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USAID Transform WASH aims to improve water, sanitation, and hygiene (WASH) outcomes in Ethiopia by increasing market access to and sustained use of a broader spectrum of affordable WASH products and services, with a substantial focus on sanitation.

Transform WASH achieves this by transforming the market for low-cost quality WASH products and services: stimulating demand at the community level, strengthening supply chains, and improving the enabling environment for a vibrant private market.

USAID Transform WASH is a USAID-funded activity implemented by PSI in collaboration with SNV and IRC WASH. The consortium is working closely with government agencies, including the Ministry of Health, the Ministry of Water and Energy, the One WASH National Program coordination office, the Ministry of Labor and Skills, and regional and sub-regional governments.

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This learning note summarizes the findings of an assessment conducted by USAID Transform WASH about different approaches to develop sanitation business activities at district level.

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### Abbreviations & Glossary

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>BDS</td>
<td>Business development service</td>
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<tr>
<td>BIC</td>
<td>Business incubation center</td>
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<td>ETB</td>
<td>Ethiopian Birr (55 ETB/USD in September 2023)</td>
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<td>FMoH</td>
<td>Federal Ministry of Health</td>
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<td>MBS</td>
<td>Market-based sanitation</td>
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<td>MFI</td>
<td>Micro finance institutions</td>
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<td>OWNP</td>
<td>One WASH National Program</td>
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<tr>
<td>SaniMark</td>
<td>Sanitation marketing</td>
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<tr>
<td>SATO pan</td>
<td>Plastic toilet pan patented by Lixil Corporation (brand name)</td>
</tr>
<tr>
<td>SDGs</td>
<td>Sustainable Development Goals</td>
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<tr>
<td>SNNPR</td>
<td>Southern Nations, Nationalities and Peoples Region</td>
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<tr>
<td>T/WASH</td>
<td>USAID Transform WASH</td>
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<tr>
<td>TSEDU</td>
<td>Total Sanitation to End Open Defecation and Urination</td>
</tr>
<tr>
<td>TVET</td>
<td>Technical and vocational education and training</td>
</tr>
<tr>
<td>USD</td>
<td>United States Dollar</td>
</tr>
<tr>
<td>WASH</td>
<td>Water, sanitation and hygiene</td>
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<tr>
<td>Woreda</td>
<td>District of Ethiopia (typically around 20,000 to 30,000 households)</td>
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1. Introduction

1.1. Background

Ethiopia’s commitment to achieve the United Nation’s Sustainable Development Goals (SDGs) by 2030, alongside 190 other UN member states, underscores the country’s dedication to a more sustainable future (UN, 2015). Despite this commitment, the prevailing reality shows a significant challenge: only a small proportion of the population have access to at least basic sanitation services, i.e., nine percent in 2022 (JMP, 2023). Given the challenging task of achieving these goals within the remaining seven years, adhering to a business-as-usual approach proves insufficient. In response, the Government of Ethiopia has proactively established policies and institutional support systems to achieve SDG 6, with a specific emphasis on enhancing sanitation coverage.

Over the past decades, Ethiopia has implemented different approaches to address the low prevalence of improved sanitation, including the implementation of community-led total sanitation (FMoH, 2012), sanitation marketing (FMoH, 2013), and market-based sanitation (FMoH, 2020). The ambitious “Total Sanitation to End Open Defecation and Urination” (TSEDU) program with the goal of eliminating open defecation and achieving universal access to improved sanitation by 2030 is expected to be launched very soon (GoE, 2023).

To pursue this vision of universal access, the Ethiopian Federal Ministry of Health (FMoH) has urged regional and district-level governments to establish Sanitation Marketing (SaniMark) Centers. The aim is to provide affordable, locally produced sanitation products that are readily available to the community, as prescribed by the Sanitation Marketing Guideline issued in 2013. Data obtained for this assessment, through FMoH, from regional governments (excluding Benishangul and Harari), indicates the presence of 525 SaniMark Centers in Ethiopia, with 285 (54 percent) of them reported as currently being active. These centers owe their existence to concerted efforts from key sector offices at the district level, often implemented with financial backing from FMoH and development partners, including UNICEF, OWNP, USAID Transform WASH (T/WASH), and World Vision.

Businesses offering sanitation products and services, often perceived as challenging or unprofitable, are not just limited to the private sector. In Ethiopia, deliberate endeavors by government and stakeholders have fostered the engagement of unemployed youth, in an attempt to address both public health concerns and youth unemployment.

Box 1: Categorization of approaches to support sanitation businesses

Center-based approach:
In the context of this learning note, ‘centered-based approach’ mainly refers to any sanitation business support activity at the district level that requires the establishment of centers or workshops for activities such as demonstration, sales outlet, training, or incubation of business ideas. As such, these center-based approaches include the government SaniMark Centers, World Vision WASH Business Centers, T/WASH Business Incubation Centers, and T/WASH Business Development Training Centers.

Entrepreneur-based approach:
This approach mainly refers to support activities to existing business partners and entrepreneurs like manufacturers, retailers, masons, and sales promoters - without the prerequisite of the physical construction of a center.
Projects like T/WASH and FINISH Mondial have adopted business development support approaches focusing on established business partners and individual local masons without investing in the construction of the SaniMark Center. T/WASH and FINISH Mondial are focusing on existing business partners who have both capital and business experience to increase overall business model profitability, feasibility, and sustainability.

T/WASH has also embraced the ‘Business Incubation Center’ and ‘Business Development Training Center’ concepts, designed to propel the growth and prosperity of WASH entrepreneurs and enterprises. These centers offer a range of business development services (BDS), resource access, ongoing training, technology transfer, and facilitation. The business incubation center is specifically designed to accommodate entrepreneurs seeking to nurture their business concepts, committing to a maximum two-year incubation period. The Business Development Training Centers, meanwhile, provide a neutral space for training and technology exchange, not linked to a specific enterprise or entrepreneur. They are simply meant to be training hubs.

Leveraging secondary data review and project documentation, further supported by on-the-ground assessments and validations, this comparative analysis of the two major approaches (center-based vs. entrepreneur-based) highlights their strengths and weaknesses, and also yields actionable recommendations for both the Government of Ethiopia and development partners involved. By investigating the nuances of these approaches, both in concept and application, this study aims to provide invaluable insights on scaling business support approaches, steering Ethiopia towards the achievement of SDG 6.2 by 2030.

1.2. Objective

This learning note is to capture learnings on the existing approaches to support local sanitation businesses at the district level in Ethiopia. The learning note is meant to help better understand and frame the existing approaches used by different actors and identify their strengths and weaknesses to generate learnings and best practices, to consolidate recommendations on how to best empower local businesses to accelerate progress towards universal access by 2030.

This assessment aims to address the following questions:

- What approaches have been implemented in Ethiopia to support sanitation-related businesses at district level (with a focus on the two models of implementation described in the introduction)?

- What are best practices and challenges influencing the effectiveness of the different approaches? What are the costs related to the different approaches (e.g., subsidies) and what is the range of costs per approach?

- What approach(es) is/are most promising to be scaled (i.e., with lists of pros and cons related to each approach), and what actions can be considered to make them more efficient?
2. Methodology

Qualitative data was collected through key informant interviews at national level with experts from FMoH, World Vision, T/WASH, and FINISH Mondial. Secondary data was reviewed to provide further context and depth to the information provided by the key informants. At sub-national level, a total of 20 key informant interviews were conducted in the three regions with WASH focal persons, business partners, and training institutes.

Lists of SaniMark Centers, with their status (active or inactive) and supporting implementing partners, were then collected from all the regions with the support from FMoH. After cleaning the regional databases, the lists of the SaniMark Centers were used to inform the purposive sampling, with the final selection of twelve woredas (districts) in three major regions of Ethiopia where more than 80 percent of the SaniMark Centers were set up.

The field level primary data collection and verification were conducted in Amhara, Sidama and Oromia regions focusing on the following twelve woredas:

- **Amhara**: North Mecha (T/WASH Business Incubation Center), Jabi Tehnan (World Vision WASH Business Center), South Mecha, Sekela and Gozamin (government and UNICEF-supported SaniMark Centers)
- **Oromia**: Waliso (T/WASH Business Incubation Center), Wanchi (World Vision WASH Business Center), Sanden Soddo and Sokoru (government supported SaniMark Centers)
- **Sidama**: Aleta Wondo (T/WASH Business Incubation Centers), Shebedino and Hula (government supported SaniMark Centers)

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**Figure 1**: Overview of business development support approaches
3. Findings

3.1. Overview of approaches
In this section major findings are organized and presented from five approaches to support business development at the district level, categorized into center-based vs entrepreneur-based approaches.

Center-based approaches:
- Government led SaniMark Centers
- World Vision WASH Business Centers
- T/WASH Business Incubation Centers and Business Development Training Centers

Entrepreneur-based approaches:
- Finish Mondial sanitation marketing based on the diamond model
- T/WASH entrepreneur-based approach

Government-led SaniMark Centers
Government-led SaniMark Centers are an initiative started in 2013, that aims to improve public health while simultaneously addressing youth unemployment and fostering local innovation through the production and sale of sanitation products at the district level. The Job Creation Commission prioritizes unemployed local youth based on criteria such as community commitment and personal drive for self-reliance; while major sector offices from health, municipality and training institutes, along with development partners, have joined forces to provide initial support to the youth-led enterprises, in the form of land, training, licenses, and raw materials. Local governments are responsible for supporting demand creation, transportation services, and sometimes the purchase of raw materials, especially in the early phases of center establishment.

A memorandum of understanding (MoU) forms the backbone of these SaniMark Center partnerships, defining roles with signatory entities such as the Woreda Health Office, Job Creation Commission, Mic FInance Institutions (MFIs), and Technical Vocational Education and Training (TVET) institutes. However, challenges emerged as these roles faced limitations in execution. For example, while TVETs were expected to offer training, resource constraints hindered practical job training. The same applied to MFIs, creating a barrier to financing due to concerns over profitability. The result was a protracted and inefficient process to establish SaniMark Centers.

To address these challenges, FMoH injected an initial startup capital of 250,000 ETB (approx. 4,500 USD) per woreda in 2020 to enhance the execution of signatories' responsibilities in at least constructing one model center per district. While this support improved the establishment process of the centers, sustainability remained a concern. Youth-led enterprises struggled to continue operations without ongoing support, often leading to the closure of centers within less than two years.

Although the government offered substantial support during startup, such as training by TVETs on concrete slab production and basic business skills, challenges persisted, especially for capital-intensive and heavy products like concrete slabs (which is usually the main product offered by the SaniMark Centers). Enterprises also relied on health extension workers for promised demand creation but often faced disappointing low sales results. Furthermore, MoU signing didn’t necessarily guarantee commitment from signatory sectors as roles were often not carried out by the assigned sectors. For instance, while MFIs signed the MoU, they often did not provide loans to sanitation enterprises. The same was also true for TVETs which were often challenged to provide training and supportive supervision.
due to financial constraints and lack of priority given to sanitation businesses.

Generally, successful SaniMark Centers report strong political support, ongoing assistance, and collaboration with committed partners on product diversification, supportive supervision, demand creation, and business development. Product diversification to enhance business feasibility, ranging from concrete slabs to menstrual pads, water treatment chemicals to hygiene products, is reported to be a key coping strategy.

Despite the initial capital injection from the FMoH which improved the efficiency in the construction of the centers, the ultimate hurdle remained the self-sustaining capacity of enterprises.

**World Vision WASH Business Centers**

Rooted in the same philosophy and operating under a similar model to government led SaniMark Centers, the World Vision centers promote local innovation to solve sanitation issues within the local communities through substantial initial investment (World Vision, 2023). The working manual prepared by World Vision for WASH Business Centers outlines three key intermediate outcomes:

- Providing acceptable and sustainable WASH products and services
- Offering affordable WASH products and services that align with value propositions
- Establishing easily accessible, one-stop WASH products and services

Constructed through collaboration between World Vision and district government partners, these centers strategically target unemployed youths to address the community sanitation challenges. They equip entrepreneurs with training, resources, and support to launch and manage sanitation businesses.

Though both World Vision WASH Business Centers and government SaniMark Centers share the same philosophy, the level and nature of support differ. World Vision allocates around 15,000 to 20,000 USD per center, covering establishment costs, raw materials, marketing, promotion, and training. Notably, World Vision adheres to a policy of non-direct cash support delivery and mainly provides in-kind support.

World Vision has established 47 WASH Business Centers across five Ethiopian regions since 2018: Amhara, Oromia, SNNPR, Sidama, and Tigray. These centers offer a comprehensive range of WASH products and services, including latrine slabs, handwashing facilities, liquid soap production, menstrual hygiene products, and water treatment chemicals. They have also reported providing services to households such as water line extension, maintenance, and latrine slab installation.

**USAID Transform WASH Business Incubation Centers and Business Development Training Centers**

The T/WASH business models have evolved over the years since 2017, adapting to consumer needs and local policies. The models began with advanced and basic toilet manufacturing, along with creating supply chains for plastic sanitation and hygiene products (Transform WASH, 2022). Currently, T/WASH is also implementing WASH Business Incubation Centers and Business Development Training Centers, aiming to boost the success of WASH entrepreneurs through various business support resources and services, including physical space, capital, production items, coaching, common services, and providing networking opportunities.

While Business Incubation Centers are used by specific assigned enterprises or entrepreneurs for a limited period of time, the Business Development Training Centers mainly focus on training. A range of enterprises and entrepreneurs get the opportunity to continuously learn about new technology and business ideas. The
incubation center concept primarily aims to serve business operators equipped with technical expertise, business skills, and an entrepreneurial spirit in the T/WASH operation districts. Operators pay rent for using the facility and space and contribute to the expansion and upkeep of the center. After a predetermined period (i.e., maximum of two years), operators are expected to graduate and establish their independent WASH businesses.

Multiple stakeholders have defined roles in establishing and managing the WASH Business Incubation and the Business Development Training Centers. Key actors include the woreda WASH technical working group, Woreda Health Office, TVETs, MFIs, and micro and small enterprises. The woreda WASH technical working group owns and oversees the incubation and training centers, while collaborative efforts of the technical group, TVET, and Woreda Health Office provide business development support and monitor progress.

Businesses undergo rigorous screening based on objective criteria before signing a contractual agreement with the woreda WASH technical working group to operate the Business Incubation Center. The group manages the center’s maintenance, expansion, and conditions. During operations, operators offer a range of WASH products and services, including sanitation products (such as latrine slabs and rings), water treatment products, water filters, spare parts for rural water points, and latrine installation services.

Despite being a well-conceived business development approach rooted in theoretical frameworks and practical experience, progress thus far has been limited to initial preparation and implementation stages.

Finish Mondial sanitation marketing based on diamond model

FINISH Mondial (Financial Inclusion Improves Sanitation and Health) adopts the “Diamond Model” - an encompassing approach addressing both sanitation supply and demand. Named after its four key stakeholder groups (communities, businesses, financiers, and governments) the model harmonizes efforts for local sanitation market development and inclusive scaling. Spearheaded by WASTE, Amref Flying Doctors, and Aqua for All, this international public-private partnership (PPP), supported by the Dutch government, focuses on widespread sanitation services mainly providing options for full toilet construction. Through multi-stakeholder engagement, the model covers the whole sanitation value chain. In Ethiopia, the project operates extensively in the Rift Valley region, i.e., in the Adama, Shashamane, and Negelle Arsi districts.

FINISH Mondial operates on the premise that accessible finance, involving banks and MFIs, enhances sanitation coverage, thereby improving health and economic conditions. The approach expands sanitation accessibility through financial inclusion, targeting those with willingness and capacity to pay. It links underprivileged households to financial institutions to obtain sanitation loans.

The approach also engages sanitation service promoters to stimulate demand, offering consumer-centered products with health, time, convenience, and privacy benefits. By raising awareness for safe latrines, the model believes communities will buy and build latrines.

Differing from the government led SaniMark Centers, FINISH Mondial usually partners with existing businesses, offering them essential support and training. Entrepreneurs gain financial autonomy or access loans via coaching and MFIs. To mitigate risks related to defaults and delays, MFIs receive a guarantee fund. Households can also access complete
toilet solutions through loans from MFIs. Upon eligibility confirmation of the households, vendors install the toilet. After approval of the installation of the toilet at the household, MFIs release funds to business partner accounts. The direct payment of the household loans to the business partners is intended to prevent loan diversion. The loan repayment rate by households is reported to be very high i.e., 99 percent at 14 percent interest rate.

Toilet designs encompass all options, including solid superstructure for privacy and customizable concrete floors. Costs for a full toilet construction are relatively high, ranging from 12,000 to 30,000 ETB (approx. 220 to 550 USD). While primarily tailored for wealthier households in peri-urban settings, the model's durability and comprehensive features remain its strengths.

**USAID T/WASH entrepreneur-based approach**

T/WASH, an activity dedicated to creating a thriving market for sanitation in Ethiopia by fostering collaborative partnerships, engages with individual business partners. These partners, including construction contractors, local masons, and retailers, have reported receiving comprehensive support to strengthen their businesses. Targeted business development support (as per the needs of individual businesses) includes training, coaching, access to finance, providing samples of safely equipment, marketing and promotional materials, networking opportunities, legalization, and data management support. Focus has been given to the construction of improved toilets for rural households with simple latrine upgrade services costing less than 3,000 ETB (approximately 50 USD).

This approach is believed to stimulate growth not only in terms of revenue for individual business partners but also in the broader establishment of viable supply chains from the national level down to the community level. The business partners have generated supplementary income, mainly from the sale and installation of SATO pans and AIM slabs. According to a previous assessment by T/WASH (Transform WASH, 2022), there are 559 trained business partners in T/WASH implementation districts of which 439 (49 percent) have been reported to be active or retained their partnership with the project.
3.2. Strengths and weaknesses of the approaches

<table>
<thead>
<tr>
<th>What worked</th>
<th>What did not work</th>
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<tbody>
<tr>
<td><strong>Government SaniMark Centers</strong></td>
<td>• Constructing shelters and recruiting unemployed youths as per the MoU is in many instances not sufficient to sustain the SaniMark Centers. Many SaniMark Centers are no longer operational two years after establishment.</td>
</tr>
<tr>
<td>• FMoH providing dedicated funding allowed local government to establish SaniMark Centers (i.e., to construct shelters and recruit unemployed youths for training).</td>
<td>• Factors contributing to abandoning the SaniMark Centers:</td>
</tr>
<tr>
<td>• Signatories to the MoU were able to perform their respective roles using financial support provided to them.</td>
<td>o Centers located within health facilities or TVETs due to a lack of walk-in customers.</td>
</tr>
<tr>
<td>• Successful SaniMark Centers report strong political support, ongoing assistance, and collaboration with committed partners (e.g., for product diversification, demand creation, and business development).</td>
<td>o Centers focusing solely on manufacturing concrete slabs due to lack of demand and transport issues.</td>
</tr>
<tr>
<td><strong>World Vision WASH Business Centers</strong></td>
<td>o Centers have limited political support to create broad demand for improved sanitation facilities.</td>
</tr>
<tr>
<td>• Strong buy-in from local government, e.g., government provided land for the SaniMark Centers and established cooperatives.</td>
<td>• In some instances, free inputs provided to SaniMark Centers led to the sales of products/services below market price.</td>
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<tr>
<td>• Intensive training equipped cooperative members with valuable skills.</td>
<td>• WASH Business Centers struggle to maintain the quality standard after they run out of the initial material inputs due to difficulties in accessing quality chemicals from local markets, and limited linkages to existing supply chains.</td>
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<tr>
<td>• Local production of liquid soap was found to be a competitive and profitable business.</td>
<td>• Limited success with the installation of improved latrines (compared to the successful liquid soap production).</td>
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<tr>
<td>• WASH Business Centers are more sustainable than other SaniMark Centers mainly because of the intensive support and advantageous locations of the centers (i.e., close to markets or separate sales outlets).</td>
<td></td>
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<tr>
<td>What worked</td>
<td>What did not work</td>
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<tr>
<td>------------------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>USAID T/WASH Business Incubation Centers</strong></td>
<td></td>
</tr>
<tr>
<td>• Centers are well institutionalized thanks to the prerequisite of active engagement of local government in the establishment of a new center.</td>
<td>• Contrary to the initial concept, entrepreneurs often do not pay for the center’s services.</td>
</tr>
<tr>
<td>• Centers are more likely to be sustained because they are managed by existing entrepreneurs rather than newly formed cooperatives consisting of unemployed youths.</td>
<td>• Lack of clarity among stakeholders about the differences between Business Incubation Centers and SaniMark Centers (in reality, not much of a difference can be observed).</td>
</tr>
<tr>
<td>• A broad range of products is offered as centers are equipped with essential and reliable construction equipment.</td>
<td>• Some Business Incubation Centers are located in unfavorable locations such as inside health facilities or TVETs.</td>
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<tr>
<td><strong>USAID T/WASH Individual Business Partners</strong></td>
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<td>• Businesses are more likely to be sustained compared to SaniMark Centers, because they do not solely rely on sanitation products and services.</td>
<td>• While the T/WASH activities are well recognized by the FMoH, the current activity plan of the government to support MBS still focuses on the establishment of SaniMark Centers.</td>
</tr>
<tr>
<td>• Strong supply chains because business partners are linked along the whole supply chain from national manufacturers and wholesalers to local retailers and masons.</td>
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<td>• Business partners have reported receiving targeted support on business development and demand activation.</td>
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<td>• Married young female entrepreneurs are reported to produce promising results.</td>
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<tr>
<td><strong>FINISH Mondial Diamond Model</strong></td>
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<td>• Existing construction businesses are interested in providing services as the complete toilet options are more expensive and provide a higher margin.</td>
<td>• The approach mainly targets wealthier households in urban and peri-urban areas and may not be fully applicable in rural areas.</td>
</tr>
<tr>
<td>• Secured payment for masons as the loans are channeled to them instead of the household – repayment of loan is managed by finance institutions.</td>
<td>• While the FINISH Mondial activities are well recognized by the FMoH, the current activity plans of the government to support MBS still focus on the establishment of SaniMark Centers.</td>
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4. Lessons learned & recommendations

There is a growing understanding that SaniMark Centers run by cooperatives consisting of formerly unemployed youths, often tend not to be sustained. The reason for the high attrition rate is attributed to a mismatch between expected/promised and actual returns, the focus on a limited number of products manufactured by the SaniMark Centers (e.g., strong focus on concrete slabs) and the unfavorable location of many of the Centers.

Working with individual entrepreneurs is a promising approach – by providing them with targeted training and business development support to include sanitation products and services into their offering. Rather than establishing new businesses, it seems more promising to work with existing entrepreneurs. In most cases, sanitation products and services alone do not provide a profitable standalone business opportunity. Existing businesses can add sanitation products and services to their offering to generate some additional income. E.g. local masons offering minor construction work within their community can add the installation of toilet pans and plastic slabs to their offering.

Providing material inputs to SaniMark Centers increases the risk of non-targeted and non-smart sanitation subsidies. Cooperatives dissatisfied with the profitability of the SaniMark Center tend to start selling products below market price if they have received these inputs for free. This is expected to distort the market and make it more difficult to sell products and services at the actual market price at a later stage.

Key recommendations:

- Advocate for a shift away from center-based approaches towards more targeted recruitment, training, and business development support to individual entrepreneurs. A national level audit of SaniMark Centers may be conducted by FMOH to generate learnings and inform the way forward.
- Advocate for a shift away from district-level SaniMark Centers run by a newly composed cooperative towards training centers at higher levels (e.g., zonal or regional), where existing businesses, entrepreneurs and masons can be trained on suitable sanitation products and services.
- Closely document and track the successes and limitations of the entrepreneur-based approach, including success stories of business partners with a special focus on female entrepreneurs. Tracking the journey of business partners can help understand and resolve their pain points while also generating evidence and trust to see sanitation as a business.
- Explore how the sector can leverage the existing SaniMark Centers. For instance, some recruited individuals could be given additional business development support, while the centers could be handed over to individual entrepreneurs or redesigned to become training centers.
- Promote the National MBS Implementation Guidelines and the National Sanitation Subsidy Protocol to minimize unintended market distortion.
References


