

**SOUTH ASIA DEPARTMENT'S RESPONSE TO IED'S PCR VALIDATION REPORT OF
LOAN 2308 OF INDIA UTTARAKHAND STATE ROAD INVESTMENT PROGRAM
(PROJECT 1)**

1. South Asia Regional Department (SARD) has reviewed Independent Evaluation Department's (IED) earlier draft Project Completion Report Validation Report (PVR) circulated on 21 June 2018, 14 August 2018, 20 November 2018 and its final draft sent on 12 December 2018. SARD appreciates that the some of the comments made to IED on earlier drafts have been incorporated.

2. However, SARD disagrees on the PVR's "less than effective" and "less than likely sustainable" ratings, on the grounds of the facts that (i) a major proportion of the intended outcome indicators was already achieved at project completion, while the rest (that were aimed to be achieved by MFF completion) was in the process towards meeting the targets in relation to project effectiveness, and (ii) as to sustainability, PCR mission in 2016 observed that the constructed roads in the project were satisfactorily maintained (including rehabilitation after a natural disaster in 2013) while the steps to ensure sustainable road maintenance had been progressively taken (including the design of sound systems of monitoring and maintenance planning), and keeping in mind the forthcoming assistance in the pipeline that will pursue its full operationalization, there is little ground that some gaps noted by PCR would lead to unsustainable asset maintenance. The more specific and detailed explanations are provided below.

3. Effectiveness Rating: SARD disagrees with the fundamental premise of the PVR rating that (i) the DMF for Project 1 and MFF was one and the same (para 6); (ii) targets which were supposed to have been achieved in 2012 were not met and were postponed to the end of the facility; and (iii) the evidence for achieving the targets was descriptive and lacked the statistics to backup assessment.

4. The design and monitoring framework (DMF) contained in the Report and Recommendation of the President (RRP) was that for the multitranchise financing facility (MFF) and a specific DMF for Project 1 was not prepared.¹ Therefore, PCR has reported as one of the lessons learned (para 44) that "apart from the DMF for the MFF, a DMF should be prepared for each tranche under the MFF, which should be distinct, specific, and directly attributable to the respective tranche so that its achievement against the project-specific indicators and targets can be suitably evaluated." The PVR also acknowledges and concurs with the above as one of the lessons (para 47).

5. As no separate DMF for Project 1 was prepared, the PCR made best efforts to evaluate the progress on impact, outcomes and outputs in the DMF of the MFF, at this stage itself, and noted that the performance indicators and targets were achieved or have progressed significantly towards achievement.² It is evident from these achievements that the outcomes for increased efficiency of inter- and intrastate transport services including the increase in traffic volumes in

¹ The use of MFF was approved by the Board in August 2005 and this was one of the initial MFF processed and approved within ADB. It is understandable that the guidelines for processing MFF had not fully evolved therefore no separate DMF for Project 1 was prepared. Except for 1-2 output indicators, the DMF for Project 2 is also the same, validating that the DMF is for the entire MFF.

² PCR reports that (i) performance indicator for impact targeted by 2017 was exceeded in 2012 itself; (ii) 4 outcomes indicators/targets were achieved or exceeded, 1 indicator/target was partly achieved and that the achievement for remaining 3 outcomes would be evaluated at facility completion; and (iii) 2 output indicators/targets were achieved, 1 output indicator/target was partly achieved and that the achievement for 2 remaining output indicators/targets would be evaluated at facility completion.

Uttarakhand were already achieved. As demonstrated by the good condition of project roads till date, the outcome indicator for increase in average service life of periodic maintenance works from 3 to 5 years can be considered met for Project 1 roads. The achievements reported in the PCR are contributions toward the accomplishment of MFF targets at Project 1 stage itself and were considered very substantial to justify the PCR rating.³ PCR has clearly indicated that complete evaluation of the MFF targets will be undertaken as a part of facility completion report. Assessment of all the DMF outcome and output performance indicators/targets for the MFF was neither due at PCR stage for Project 1 nor feasible as these would require more surveys, analysis and resources for evaluation.⁴ The PCR has provided the relevant numeric statistics on the achievement of the evaluated impact, outcomes and outputs under the DMF, wherever numeric targets have been stated. Adequate backup is available for these achievements.

6. Even though the milestones for achievement of many outcomes and outputs in the DMF were stated as 2010 or 2012, their achievement was predicated on substantial progress on the implementation of the MFF. Even then, substantial progress was achieved at Project 1 completion and reported in the PCR. As per the indicative implementation schedule for the MFF, all the tranches were expected to have been approved by 2012. However, only 2 tranches were approved by 2012 and tranche 2 was under implementation. Given that the outcome framework of MFF are more broadly defined compared with project loans, timelines need not be taken as sacrosanct and be adjusted based on the practical requirements. IED Guidelines for the Evaluation of Public Sector Operations (2016) recognizes that outcome and output targets at completion may not be fully reached at the time of observation but that achievements may be on an upward trajectory (para 27). The PVR has disregarded IED's own guidelines recommending consideration of upward trajectory of outcomes and outputs.

7. Sustainability rating: SARD disagrees with the fundamental premise of the PVR rating that Uttarakhand's finances were highly constrained and there was no assurance that the required resources for adequate road maintenance could be provided.

8. As cited in the PCR (reproduced below), PWD has already demonstrated its strong commitment for funding the maintenance and major restoration works for more than 8 years since the completion of most of the works in 2010.

- (i) The landslides and damages caused by heavy rains and flooding in 2010-11 were restored by PWD through their own funding (para 9 and 39).
- (ii) A betterment program to address the premature pavement distressed on some sections of the project road was formulated under the project in 2012 and implemented by PWD through their own funds during 2013-14 (para 9 and 39).
- (iii) Given the vulnerability of Uttarakhand to landslides and damages due to mountainous terrain and inclement weather conditions and roads being the lifeline for Uttarakhand, PWD has the responsibility and obligation to undertake

³ The PVR also acknowledges that most of the outcome indicators were achieved or exceeded and road transport efficiency has improved and generated more economic opportunities (para 37). The PVR further states that based solely on the achievement of project outcomes and the impact-outcome relationship, the validation finds the achievement of project impacts satisfactory (para 38). The PVR has overlooked this in the evaluation for effectiveness and is therefore self-contradictory.

⁴ IED in its CAPE 2017 (India Sector Assessment – Transport) has reported that for many outcomes in the DMF, information for their assessment is not readily available and requires full survey. Even IED's performance evaluation reports for projects are not reporting the status on outcomes with a remark "sector data not available" or "the data are not available". Although MFF modality has been in place since September 2005, IED guidelines for evaluation of public sector operations have included evaluation of MFF only in its revised version of April 2016, just before the PCR was prepared.

emergency measures, repairs and maintenance to keep the road open to traffic. Adequate maintenance of project roads by PWD is strongly evidenced by the fact that the PCR Mission travelled on one of the project roads in 2016 and found that the riding quality and condition was good (para 39).

- (iv) The maintenance and the quality of roads has further been demonstrated through photographs taken in 2018 and shared with IED.

9. Considering the importance road maintenance, Government of Uttarakhand has brought out Uttarakhand Road Maintenance Policy, 2015. Tranche 3 has also helped develop the road maintenance system comprising asset inventory, performance monitoring and maintenance planning and execution.

10. Thus, in SARD's view, the issue of financial and budgetary constraints brought out in the PCR relating to the maintenance of entire road network of Uttarakhand are being progressively addressed. SARD has also received a proposal for the next phase of investment for road improvement in Uttarakhand, wherein all actions will be further ascertained during the processing.

11. Having demonstrated its strong commitment to maintenance of the project roads in good condition for more than 8 years and other proactive steps to improve road maintenance in Uttarakhand in a progressive manner, there is no basis for IED's perception that government would not provide the necessary financial resources for maintaining the project roads in future.