

**IED CLARIFICATIONS TO SOUTH ASIA DEPARTMENT'S COMMENTS ON THE PROJECT  
COMPLETION REPORT VALIDATION OF LOAN 2308 OF INDIA UTTARAKHAND STATE-ROAD  
INVESTMENT PROGRAM (PROJECT 1)**

1. On effectiveness, this tranche should have had a separate DMF, per the Operational Manual on MFF projects. SARD's position for the lack of a separate framework for the tranche was due to the evolving MFF guidelines at the time the project was appraised in 2006. We note that although SARD acknowledged the preparation of a separate DMF for this tranche as a lesson in the PCR, it is our position that a separate DMF should have been crafted during the project's implementation. The elapsed time (with the project closing in 2013) would have been sufficient to formulate a DMF, with corresponding targets and indicators specifically for this tranche. Despite the absence of the project DMF, IED made efforts to assess the effectiveness, based on the targets that were pertinent within the timeline of said tranche. Out of the 8 outcome targets, 4 were achieved, 1 was partially achieved while 3 targets are to be evaluated at the end of the facility. The 3 latter outcome targets were assessed by IED, based on the indicated target dates. The outcome to reduce routine maintenance costs on by 2012 has not been achieved. The performance-based contract maintenance still was to be piloted after the closure of this tranche. The average service life of the periodic maintenance was expected to increase from 3 to 5 years by 2012, but no data was presented to indicate how near or far the project was in achieving this. Sufficient evidence has not been provided to indicate that the outcome target to achieve roads with good condition connected to highways by 2010 has been achieved. Although SARD will assess these targets at the facility's completion, there are no indications for IED to confirm upward trajectories for the said outcomes at this juncture. Given that 50% of the targets were partially achieved or did not show likelihood of being achieved, IED has no basis for considering the project effective.
2. On sustainability, SARD maintains the issue of financial and budgetary constraints are being progressively addressed, as the PWD has clearly demonstrated its strong commitment for funding maintenance major restoration works, especially in recent years. However, we are of the view that there is no firm basis to indicate that project results are likely to be sustained. This is because PWD's annual budget for maintenance also covers other state roads as well, apart from those constructed under the project.
3. In conclusion, for the reasons outlined above our position remains unchanged for this PVR. We acknowledge the significant resources and time spent by both departments.
4. Given the importance of the program and areas of disagreement on this PVR, IED will commit to scheduling a performance evaluation of the whole facility, once the remaining completion reports are finalized. Our assessment of the facility would supersede the ratings provided in any earlier PVR.