

INVESTMENTS UNELIGIBLE FOR PROJECT FINANCING

Investments that are not eligible for financing with Project funds include the following:

- A. Purchase of land;
- B. Payment of debts to individuals;
- C. Refinancing overdue loans;
- D. Purchase of shares, bonds and other securities;
- E. Activities not related to facilitating the implementation of the BP;
- F. BP that may result in involuntary resettlement;
- G. Implementation of technological practices, and productive activities that promote degradation of natural resources and pollution of the rural environment;
- H. BPs in protected areas, current or proposed, that have no management plan;
- I. BP that entail the production or marketing of tobacco, or alcohol;
- J. Payment of direct and indirect taxes not linked to productive activity;
- K. Political or religious activities of any kind;
- L. Any activity that is illegal or that violates morality and/or good customs;
- M. Purchase of weapons;
- N. Purchase of any goods for personal use;
- O. Used goods (infrastructure, machinery or equipment).

In addition, AGRICOM will not consider proposed investments on land under the following circumstances:

- A. Land overlapping protected areas, national or municipal forest, or other land in the public domain not susceptible to titling;
- B. Invaded land;
- C. Land subject to any known adverse affectations;
- D. Land under expropriation/seizure proceedings;

APENDIX 1

APENDIX 1 -LIST OF EXCLUDED ACTIVITIES FOR REASON OF NEGATIVE ENVIRONMENTAL IMPACT

The following is a list of excluded activities for reasons of negative environmental impact:

- A. Aquaculture activities that involve the removal of soil, with the exception of those aquaculture activities using geo-membranes. All Business planes related to aquaculture should have an Environmental Management Plan and comply with the provisions of the Project's Environmental and Social Management Framework;
- B. Buying or selling of lands without accredited title deeds;
- C. Opening of trails in a non-intervened ecological area which do not have a Management Plan that includes a load capacity study endorsed by the competent environmental protection authority;

- D. Construction, reconstruction or rehabilitation of dams, with the exception of those intended for irrigation that are no more than two meters high with a filling capacity not exceeding a water mirror of one hectare, and that have gone through a process of environmental impact assessment. For business plans including irrigation projects, the design of a dam should consider the free mobilization of the Biota, freshwater and terrestrial, to prevent the dam from impeding or limiting the capacity of the species to reproduce;
- E. Development or expansion of works aimed at the generation of thermal energy, except for small rural electrification projects interconnected to the national grid;
- F. Clearing or converting areas with the aim of expanding the production areas, especially of natural forests and areas fifty meters on both sides of main streams and rivers in the location, with slopes higher than 30%;
- G. Clearing or changing land use that involves natural critical habitats, aquatic or terrestrial, whether or not within Protected Areas declared by the State of (country). For those business plans that are to be implemented within Private Natural Reserves, the financing of activities shall be subject to approval by the State of a Reserve Management Plan, but with the restriction of not financing the clearing or change of land use of critical natural habitat areas;
- H. Clearing or modifying shade coverage in established cocoa plantations whose shadow has been managed during the last three years, with the exception of changes that will improve farm yields without damaging habitats of migratory bird species and other animals present in those agro-ecosystems. For this, the Business Plan must include an Environmental Management Plan that complies with the provisions of the Project's Environmental and Social Management Framework;
- I. Use, handling and transport of toxic waste and high-risk materials, with the exception of small amounts of solvents, degradable materials, paints and fuels, used in the construction phase of physical works. For these high-risk materials to be able to be financed by the Project, the business plan must include an environmental management plan for them, including the identification of the physical space where the materials will be stored, handled, and for the appropriate final disposal of generated waste;
- J. Extraction of raw material from the natural environment, with the exception of materials authorized by the competent authority;
- K. The purchase of Africanized bees for the establishment of beehives;
- L. Works that involve the desiccation of wetlands or bodies of water (natural or artificial) for the expansion of productive areas. Special attention will be given to Municipal micro-basins declared and demarcated for this purpose, in a radius of 250 meters around any river source;
- M. Works that involve deviation, contraction or deepening of existing river beds in the area of the business plan;
- N. Works involving the introduction of cables, pipes, perishable materials and chemical compounds in caves, waterfalls, cliffs, canyons, or any other critical habitat, unless it is submitted to an Environmental Impact of Assessment by the competent authority;
- O. Works, investments or activities carried out in protected areas and their buffer zones that are not included in the list of allowed activities under the corresponding Management

Plan. For those business plans that are in Protected Areas without a Management Plan, the Project will have to request written authorization from the country's competent authority and the no-objection from the World Bank;

- P. Business plans with agricultural/livestock projects that do not have Integrated Pest Management (IPM) practices incorporated in their Environmental Management Plan;
- Q. Business plans whose main purpose is forest use of already existing primary forest, regardless of whether such use has a Management Plan approved by the State;
- R. Use of pesticides that appear on the list of pesticides prohibited by (Country's) legislation or formulated products corresponding to classes IA and IB or formulations of products in class II of the World Health Organization (WHO). For the purpose of this directive, all pesticides containing persistent organic compounds, those that deplete the ozone layer or cause an adverse negative impact on human health will be forbidden. Those pesticides or chemical products for which the country has an import quota are exempted from the list. In such case, the no-objection from the World Bank must be obtained.