

**IED CLARIFICATIONS TO SOUTH ASIA DEPARTMENT'S COMMENTS ON THE PROJECT
COMPLETION REPORT VALIDATION OF LOAN 2366 OF INDIA RAJASTHAN URBAN SECTOR
DEVELOPMENT INVESTMENT PROGRAM (TRANCHE 1)**

1. In essence, there are three main components of concern: water supply provision, wastewater management and solid waste management. The project has delivered water supply improvements in a satisfactory manner. However, it has yet to deliver the expected wastewater outcomes due to a lack of household connections, and the solid waste management investments are incomplete as the two landfills constructed are not functional. Taken together, our view is that the project, while achieving much, does not yet pass the institutional threshold for a successful project.
2. More specifically, on effectiveness, we can agree that although not prescribed, the evaluation guidelines provide the evaluators the discretion to use the relative weighting of outputs and outcomes based on financial costs. However, with this approach we assess the water supply component (the dominant component by value) as satisfactory rather than highly effective as presented by South Asia Department (SARD). In reply to the table provided in SARD's response, our independent assessment is that the components rated by SARD as three (3), should be rated two (2), i.e. they are effective, but not highly effective. Therefore, when all components are considered, even using the weighted approach our assessment leads to the same conclusion, that the project is less than effective. We acknowledge that since the project completion report (PCR) was published in 2017, household sewerage connections are reported to have increased. However, this is still below our 80% threshold and we must also consider that the project achieved only 24.7% household sewerage connections at the time of PCR, after seven years of implementation and two further years of maturation.
3. Further, on sustainability, the project completion report validation (PVR) considers and acknowledges that the financial sustainability of the Public Health Engineering Department is adequate to meet operations and management (O&M) of the water supply assets. However, we also note that two of the three towns reported negative financial internal rate of returns for water supply, which is of concern. Moreover, we note that the three ULBs remain dependent on the state government and do not generate adequate revenues from their own sources such as local taxes and levies to meet all of their own expenses. In addition, the financial sustainability of the ULBs at present collection levels is insufficient to meet the O&M costs of the environmental sanitation assets (wastewater and solid waste). The PVR does not presume that the government will renege on its intention to implement the sewerage levy; our report states that this is one of a number of prerequisites to make the environmental sanitation interventions sustainable.
4. On development impact, the PVR acknowledges the positive achievements but given the less than effective rating and sustainability concerns it is not clear that the expected impacts will fully accrue. Therefore, a rating of less than satisfactory is established.
5. In conclusion, for the reasons outlined above our position remains unchanged for this PVR. We acknowledge the significant resources and time spent by both our departments on this PVR through discussions at the headquarters and with India Resident Mission by videoconference. We greatly appreciate the extensive dialogue provided by SARD colleagues.
6. Given the importance of the program and areas of disagreement on this PVR, IED will commit to scheduling a program performance evaluation report for the whole facility, once the remaining completion reports are published. The program performance evaluation report of the facility will supersede the ratings provided in any earlier PVR.