Sanitation Enterprise Viability and Sustainability Diagnostic Toolkit  
(Thriving – Mid-Stage Program)

You are a sanitation development program implementer, 2-3 years into an MBS program, working with partner sanitation enterprises selling toilets. Do any of the below describe your situation?

<table>
<thead>
<tr>
<th>Situation Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Many entrepreneurs operate sanitation enterprises, and more are entering the market</td>
<td></td>
</tr>
<tr>
<td>Your partners are present in many districts/ counties/ communes</td>
<td></td>
</tr>
<tr>
<td>Entrepreneurs report medium to high sales and are satisfied with sales, in general</td>
<td></td>
</tr>
<tr>
<td>Toilet sales are spread uniformly across enterprises; everyone is thriving</td>
<td></td>
</tr>
<tr>
<td>Enterprises are well-established with low exit rates</td>
<td></td>
</tr>
<tr>
<td>You have a qualitative insight into the factors enabling their sales and profitability</td>
<td></td>
</tr>
</tbody>
</table>

If you observe some of the situations above, then your program needs to:

- Generate lessons on factors that influence profits, and apply them to new markets
- Reduce enterprise exit rates
- Plan your exit strategy to ensure sustainability

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 mid-high average sales per enterprise, few exited enterprises, and basic knowledge of factors impacting enterprise profits will typically be ‘Thriving’ or ‘Successful.’
Guidance on Priority Modules for Thriving MBS Programs

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

1. Identifying factors to improve viability
2. Assessing sustainability

The preliminary research module will be useful to map enterprises and develop a sampling plan.

### Enterprise Viability & Sustainability Diagnostic Toolkit Modules

<table>
<thead>
<tr>
<th>Module</th>
<th>Analytical Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Preliminary research</td>
</tr>
<tr>
<td>2</td>
<td>Understand current performance</td>
</tr>
<tr>
<td>3</td>
<td>Identify factors to improve viability</td>
</tr>
<tr>
<td>4</td>
<td>Assess sustainability</td>
</tr>
</tbody>
</table>

**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 Analysis**
- Prepare profit & loss (P&L) statements with revenues, costs, and resulting profits to support analyses
- 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
- 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
- Assess enterprises’ ability to operate independently in future market conditions

**Strategy Identification**
- Compute returns from sanitation relative to other opportunities available to the entrepreneur

We recommend modules three and four for you because,

- Identifying **factors to improve viability** offers lessons that can be applied to **expand to new markets**, while assessing sustainability helps programs design appropriate interventions to exit the market
- In-depth viability and sustainability **research** may require **preparation**
- Understanding current performance is not required as **basic knowledge** of enterprise financials **exists**, so Module 2 may not be relevant to you

**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

<table>
<thead>
<tr>
<th>Detailed Guidelines to implement each activity that is part of the module</th>
<th>Sample Templates and Examples for select activities</th>
<th>Data Requirements for each activity</th>
</tr>
</thead>
</table>

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