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Enterprise Viability & Sustainability Diagnostic Toolkit

Assess Sustainability | Data Requirements

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Objective of this document

Specify the data requirements and potential sources of data for implementing the three activities that are part of the *Assess Sustainability* module:

- Financial Independence Assessment
- Operational Independence Assessment
- Returns on Capital Employed Analysis

Please refer to the PDF documents for each of the activities for details on implementing the module and rationale for the data required. Additionally, please refer to the *Sample In-Depth Research Interview Guide for Entrepreneurs* to get a suggested list and format of questions to ask enterprises to gather data.

Please refer to the *Introduction to EVST* document for a definition of sustainability.

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- Data requirements for *Financial Independence Assessment*
- Data requirements for *Operational Independence Assessment*
- Data requirements for *Returns on Capital Employed Analysis*

Data requirements for *Financial Independence Assessment*

Financial independence of enterprises is based on their ability to meet three types of financial needs (as outlined below), which can be assessed using appropriate indicators.

Data will need to gathered to calculate values for each of the indicators.

Aspect of financial independence	Indicators
1 Ability to **pay for recurring non-market or subsidized support** (if any)	• Cash net profit after computing a fully-costed Profit & Loss statement, i.e., after accounting for costs of all non-market or subsidized support (such as partial or full payment to sales agents, subsidized raw materials) provided by MBS programs or other non-market actors
2 Ability to meet **recurring future capital expenditure needs**	• Share of profit required to be set aside for recurring capital expenditures
3 Ability to meet **future working capital needs**	• "Inventory days" (i.e., the average days taken to sell inventory) compared to sales volumes

Tip

Refer to the *Financial Independence Assessment* document which is part of this module for further details on the capital expenditure and inventory requirements of sanitation enterprises. Refer to the *Profit & Loss Statement Construction* document (part of the *Understand Current Performance* module) for further details on the various line items of the profit & loss statement referred to in this document.

Data requirements for *Financial Independence Assessment*

Data category	Data required	Potential source
Indicators for assessing ability to pay for recurring non-market or subsidized support	All recurring non-market support provided to enterprises	Entrepreneur interview, or internal knowledge of MBS program
	Cash net profit (annual)	Completed P&L statement
Indicators for assessing ability to meet recurring future capital expenditure needs	Cost and replacement time of all recurring capital expenditures	Entrepreneur interview, or other local market actor interviews
	Cash net profit (annual)	Completed P&L statement
Indicators for assessing ability to meet future working capital needs	For calculating inventory, • Quantity of finished products and raw materials stocked at the beginning and end of the financial period • Cost of Goods Sold per finished product • Material and procurement cost per raw material	Entrepreneur interview
	Cost of Goods Sold (total)	Completed P&L statement
	Sales volumes	Entrepreneur interview

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Data requirements for *Operational Independence Assessment*

The ability of enterprises to operate independently in the future can be assessed based on both supply-side and demand-side conditions, using appropriate indicators.

Data will need to gathered to calculate values for each of the indicators.

	Indicators
Ability to operate in future supply-side conditions	• Influence of non-market actors
Ability to operate in future demand-side conditions	• Level of future demand • Resilience to demand shocks

Data requirements for *Operational Independence Assessment*

Data category	Data required	Potential source
Indicators for assessing ability to operate in future supply-side conditions	• Different market and non-market actors involved in the sanitation market • Nature of interactions and exchanges between actors (flow of money, products, information, and/or coordination efforts) • Frequency of interactions and exchanges (i.e., one-time or recurring)	Entrepreneur interview, local market actor interview, internal knowledge of MBS program
Indicators for assessing ability to operate in future demand-side conditions	Historical sanitation coverage in the target markets (district or other administrative unit) of enterprises	Census surveys, government department (e.g., health, water) surveys, national household surveys
	Historical annual sales of enterprises	Internal database of MBS programs

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Data requirements for *Returns on Capital Employed Analysis*

ROCE is one among a class of financial metrics called long-term profitability ratios that are used to assess a business's ability to generate profits relative to alternate opportunities (such as other business lines). ROCE shows the unit(s) of profits generated by each unit of capital employed (such as cash or equipment) in the business.

Data is required on the operating profit and capital employed for each business line to calculate ROCE. Data is also required for comparing ROCE of the sanitation enterprise to other benchmarks.

Return On Capital Employed (ROCE)

$$= \frac{\text{Operating profit}}{\text{Capital employed}}$$

Data requirements for *Returns on Capital Employed Analysis*

Data category	Data required	Potential source
Operating profit	Operating profit of each business line	Completed P&L statement
Capital Employed	**For each fixed asset,** • Purchase price of asset • Salvage value of asset • Useful life of asset • Age of asset • Business lines used in **For apportioning fixed assets,** • Revenue from different business lines, as a proportion of entrepreneur's total revenue **Inventory for each business line,** • Quantity of finished products and raw materials held at the beginning and end of the financial period • Cost of Goods Sold per finished product • Material and procurement cost per raw material	Entrepreneur interview
Comparative benchmark	Market cost of capital	Entrepreneur interview