal regime governing the extractive industries and addresses reform efforts. It also includes a description of the roles of the main regulatory body as well as commentary from the Independent Administrator on the clarity of some provisions of the mining law.	Satisfactory progress
License allocations (#2.2)	The required information regarding the award and transfer of licenses are disclosed in the EITI Report.	Satisfactory progress
License registers (#2.3)	Information regarding licenses awarded to companies in the extractive sector, as required in the EITI Standard, is publicly available register in the EITI Report. This information is extracted from the official register kept in the regulator's information system SIHMON.	Satisfactory progress
Contract disclosures (#2.4)	The Government of Honduras supports and practices contract transparency. Contractual arrangements in the mining sector are uniform per the mining law and available publicly. Oil and gas contracts are published in the official gazette and in the Ministry of Natural Resources' portal.	Satisfactory progress
Beneficial ownership disclosure (#2.5)	Honduras has published a roadmap for disclosing beneficial ownership information in accordance with requirement 2.5.b. ii.	
State-participation (#2.6)	The Government, through INHGEOMIN, confirmed it does not have any participation in any mining or hydrocarbon projects.	Not applicable
<p>Secretariat's recommendations:</p> <ul style="list-style-type: none"> The government is encouraged to provide INHGEOMIN with resources to update the technological platform supporting the cadastre system to allow improved public accessibility. 		

3. Monitoring and production

3.1 Overview

This section provides details on the implementation of the EITI requirements related to exploration, production and exports.

3.2 Assessment

Overview of the extractive sector, including exploration activities (#3.1)

Documentation of progress

The 2014 EITI Report provides an overview of the mining and hydrocarbon sectors. It includes the size and location of mining activities and the commodities extracted, the economic relevance for the country and foreign direct investment into the sector from 2010 to 2014 (EITI Honduras, 2016f, pp. 25-33). The Independent Administrator notes that the mining sector accounted for around 5% of foreign direct investment in this period and 1% of the gross domestic product -GDP- (EITI Honduras, 2016f, p. 33). As noted in section 2, above, the mining cadastre contains information on which licenses are awarded to explore and the status of these activities. The 2014 EITI Report explains the procedures to award permits in the artisanal and small-scale sector introduced in the 2013 mining law. The law empowers municipal authorities to regulate the artisanal mining activities in their jurisdictions. The report does not include any further commentary on the artisanal and small-scale sector.

There is also information on the hydrocarbon exploration activities (EITI Honduras, 2016f, pp. 39-40). The only current activities are conducted under the BG Group contract. The request to explore in the Gracias a Dios Department by CaribX Oil and Gas has been halted due to the incomplete consultations with the local people (known as the Miskito people). The report notes that there was no oil and gas production, including in the year covered in the report. The Ministry of Natural Resources monitors the exploration activities (Honduras EITI MSG, 2016).

Stakeholder views

The Ministry of Natural Resources confirmed that in 2014 BG Group conducted some exploration activities in accordance with the contract signed in 2013. They understand BG Group is in the process of transferring its exploration license to a third party. Other stakeholders commented that they understand the exploration activities expected as part of the BG contract were very limited in light of the current situation with depressed commodity prices.

Initial assessment

The International Secretariat's initial assessment is that Honduras has made satisfactory progress in meeting this requirement. Honduras 2014 EITI Report provides an good overview of the extractive

industries including exploration activities.

Production data (#3.2)

Documentation of progress

The 2014 EITI Report discloses production volumes and values by commodity based on production data reported by companies to INHGEOMIN in the annual consolidated declaration (Declaración Anual Consolidada (DAC)) (EITI Honduras, 2016f, p. 30). Consequently, the report includes production information disaggregated by companies reporting in the EITI and aggregated information about production from non-reporting companies (representing 11.1% of the mining production) (EITI Honduras, 2016f, p. 30). The International Secretariat notes that the company Cerros del Sur appears not to have produced anything in 2014. There is no coverage of production from non-metallic sector companies that were operative but did not export. The 2014 EITI Report includes a quarry company, Agregados del Caribe, that exported all its production in 2014 but the production volume for this company was not included.

The Independent Administrator noted that INHGEOMIN collects annual consolidated declarations mainly from exporting mining companies. Non-exporting mining companies do not provide their annual reports even though they have received sanctions for non-compliance with this obligation. The Independent Administrator recommended INHGEOMIN to enforce this annual reporting (EITI Honduras, 2016f, p. 90). As a consequence, the production data in the EITI Report is incomplete. The 2014 EITI Report indicates that the metallic sector exports all its production. The report also explains that the non-metallic sector is composed of 15 companies with only one company exporting. Moreover, this non-metallic reporting company was later classified as metallic according with INHGEOMIN reclassification in 2016.

Article 21 of the Mining Law establishes that companies in exploitation phase should keep track record of their production volumes in the pithead, collection sites and/or at the processing plants. In addition to the self-reporting values in the annual consolidated reports, production volumes are checked against those volumes reported for export. The report does not contain information on how the value of production or export is calculated. The reference prices applied are not disclosed.

Stakeholder views

Stakeholders argued that using the value of exports as a proxy for the value of production was an acceptable interim solution to the lack of production data. INHGEOMIN indicated that they are working on new procedures, including updating the standardised annual consolidated reporting. They also noted that the agency is strengthening its internal capacity for monitoring mining activities, including ensuring companies are compliant with their obligation to report and the procedures for reviewing these data. On the lack of production information, INHGEOMIN commented that, in the past, a common practice was to not report production and opting for paying the fines associated with non-reporting. While reporting production, data based on exports was considered acceptable in the past, there was a consensus that the government needs to implement the planned improvements to production data reporting to the mining regulator.

Initial assessment

The International Secretariat's initial assessment is that Honduras has made satisfactory progress towards meeting this requirement. In the metallic sector, production data can be inferred from export data, as all production is exported. There are no adequate records of production for the non-metallic sector. However, this sector is not covered in the EITI despite the inclusion in 2014 of a company (Agregados del Caribe) that was later reclassified as metallic. The 2014 EITI Report did not provide information on how the production volumes and values were calculated. However, this is only suggested in the Standard.

Export data (#3.3)

Documentation of progress

The 2014 EITI Report provides export data disaggregated by company for the material companies participating in the reporting process, with aggregate data (by commodity) for the rest of the companies. The report also includes export data by commodity from 2009 to 2014 and provides an measure of the share of mining exports out of total exports (EITI Honduras, 2016f, pp. 30-31). In a subsequent complementary note, EITI-Honduras provided detailed information on 2014 exports from the non-reporting companies (EITI Honduras, 2016a, p. 38).

Stakeholder views

In addition to the comments on production data, INHGEOMIN noted that they are working with the new Technical Custom Department to harmonize procedures for reporting and monitoring export information disclosure, including a standardised annual consolidated report aligned with the customs reporting templates.

Initial assessment

The International Secretariat's initial assessment is that Honduras has made satisfactory progress towards meeting this requirement. EITI-Honduras has disclosed the required information. The 2014 EITI Report did not provide information on how the exports volumes and values were calculated. However, this is only suggested in the Standard.

Table 4 - Summary initial assessment table: Monitoring and production

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions (to be completed for 'required' provisions)
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Overview of the extractive sector, including exploration activities (#3.1)	The 2014 EITI Report provided an overview of the extractive industries including exploration activities.	Satisfactory progress
Production data (#3.2)	Production information was based on export data, as all metallic sector production is exported.	Satisfactory progress
Export data (#3.3)	The 2014 Report provided comprehensive data on export volumes and values. It did not address how the values were calculated. However, this is only suggested in the Standard.	Satisfactory progress
<p>Secretariat's recommendations:</p> <ol style="list-style-type: none"> 1. In future EITI Reports, the MSG is encouraged to include information on how the production volumes and values are calculated and additional information that could enhance the understanding on how mining production is monitored. The MSG may wish to explore working with the mining regulator INHGEOMIN, the customs agency and the finance ministry in ensuring mining production is properly recorded and monitored. The EITI Report can be used to comment on progress addressing these issues. 2. The government is encouraged to continue strengthening INHGEOMIN's internal systems including the modernization of the consolidated annual declaration (DAC) and monitoring capacities and the collaboration with the customs agency, including harmonization of procedures. 		

4. Revenue collection

4.1 Overview

This section provides details on the implementation of the EITI requirements related to revenue transparency, including the comprehensiveness, quality and level of detail disclosed. It also considers compliance with the EITI Requirements related to procedures for producing EITI Reports.

4.2 Assessment

Materiality (#4.1)

EITI-Honduras agreed 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, 2015b). The definition was discussed with the Independent Administrator and approved by the MSG at its

meeting of 14 May 2015 (2012-2013 EITI Report) and 4 December 2015 (2014 EITI Report (MSG meeting 30 July 2015)). Materiality was set as a target coverage (expressed as percentage) based on value of production. Value of production, in turn, was calculated in relation to the value of exports as discussed above under the assessment of requirement 3. The 2014 Honduras EITI Report indicates that the MSG agreed that the report should cover at least 88.87% of the total of metallic and non-metallic exports (EITI Honduras, 2016f, p. 12). The same definition of materiality was used for the 2012 and 2013 EITI Reports, published in May 2015 (EITI Honduras, 2015e).

A definition of materiality based on the volume or value of production or export data is problematic. The EITI Standard requires that the MSG agree “which *payments and revenues* are material and therefore must be disclosed, including appropriate materiality definitions and thresholds” (emphasis added). The International Secretariat notes that previous Validation exercises have found materiality definitions that do not specifically establish the size of a material payment to be suboptimal. In previous cases, these definitions have been accepted only when ex-post assessments verify that it is highly likely that all material payments have been covered by comparing the reconciled data with the government’s declaration of total revenues from all companies. Honduras 2014 EITI Report does not contain evidence of such an assessment. The Independent Administrator confirmed it was instructed with a definition of materiality endorsed by the MSG. The report does not provide any commentary by the Independent Administrator on the comprehensiveness of the reconciliation exercise.

For the 2012-2013 and 2014 EITI Reports, the reconciliation covered the six largest metallic mining companies whose production is exported. For the 2014 EITI Report, the largest producer and exporter of non-metallic (quarry) minerals was added to the scope of the report. The International Secretariat identified that at least one non-reporting mining company seems to be material, based on supplementary information received as part of the data gathering phase (see Figure 4 below). Based on this information Business Development Resources (BDR) represented 8.25% of the value of production, Credito Prendario 1.62%, Inversiones Benites 1.17% and three other companies represent 0.1% (INHGEOMIN, 2017b). In the view of the International Secretariat, the non-participation of BDR likely affects the comprehensiveness of the reporting exercise. There is no mention of any of these companies in the 2014 Report.

Figure 2: Value of mining production/exports, 2014 (USD)

Total Value of Production	276,055,905	100%
By EITI reporting companies	245,338,259	88.87%
By non EITI reporting companies	30,717,646	11.13%
Business Development Resources (BDR)	22,771,400	8.25%
Inversiones Benites	3,217,533	1.17%
Credito Prendario (Credimas)	4,476,623	1.62%
Other companies (3)	252,088	0,1%

Source: Complementary information provided by INHGEOMIN. Elaborated by the International Secretariat.

Regarding the hydrocarbon sector, the Independent Administrator commented that no companies were

producing. There was only one company exploring in the sector and these activities did not generate tax payments in 2014 (EITI Honduras, 2016f, p. 13). The International Secretariat notes that one hydrocarbon company, BG Group International Ltd, disclosed non-fiscal payments related to an environmental license for exploration which was the only payment made by the company to the government in 2014 (EITI Honduras, 2016f, p. 85). The report does not provide any evidence that the government had received any payment from any of the other hydrocarbon companies holding active licenses.

Documentation of progress

Materiality and revenue streams: EITI-Honduras agreed a definition of materiality based of a target coverage of the total value of production. This definition did not include thresholds for revenue streams. The 2014 EITI Report includes an overview of the revenue streams covered by the report, including the taxable base, payment frequency, entity collecting each flow, the institution responsible for collecting and distributing the revenues and the legal statutes (EITI Honduras, 2016f, pp. 65-67). The report does not provide a list of which taxes, fees and other flows were considered and discarded from the reporting exercise.

The revenue streams covered in Honduras's reports appear to reflect the countries sectorial and fiscal regime. The 2014 EITI Report provided a thorough explanation of each of the revenue streams identified below. Details provided include: legal basis, frequency, method for calculating the tax/fees, the reporting process, and the procedures for distributing revenues to the treasury and to subnational entities (EITI Honduras, 2016f, pp. 59-68, 72-74). The revenue streams covered by the report are:

- a. Income Tax
- b. Tax on net assets
- c. Solidarity contribution
- d. Population security fee
- e. Tax to the mining authority Coalianza (later found to not apply)
- f. Tax on sales' income
- g. Tax on sales of non-mobile assets (later found to not apply)
- h. Tax on non-mobile assets
- i. Tax on mobile assets
- j. Mining authority fee
- k. Superficial canon
- l. Boarding inspection fee
- m. Environmental monitoring
- n. Geological inspection fee
- o. Lab sample fees
- p. Municipal tax
- q. Municipal property tax
- r. Municipal operation permit
- s. Municipal extraction tax
- t. Environmental license fee

The Independent Administrator notes that the report excluded the tax on sales on non-mobile assets as it was confirmed that companies did not make any payments corresponding to this tax (EITI Honduras,

2016f, pp. 12,55). The report did not provide an explanation for this. However, as part of the supplementary information provided in December 2016 the MSG explained that this tax was not paid because there were no sales of such assets in 2014 (EITI Honduras, 2016a). The Independent Administrator also observed that mining tax C was neither paid nor collected. This was because the government had not established a procedure for assessing and collecting this tax (EITI Honduras, 2016f, p. 68). The supplementary note submitted in December 2016 also stated that the Coalianza tax did not apply to any of the reporting companies because they were not subject to the private-public partnership arrangement regulated by the 2010's Law of Promotion of Public-Private Partnership³⁸. The supplementary note also established that the tax on net assets is only paid when certain conditions apply and that, in 2014, those conditions did not have applied to any reporting companies (EITI Honduras, 2016a).

The 2014 EITI Report does not discuss whether other revenue streams listed in Requirement 4.1.b are applicable to Honduras and the reasons for their exclusion from the report. The Independent Administrator did not confirm whether the agreed scope was adequate. It is therefore not possible to assess if any omitted revenue stream has affected the comprehensiveness of the 2014 EITI Report.

For the hydrocarbon sector, there was only one active company, BG Group International, in exploration phase. The revenues collected from this company are regulated in the contract signed between BG Group and the government in 2013. In 2014, BG only paid an environmental licence fee which was included in the reconciliation exercise (EITI Honduras, 2016f, p. 85).

Reporting entities: The 7 largest mining companies (based on value of production, as reported by INGHEOMIN) were asked to report. BG Group International was asked to report as the only company in the hydrocarbon sector which incurred in payments to the State (environmental license) during the fiscal period covered by the report. The International Secretariat notes, based on supplementary information, that there was a company (BDR) that represented 8.25% of the value of production in 2014 that was not asked to report (INHGEOMIN, 2017b).

The participating companies were:

1. Eurocantera S.A. de C.V.
2. Five Start Mining S.A. de C.V.
3. Compañía Minera Cerros del Sur, S.A. de C.V.
4. Minera Clavo Rico S.A. de C.V.
5. Minerales de Occidente S.A. de C.V.
6. American Pacific Honduras S.A. de C.V.
7. Agregados del Caribe S.A. de C.V. (non-metallic sector)

³⁸ <http://www.poderjudicial.gob.hn/CEDIJ/Leyes/Documents/LeyPromocionAlianzaPublicoPrivada.pdf>

8. BG International Limited Sucursal Honduras (hydrocarbon)

The reconciliation exercise covered all government agencies, including municipalities, receiving revenues from companies in the extractive sector. These were:

1. Tax office (Dirección Ejecutiva de Ingresos -DEI, called since 2016 the Revenues Administration Service or, in Spanish, Servicio Administración de Rentas -SAR)
2. Mining regulator INHGEOMIN (Instituto Hondureño de Geología y Minas)
3. Ministry for Natural Resources and Environment (SERNA)
4. Municipalities

Full government disclosure:

The International Secretariat could not find evidence of full government disclosure, i.e., total payments for each revenue stream including companies not included within the scope of the EITI Report. The report collates reported data on the total collected by government agency per revenue stream for all companies (reporting and non-reporting) (EITI Honduras, 2016f, pp. 48-52). It is not possible, though, to verify if non-reporting companies correspond to the complete universe of extractives companies. INHGEOMIN disclosed an additional HNL 5.4 million (USD 255.000) from other revenue streams excluded from the EITI Report (EITI Honduras, 2016f, p. 49)

Government entities disclosed the total collected for the selected revenue streams for the participating and non-participating companies (EITI Honduras, 2016f, pp. 47-52). However, gaps identified in the data raise concerns regarding the comprehensiveness of this data. It appears that the government did not receive payments from the tax on net assets (EITI Honduras, 2016f, p. 48). It also appears that the government entities did not collect any payment from non-reporting companies from the concepts of a) solidarity contribution, b) population security fee, c) sample fee, d) municipal taxes, e) property tax operation permits, f) extraction and exploitation of resources; and, g) environmental license.

Regarding subnational direct payments, a number of municipalities did not report. This resulted in significant discrepancies in all revenue streams collected at the municipal level.

Figure 3: Total government collected from selected revenue streams in 2014 (HNL)

Revenue Stream	Collecting agency	Total from reporting companies (p.48-52 of EITI Report)	Total from non-reporting companies (p.48-52 of EITI Report)
Income Tax	DEI	9,758,824.44	5,729,284.87
Tax on sales' income	DEI	14,290,223.98	1,058,404.47
Tax on net assets	DEI	-	-
Solidarity contribution	DEI	523,198.68	-
Population security fee	DEI	89,417,675.98	-
Mining authority fee	INHGEOMIN	60,341,840.68	1,304,299.89
Superficial canon	INHGEOMIN	5,336,189.67	6,579,105.27

Validation of Honduras: Report on initial data collection and stakeholder consultation

Boarding inspection fee	INHGEOMIN	8,328,269.57	5,101,333.47
Environmental monitoring	INHGEOMIN	1,595,770.20	145,545.95
Geological inspection fee	INHGEOMIN	87,783.91	4,582,555.94
Laboratory sample fees	INHGEOMIN	18,334.02	314,314.45
Inspections	INHGEOMIN	133,260.00	173,312.82
Samples	INHGEOMIN	41,588.30	-
Municipal tax	Municipalities	90,638,595.99	-
Municipal property tax	Municipalities	335,505.88	-
Municipal operation permit	Municipalities	551,181.00	-
Municipal extraction tax	Municipalities	3,329,963.78	-
Environmental license fee	SERNA	491,096.78	-
		285,219,302.86	24,988,157.13
		92%	8%

Source: Honduras 2014 EITI Report p. 47-52.

Reconciliation: The Independent Administrator confirmed that the 2014 EITI Report includes a reconciliation of payments and revenues in accordance with the agreed scope. The reconciliation appears to covered 92% of the reported total government income, although as noted above there are some doubts about the total figure.

There are two problems in this reconciliation exercise. First, on the companies' side, the International Secretariat has identified at least one excluded company that appears to be material. BDR, representing 8.25% of the value of production, was not included in the reconciliation exercise. Second, from the government side, there were several municipalities that did not report. This resulted in significant discrepancies in all revenue streams collected at the municipal level.

Stakeholder views

The tax office (SAR) confirmed that they do not have a system for the classification of companies that allows them to know exactly which is the total universe of extractive companies. To estimate the universe of extractive companies they rely on the mining regulator INHGEOMIN to list which extractive companies are operating. INHGEOMIN confirmed that they rely on the cadastre information and the information from the customs office to estimate which companies are producing (based on export data). INHGEOMIN also collects production and export data through the company's annual consolidated report (DAC). Data from the DACs has not been systematized and corroborated with the companies and was not considered for any of the EITI Reports published thus far.

EITI-Honduras and the Independent Administrator also confirmed that a significant number of municipalities did not report. Stakeholders from the industry constituency lamented that although they provide information regarding their payments to municipalities, municipalities failed to report.

The Independent Administrator confirmed that they were instructed to reconcile the given list of 7 companies (metallic and non-metallic) and, due to the limited time available to produce the report (three weeks at the end of 2015) they were unable to confirm the comprehensiveness of the report, both in terms of revenue streams covered and the universe of reporting and non-reporting companies.

Initial assessment

The International Secretariat's assessment is that Honduras has made meaningful progress towards meeting this requirement. EITI-Honduras adopted a problematic definition of materiality that does not clearly address what constitutes a material payment. A company responsible for 8.25% of the total value of production was not included in the reporting process. Although the universe of revenue streams covered appears to be comprehensive, some revenue streams that appear to be immaterial were included in the reporting templates. This suggests that the analysis that led to the agreement of which revenues to be included was flawed. The Independent Administrator did not confirm the comprehensiveness of the report even though this was requested in their ToRs. The lack of an adequate classification of extractive companies in the tax office hinders to identification of the complete universe of mining companies that paid taxes, and, therefore, disclosure of the total revenues received by the SAR. SAR relied on INHGEOMIN to indicate which companies have active exploitation licenses.

In-kind revenues (#4.2)

Documentation of progress

The 2014 EITI Report does not explicitly state that in-kind revenues do not apply to Honduras. Subsequently, EITI-Honduras clarified that the current legal framework does not allow taxes or fees to be collected other than in cash. Articles 110 and 112 of Honduras's tax code state that all taxes and fees must be collected in currency (EITI Honduras, 2016a, p. 42).

Stakeholder views

Stakeholders did not express any views related to in-kind revenues. The Independent Administrator confirmed that in-kind payments were not considered in the scope of Honduras's reports.

Initial assessment

The International Secretariat's initial assessment is that this requirement was not applicable to Honduras in 2014.

Barter and infrastructure transactions (#4.3)

Documentation of progress

The 2014 EITI Report does not explicitly state whether there was any applicable barter arrangement in Honduras for the reporting period. Subsequently, EITI-Honduras clarified that the current legal framework does not allow for these types of transactions in the oil, gas and mining activities (EITI Honduras, 2016a, p. 43).

Stakeholder views

Stakeholders did not express any views related to barter and infrastructure transactions. The Independent Administrator confirmed that barter and infrastructure transactions were not considered in the scope of Honduras's reports.

Initial assessment

The International Secretariat's initial assessment is that this requirement was not applicable to Honduras in 2014.

Transport revenues (#4.4)

Documentation of progress

The 2014 EITI Report does not explicitly state that transport revenues do not apply to Honduras. Subsequently, EITI-Honduras clarified that transportation of minerals in Honduras is entirely provided by the private sector and the state does not participate in the provision of those services. Therefore, there are no revenues from these activities (EITI Honduras, 2016f, p. 40).

Stakeholder views

Stakeholders did not express any views related to transport revenues. The Independent Administrator confirmed that transport revenues were not considered in the scope of Honduras's reports.

Initial assessment

The International Secretariat's initial assessment is that this requirement was not applicable to Honduras in 2014.

Transactions between SOEs and government (#4.5)

Documentation of progress

The 2014 EITI Report confirmed that there were no state-owned enterprises involved in the exploration, exploitation and commercialization of minerals or hydrocarbons although the Mining Law allows for this possibility (EITI Honduras, 2016f, p. 23).

Stakeholder views

Stakeholders did not express any particular views related to state-owned enterprises.

Initial assessment

The International Secretariat's initial assessment is that this requirement was not applicable to Honduras in 2014.

Subnational direct payments (#4.6)

Documentation of progress

The 2014 EITI Report lists and explains direct payments to municipalities according to the Honduras's legal framework (EITI Honduras, 2016f, pp. 64-67). The report states that, depending on the municipality where the company operates, companies are due to pay one or more of the following taxes: municipal tax, municipal property tax, operating permits and resource extraction fee (EITI Honduras, 2016f, p. 83). Subnational direct payments, according to the 2014 EITI Report represent a third of total payments made by companies. Companies and municipalities were asked to disclose these payments and revenues. Six municipalities and the seven material companies were asked to report. Most municipal-level payments were reconciled with some significant discrepancies. For example, the discrepancies found between Minera Cerros del Sur and El Corpus municipality, between Agregados del Caribe and Puerto Cortez municipality and between American Pacific Honduras and Las Vegas municipality were in the order of 72%, 84% and 46% respectively, most often related to "operating permits" (EITI Honduras, 2016f, p. 89). The report notes that it was not possible to clarify with the municipalities what caused these large differences (EITI Honduras, 2016f, p. 83). Beside this, the report did not comment on the quality of the data provided by municipalities.

The MSG has demonstrated interest in exploring opportunities to enable monitoring municipal taxes as part of the Municipal Index Project lead by the General Directorate of Municipal Strengthening of the Secretary of Human Rights, Governance and Decentralization (EITI Honduras, 2015d). The International Secretariat is not aware of any follow-up work on this proposal.

Stakeholder views

The Independent Administrator confirmed that there was not possible to verify with the municipalities a number of company payments. This was due to slow responses from municipalities and the short period available for this. They also confirmed that one municipality (Juticalpa) did not participate in the report. Finally, the IA confirmed that five municipalities certified their reporting templates. The National Association of Municipalities expressed interest in deepening municipalities' participation in the EITI and acknowledged the uneven capacity among municipalities to manage these resources.

Initial assessment

The 2014 EITI Report included subnational direct payments as expected in this requirement. Four municipal-level revenue flows were considered material. The Independent Administrator reconciled these payments. There were some important discrepancies as some municipalities reported incompletely. One municipality (Juticalpa) did not report at all. The report is silent about the quality of the municipal data

reported. Although it was later confirmed that five municipalities provided certified reporting templates it is not clear what quality assurances were offered. The International Secretariat concludes that the reconciliation of subnational payments suggests important gaps in the municipalities' capacity to collect and report revenues. Given the importance of subnational payments to the total industry contribution, the International Secretariat's initial assessment is that Honduras has made inadequate progress towards meeting this requirement.

Level of disaggregation (#4.7)

Documentation of progress

The data in the 2014 EITI Report is disaggregated by individual company, government entity and revenue stream (EITI Honduras, 2016f, pp. 76-85). As reporting companies only paid subnational taxes to one municipality each, the municipal revenue flows are effectively disaggregated by company and municipality.

Stakeholder views

Stakeholders did not express any views related to disaggregation of payments.

Initial assessment

The International Secretariat's initial assessment is that Honduras has made satisfactory progress in meeting this requirement.

Data timeliness (#4.8)

Documentation of progress

Honduras has produced two EITI Reports that meet the EITI's requirements for timeliness. The first report covering fiscal years 2012 and 2013 was published in May 2015. The second report covering 2014 data was published in September 2016, ahead of the 31 December deadline. However, the International Secretariat notes that the Independent Administrator conducted the reconciliation exercise between December 2015 and March 2016, and that the report was approved by the MSG in April 2016 (EITI Honduras, 2016d).

The International Secretariat understands that 2014 accounting period was chosen as the information for 2015 was not available at the time the MSG agreed to proceed with the report (EITI Honduras, 2015d).

Stakeholder views

The International Secretariat discussed with stakeholders, including the EITI-Honduras's national coordinator at the time the 2014 EITI Report was produced, about the length of time it took to publish the

2014 report. They noted a series of bureaucratic delays. These hurdles had to do with the fact that the contract with the Independent Administrator was managed by the government agency INVEST-Honduras (<http://www.mcahonduras.hn/>) which was not directly involved in the EITI process. This agency was responsible for administering the World Bank's grant that financed the work. They were chosen as an established agency already certified by the World Bank in accordance with their fiduciary duties.

Another obstacle related to the change of staff at the national secretariat during the first quarter of 2016. The transition was not smooth and it took some time for the institutional memory to be recovered. And, finally, the absence of a proper institutional platform for EITI-Honduras and lack of funds for disseminating the report resulted in some important delays in publishing the report once it was approved by the MSG. Reflecting on this situation, several stakeholders expressed concerns about the lack of prioritization in the government for the implementation of the EITI.

Initial assessment

The International Secretariat's initial assessment is that Honduras has made satisfactory progress towards meeting this requirement.

Data quality (#4.9)

Documentation of progress

Appointment of the Independent Administrator (IA): The MSG TORs establish its mandate to approve the selection of the Independent Administrator (art. 8.b. y c.). The International Secretariat has not found any evidence of the approval of the selection of the Independent Administrator in the MSG meeting minutes. However, MSG members have confirmed that the MSG discussed these issues. INVEST-Honduras, the government agency responsible for administering the World Bank's grant, hired Ernst and Young (EY) as the Independent Administrator. INVEST-Honduras followed the World Bank's procurement procedures and those applicable to public procurement in Honduras. EY was also the Independent Administrator of the first Honduras's EITI Report published in May 2015.

Terms of Reference for the Independent Administrator: INVEST-Honduras signed a contract with EY including the standard ToRs for IAs (INVEST-Honduras, 2015b). The following table highlights the main aspects of the terms of reference for the Independent Administrator, contrasting Honduras's ToRs with the standard ToRs for IA approved by the EITI Board.

Aspect as in Standard ToRs approved by the EITI Board	As in ToRs signed between EY and the Consejo Nacional de la EITI-Honduras (with INVEST Honduras acting as contracting party)	Commentary from the International Secretariat
Agreement on reporting	The ToRs included the obligation of the IA to analyse and confirm the scope of reporting and template (INVEST-Honduras, 2015b,	In accordance to Standard ToRs for

Validation of Honduras: Report on initial data collection and stakeholder consultation

templates	p. 8) . In practice, the IA just accepted what was used in previous EITI Report but did not provide commentary on the actual template. Based on the reporting templates used for the first EITI Report (covering 2012-2013) the IA agreed on the templates to be used. The IA sought approval of the recommended templates by the MSG. The International Secretariat understands the national secretariat sought electronic approval of the reporting templates to the MSG (EITI Honduras, 2016a, p. 41).	Independent Administrators.
Review of audit and assurances procedures	The ToRs mandate the IA to review and advise the MSG on the auditing procedures and assurances to be provided by the reporting companies and government agencies (INVEST-Honduras, 2015b, p. 10)The 2014 EITI Report did not comment on the audit and assurance practices prevailing in Honduras for the government entities and for the companies.	The IA did not comment on audit and assurances procedures.
Assurances to be provided by companies to the Independent Administrator	<p>Subsection 1.7 of the TORs (INVEST-Honduras, 2015b, pp. 10-11) specified the assurances mechanisms that the IA could consider to comply with the mandate of obtaining assurances about the quality of the reported data. In practice, the IA just accepted the assurances provided in the previous EITI Report but did not provide commentary on these assurances. The 2014 EITI Report (EITI Honduras, 2016f, pp. 55-56) confirmed the assurances received from reporting entities (companies and government). These were in the form of templates being signed by the CFO with references to the audited financial statements from where the figures were extracted. The report does not mention that some companies and government entities did not sign the reporting templates.</p> <p>The IA confirmed to the International Secretariat that while reporting templates were initially signed by a senior official, subsequent template submitted for correcting initial disclosed figures were not all signed. See further comments in the Stakeholder views.</p>	In accordance to Standard ToRs for Independent Administrators. The IA asked for the templates to be signed by a senior official to certify reporting figures were in accordance with the audited accounts. However, not all reporting templates were signed. The procedure seems to have been partially followed.
Provisions for safeguarding confidential information	Subsection 1.8 (INVEST-Honduras, 2015b, p. 11) in the ToRs mandated the IA to advise on the mechanisms to be used to guarantee the confidentiality of the information as required. The IA adhered to a confidentiality clause, included in the contract signed between EY and the INVEST-Honduras. (INVEST-Honduras, 2015b, p. 4)	In accordance to Standard ToRs for Independent Administrators.
Key findings on	The IA was tasked to provide a comment of the reliability of data (INVEST-Honduras, 2015b, p. 10). The 2014 EITI Report	Reporting on the assurances received

Validation of Honduras: Report on initial data collection and stakeholder consultation

reliability	commented on the assurances received from reporting entities (EITI Honduras, 2016f, pp. 55-56). The report states <i>“It was confirmed with all participating companies that information provided came from the accounts for 2014 audited by an independent party according to international standards. Evidence of this was obtained via the signed reporting templates”</i> . However, the annex including the reporting templates only showed two signed templates (by the CFO and regarding the audited accounts, including name of auditing company and date of report). As part of the data gathering phase, the IA confirmed to the International Secretariat that all reporting templates from companies were certified.	was done in accordance to Standard ToRs for Independent Administrators. However, not all signed templates were produced.
Documentation in EITI Report of financial audited statements	The ToRs mandated the IA to document the assurances obtained from the reporting entities. The IA provided such documentation for two companies in the annex 4 to the EITI Report (INVEST-Honduras, 2015b).	Partially documented.
Contextual information not collected by the IA (indicate sources)	The IA was tasked with reviewing and compiling information on exports, exploration and investment in the mining sector, informal mining, among others (considered “contextual information”).	Contextual information is clearly sourced.

Independent Administrator’s overall opinion: The Independent Administrator notes that the assignment was delivered based on the applicable professional standards while clarifying that the work does not constitute a tax audit or an audit of the company’s financial statements. The IA alerted that it was the responsibility of the reporting entities to ensure that proper procedures were followed in the production of the figures disclosed in the report. The IA, therefore, do not have an opinion on the adequacy of those procedures and on the financial statements where the data disclosed is extracted. Finally, the IA also alerted that if the scope of their services would have included additional procedures as to be able to express an opinion on the financial situation of the companies they could have addressed other issues (EITI Honduras, 2016f, p. 53).

The Independent Administrator explained in the 2014 EITI Report the methodology used in the reconciliation and revision of company payments and government revenues (EITI Honduras, 2016f, pp. 54-55). The IA explained how the information was compiled, revised and reconciled. It added that figures disclosed were extracted from the financial statements for the reporting companies and, in the case of the government entities, the information disclosed was accepted as valid as they are subjected to the

control of supreme auditing authorities (in Honduras, the Tribunal Superior de Cuentas³⁹). Results of previous audits to government institutions and a schedule of future audits are available at the webpage of the supreme auditor.

The IA also described the procedure for addressing discrepancies (EITI Honduras, 2016f, p. 56). Once discrepancies were identified, the IA proceeded to verify payment documentation and seek further explanations from the reporting companies. In effect the 2014 EITI Report included a table for each revenue stream including the initial discrepancies and the resulting discrepancies after the revision by the IA (EITI Honduras, 2016f, pp. 76-85). It is not clear though how the discrepancies were resolved (e.g. which reporting entity -the company or the government agency- adjusted the disclosed figures). The IA concluded that while a significant number of discrepancies were explained and clarified there were still several discrepancies that were not resolved (EITI Honduras, 2016f, p. 15).

The IA confirmed that it reviewed the materiality definition. The review included the applicable norms, collection and distribution procedures and how the data is recorded for each revenue stream. It is not clear in the report that the IA expressed an opinion on the comprehensiveness of the agreed reporting scope. However, the International Secretariat understands from the discussions with the IA that they agreed with the scope and definition of materiality. The IA confirms that the agreed test for materiality (i.e. ensuring the participation of companies representing 88% of the value of production) was satisfied (EITI Honduras, 2016f, pp. 12-13, 18).

As noted above, the International Secretariat identified at least one non-participating company operating in 2014, BDR, which represented 8.25% of the value of production. The 2014 EITI Report is silent about this omission. The IA did not provide any comment about the composition of the non-reporting companies. With regard to government data, it is clear from the report that one municipality failed to report and that in a number of cases reported figures for municipal-level revenue streams showed significant discrepancies.

Data reliability assessment: Regarding the reliability of the data reported in the 2014 EITI Report, the Independent Administrator pointed out that all companies and reporting entities provided complete reporting templates signed by the legal representative of the company (CFO or other senior executive) and by the responsible person in public reporting entities (EITI Honduras, 2016f, p. 56). However, only five out of eight templates from reporting companies are available in annex four of the report (EITI Honduras, 2016f, pp. 145-149), and only two of those reporting templates were signed. The 2014 EITI Report does not indicate whether any publicly accessible financial statements can be accessed. The report did not provide any commentary on the lack of signed reporting templates.

For government entities, the Independent Administrator confirmed that all reporting entities are

³⁹ <http://www.tsc.gob.hn/>

subjected to the control of the supreme auditor (the Tribunal Superior de Cuentas) and that both the MSG and the IA were content with the quality of the government data. The 2014 EITI Report also noted that one of the reporting entities, INHGEOMIN, had not yet been reviewed by the supreme auditor. It also noted that INHGEOMIN data was produced per its internal procedures. The IA does not provide an overall assessment of the reliability of the data provided in the 2014 EITI Report.

Following-up recommendations: The Independent Administrator does not comment on any progress vis-à-vis recommendations in the previous report. The 2014 EITI report makes some recommendations for strengthening the reporting process in the future, and recommendations for other extractive sector reforms related to strengthening natural resource governance (EITI Honduras, 2016f, p. 90).

Stakeholder views

Ernst and Young confirmed that companies initially submitted signed reporting templates. However, not all companies signed the subsequent templates provided as rectification after discrepancies were detected. EY commented that the time for addressing and clarifying discrepancies was limited and that some companies were slow in responding to the request for clarifications. EY had no comments on the non-participation of BDR. Regarding municipal-level reporting, EY confirmed that one municipality did not report and that it was not possible to solve a number of large discrepancies in the reporting figures at this level.

The supreme auditor confirmed that all EITI reporting government entities are subject to their control and supervision. The magistrates of Tribunal Superior de Cuentas explained that much of the work done by this agency is focused on prevention and mitigation of risks of malpractices. They confirmed that they follow the norms and guidelines of the Organization of Latin American and Caribbean Supreme Audit Institutions (OLACEFS) which is affiliated to the International Organization of Supreme Audit Institutions (INTOSAI).

Initial assessment

The International Secretariat's initial assessment is that Honduras has made meaningful progress towards meeting this requirement. A credible Independent Administrator, applying international auditing standards, reconciled payments and revenues from the operating extractive companies during the fiscal year 2014. The IA terms of reference were aligned with the Standard Terms of Reference for Independent Administrators approved by the EITI Board. However, in practice, there were some substantial deviations from the ToRs. 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 ToRs, the IA did not provide an assessment of how the unresolved discrepancies affect the comprehensiveness of the reconciliation exercise. Finally, while the IA provided a description of the assurance mechanisms in line with the ToRs, it does not provide an assessment on the reliability of the (financial) data presented.

Table 5- Summary initial assessment table: Revenue collection

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions (to be completed for 'required' provisions)
Comprehensiveness (#4.1)	EITI-Honduras adopted a problematic definition that does not clearly address what constitutes a material payment. A company responsible for 8.25% of the total value of production was not included in the reporting process. The Independent Administrator did not address the comprehensiveness of the report as requested in their ToRs.	Meaningful progress
In-kind revenues (#4.2)	Honduras' legal framework does not allow taxes or fees to be collected other than in cash.	Not applicable
Barter and infrastructure transactions (#4.3)	Honduras's legal framework does not allow for these types of transactions in the oil, gas and mining activities.	Not applicable
Transport revenues (#4.4)	Transportation of minerals in Honduras is entirely provided by the private sector and the state does not participate in the provision of those services.	Not applicable
Transactions between SOEs and government (#4.5)	There are no state-owned enterprises involved in the exploration, exploitation and commercialization of minerals or hydrocarbons.	Not applicable
Subnational direct payments (#4.6)	An effort was made to address direct subnational payments. There were some large discrepancies as some municipalities reported incompletely. The report does not address the quality of the municipal data.	Inadequate progress
Level of disaggregation (#4.7)	The 2014 EITI Report is disaggregated by individual company, government entity (including municipality) and revenue stream.	Satisfactory progress
Data timeliness (#4.8)	The first EITI Report (2012 and 2013) was published in May 2015 and the second report covering 2014 in	Satisfactory progress

	September 2016.	
Data quality (#4.9)	Honduras's reports have been reconciled by a credible Independent Administrator, applying international auditing standards. While the Independent Administrator mostly followed the standard ToRs, there were some significant departures from the required procedure and, overall, insufficient attention to data quality issues. .	Meaningful progress
<p>Secretariat's recommendations:</p> <ol style="list-style-type: none"> 1. The MSG should ensure that future reporting adheres to the standard terms of reference approved by the EITI Board. In particular, the MSG should adopt a definition of materiality that ensures that the scope of the reporting process is comprehensive and that all material companies participate. The MSG is encouraged to work with government authorities including INGHEOMIN and SAR to developing a classification protocol that ensure that the universe of mining companies is clearly identified. 2. 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. 3. In accordance 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. 		

5. Revenue management and distribution

5.1 Overview

This section provides details on the implementation of the EITI requirements related to revenue management and distribution.

5.2 Assessment

Distribution of revenues (#5.1)

Documentation of progress

The 2014 EITI Report indicates which extractive industry revenues are distributed to the national budget (EITI Honduras, 2016f, pp. 72-74). These are: income tax, sales tax, solidarity contribution fee, net assets tax, superficial canon, mining authority fee, property tax (national), boarding inspection and inspections fees, environmental monitoring, geological inspection fee, lab sample fees. The supplementary note produced by EITI-Honduras in November 2016 (EITI Honduras, 2016a) provided a link to the national budget system⁴⁰.

The Population security fee is distributed to the Protection and Population Security Fund. Municipal-level taxes are destined to the different municipal budgets except for the so-called “municipal tax” which is distributed as follows: 5% to the Social Investment Fund and 95% to municipal treasuries. The 2014 EITI Report does not contain any reference to the revenue classification system. It does not provide commentary or links to information on the national and/or municipal budgets which are publicly available. However, the supplementary note pointed out that revenues are classified in accordance to the National Integrated System of Financial Administration (SIAF)⁴¹ and the Municipal Administration Integrated System (SAMI)⁴² available from the Ministry of Finance.

Stakeholder views

Stakeholders did not express any particular views related to distribution of revenues.

Initial assessment

The International Secretariat’s initial assessment is that Honduras has made satisfactory progress in meeting this requirement.

⁴⁰ http://www.sefin.gob.hn/?page_id=349.

⁴¹ http://www.sefin.gob.hn/?page_id=17

⁴² <http://www.sefin.gob.hn/wp-content/uploads/sami/index.html>

Sub-national transfers (#5.2)

Documentation of progress

The 2014 EITI Report does not explain whether there are direct mandated transfers to sub-national levels of government related to revenues generated by the extractive industries. However, the supplementary note produced by EITI-Honduras in November 2016 (EITI Honduras, 2016a) indicates that, in accordance with the Constitution of the Republic (Article 363), all ordinary tax revenues will constitute a single fund. The revenue streams included in this report except for the Population security fee and the taxes collected directly by the municipalities are considered ordinary tax revenue. According to the Law of Municipalities (Article 91) 5% of the ordinary taxes are transferred to municipalities as per the Law of Municipalities. As this transfer is done from the single fund it is legally and practically impossible to link any portion of these ordinary revenues to a single source (in this case, the extractive industry).

Stakeholder views

Stakeholders did not express any particular views related to subnational transfers.

Initial assessment

The International Secretariat's initial assessment is that this requirement was not applicable to Honduras in 2014.

Additional information on revenue management and expenditures (#5.3)

Documentation of progress

The 2014 EITI Report does not provide additional information on revenue management and expenditures. However, the supplementary note produced by EITI-Honduras in November 2016 indicates that, in accordance with the Presidential Decree No 199 of 2011⁴³, the Population security fee is directed to the Protection and Population Security Fund (EITI Honduras, 2016g). This fund can only use those resources for prevention and control of organised and ordinary crime (Article 4). The 2014 EITI Report indicates that 5% of the municipal tax is destined for the Municipal Social Investment Fund (EITI Honduras, 2016f, p. 74). However, the supplementary note adds that the Law of Municipalities is silent about this fund. The report does not address the country's budget and audit processes or provides further information on revenue

⁴³ <http://www.congresonacional.hn/transparencia/images/leyes/2011/DecretoNo1992011.pdf>

sustainability and resource dependence.

Stakeholder views

Stakeholders did not express any particular views related to revenue management and expenditures.

Initial assessment

Reporting on revenue management and expenditures is encouraged but not required by the EITI Standard and progress with this requirement will not have any implications for a country's EITI status. It is encouraging that the MSG has provided some additional information on the Protection and Population Security Fund.

Table 6 - Summary initial assessment table: Revenue management and distribution

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions (to be completed for 'required' provisions)
Distribution of revenues (#5.1)	Honduras's reports included a description of the distribution of revenues from extractive industries. Revenues are classified in accordance to the National Integrated System of Financial Administration (SIAF) ⁴⁴ and the Municipal Administration Integrated System (SAMI) ⁴⁵ available from the Ministry of Finance.	Satisfactory progress.

⁴⁴ http://www.sefin.gob.hn/?page_id=17

⁴⁵ <http://www.sefin.gob.hn/wp-content/uploads/sami/index.html>

Sub-national transfers (#5.2)	In accordance with the Constitution of the Republic (Article 363), all ordinary tax revenues will constitute a single fund. The revenue streams included in this report except for the Population security fee and the taxes collected directly by the municipalities are considered ordinary tax revenue. Municipal-level taxes were considered in Requirement 4.6	Not applicable.
Information on revenue management and expenditures (#5.3)	In accordance with the Presidential Decree No 199 of 201146, the Population security fee is directed to the Protection and Population Security Fund. The 2014 EITI Report indicates that 5% of the municipal tax is destined for the Municipal Social Investment Fund	
<p>Initial conclusions and recommendations:</p> <ul style="list-style-type: none"> The MSG might wish to consider bringing more information about how the revenues collected through the Population security fee are budgeted and spent. 		

6. Social and economic spending

6.1 Overview

This section provides details on the implementation of the EITI requirements related to social and economic spending (SOE quasi-fiscal expenditures, social expenditures and contribution of the extractive sector to the economy).

6.2 Assessment

Social expenditures (#6.1)

Documentation of progress

Honduras's Mining Law establishes that holders of mining titles have the obligation *"in the context of*

⁴⁶ <http://www.congresonacional.hn/transparencia/images/leyes/2011/DecretoNo1992011.pdf>

companies' social responsibility, to support environmental raising awareness, information programs and capacitation for personnel, municipalities and affected communities' population to incentivise actions that minimise environmental damages and the protection of flora and fauna in the affected regions. Planning and execution of these programs must be reported annually in the declaration to the mining authorities" (art. 54). The law does not provide further details on how and how much the companies should provide as for this support (2013 Mining Law).

The 2014 EITI Report includes the unilateral disclosure of "social payments" by the reporting companies. The report explains that these social payments cover donations, royalties, national forestry police, education and health projects, communities' infrastructure and social compensation plans. The report says that these payments are not regulated by any statute (EITI Honduras, 2016f, p. 86). The report does not include information on the beneficiaries of those payments.

The contract signed with BG Group establishes that at least USD 250.000 should be paid yearly in the first three years of the exploration phase for social and environmental programs in the Gracias a Dios Department. The 2014 EITI Report does not include any further information on this contractual obligation.

According to the analysis of BG's contract summarized in the report (EITI Honduras, 2016f, p. 43) and discussed under requirement 2.4 above, it is not clear whether other material social expenditures from the hydrocarbon subsector were excluded from the reporting exercise.

Stakeholder views

Stakeholders from the industry confirmed that 2% of gross sales is devoted to the communities where they operate. They also mention the Population security fee as one contribution where they wish to see more information about how these revenues are spent. Civil society confirmed the importance to know more on how payments made under the "social responsibility" banner are made and spent.

Initial assessment

Honduras Mining Law mandates payments that the Secretariat considers to be "material social expenditures by companies are mandated by law" as per requirement 6.1 of the EITI Standard. The 2014 EITI Report includes the unilateral disclosure of aggregated social payments made by the companies but does not provide information on the beneficiaries of such contributions. As the recipients of these contributions are not government entities the lack of information on the beneficiaries is problematic. The EITI Standard states: "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". Given the progress made in company disclosure of these payments, the International Secretariat's initial assessment is that Honduras has made meaningful progress towards meeting this requirement.

SOE quasi fiscal expenditures (#6.2)

Documentation of progress

As noted above, there are no SOEs active in the extractive industries in Honduras and thus no QFEs.

Stakeholder views

Stakeholders did not express any views on this issue.

Initial assessment

The International Secretariat's initial assessment is that this requirement was not applicable to Honduras in 2014.

Contribution of the extractive sector to the economy (#6.3)

Documentation of progress

Share of GDP: The 2014 EITI Report includes information on the size of the extractive industry in absolute terms and as a percentage of GDP from 2009 to 2014 (EITI Honduras, 2016f, p. 33). The report includes the evolution of this contribution from 2004 to 2014 (EITI Honduras, 2016f, p. 29). The report does not include the economic contribution of the artisanal and small scale mining as it is not known (EITI Honduras, 2016f, p. 34).

Government revenues: The 2014 EITI Report provides the government revenues generated by the extractive industry disaggregated by collecting agency except (including municipalities aggregated figure) (EITI Honduras, 2016f, p. 47). The report does not provide a figure on total government revenues, for the reasons highlighted in assessment of requirement 4.

Exports: The report provides the value of exports by company (EITI Honduras, 2016f, p. 30). It also shows a breakup of value (FOB) of main exports by commodities from 2009 to 2014 (EITI Honduras, 2016f, p. 31). The report states that the participation of the extractive sector to the country's total exports is marginal. It represented 2.4% of the total exports in 2014.

Employment: The 2014 EITI Report points out that, according to INHGEOMIN, direct employment was about 1600-2300 with an estimate of another 3100-4400 indirect jobs (EITI Honduras, 2016f, p. 34). The report comments that employment in the sector is difficult to measure given the variety of informal arrangements, especially in the artisanal and small scale sector. However, the report gives an estimate. The report also includes historic data on employment from 2011 to 2014 according to the Central Bank.

Location: The report includes a map of the mining cadastre shows the regions with metallic and non-metallic mining active licenses (EITI Honduras, 2016f, p. 27).

Stakeholder views

Stakeholders did not express any particular views related to the contribution of the extractive sector to the economy.

Initial assessment

Requirement 6.3 requires “Total government revenues generated by the extractive industries (including taxes, royalties, bonuses, fees, and other payments) in absolute terms and as a percentage of total government revenues”. This information is not included in the report. Good progress has been made on other aspects. Accordingly, the International Secretariat’s initial assessment is that Honduras has made meaningful progress towards meeting this requirement.

Table 7- Summary initial assessment table: Social and economic spending

EITI provisions	Summary of main findings	International Secretariat’s initial assessment of progress with the EITI provisions (to be completed for ‘required’ provisions)
Social expenditures (#6.1)	The 2014 EITI Report includes the unilateral disclosure of aggregated social payments made by the companies but does not provide information on the beneficiaries of such contributions.	Meaningful progress
SOE quasi fiscal expenditures (#6.2)	Honduras does not have any active state-owned enterprises or QFEs.	Not applicable
Contribution of the extractive sector to the economy (#6.3)	The EITI Report disclosed the information required such as share of GDP, exports, employment but does not address EI revenues as a percentage of total government revenues.	Meaningful progress
<p>Initial conclusions and recommendations:</p> <ol style="list-style-type: none"> 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. 2. The MSG should ensure future EITI reporting includes the total of government revenues. 		

Part III – Outcomes and Impact

7. Outcomes and Impact

7.1 Overview

This section assesses implementation of the EITI Requirements related to the outcomes and impact of the EITI process.

7.2 Assessment

Public debate (#7.1)

Documentation of progress

Communications: The 2014 EITI Report was completed in the first quarter of 2016 but only made available online in November 2016. The report was published online through a number of government agencies' websites (Instituto for Access to Public Information⁴⁷, INHGEOMIN⁴⁸, Secretary of Coordination of Government⁴⁹) and the website of a civil society's member of the MSG, the Universidad del Valle⁵⁰ and the industry association COHEP. EITI-Honduras did not produce paper copies of the report but CD-rooms were distributed at the launch event in December 2016. They have though issued several briefings⁵¹ which explain EITI policy but did not include revenue information. The MSG has not yet agreed a clear policy on access to and use of EITI-data. The report is written in an adequate style and available in

47

<http://portalunico.iaip.gob.hn/Archivos/EITI/informes/informes/2016/211216%20Informe%20Final%20de%20Progreso%20con%20ediciones%20hechas%20Consejo%20Nacional%201.pdf>

⁴⁸ <http://www.inhgeomin.gob.hn/images/Documentos/Avisos%20de%20Publicacion/2016/EITI-HN-2014.pdf>

⁴⁹ <http://www.scgg.gob.hn/etiquetas/eiti>

⁵⁰ <https://ujcv.edu.hn/informe-conciliacion-transparencia-eiti-honduras-2014/>

⁵¹ https://drive.google.com/drive/folders/OB_82B8so8vfUclZYWlpHRnVOUVk

Spanish.

There were several communication activities conducted by organizations members of the MSG. FOPRIDEH organised a series of raising awareness and capacity building activities during 2014 and 2015⁵². The 2016 annual progress report documents communication activities conducted in previous years. For example, aware raising events were conducted in the main municipalities where mineral extraction took place (EITI Honduras, 2016f, p. 2). In 2015, a series of regional workshops were conducted in Copan, Cedros, Francisco Morazan, Las Vegas and Santa Barbara (EITI Honduras, 2016a, p. 11). The 2016 Annual Progress Report also pointed out there were limited communication and outreach activities in 2016 including that a planned pilot municipal EITI project (EITI municipal) had to be cancelled for lack of funds (EITI Honduras, 2016f, p. 15).

Outreach: The 2014 EITI Report was launched in a public event on 2nd December 2016 with the participation of the MSG, the government's agencies involved in the EITI process and participants from all constituencies. The event was hosted by the Universidad del Valle and covered broadly in national and social media, i.e. YouTube⁵³, Facebook⁵⁴, news items⁵⁵. Other communication efforts by EITI-Honduras included a radio campaign (EITI Honduras, 2016f, p. 11) and a workshop on fiscal transparency as part of the Open Government Partnership's activities (EITI Honduras, 2016f, p. 16). Finally, companies conducted a series of capacity building activities with their own personnel and affected communities (EITI Honduras, 2016f, p. 16).

Stakeholder views

The EITI Secretariat explained that their capacity to implement communication and outreach activities in 2016 was constrained by several situations. First, funding was very limited. Although the 2014 EITI Report was funded by the remains of the World Bank's grant in early 2016, there were no additional funds available for dissemination. All the communication and outreach activities conducted in 2016 were funded by partners, mostly with in-kind contributions. Second, there were a period of five months in which the EITI Secretariat was inoperative due to the transition from one national coordinator to the other. Other stakeholders confirmed the situation faced in 2016 with limited resources to advance the activities planned in the EITI work plan. This funding situation was alerted in 2015 annual progress report (EITI Honduras, 2015a). Reflecting on this, some stakeholders added that this lack of funding signalled

⁵² Example: http://www.foprیده.org/index.php?option=com_content&view=article&id=361%3Aorganizaciones-de-sociedad-civil-conocen-sobre-la-legislacion-ambiental-y-la-participacion-ciudadana&catid=2%3Anoticias&Itemid=1

⁵³ <https://www.youtube.com/channel/UChSsxYAFIEdQZ2P1pQEfIOQ>

⁵⁴ <https://www.facebook.com/eitihonduras/>

⁵⁵ Examples available at: <http://www.laprensa.hn/economia/dineroynegocios/863527-410/nueva-competencia-comercial-enfrentan-las-mineras>; <https://twitter.com/EITIHN1/status/804723137321594882>; <http://www.sre.gob.hn/portada/2016/Diciembre/02-12-16/Honduras%20a%20evaluaci%C3%B3n%20de%20uso%20de%20recursos%20generados%20por%20industria%20extractiva.pdf>

weak political commitment from the government.

Initial assessment

The International Secretariat's initial assessment is that Honduras has 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 have been drastically reduced in 2016. The 2014 EITI Report has barely been communicated and discussed.

Data Accessibility (#7.2)

Documentation of progress

Honduras has published two EITI Reports. Both have been made available online in pdf format. The two EITI Reports were accompanied by the summary data template sent to the International Secretariat. This summary includes the revenue classification. However, Honduras has not published brief reports with clear and balanced analysis of the information and has not summarised and compared the share of each revenue stream to total revenues. Extractive revenue data in Honduras is not published and the EITI has been the vehicle to disclose this information. The tax office SAR has plans to have tax information online available for taxpayers. The mining regulator, INHGEOMIN, has adjusted and designed its internal systems to be able to have information available in accordance to the EITI Standard but these systems are not yet ready to provide continuous government reporting. The Instituto de Acceso a la Información Pública (IAIP), the government agency enforcing the law of access to information, compels all government entities to develop transparency portals. This could be an opportunity to include online disclosure of extractive revenues and payments.

Stakeholder views

The Independent Administrator confirmed that they have produced the reports in the format agreed in the ToRs. The Independent Administrator submitted the summary data template in accordance to International Secretariat guidelines. The tax office SAR explained that the Honduras's 2014 EITI Report was produced at the same time when the office was undergoing a major overhaul. They expressed their willingness to adjust its systems, many of them currently under development, to improve inter-operability (e.g. harmonization of classification of extractive companies) with other agencies and to have the information available in accordance to the EITI Standard.

INHGEOMIN confirmed that the EITI Standard has been a useful guide to adjust and design its internal systems. INHGEOMIN, an agency just created in 2013, has embarked in updating internal reporting systems such as the mining cadastre, exports monitoring and processing the companies' annual consolidated reporting (main company reporting mechanism to the regulator). Both SAR and INHGEOMIN are willing to enabling continuous automated disclosure of information as required or recommended by the EITI Standard.

Initial assessment

Requirement 7.2 encourages the MSGs to make EITI reports accessible to public in open data formats. Such efforts are encouraged but not required and are not assessed in determining compliance with the EITI Standard. Honduras has not made any efforts to address these issues. There is potential to use government agencies like SAR and INHGEOMIN to produce and make available extractive data on continuous basis. Honduras could also use the framework provided by the IAIP to ensure the information is regularly available and incentivise the use of information by citizens, the media and others.

Lessons Learned and follow-up on recommendations (#7.3)

Documentation of progress

Follow-up recommendations: EITI-Honduras has gone through two reporting cycles in 2015 and 2016. The Independent Administrator has included recommendations in both reports. These include: expanding the universe of reporting companies, improving collecting agencies procedures (e.g. harmonization of tax definitions, tax payer classifications, norms), improving capacity to reporting in companies and government agencies, improving collection of information such as volumes of production and more timely reconciliation of data. Some recommendations were followed in the production of the 2014 EITI Report such as inclusion of a non-metallic mining company in the reconciliation. However, the mining regulator has not, for example, yet started to collect volume of production data and harmonization of procedures between government agencies is still pending. The 2014 EITI Report does not include any commentary on how previous recommendations have been addressed.

Discrepancies: The 2014 EITI Report documents the process of resolving an important number of discrepancies resulting from the reconciliation process (EITI Honduras, 2016f, p. 56). The report acknowledges that significant discrepancies were encountered and that, although an important number of discrepancies were solved and explained, there were still discrepancies left unsolved. The report also shows the impact of these discrepancies in the comprehensiveness of the reconciliation exercise (EITI Honduras, 2016f, pp. 87-89). However, the applied methodology for resolving discrepancies is difficult to follow. It is not always possible to identify the sources of the discrepancies and whether the government entity or companies rectified the disclosed figures. It is suggested that for future reconciliation exercises, the Independent Administrator provides a complete overview of company payments and government revenues for the initial reconciliation and the revised values.

Lessons learnt: EITI-Honduras has discussed lessons from EITI implementation. In preparing the 2016 annual progress report, the MSG discussed challenges, direct and indirect impact and recommendations for future strengthening of the EITI (EITI Honduras, 2016a, p. 43). Among the challenges identified it is the need to improve trust in the extractive industry. To that effect, more dissemination and communication efforts are needed, especially directed toward civil society. They identified areas for further development: more detailed information on local revenues and expenditures, social contributions, moving ahead with beneficial ownership disclosure, addressing artisanal mining issues and improve civil society participation beyond the MSG. The MSG alerted that the local Secretariat needs to be better funded, including secured funds from the national budget. Reflecting on the direct and indirect impact of the EITI in Honduras, the MSG noted the availability of clear information and open dialogue about the industry contribution. They

also noted the strengthening of government agencies in relation to producing and disclosing the information needed in the Standard. This also included providing a improved cadastre and licensing systems and better inter-agency coordination. Other developments that have been indirectly linked to improve transparency in the sector were the modernization of the tax office SAR, the passing of the fiscal responsibility law and the new municipal administration system SAMI.

Stakeholder views

Stakeholders across all sectors confirmed that they have discussed what it has been achieved and could be useful to focus in the future. They stressed that the process, especially in the last 15 months, has lacked sufficient resources for a thorough implementation. Most agreed that given the resource limitations the EITI process has set the basis for more evidence-based dialogue and guidance to strengthen government systems. Industry wishes to know more about how tax payments are calculated (e.g. use of tax credits) and revenues spent, including municipal taxes and use of the Population security fee. They also wish to use the EITI to communicate better the industry's cost structure and challenges. Civil society 'stakeholders highlighted as main lesson from EITI implementation the need to improve their participation. On the government side, several stakeholders from the different government agencies found the EITI as a useful reference to guide their own efforts to modernise their systems. These included the tax agency, the mining regulator and implementing the transparency and access to information law.

Initial assessment

The International Secretariat's initial assessment is that Honduras has made meaningful progress in meeting this requirement. EITI-Honduras have addressed the discrepancies from their reconciliation exercises and have identified gaps. Government agencies like INHGEOMIN has incorporated lessons from EITI implementation and embedded some of the requirements into their systems. Other agencies have identified the potential of using the EITI for further developments of their systems and procedures. The MSG has taken stock on what has been achieved and opportunities for further improvements based on the requirements and suggestions of the Standard. However, the MSG has fallen short of developing a clear set of recommendations that could be communicated to other stakeholders including government agencies. A clearer set of recommendations could be follow up and discussed in future reporting. Implementation of those recommendation is key to ensure the EITI contribute to the objectives set out for EITI-Honduras.

Outcomes and impact of implementation (#7.4)

Documentation of progress

Honduras has regularly published annual progress reports ((EITI Honduras, 2015a) (EITI Honduras, 2016a). The 2016 annual progress report was prepared after consultations with members of the MSG and other stakeholders including from the government agencies.

Activities undertaken: The report includes a description of activities completed in areas such as raising awareness about the EITI in universities, capacitation of MSG members and other civil society'

stakeholders, outreach to municipalities and other communication activities as TV and radio campaigns (EITI Honduras, 2016a, pp. 7-12) . The International Secretariat notes that most of the activities reported in the annual progress report corresponded to the period 2013-2015 with only a handful of activities conducted in 2016.

Assessment compliance with EITI Requirements: Based on information submitted by the local Secretariat and consultations with the members of the MSG, the annual progress report included an assessment of progress with meeting and maintaining compliance with each EITI Requirement. The report does not include any steps taken to exceed the requirements. It did not document how EITI-Honduras addressed the following issues: revenue management and expenditures, absence of transportation payments, discretionary social payments, ad hoc subnational transfers, beneficial ownership and contract transparency. Except for transportation payments the report does not comment on the progress made toward meeting or not applicability of those requirements (EITI Honduras, 2016a, pp. 17-34).

Work plan: The report also included a general and brief assessment of progress with achieving the objectives set out in the work plan. While it is documented how the objectives of the 2013-2015 work plan were completed, the annual report also recognises the limited implementation of the 2016 work plan (EITI Honduras, 2016a, p. 12)

Addressing recommendations and strengthening impact: EITI-Honduras has discussed and documented lessons learnt from EITI implementation including references to some recommendations from reconciliation. The 2016 annual progress report includes a summary of the MSG responses to recommendations made in relation to previous reconciliation (EITI Honduras, 2016a, pp. 35-42). The report, as discussed in the assessment of requirement 7.3., includes an overview of the progress made, achieved impact and recommendations for future strengthening of EITI (EITI Honduras, 2016a, pp. 43-45). The report does not provide an exhaustive list of recommendations and follow-up activities undertaken or suggested to address them.

Stakeholder views

Each constituency shared their views on outcomes and impact of EITI implementation. Each constituency see different components of what have been and could be achieved. However, there was consensus that adhering to the EITI has helped to address each constituency needs, that implementation has not yet reached its potential to address each constituency's objectives, and that a better-resourced EITI process could ensure this potential is delivered.

The government constituency considers the EITI as the reference for guiding their modernization efforts. As the EITI is embedded in the Mining Law enacted in 2013, its requirements have been a blueprint for the mining regulator INHGEOMIN, created by the same law, to inform its policy and information collection procedures. These included: modernization of the cadastre system, the system for annual consolidated reporting from mining companies, and harmonization of procedures and collection of information with other government agencies. The tax office SAR underwent a far-reaching overhaul in 2015-2016. They noted that, to have information as required in the Standard, it is necessary to harmonize procedures with the mining regulator. These include sharing similar classifications of companies, ensuring SAR new information system have tax payer information as required for the EITI and establishing protocol to

address tax confidentiality issues. The Ministry of Finance highlighted that in designing the Integrated municipal administration system (SAMII) they considered what the Standard requires or recommends about sub-national taxes and use of revenues at that level. They were keen to explore better linkages between EITI reporting and their open budget data reporting and the integrated public finance system (SIAF, for its acronym in Spanish). Finally, the access to information watchdog (IAIP), which have started to host the EITI-Honduras portal in 2016, stressed that they consider the EITI Standard as the vehicle to deliver their mandate in relation to the government agencies related to the extractive sector.

Industry pointed out that their initial objective in agreeing to implement the EITI was to respond to the critics of the sector on claims such as that companies did not pay taxes or did not properly report production and exports. While recognising that EITI has made more transparent their fiscal contribution they expressed concerns about that perceptions of the industry remain negative. They concurred that the communicational value of the EITI has not been fully exploited. Aspects that need to be better addressed in the EITI and eventually being better communicated include: cost structure of the industry highlighting high energy costs, making payment/revenue collection procedures clearer including corporate taxes and social contributions to communities; and more transparency on the use of fiscal revenues including those related to security and environmental fees at the national level and use of municipal revenues. Industry also see that the EITI could contribute more to good governance of the sector by facilitating more analysis of the information that have been made public in the EITI Reports such as payments to municipalities. They mentioned the case of El Mochito/Santa Barbara area where an additional independent audit to companies' contributions have led to improved accountability of revenue management.

The civil society constituency welcomed the EITI process. They highlighted three main areas. First, the importance of having embedded the EITI both in the mining law and in the contract signed with BG Group for oil exploration in 2013. They also recognised the initial capacity building effort made by EITI-Honduras including academic training provided by Peru's Catholic University, regional (municipal) trainings and other trainings abroad. These efforts, they added, contributed to create a space for more thorough debate and improved accountability. EITI initial reporting provided figures on extractives revenues which was unprecedented. After the publication of the first report in 2015, however, CSOs in the MSG had identified that the added value of the EITI reporting exercise was in conducting "ought to be paid" audits to determine if disclosed payment figures were properly calculated. This proposal was not implemented in the subsequent reporting cycle.

ICEFI, a civil society organization in both Guatemala and Honduras, published a report in June 2016 on EITI implementation in Honduras. The report concludes that the EITI has shown several weaknesses that limited its efficiency as a transparent mechanism for the extractive industry. These include: its voluntary nature, lack of local civil society participation, and lack of coverage of number of areas such social conflict, environmental and the quality of the supervision of the sector. Other areas of concern such as inclusion of legal and regulatory context, access to public information, consultation with affected communities and addressing conflict of interests among regulatory authorities seems to have been addressed in the subsequent report (the ICEFI report did not consider the 2014 EITI Report) or being suggestions for future desired developments (ICEFI, 2016).

Initial assessment

The MSG has reviewed and discussed the outcomes and impact of the EITI implementation in preparing the annual progress report. Recognising the reduced resources available over the last year for EITI-Honduras it is understandable that this exercise was limited and did not result in a clear list of recommendations and actions for strengthening the impact of EITI implementation. While Honduras has addressed the issues listed in this requirement, the broader objective of this requirement has not been fully fulfilled. The MSG should review the outcomes and impact of EITI implementation ahead of agreeing a new work plan. The MSG may wish to consider undertaking, in consultation with all constituencies, an impact assessment with a view to identifying opportunities to increase impact. The MSG is encouraged to consider whether to take a more active role in developing recommendations from EITI Reports and agree follow up and implementation. The MSG is encouraged to explore options for extending EITI implementation to address issues of that contribute with Honduras's modernization efforts. The International Secretariat's initial assessment is that Honduras has made meaningful progress in meeting this requirement.

Table 8 - Summary initial assessment table: Outcomes and impact

EITI provisions	Summary of main findings	Validator's recommendation on compliance with the EITI provisions (to be completed for 'required' provisions)
Public debate (#7.1)	Honduras has conducted a reasonable amount of communication and outreach efforts, especially in 2014 and 2015. However, these efforts have been drastically reduced in 2016. The 2014 EITI Report has been barely communicated and discussed.	Inadequate progress
Data accessibility (#7.2)	Honduras has not made any efforts to address these issues. There is potential to use government agencies like SAR and INHGEOMIN to produce and make available extractive data on continuous basis. Honduras could also use the framework provided by the IAIP to ensure the information is regularly available and incentivise the use of information by citizens, the media and others.	
Lessons learned and follow up on recommendations (7.3)	EITI-Honduras have addressed the discrepancies and identified gaps. Government agencies like INHGEOMIN has incorporated lessons from EITI implementation. Other agencies have identified the potential of using the EITI for further improvements. The MSG has taken stock on what	Meaningful progress

Validation of Honduras: Report on initial data collection and stakeholder consultation

	has been achieved and opportunities for further improvements. However, the MSG has fallen short of developing a clear set of recommendations that could be communicated to other stakeholders including government agencies. Implementation of those recommendation is key to ensure the EITI contribute to the Honduras's national priorities.	
Outcomes and impact of implementation (#7.4)	The MSG has reviewed and discussed, to a limited extend, the outcomes and impact of the EITI implementation in preparing the annual progress report. While Honduras has addressed the issues listed in this requirement, the broader objective of this requirement has not been fully fulfilled. The MSG should review the outcomes and impact of EITI implementation ahead of agreeing a new work plan. The MSG may wish to consider undertaking, in consultation with all constituencies, an impact assessment with a view to identifying opportunities to increase impact. The MSG is encouraged to consider whether to take a more active role in developing recommendations from EITI Reports and agree follow up and implementation. The MSG is encouraged to explore options for extending EITI implementation to address issues of that contribute with Honduras's modernization efforts. The International Secretariat's initial assessment is that Honduras has made meaningful progress in meeting this requirement.	Meaningful progress
<p>Secretariat's recommendations:</p> <p>Recommendations:</p> <ol style="list-style-type: none"> 1. The MSG is encouraged to consider developing a communication strategy to ensure that EITI disclosures and findings are communicated more effectively and contribute to public debate. This could include more analytical work, better linkages with the work advanced by other organizations, and addressing other issues such as industry cost structures. 2. The MSG is encouraged to take a more active role in developing recommendations from EITI Reports, and monitoring progress with implementing these recommendations. 3. As suggested in recommendation 1 (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. 		

8. Impact analysis (not to be considered in assessing compliance with the EITI provisions)

Documentation of progress

Impact: In 2013 Honduras sought through the EITI to ensure revenues from the extractive sector were used transparently and for the benefit of society. They sought to avoid corruption in the sector by promoting accountable management and social monitoring throughout the value chain. They looked beyond the core requirements of the EITI Standard, by aiming to verify that tax payments have been properly collected, to consider environmental and social aspects, and the use of revenues. The extractive sector in Honduras represented in 2013 less than 1% of GDP. The country was hopeful that the exploration of a significant offshore oil block recently signed with the BG Group at that time would make a much larger contribution. With lower commodity prices the contribution of the sector has declined. The prospects of more oil and gas revenues are more distant. With continued widespread anti-mining sentiments, no new mining development is expected. The objectives EITI-Honduras sought to achieve in 2013 were more likely to be attainable in the mid or long term with favourable market circumstances. In the absence of those favourable conditions, the question of impact of EITI implementation in Honduras has to be approached from the perspective of how the EITI has contributed to set the foundations for achieving those goals.

The impact of the EITI can be seen in a number of areas:

Strengthening government systems. In 2013, the mining regulatory framework was updated with the passing of a new mining law. In the hydrocarbon sector, the contract signed with BG Group set the basis for, in the absence of a specific legislation, monitoring companies operating in the sector. In both cases, the EITI Standard was adopted as the reference to disclose and publish information and to mandate companies to report financial information beyond what was already established. This early institutionalization of the transparency requirements meant that Honduras has an important tool for monitoring the extractive sector. In practice, this has been realised through developments in three parts of the regulatory sector.

First, the mining regulator INHGEOMIN, created in 2013, had to update the entire cadastre system to be able to comply with the EITI Standard. The mining cadastre was updated from manual to automated records in 2014-2015, ahead of the publication of the first EITI Report. More recently, INHGEOMIN has worked with the customs agency to harmonize how production data is collected from extractive companies and shared between government agencies. Currently, INHGEOMIN is modernizing the collection, processing and documentation of the annual consolidated report. This annual dossier covers the technical, economic, social and environmental information that mining titles holders have to report to the mining authorities. INHGEOMIN uses the EITI Standard as the reference for what type of information should be included.

Second, the tax office was overhauled in 2016. The old agency (Dirección Ejecutiva de Ingresos (DEI)) was closed in early 2016 and replaced with a new agency, the Rents Administration Service – Servicio de Administración de Rentas (SAR). A revised tax code is being developed and SAR has started to update modernise its systems. SAR has looked at the EITI for guidance on the type of information they can

include in the revamped agency's systems and regulatory framework. They are willing to work with EITI-Honduras and other government agencies such as INHGEOMIN to improve coordination and sharing of information between the agencies, including compatible classifications and coding of data. Similarly, the Ministry of Finance has considered the EITI Standard as a reference for the development of the system to monitor municipal investments and expenditures (Sistema de Administracion Municipal (SAM)). They are also willing to ensure that their main system for monitoring public financial investment and open budget data can provide information in accordance to the EITI Standard.

Finally, the Law of Transparency and Access to Public Information, passed in 2006, mandates that all public entities have to publish information related to its mandate, its exercise of the public function and its relation with stakeholders. The law is enforced by the Institute for Access to Public Information (IAIP). The IAIP has worked with EITI-Honduras to host a transparency portal dedicated to EITI-mandated information. The IAIP has offered to use the EITI as one of the vehicles for complying with the transparency law for the agencies related to the extractive sector. They are ready to explore incorporating the requirements in the Standard in their own compliance mechanisms.

Put together, the EITI has informed the development of transparency practices in four key government agencies. These agencies have embarked on ambitious modernisation efforts, and the EITI is being used by all of these government agencies as a reference for what should be made public. They are also using the EITI to improve inter-agency coordination. EITI-Honduras could expand its scope and work closely with these agencies in embedding the EITI requirements into their systems and functioning.

Building trust. Stakeholders in the extractive sector recognise there is a high level of distrust. Companies are questioned for not paying adequate taxes and other contributions. Local stakeholders resent that mining activities do not bring benefits for communities. Companies feel that regulators and affected stakeholders do not understand their economic and social contribution. Opposition to mining is widespread among communities. The EITI has opened an institutionalised space for bringing together stakeholders. While the initial impact of this development was recognised by Tegucigalpa-based stakeholders, there is an appreciation that there are further opportunities. For example, both companies and local stakeholders are willing to bring more transparency to the industry's contribution and to how revenues are utilised at local level. One municipality, Los Cedros, have been willing to pilot EITI implementation at the municipal level. The national association that groups all municipalities (Asociación de Municipios de Honduras (AMHON)) is ready to work with EITI-Honduras on municipal-level disclosure of information that could help improving revenue management. These could include: audits of tax payments, social and environmental information, disclosing beneficial ownership of mining and hydrocarbon licenses, and more information and analysis on the use of revenues at local level and in dedicated spending mechanisms such as the fund that administers the population security fee.

Sustainability. As discussed throughout this assessment, access to adequate funding has been a major obstacle to effective EITI implementation. While the oil, gas and mining sector continues to be a small part of the economy and finding resources for EITI implementation could continue to be a challenge, this issues needs to be addressed. First, to materialise the potential to mainstream EITI disclosures through government systems. This assessment has highlighted that, in Honduras, key government agencies are well prepared to implement this approach. By embedding transparency in government systems as expected in the EITI Standard, Honduras will foster improved governance in the sector using the resources

devoted to government systems normal functioning. Second, given resources limitations Honduras could also pool resources to implement the EITI Standard in an improved cost effective manner. For example, as suggested by some stakeholders, the EITI could be expanded to cover hydroelectric power generation and forestry.

Annexes

Annex A - List of MSG member organizations and representatives

Carlos Lopez Contreras, Champion and National Coordinator, Chair of the EITI Honduras National Council
Elena Hilsaca, National Coordinador, EITI Honduras

Government representatives

- State Secretary of General Government Coordination / Secretaría de Coordinación General de Gobierno (SCGG), represented by **Renán Sagastume** (Director, Transparency, Reform and State Modernization Presidential Directorate) or **Yudina Castillo** (Transparency and Accountability Unit, Transparency, Reform and State Modernization Presidential Directorate).
- State Secretary, Secretaría de Energía, Recursos Naturales, Ambiente y Minas (SERNA) represented by José **Antonio** Galdámes (Minister of Environment) or **Alberto Cantor** (Hydrocarbon Director) or **Luis Ortiz** (Assistant Hydrocarbon Director)
- Instituto Hondureño de Geología y Minas (INHGEOMIN) represented by **Agapito A. Rodríguez**, (Executive Director) or Ericka **Molina** (Deputy Director) or **Fernando Erazo** (Manager of Geologic Survey) or **Dania Cortés** (Manager, Mining Auditing)
- Secretary of Finance, represented by **Carlos Borjas**, (Deputy Director State and Budget), Secretaría de Finanzas (SEFIN) or **Ivonne Ramírez** (Transparency Director) or **Belky Mejía** (Assistant of the Transparency Director) or **María del Carmen Jovel** (Director of Fiscal Policy) or **Brenda Napky** (Special Technical Assistant) or **David Alvarado** (Deputy Director of Fiscal Policy) or **Guisela Morales** (Analyst) or **Miriam Guzmán** (Executive Director Taxes and Customs).
- Honduras Central Bank (BCH) represented by **Manuel de Jesús Bautista** (President)
- Institute for the Access to Public Information (IAIP), represented by **Damián Pineda** (Commissioner) or **Joel Miranda** (Advisor)
- Asociación de Municipios de Honduras (AMHON) represented by **Nery Cerrato** (President) or David **Castro** (Major of Cedros Municipality)

Industry sector representatives

- Asociación Nacional de Industriales –Honduras (ANDI), represented by **Fernando García**, (Executive Director) alternating with Federación Nacional de Comercio e Industria de Honduras (FEDECAMARA), represented by **Vilma Montoya** (Executive Director)
- Consejo Hondureño de la Empresa Privada (COHEP), represented by **Armando Urtecho** (Executive Director) or **Vera Azize**, (COHEP)
- Asociación Nacional de Minería Metálica de Honduras (ANAMIMH), represented by **Ricardo Sierra** or **Miriam A. Bueso**
- Nyrstar American Pacific, represented by **Ricardo Sierra** or **Karla Peña** alternating with Minerales de Occidente, represented by **Monty Reed** or **Nadia Sofía Aguilar**.

Observers from Industry: Alessandro Murrone or **Angie López** from Five Star Mining, Eurocantera

(Gold Lake), **Rafael Flores** and **Wilmer Zelaya** (Agrecasa), **Carlos Calderon** from Minera Clavo Rico and **Andrew Hepburn**, of BG-GROUP.

Civil society representatives

- Consejo Nacional Anticorrupción (CNA), represented by **Gabriela Castellanos** (Director)
- CARITAS Honduras, represented by **Carlos Patiño** (Legal Director)
- Federación de Organización No Gubernamentales para el Desarrollo (FOPRIDEH), represented by **Adelina Vasquez** (Board member) or **Rolando Bu** (General Director)
- Foro Nacional de Convergencia (FONAC), represented by **Soledad Ramírez** (Director) or **Dulce María Zavala** or **Josué Orellana Muñoz**
- Foro Social de Deuda Externa y Desarrollo de Honduras (FOSDEH), represented by **Mauricio Díaz Burdeth** (Director) or **Ismael Zepeda**.
- Universidad Nacional Autónoma de Honduras (UNAH), represented by **Manuel Rodríguez** (Manager Faculty of Applied Physics) or **Elizabeth Espinoza** (Physics Department)
- Universidad José Cecilio del Valle (UJCV), represented by **Francisco José Zelaya**, (Rector) or **Sayra Vargas** (General Secretary)

Observers from civil society: **Melissa Elvir**, Coordinator Transparency Unit, Fundación Democracia Sin Fronteras and **Oswaldo Munguía**, Director, Mosquitia Pawisa Apiska (MOPAWI).

Annex B – MSG meeting attendance in 2016

Meeting date	Government	Civil society	Private sector
06.apr.16	SEFIN- David Alvarado/Belkis Mejia	FOPRIDEH-Carol López/ Elda Díaz	ANAMIMH-Miriam Bueso
	IHNGEOMIN-Fernando Erazo /Erica Molina A.	FOSDEH-Ismael Zepeda	Five Star Mining/Eurocantera-Murroni Alessandro/Angie López
	UNAH-Manuel Rodríguez	CARITAS- Carlos Patiño	AGRECASA-Wilmer Zelaya
	INVEST-H-Sheila Handal	INDEXSA-Leonela Díaz Canales/Abner Carias	BG Group-Andrew Hepburn
		FONDO ACI-ERP- Violeta Guillén	
		FDsF-Melisa Elvir	
		UJCV-Sayra Vargas	
13.apr.16	SEFIN- David Alvarado/Iris Ramírez/Brenda Napky/Belky Mejia	FOPRIDEH-Carol López/ Elda Díaz	Five Star Mining/Eurocantera-Angie López
	IHNGEOMIN-Fernando Erazo /Dania Cortés	CARITAS- Carlos Patiño	AGRECASA-Wilmer Zelaya
		FDsF-Melisa Elvir	BG Group-Andrew Hepburn
		UJCV-Sayra Vargas	
29.apr.16	SEFIN-Brenda Napky	FOPRIDEH-Michel Sánchez	Five Star Mining/Eurocantera-Angie López

Validation of Honduras: Report on initial data collection and stakeholder consultation

	IHNGEOMIN-Fernando Erazo /Dania Cortés /Erika L. Molina	UJCV-Sayra Vargas	AGRECASA-Wilmer Zelaya
	UNAH-Elisabeth Espinoza C.		
	IAIP-Fátima Alejandra Mairena		
27.may.16	SEFIN-Brenda Napky /Ivonne Ramírez/Belky Mejía		Five Star Mining/Eurocantera-Angie López
	IAIP-Fátima Alejandra Mairena		BG Group-Andrew Heburn
			ANAMINH-Miriam Bueso
17.jun.16	SEFIN- Belky Mejía	FOSDEH-Ismael Zepeda	AGRECASA-Wilmer Zelaya
	CAPT-Marvin Artica		ANAMIMH-Miriam Bueso
	IHNGEOMIN-Erika L. Molina		
	IAIP-Fátima A. Mairena		
24.jun.16	SEFIN-Brenda Napky	FOPRIDEH- Elda D. Díaz	Angie López,
	CAPT-Marvin Artica	CARITAS- Carlos Patiño	AGRECASA-Wilmer Zelaya
	IAIP- Fátima Alejandra Mairena	FDSF-Melissa M. Elvir	
29.jul.16	IAIP-Kelly Salgado	FOSDEH-Ismael Zepeda	Five Star Mining/Eurocantera-Angie López
	IHNGEOMIN-Dania Cortés	UJCV-Sayra Vargas	BG Group-Andrew Hepburn
	UNAH-Elizabeth Espinoza		Resctrom Production-David Molina
	AMONH-David Castro		
04.aug.16	IAIP-Kelly Salgado	FORPRIDEH-Sara Rivera	Five Star Mining/Eurocantera-Angie López
	IHNGEOMIN-Dania Cortés	UJCV-Sayra Vargas	ANAMIMH-Miriam Bueso
	MiAmbiente-Luis Alberto Ortiz		
	SEFIN-David Alvarado		
26.aug.16	SEFIN-David Alvarado /Ivonne Ramírez /Belky Mejía	FOSDEH-Ismael Zepeda	COHEP-Vera Azise
	IHNGEOMIN-Dania Cortés	FDSF-Melisa Elvir	ANAMIMH-Miriam Bueso
	IAIP-Kelly Salgado		
	DGE/MiAmbiente Luis Ortiz C.		
30.sep.16	CPAT-Yessy Martínez		COHEP-Vera Azize
	SEFIN- B. Napky	UJCV-Sayra Vargas	ANAMINH-M. Bueso
	IHNGEOMIN A. Rodríguez		BG Group-Andrew Hepburn
			AGRECASA- Larissa Tejeda
26.oct.2016	IHNGEOMIN- Erica Molina	FDSF-Melisa Elvir	COHEP-Vera Azize
	SCGG-Lidia Sandov	Caritas-Carlos Patiño	
	SEFIN-Ivonne Ramírez/Guisela Morales/Belkis Mejía	FOSDEH-Ismael Zepeda	
	OSBP-Paris Castillo	UJCV-Sayra Vargas	
	Miambiente		

Validation of Honduras: Report on initial data collection and stakeholder consultation

	Banco Mundial-G. Ezequiel Miranda/Ana Belen Rodríguez		
01.nov.16	Secretaría de Finanzas		
	CPAT		
	INHGEOMIN		
	IAIP		
	Miambiente		
04.nov.16	CPAT-Marvin Artica	FOSDEH-Ismael Zepeda	ANAMINH-M. Bueso
	SEFIN-Guisela Morales /Belky Mejía		Five S. Mining Eurocanter-Angie López
	INHGEOMIN-A. Rodríguez		
	MiAmbiente-Alberto Cantor /Luis Ortiz		
2.dec.16	MiAmbiente-José Antonio Galdámez	CARITAS-Carlos Patiño	ANAMINH-Miriam Bueso
	INHGEOMIN- Agapito Rodríguez		
	Dirección General Presidencial de Transparencia y SCGG- Yudina Castillo		
	SEFIN-David Alvarado		
	Alcaldía de la Municipalidad de Cedros-David Castro		
	Alcaldía de la Municipalidad de Las Vegas- Representante de Mila de Lara		
	ALCOMINH-Berlin Handal		
9.dec.16	CPAT-Marvin Artica		COHEP-Vera Azise
	SEFIN-Guisela Morales/Belky Mejía		ANAMINH-Miriam Bueso
	INHGEOMIN-Dania Cortés		
	MiAmbiente-Samuel Suniga		
	IAIP-Damien Pineda/Joel Miranda		
	UNAH-Elizabeth Espinoza		
21.dec.16	CPAT- Marvin Artica/Yesst Martínez	UJCV-Sayra Vargas	
	SEFIN- Guisela Morales/Belky Mejía		
	INHGEOMIN-Dania Cortés/Fernando Erazo		
	AMONH-David Castro		
	IAIP-Joel Miranda		
	UNAH-Elizabeth Espinoza		

Source: Information provided by EITI Honduras national secretariat.

Annex C – Cost of EITI Reports

Honduras 2012-2013 EITI Report, financed by the World Bank's MDTF. Cost USD 50,000

Honduras 2014 EITI Report, financed by the World Bank's MDTF. Cost USD 44,000

Annex D - List of stakeholders consulted

Government

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Yudina Castillo, Transparency and Accountability Unit, Transparency, Reform and State Modernization Presidential Directorate, Secretaría de Coordinación General de Gobierno (SCGG)

Carlos Alberto Pineda Fasquelle, Deputy-Minister of Environment and Mines

Agapito Rodríguez, Executive Director, Instituto Hondureño de Geología y Minas

Erica Molina, Deputy Director of Mining, Instituto Hondureño de Geología y Minas

Fernando Erazo, Manager Geologic Survey, Instituto Hondureño de Geología y Minas.

Dania Cortez, Manager of Mining Fiscalization, Instituto Hondureño de Geología y Minas

Carlos Manuel Borjas Castellon, Deputy Secretary, Finances and Budget, Secretary of Finances

Maria Carmen Jover, Director of Tax Policy, Secretary of Finances

David Alvarado, Deputy-Director General Tax Policy, Secretary of Finances

Ivon Ramirez, Director of Transparency, Secretary of Finances

Suyapa Thuman Conde, Commissioner President, Institute for the Access to Public Information.

Gustavo A. Manzanalres Vaquero, Commissioner, Institute for the Access to Public Information.

Damian Pineda, Commissioner, MSG Representative, Institute for the Access to Public Information

Joel Miranda, Institute for the Access to Public Information

Angela Madrid, Deputy-Secretary, Service of Rent Administration

Maria Isabel Mariadaga, Tax Collection Manager, Service of Rent Administration

Marvin Artica, Deputy Secretary of the Large Tax -Payers Unit, MSG member, Service of Rent Administration

David Castro, Major, Cedros Municipality, Association of Honduran Municipalities (AHMON)

José Antonio Mendoza, Executive Directive, Association of Honduran Municipalities (AHMON)

Johana Mejia, Public Relations Manager, Association of Honduran Municipalities (AHMON)

José Juan Pineda Valera, Judge President, Tribunal Superior de Cuentas

Roy Pineda Castro, Judge, Tribunal Superior de Cuentas

Ricardo Rodríguez, Judge, Tribunal Superior de Cuentas

Alva B. Rivera, Director of General Coordination, Tribunal Superior de Cuentas

Hernan Roberto Bueso, Manager, Departmet for Natural Resources and Environment, Tribunal Superior de Cuentas

Roberto Herrera Cáceres, Ombudsman, National Comission for Human Rights (CONADEH)

Norma Cerrato, Deputy Minister of Human Rights and Justice, Secretary of State for Human Rights,

Justice, Governance and Decentralization

Industry

Vera Azize, Legal Advisory Officer, Consejo Hondureño de la Empresa Privada (COHEP)

Sofia Aguilar, Relaciones Institucionales, Minerales de Occidente S.A. (MIMOSA), Minas San Andres

Miriam A. Bueso, Excecutive Director, Asociación Nacional de Minería Metálica de Honduras (ANAMIMH)

Vilma Montoya, Excecutive Director, Federación Nacional de Comercio e Industria de Honduras (FEDECAMARA)

Santos Gabino Carbajal, American Pacific Honduras

Fernando García, Excecutive Director, Asociación Nacional de Industriales de Honduras (ANDI)

Alessandro Murrone, Five Star Mining, Eurocantera, Gold Lake

Ricardo Sierra, President, Asociación Nacional de Minería Metálica de Honduras (ANAMINH)

Civil Society

Elda Díaz, Coordinator Proyects on Democratic Gobernability, Federación de Organizaciones No-Gubernamentales para el Desarrollo de Honduras (FOPRIDEH)

Carol Lopez, General Director Assistant and Communications Coordination, Federación de Organizaciones No-Gubernamentales para el Desarrollo de Honduras (FOPRIDEH)

Rolando Bu, Excecutive Director, Federación de Organizaciones No-Gubernamentales para el Desarrollo de Honduras (FOPRIDEH)

Carlos Hernandez, Excecutive President, Asociacion para una Sociedad más Justa, Transparency International's Honduras Chapter

Ismael Zepeda, Foro Social de Deuda Externa y Desarrollo de Honduras (FOSDEH)

Melissa Elvir, Coordinator Transparency Unit, Fundación Democracia Sin Fronteras

Carlos Patiño, Legal Director, Pastoral Social CARITAS Honduras

Sayra Vargas, General Secretary, Universidad José Cecilio del Valle (UJCV)

Hugo Noe Pino, Economista Senior, Centro-American Institute for Fiscal Studies (ICEFI)

Lizeth Bendeck, Fundación Helvetas Honduras

Oswaldo Munguia, Director, Mosquitia Pawisa Apiska (MOPAWI)

Independent administrators

Lorena Rodriguez Arevalo, EY

José Eduardo Perez, EY

Pablo Peña, EY

Development partners

Gustavo Ezequiel Miranda, Operations Officer, World Bank, Honduras

Others

Lida Cardona Padilla, Coordinador, UGAR-MACCICH

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