

REQUEST FOR PROPOSALS
RULES & GUIDELINES
CITY PARTNERSHIPS FOR URBAN SANITATION SERVICE DELIVERY
IN AFRICA AND SOUTH ASIA

Objective

To test how cities can use binding service-level agreements and performance-based contracts with private sector partners as way to ensure the city-wide delivery of sustainable sanitation services that are equitable and provide both private (user) and public (health/environment) benefits.

Introduction

Forty percent of the world's population—2.5 billion people—lack access to improved sanitation facilities and over 1 billion practice open defecation; the consequences are devastating for human health as well as the environment. In rapidly growing urban areas, where household and communal toilets are relatively more prevalent, 2.1 billion people use toilets connected to septic tanks that are not safely emptied or use other systems that discharge raw sludge into open drains and surface waters, or onto community open spaces and urban agricultural fields.

The Bill & Melinda Gates Foundation (BMGF) and the UK Department for International Development (DfID) have initiated a partnership to focus on solutions for the sustainable provision of sanitation to the urban poor. This partnership is based on a shared vision of universal use of sustainable sanitation services. The foundation and DfID have made sanitation a key priority because it is a neglected area in which we can spur significant change. We make investments, forge partnerships, and advocate for opportunities that lead to radical and sustainable improvements in sanitation service delivery and extend services that are dignified, safe and affordable for everyone.

The BMGF-DfID partnership's strategic focus is on interventions that can transform the sanitation sector and provide alternatives to conventional wastewater treatment plants and conventional waterborne sewerage in densely populated settings. We focus on non-piped sanitation because this is the type of sanitation used by the vast majority of the poor and because conventional approaches cannot be delivered sustainably in most settings.

Very few cities and utilities are able to properly recover the costs of sewerage service provision. Even developed countries rely on water revenues and federal grants to subsidize the costs of providing sewerage services. These subsidies raise the costs of (and therefore can restrict access to) clean water supplies. Furthermore, conventional sewerage is water and energy intensive. This contributes to high financial costs, but is also an unsustainable and unreliable long term approach given the resource constraints we can reasonably predict due to climate change and natural resource scarcity. Sewered solutions, therefore, offer poor value for money in many of the settings that are already underserved and resource constrained.

Because the innovations we support can be most immediately valuable in densely populated areas, we invest in urban sanitation solutions, including developing and testing public policies for more effective sanitation service delivery and maintenance models in cities. Our priorities include identifying and testing delivery models that governments and the private sector can use to extend quality, end-to-end sanitation services to all residents of a city, not just those in wealthier neighborhoods. This means

partnering with cities, service providers and community-based organizations to promote markets with sensible and appropriate regulatory regimes, policies and concession schemes for fecal sludge industries, and billing/tariff policies.

Our strategy to improve sanitation services for all includes a focus on safely and sustainably collecting waste, removing pathogens from waste streams, and recovering valuable resources and energy. We also invest in understanding user preferences to build demand and deliver smarter, more appropriate, and more aspirational products and services to those who need them most, especially women and girls. Ultimately, improved sanitation will be a key to ensuring healthy, sustainable cities in the developing world.

Background

Many cities around the world identify sewer systems and wastewater treatment plants as the best available technology solution for city sanitation management. Accordingly, many cities have utilities or departments with a clear mandate to invest in and maintain sewerage services. However, the majority of the world's urban populations is not served by sewer networks and cannot reasonably expect this type of service in the future. Mandates, budgets, and service level performance targets for providing non-sewered sanitation services are, by and large, undefined at the city level.

The private sector can play an important role in delivering pro-poor sanitation services directly to users needing toilet and/or emptying services and to cities seeking to engage in non-networked waste transport and treatment opportunities (fecal sludge management). Lack of institutional clarity, however, undermines the private sector's interest in investing in this area of business. This lack of clarity also weakens a city's incentives and ability to ensure private providers deliver on commitments to extend service areas, deliver safe, quality services, or maintain affordability.

Missing budget allocations, mandates, and performance incentives at the city level, and underfunded, under-incentivized regulatory authorities are particularly harmful given the need for market coordination in the sanitation sector. In urban sanitation, the barriers to entry and market risks are high, while financial incentives are often low. This leads to either extremely fragmented or monopoly-like markets, resulting in scarce and/or illegal service provision, particularly for emptying and treatment services. This further raises the costs and prices of service provision and undermines incentives to deliver quality services.

City leaders may respond to political pressure around sanitation needs by making one-off investments that are not part of a coordinated or funded plan among agencies. The result for cities is often that:

- scarce government resources are invested repeatedly in non-performing contracts and infrastructure;
- the private sector under provides and over charges for essential services;
- the poorest pay significantly higher prices for substandard services relative to their networked neighbors, and/or pay for services with significant negative externalities (such as manual emptying).

Where a single agency has a clear mandate, budget and faces measurable performance targets for delivering quality sanitation services to all (piped and non-piped customers), then that agency is better able to engage private sector implementers in a performance oriented manner. Partnerships, however,

must be carefully crafted to ensure that private partners meet the city's service level standards in an efficient and affordable manner.

Sanitation sector donors are increasingly embracing results-based or outcome-based investment strategies that explicitly tie performance to payments.¹ Similar results based financing innovations have the potential to improve cities' engagement of private sector sanitation service providers. Energy and water supply utilities have experience with results based contracts and agreements that can inform stakeholders in the sanitation sector.²

The design of concession contracts, the contract bid process, sector regulations, and regulatory arrangements all have the potential to affect service outcomes.³ Policy makers can improve equitable service delivery by (1) making contract obligations objectives clear and easily measurable, (2) eliminating policy barriers to serving the poor (e.g. defining sanitation services only in terms of sewer connections, defining boundaries that exclude poor neighborhoods, including property title requirements), (3) paying only for quality performance that is consistent with pre-defined measurable service delivery targets and designing clear incentives for exceeding targets or delivering excellence, (4) having a clear and transparent regulatory framework that provides confidence in the quality of service but does not disincentivise private sector engagement and innovation.

Contracts must be designed to incentivize and enable providers to extend services that assure both private benefits (to users) and public benefits (protecting public health and the environment and assuring affordability for the poorest). Implicitly, well-designed contracts will incentivize providers to invest in new and innovative sanitation technologies. Many of the existing sanitation technologies that could be deployed are suboptimal in terms of:

- exposure to pathogens (both for users and providers);
- the cost structure (i.e. emptying operators spending more money on fuel and transport than on providing the actual service because of the need to make frequent and long trips to treatment stations); and
- limited resource recovery from the fecal sludge treatment process and therefore additional revenue streams for re-investment in sanitation.

Description of Opportunity

The United Kingdom Department for International Development (DfID) and the Bill & Melinda Gates Foundation (foundation) are collaborating to solicit proposals from cities that are interested in developing and testing models to engage the private sector in a coordinated, formal manner to ensure the delivery of equitable, sustainable sanitation services at a city level. Sanitation service delivery, inclusive of non-sewered fecal sludge management should already be, or be proposed to become, the responsibility of a clearly-identified municipal, state or nationally-sanctioned organization (i.e. a municipal waste authority or utility). That entity should expect to engage the private sector using

¹ <http://www.evidenceondemand.org/overview-report-donor-approaches-to-improving-access-to-finance-for-independent-wash-providers>, <http://www.wsp.org/sites/wsp.org/files/publications/WSP-Tremolet-Results-Based-Financing.pdf>

² http://siteresources.worldbank.org/INTWSS/Resources/WS9_EconReg_C.pdf

³ <http://web.mit.edu/urbanupgrading/waterandsanitation/resources/pdf-files/Komives-Bolivia.pdf>

performance-based contracts that tie to clear performance measures defined for responsible organization.

We expect to invest in cities where there is a clear mandate to provide urban sanitation services to all (not necessarily for free) and where engagement with the private sector is not actively precluded, with a preference for cities where private public partnership is encouraged.

We expect to select cities in a two-step process that will provide cities the opportunity to develop an informed plan and full proposal to solicit a grant. In Phase 1, we will select up to ten cities to engage with consultancy, research or non-governmental partner organization (“consultant”) of their choice in a six-month research and proposal development period. Selected cities will send teams to attend a launch workshop to learn about best (and worst) practices for designing public private partnerships. Teams will be composed of both key city employees and consultants. Teams will be expected to conduct a literature review and city-specific research effort to determine what opportunities might exist for engaging the private sector in sanitation service delivery.

Two key outputs are expected from Phase 1. The first is one or more publishable studies analyzing specific opportunities and policies that would enable the selected city to engage the private sector for delivering sanitation services to the poor. The analysis should include a detailed institutional analysis of the cities policies, regulations, budget flows and decision process, and authorities directly or indirectly related to sanitation service delivery – piped and non-piped (including drainage and solid waste authorities where relevant). Studies should demonstrate an understanding of the current private sector engagement in the city’s sanitation sector, new market opportunities for private sector partners including potential market opportunities for new sanitation technologies, and critical enabling policies and programs.

The second deliverable is a full proposal for how the city would use a larger grant to facilitate implementing the research-based policy proposal (Phase 2). In the proposals, cities should be able to demonstrate effective interest and investment in improving sanitation services for the non-networked poor. Cities’ partners should demonstrate capacity to provide technical assistance to cities which seek to improve sanitation outcomes but which require assistance to design, implement, and evaluate private sector contracts. Collectively, teams should have strengths in city service delivery, public-private partnership policy design, implementation, and monitoring and evaluation.

From the Phase 1 pool, we anticipate selecting 2-3 city teams for a larger Phase 2 grant to support implementation of their proposed plan with their consulting partner. The duration of the Phase 2 grant is expected to be 2-3 years. Sub-Saharan Africa and South Asia are priority geographies for consideration.

Specific policies or PPP programs targeted for Phase 2 do not need to be identified in this initial Phase 1 proposal; these can be identified during the life of the initial award. Consultant partners do need to be identified and the nature of the city’s existing relationship with the selected partner agency should be clearly outlined. Cities cannot apply more than once with different consultant partners; likewise, consultants should be listed in only one partnership.

The proposal will define the approach the consultant will pursue in the provision of technical assistance and may offer examples of types of programs with which they will collaborate; listing specific projects is

not necessary. The proposal should highlight prioritized learning questions to be addressed in Phase I and should indicate general interventions that could be explored under Phase I and why.

Who should apply?

We are looking for city-consultant partnerships that demonstrate evidence of long term commitment to sanitation service delivery and technical expertise and experience in designing and executing PPPs for the delivery of public goods and services. Effective commitment to sanitation service delivery could be demonstrated in the form of existing policies and programs (ideally funded at some meaningful level), anticipated projects, and/or clearly identified of service gaps to be closed. Teams should also have a demonstrated understanding of how non-networked services are being provided currently in their city (formally and informally).

PROPOSAL SPECIFICATIONS

Proposals will:

- Not exceed 7 pages in total (no unrequested appendices will be accepted)
- Identify the proposed grantee organization for the project
- Identify sponsoring city agency and name individual(s) to lead the project
- Identify consultant and name individual(s) to lead the project
- Include at least 2 research questions and interventions that would be explored
- Demonstrate that participating partners have experience collaborating at the city government level

We envision teams that can:

- Engage in a rigorous planning phase which will: scope out potential interventions, identify best practices for the delivery of those interventions, develop a criteria for the selection of projects or programs with which to partner, articulate a research agenda, and define an approach to monitoring and evaluation
- Design and execute rigorous evaluation plans, resulting in peer-reviewed products for publishing and dissemination to the scientific and policy communities
- Adopt an attitude of service and listening with institutions that will receive technical assistance
- Successfully work with government, NGOs, community groups, and private sector, as opportunities arise
- Show both bold vision and but also an appreciation of cost-effectiveness, sustainability, and good common sense in the approaches
- Strive to identify interventions or ways of designing interventions that have applicability beyond a single geographic area and can potentially be applied to large national areas

What is out of scope?

- Sewer-exclusive solutions
- Pit latrine-exclusive solutions; i.e. those that do not account for new technologies and the need for emptying and waste treatment.
- Proposals for sole funding of infrastructure projects. Funding for small scale infrastructure projects for the purposes of proving effectiveness are within scope **only if a binding commitment is made to fund the scale up upon proven effectiveness, with city funds**

(government or donor sourced) and institutional arrangements as described above are directly applicable/tested

- Applications that focus solely on subsidized interventions
- Applications that do not include strong performance or outcome-based concepts
- Applications that do not include private sector engagement
- Rural or behavior change projects

Budget Expectations

Phase 1 budgets should not exceed \$150,000.

Budgets should be organized into the following cost categories: personnel; required travel; supplies; contracted services; sub-grants and consultants. Partial or full support for equipment may be requested. However, any equipment purchased with grant funds is limited by law to charitable purposes for the depreciable life of the equipment. Please note that for many non- U.S. entities, U.S. tax law considerations may affect whether the Bill & Melinda Gates Foundation will permit purchase of equipment with a depreciable life that is greater than the six-month grant period. In such cases, leasing would be preferable. All budgets must be in compliance with the Bill & Melinda Gates Foundation's indirect cost policy: http://www.gatesfoundation.org/grantseeker/Documents/Indirect_Cost_Policy.pdf.

We have not yet set budget limits for Phase 2. We are always interested in cost-effectiveness, but we are open to a bold vision and the possibility that teams may leverage funds from other donors, the government, and existing projects.

Application Rules and Guidelines

Please respond using the Request for Proposal template found through [this link](#) on our application portal. Applications received that are not on this template will not be considered for review. A brief budget and budget narrative should accompany the proposal.

Please refer to our [Frequently Asked Questions](#) for additional guidance. All communication relating to the Request, with the exception of communications outlined in the Request for Proposal Instructions section below, including questions and clarifications, should be submitted via email to: GDWSHInbox@gatesfoundation.org.

Applicants, or their representatives, may not contact anyone else within the foundation or DFID regarding this Request for Proposal. Any violation of this requirement may result in disqualification from the selection process.

Submission Deadlines and Review Process

A Proposal in response to this Request should be submitted no later than September 13, 2013. The Bill & Melinda Gates Foundation and DfID will evaluate the proposals and applicants who have projects of further interest will be notified by October 2013. Additional information and revisions to the proposal documents may be requested by the foundation at this time. Representatives from the foundation and DfID will assess the merit of proposals; final selection decisions will be made by the foundation and DfID. Due to expected number of proposals, reviewers will not be able to provide individual feedback for proposals not selected. Notification of further interest and/or an invitation to submit a revised proposal

does not guarantee an award to the applicant. This Request for Proposals may be amended or canceled at any time.

- Proposals must be submitted electronically, using the forms and process described by following this [link](#).

The following schedule lists important deadlines and is subject to change:

Application Timeline

Key Dates and Deadlines	Events
15 July 2013	System open to accept proposals
13 September 2013	Application deadline for proposals
October 2013	Applicants notified of proposal status
Early 2014	Selected applicants are awarded stage 1 grants
Late 2014	Selected applicants are considered for stage 2 funding

Evaluation Criteria

Applications will be reviewed by the foundation and DfID officers, who will assess the overall quality of teams' proposal through the following lens:

- *Demonstrated* city commitment to engage in this type of policy and programmatic effort to improve non-networked sanitation service provision
- Expertise in economic regulation, PPPs, utility management, results based financing
- Programmatic expertise and experience in urban non-networked sanitation
- Strength and history of consultant-city relationships
- Expertise in institutional assessments of local governments and municipalities in particular
- Innovative concepts based on strong principles of economic policy and urban service provision
- Geographic and cultural expertise
- Capacity of lead institution to effectively manage a subsequent project with the city
- Cost of proposed work relative to its breadth and complexity

Eligibility Criteria

Applicant organizations for Phase I must be individual non-profit organizations, for-profit companies, government entities or other recognized institutions that can successfully execute the activities in their technical area.

Restrictions on Lobbying Activities

The foundation is prohibited from conducting or funding any lobbying or political campaign activities, as these terms are specifically defined under U.S. tax law. Unlike many of our grantees who may engage in limited lobbying, the foundation cannot lobby or fund any lobbying activities carried out by its grantees. We request that you please review the information at the following link, [Foundation Funds and Advocacy](#), to assess whether any of your proposed activities may constitute lobbying as defined by the IRS.

Global Access and Intellectual Property

The proposed project should contemplate “Global Access.” Global Access is a concept developed by the foundation to ensure that foundation-funded projects and the resulting products, services, processes, technologies, materials, software, data and other innovations (collectively, “Funded Developments”) will have positive impact on the disadvantaged populations targeted by the foundation’s work. Global Access requires that (a) the knowledge and information gained from the project be promptly and broadly disseminated, and (b) the Funded Developments be made available and accessible at an affordable price to our intended beneficiaries.

Management of IP (typically patents, copyrights, trademarks, trade secrets and rights in data) and the associated rights (“IP Rights”) created or accessed through funded projects, is often critical to achieving Global Access. The foundation acknowledges that obtaining IP protection for certain technology or information in certain markets is an appropriate component of Global Access, provided that IP Rights are managed in such a way as to ensure the broadest possible access to those most in need. Additionally, rights held by third parties must be evaluated to ensure they do not interfere with the objective of ensuring the availability and accessibility of products or services in terms of cost, quantity, supply or delivery to our intended beneficiaries.

You will be required to conduct and manage your project in a manner that enables Global Access.

Privacy Notice

To help The Bill & Melinda Gates Foundation staff in their evaluation and analysis of projects, all proposals, documents, communications, and associated materials submitted to the Bill & Melinda Gates Foundation (collectively, “Submission Materials”) will become the property of the Bill & Melinda Gates Foundation and may be subject to external review by independent subject matter experts and potential co-funders in addition to analysis by the Bill & Melinda Gates Foundation staff. Please carefully consider the information included in the Submission Materials. If you have any doubts about the wisdom of disclosure of confidential or proprietary information, the Bill & Melinda Gates Foundation recommends you consult with your legal counsel and take any steps you deem necessary to protect your intellectual property. You may wish to consider whether such information is critical for evaluating the submission, and whether more general, non-confidential information may be adequate as an alternative for these purposes.

We respect confidential information we receive. Nonetheless, notwithstanding your characterization of any information as being confidential, the Bill & Melinda Gates Foundation may publicly disclose all information contained in Submission Materials to the extent as may be required by law and as is necessary for potential co-funders and external reviewers, such as government entities, to evaluate them and the manner and scope of potential funding consistent with appropriate regulations and their internal guidelines and policies.

Warranty

By providing any Submission Materials, the sender warrants the Bill & Melinda Gates Foundation that they have the right to provide the information submitted. Applicants with questions concerning the contents of their Submission Materials may contact the Bill & Melinda Gates Foundation at: GDWSHInbox@gatesfoundation.org