Key Elements of CBAs

USAID is making available project reports and analytical models from past CBAs. To assist in reading them, it is useful to define some key concepts found throughout the reports and models.

- **Net Present Value (NPV).** The NPV is a measure of the real impact accomplished by a given investment or development project. Specifically, the NPV of a project is the amount by which incremental benefits exceed incremental costs. *Incremental* refers to benefits and costs of projects being compared against a counterfactual—or a scenario if USAID did not invest in the project. Benefits and costs are calculated in present value terms, meaning future costs and benefits are discounted.
- **Internal Rate of Return (IRR).** The IRR is a measure of project value that looks at the project from an investment perspective, in terms of the return to the investor.
- **Stakeholder Analysis.** This analysis takes into account the impact of a USAID project, from the point of view of its stakeholders. For example, we will often look at the impact of a project from USAID's perspective, but also from the farmer's perspective, and from the microfinance organization's perspective. In each CBA, USAID conducts the analysis from multiple perspectives to see how different stakeholders will be impacted by the project.
- **Sensitivity Analysis.** Sensitivity analysis measures how changes in our data and assumptions could affect a project outcome. We use this analysis to determine whether there are actions USAID could take to mitigate these risks before they happen. This allows USAID to plan for challenges, and to figure out whether a farm or business helped by USAID will be able to continue to be profitable on its own.