

**SCHEDULE 3****Allocation and Withdrawal of Loan Proceeds**General

1. The table attached to this Schedule sets forth the Categories of expenditures to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan to each such Category (hereinafter called the Table). (Reference to "Category" or "Categories" in this Schedule is to a Category or Categories of the Table and reference to "Subcategory" or "Subcategories" in this Schedule is to a Subcategory or Subcategories of a Category.)

Percentages of ADB Financing

2. Except as ADB may otherwise agree, the items of the Categories and Subcategories listed in the Table shall be financed out of the proceeds of the Loan on the basis of the percentages set forth in the Table.

Reallocation

3. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may upon consultation and agreement with the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Loan then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, upon consultation and agreement with the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures

4. Except as ADB may otherwise agree, the Loan proceeds for financing Goods, Works, consulting services and other expenditures shall be disbursed in accordance with ADB's Loan Disbursement Handbook (2007, as amended from time to time).

Imprest Account: Statement of Expenditures

5. (a) Except as ADB may otherwise agree, the Borrower shall cause MDF to establish immediately after the Effective Date, an imprest account at the Treasury service of the Borrower. The imprest account shall be established, managed, replenished and liquidated in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB. The currency of the imprest

account shall be the Dollar. The initial amount to be deposited into the imprest account shall not exceed the lower of (i) the estimated expenditure to be financed from the imprest account for the first six (6) months of Project implementation, or (ii) the equivalent of ten (10) percent of the Loan amount.

(b) The statement of expenditures procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest account for any individual payment not exceeding \$200,000.

#### Subloan Approval and Withdrawal procedure

6. For a subproject in the amount not exceeding two million Dollars (\$2,000,000) eligible for financing under the Project Financing Facility component, the subloan approval and withdrawal (SAW) procedure may be used in accordance with the ADB's Loan Disbursement Handbook, provided that a related SSR is submitted together with the withdrawal application in form and substance satisfactory to ADB. For a subproject in the amount equal to or exceeding two million Dollars (\$2,000,000) eligible for financing under the Project Financing Facility component, ADB's prior review and approval of the related SAR and Investment Financing Agreement will be required prior to disbursement in accordance with the ADB's Loan Disbursement Handbook.

#### Retroactive Financing

7. Withdrawals from the Loan Account may be made for reimbursement of reasonable eligible expenditures incurred under the Project before the Effective Date, but not earlier than twelve (12) months before the date of this Loan Agreement, subject to a maximum amount equivalent to 20 percent of the Loan amount.

#### Condition of Withdrawals from Loan Account

8. Except as ADB may otherwise agree, no withdrawal shall be made from the Loan Account for any Category until:

(a) the Borrower has submitted to ADB the duly executed Project Implementation Agreement, satisfactory to ADB;

(b) MDF has submitted to ADB a SAR or a SSR, and a draft Investment Financing Agreement for at least one subproject, all in a form and substance satisfactory to ADB.

9. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the imprest account for any subproject estimated to cost the equivalent of \$2,000,000 and more until MDF has submitted to ADB the SAR for the relevant subproject, in a form and substance satisfactory to ADB.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Municipal Services Development Project – Phase II)				
CATEGORY				ADB FINANCING BASIS
Number	Item	Total Amount Allocated for ADB Financing		Percentage of ADB Financing from the Loan Account
		SDR '000		
		Category	Subcategory	
1	Project Financing Facility	16,802		
1A	Subprojects under Window 1		11,137	68 percent of total expenditure claimed
1B	Subprojects under Window 2		5,665	85 percent of total expenditure claimed
2	Project Management and Capacity Development (Consulting Services)	867		80 percent of total expenditure claimed
3	Incremental Administration	1,517		85 percent of total expenditure claimed
4	Unallocated	188		
	TOTAL	19,374,000		