Sanitation Enterprise Viability and Sustainability Diagnostic Toolkit
(Nascent Stage Program)

You are a sanitation development program implementer, 1-2 years into an MBS program with partner sanitation enterprises selling toilets. Do any of the below describe your situation?

- You have few enterprise partners
- Your partners are present in a few districts/ counties/ communes
- Entrepreneurs report low sales or sales are concentrated in a few enterprises
- Some entrepreneurs have lost interest and their sanitation enterprises are inactive
- You are unsure about the factors influencing their sales and profitability

If your program can relate to any of the above, then your program needs to:

- Establish a baseline of how sanitation enterprises are performing
- Identify key metrics to track and analyze their performance over the program’s duration

How to Identify Your MBS Program’s Situation?

MBS programs can identify with a situation by answering three key questions:

1. How do enterprises’ average toilet sales compare with their market size (i.e., unserved households)?
2. Are the majority of enterprises continuing in or exiting the market?
3. What is the program’s depth of understanding of factors impacting enterprise profits?

Programs with low average toilet sales and few enterprises established will typically be 'Nascent.'
 Guidance on Priority Modules for Nascent MBS Programs

The toolkit consists of four modules, and as a nascent program, you should prioritize:

1. Preliminary Research
2. Understanding Current Performance

Enterprise Viability & Sustainability Diagnostic Toolkit Modules

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- **Enterprise Mapping**
  - Select diverse enterprises based on their market context and sales performance for in-depth research

- **Exploratory Research**
  - Understand enterprises’ contexts and operations to customize tools and research questionnaires

- **Profit & Loss Statement Preparation**
  - Prepare profit & loss (P&L) statements with revenues, costs, and resulting profits to support analyses

- **Profit & Loss Statement Analysis**
  - Analyze P&L statements using financial ratios to enable inter-enterprise comparisons

- **Gross Margin Variance analysis**
  - Identify the profit drivers that differentiate performance among enterprise categories

- **Strategy Identification**
  - Identify the strategies that improve profit of enterprises in different contexts

- **Financial Independence Assessment**
  - Assess enterprise’s ability to meet recurring future financial investments independently

- **Operational Independence Analysis**
  - Assess enterprises’ ability to operate independently in future market conditions

- **Return on Capital Employed Analysis**
  - Compute returns from sanitation relative to other opportunities available to the entrepreneur

We recommend the first two phases because,

- Establishing a foundation to **collect data and track enterprises’ performance** is essential to **improve their viability** over the life of the program
- In-depth research to **understand current performance** will require preparation, including understanding the landscape and developing data collection tools
- Assessing sustainability is a **lower priority**, as viability drivers are not yet ascertained

*Note: Module 1 is optional* if the implementer understands the type of products sold by enterprises and how they track sales and costs. We recommend the exploratory research phase, primarily to **sharpen data collection**.

**Contents of the Modules**

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Download the toolkit at [globalwater.org](http://globalwater.org)