



**RESOURCE**

# Water Supply and Sanitation Sector Cost-Benefit Analysis Guidance

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**Author(s)**

Osborne, Stefan

**Description / Abstract**

Millennium Challenge Corporation -a bilateral United States foreign aid agency established by the U.S. Congress in 2004- is required by its statutory regulations to conduct cost benefit analysis (CBA) and to calculate the economic rate of return (ERR) on projects supported through country compacts. ERRs form a critical part of the project approval process and are required to equal or exceed a threshold level of ten percent over the medium term. To clarify methodology and to improve the consistency across country compacts, the division responsible for estimating ERRs is developing a series of reports outlining methodology for each major investment sector. This current report is the first and covers Water, Sanitation, and Hygiene (WASH) projects. Other sector CBA methodology reports are forthcoming. The guidelines aim to help MCC economists better understand the methodological tools available, and to provide greater methodological clarity to external practitioners. This should help to provide more consistent application of CBA methodology.

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