

**USAID GLOBAL HEALTH  
SUPPLY CHAIN PROGRAM**

Procurement and Supply Management

# Contracting for Transportation of Public Health Commodities to the Private Sector

An Examination of Approaches for  
Contracting with Private-Sector  
Transportation Services



PRIVATE-SECTOR CONCEPTS



**USAID**  
FROM THE AMERICAN PEOPLE





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# Acronyms

<b>3PL</b>	third-party logistics provider	<b>IP</b>	implementing partner
<b>ABC</b>	activity-based costing	<b>KPIs</b>	key performance indicators
<b>ARC</b>	Africa Resource Centre	<b>LLINs</b>	long-lasting insecticide bed nets
<b>ART</b>	antiretroviral therapy	<b>MOH</b>	Ministry of Health
<b>ARVs</b>	antiretroviral drugs	<b>OS&amp;D</b>	overage, shortage, and damage
<b>BAFO</b>	best and final offer	<b>PBL</b>	performance-based logistics
<b>CPAF</b>	cost plus award fee	<b>PMBOK</b>	Project Management Body of Knowledge
<b>CPFF</b>	cost plus fixed fee	<b>POD</b>	proof of delivery
<b>CPIF</b>	cost plus incentive fee	<b>RFI</b>	request for information
<b>CPPC</b>	cost plus percentage of cost	<b>RFP</b>	request for proposal
<b>ePOD</b>	electronic proof of delivery	<b>RFTOP</b>	request for task order proposal
<b>FFP</b>	firm fixed price	<b>SDPs</b>	service delivery points
<b>FP-EPA</b>	fixed price with economic price adjustment	<b>SKU</b>	stock keeping unit
<b>FPIF</b>	fixed price incentive fee	<b>SOPs</b>	standard operating procedures
<b>GHSC-PSM</b>	USAID Global Health Supply Chain-Procurement and Supply Management	<b>SOW</b>	scope of work
<b>GPS</b>	global positioning system	<b>USAID</b>	U.S. Agency for International Development
<b>HAZMAT</b>	hazardous materials	<b>WHO</b>	World Health Organization





# Target Audience

**The primary target audience** for this guide is public health professionals who will be responsible for developing, issuing, and/or managing a service contract for the transportation of health products. Specialists or managers in contracts, procurement, transportation, and finance who will assist in designing, implementing, and monitoring a service contract are examples of this primary audience.

## **Additional target audiences include:**

- **Leadership of a central medical store** who supervise contract managers and who are accountable for the overall financial and operational functions of the central stores. These readers will find the introductory section helpful in understanding the overall objective of contracting for transportation services and may find the later details useful in understanding the structure of the service contract.
- **Ministries of Health and Ministries of Finance** that fund the central medical store's distribution activities. The ministries will find this document useful in understanding the responsibility and accountability that contracting for transportation services entails and the importance of a clear, detailed contract that will contribute to improving health product availability.
- **Donors** who have committed funding to health product procurement and may also fund in-country distribution operations or technical assistance. Donors will find this document useful in understanding how donated commodities may be transported if transportation services are contracted to the private sector.

## **This guide is intended for those who:**

- Are familiar with the procurement regulations in their context
- Are using any local standardized templates that may be required for government contracts
- Understand budget limits and other legal responsibilities that they must abide by

# Objectives

The objectives of this guide are to help readers:

- Determine **which segment** of transportation to outsource
- Understand different **contracting options**
- Decide **which contracting approach** best fits transportation needs and country context
- Understand **how to carry out** those contracting approaches

# 01.

## Executive Summary



PHOTO CREDIT: Anthony Abu | GHSC-PSM

## Contracting for Transportation Services for Public Health Commodities

This document serves as a guide for contracting for transportation of public health commodities to the private sector. The reasons for outsourcing transportation services to the private sector are examined, as well as the different options for contracting and the potential benefits and challenges of each option, enabling readers to make informed decisions about contracting for transportation to fit their particular needs and maximize benefits.

The information provided is most relevant to contracts, procurement, transportation, and finance managers making those outsourcing decisions. Donors, ministries of health and finance, and leadership of central medical stores may also find the information useful in understanding the contracting process and how strategic planning for contracting can help ensure satisfactory vendor performance and save money.

While the guide provides a wealth of information to help the reader understand the strategic decisions to be made about contracting for transportation services and the steps to conducting the contracting process, it is not an exhaustive resource. Other complementary literature on contracting is suggested and linked

throughout the guide to help readers access all the information they need.

### How This Guide Supports Decision-Making on Contracting for Transportation

The guide begins with an introduction that presents information to help the reader **get started with the decision-making process** for contracting for transportation services. This section addresses the sound reasons for contracting for transportation services, how to measure current costs and performance as a baseline reference to inform contracting, and the implications for deciding which segment(s) of transportation to outsource.

**Different contracting options** are then discussed, including the benefits and disadvantages of each:

- **The basic types of contracts:** How the supply chain institution pays the transportation provider
- **The level of competition allowed:** How many transportation providers are allowed to bid on the contract
- **The length of the contract:** Contracts can be short term for one

distribution or longer term for multiple distributions

- **The number of transportation providers receiving awards:** The contract can be awarded to one transportation provider or multiple providers
- **The use of key performance indicators (KPIs):** KPIs can be added to the contract, in addition to contract deliverables, to help improve transportation providers' performance

Throughout these sections on contracting options, the guide provides details on the **steps in the contracting process** for different combinations of options: developing a scope of work, understanding the market, developing a request for proposals, conducting the competitive process, selecting the winning vendor(s), and finalizing the contract with the vendor(s).

By understanding the reasons for contracting for transportation services, the different approaches for doing so, and the benefits and disadvantages of each approach, supply chain managers can make informed decisions on whether to outsource and which contracting approach fits their context.

# 02.

## Introduction



PHOTO CREDIT: Ken Twist | GHSC-PSM

## Why Contract for Transportation Services? What Factors Inform That Decision?

This guide looks specifically at contracting for transportation services to conduct distribution of health commodities in a public health supply chain system.

Some public health systems contract with third-party logistics providers (known as 3PLs) to provide broader logistics services, which may include freight forwarding, storage, distribution planning, and transportation for distribution. For countries that have not yet outsourced much or any of their health supply chain and logistics operations to private-sector service providers but see a potential need or benefit to doing so, transportation is often the most logical place to start before considering contracting for additional logistics services.

### Why Contract for Transportation Services?

Contracting for transportation of public-sector health commodities to private-sector transportation providers can be done to achieve **a few main results — for example, to:**

- Allow focus on the core business of ensuring positive health outcomes rather than supply chain management

- Improve transportation performance (e.g., speed, capabilities, accuracy)
- Bring about cost savings compared to the current costs for transportation
- Maintain or improve the availability of health products at service delivery points (SDPs)
- Reduce operational management burden

Also, contracting for transportation services offers other potential long-term benefits:

- **Country ownership and sustainability.** Contracting for transportation services should help the in-country supply chain become stronger while retaining a country government's oversight and stewardship of the supply chain.
- **Transparency and good governance.** The public sector supply chain institution, using guides like this one, can demonstrate that it has

followed regulations for running an open, competitive process or that it has a justification for being less than completely open (e.g., sole sourcing). By documenting the competition, evaluating technical proposals separately from financial proposals, and using an evaluation committee, it can be demonstrated that an effort was made to encourage healthy market competition.

- **Supply chain transformation.** Outsourcing to the private sector can become transformative, as it allows public-sector systems to become stewards of their supply chains rather than continuing to maintain significant public-sector infrastructure.
- **Long-term performance gains and cost savings through market growth.** As the private sector grows, the public sector can leverage that infrastructure to achieve further performance gains and cost savings that might not be achievable in the public sector alone.

### Determining the Current Transportation Costs

In some in-country public health supply chains, managers may not have data to



derive the total cost to transport health commodities from the top of the supply chain down to the last mile, which is referred to as the end-to-end cost. This may be the result of a lack of information about or visibility into actual costs. For example:

- Cost visibility and tracking may vary in certain segments of the supply chain (e.g., from the central medical store to regional warehouses, or from regional warehouses to districts).
- Supply chains may be sub-divided by program (e.g., HIV, TB, malaria) or product type (e.g., essential medicines, vaccines), and these parallel supply chains may use different methods of transportation.
- Non-transparent or indirect costs (e.g., costs for fuel, vehicle maintenance, per diems, and salaries for drivers and transportation managers) may not

be accounted for and allocated to transportation costs to determine the true total cost of transportation.

Supply chain operators who do not know the cost of operating end to end should conduct an activity-based costing (ABC) analysis to determine the true cost of transportation, as well as warehousing. This rigorous approach to measuring costs provides managers with cost information for individual activities and cost drivers in warehousing and transportation, which provides a reference point for evaluating a transportation provider's costs and comparing providers with each other.

For more on ABC, please refer to [Activity Based Costing in Public Health Commodities Supply Chains](#) from the USAID Global Health Supply Chain-Procurement and Supply Management (GHSC-PSM) project.

### Determining Current Performance and Setting Expectations for Transportation Providers

The ultimate purpose of public health supply chains is to ensure that the right products, in the right quantity and of the right quality, are in the right place at the right time so that clients receive needed essential health supplies. Supply chain managers should know what their supply chain performance is and routinely monitor it, enabling them to identify challenges, assess root causes, and determine solutions.

Supply chain managers can set key performance indicators (KPIs) to help them monitor and continually improve performance.

#### Some routine KPIs for transportation in a supply chain should include:

- On-time delivery, which is a metric used to assess a supply chain's ability to fulfill an order within a certain period of the promised delivery date—for example, not more than

three days before or seven days after the promised delivery date—as demonstrated through signed proof of delivery (POD)

- On-time and in-full delivery, which measures a supply chain's ability to fulfill an order in full, based on product availability, within a certain period of the promised delivery date
- Time to return POD to the issuing facility
- Value or quantity of goods lost or damaged during delivery

In deciding whether or not to contract for transportation, supply chain managers should use KPIs to determine which segments are underperforming so that outsourcing to enhance performance is justified. The KPIs also provide a performance baseline to better manage a contracted transportation provider and compare providers with each other.

### Contracting for Transportation Services for a Segment of the Supply Chain

Contracting for transportation services need not be an all-or-nothing decision. Transportation services can be contracted for certain segments of a country's supply chain, such as:

- Within the capital city, nearest to the central medical store
- Within a fixed radius (e.g., 50 kilometers) of a public health warehouse or distribution center
- For a limited number or type of products, such as cold-chain products
- At different levels of a health system—for example, from the central medical store to a regional warehouse, or from a district warehouse to facilities.
- Within a fixed geographic area—for example, in a single district, or in a more urban region



#### OUTSOURCING TOOLKIT FROM THE AFRICA RESOURCE CENTRE

For a broad overview of outsourcing, please refer to the [Outsourcing Toolkit](#) developed by the Africa Resource Centre (ARC), a decision-making resource for countries that are considering outsourcing to help improve supply chain performance.

The toolkit covers a **four-step outsourcing process**:

- Assessing
- Evaluating
- Contracting
- Implementing

**Enabler tools** are covered as well:

- Policy
- Advocacy and governance
- People
- Technology

Supply chain managers may choose to outsource transportation in urban areas only, because no transportation providers exist in rural areas. Or in a decentralized health system, supply chain managers may only have authority over part of the system.

Starting with certain segments allows supply chain managers to pilot contracting for transportation services. It might be useful to pilot in very accessible and contained areas, such as near the central medical store or in one district only. Piloting helps identify the benefits and risks of outsourcing transportation; validates the costing model and contracting approach and enables any needed adjustments to be made; and demonstrates how supply chain professionals and transportation provider personnel work together. If managers are then satisfied that outsourcing in one segment has been successful, it can be expanded to other segments.

### A Note About Strategic Sourcing Versus Spot Procurement

This guide details strategic sourcing methods, which emphasize proactive, longer-term procurement planning and contracting. Another type of procurement, called spot procurement, is sometimes used when an organization (typically a small organization) lacks the resources for longer-term planning and strategic sourcing, and/or encounters sporadic or unplanned circumstances that require rapid procurement of services. In these cases, organizations often secure services based primarily on the timing a service provider offers, and these services are typically priced according to the market price with no negotiation. Because this is not a strategic form of procurement, it is not covered in this guide.



### ADDITIONAL RESOURCES ON CONTRACTING FOR TRANSPORTATION SERVICES

- ARC's [Outsourcing Toolkit](#), a decision-making resource for ministries of health and public health organizations considering outsourcing as an option to improve supply chain performance.
- [Outsourcing the Distribution Component of Vaccine and Medicine Supply Chains](#). GAVI and Transaid. December 2015.
- [Outsourcing Vaccine Supply Chain and Logistics to the Private Sector](#). PATH and WHO. September 2012.
- [Logistics outsourcing by manufacturers in South Africa](#). Beverley Waugh and Rose Luke. Department of Transport and Supply Chain Management, University of Johannesburg. November 2011.
- [Emerging Trends in Supply Chain Management: Outsourcing Public Health Logistics in Developing Countries](#). The USAID | DELIVER PROJECT. July 2010.
- [Challenges of Outsourcing Transport Logistics](#). Clement Mills and Daniel Opoku-Akyea. Ghana Technology University College Graduate School. October 2019.
- [Landscape Analysis: Aligning Incentives in Supply Chain Management in Low- and Middle-Income Countries](#). The USAID Global Health Supply Chain-Procurement and Supply Management (GHSC-PSM) project. May 2019. Management (GHSC-PSM) project. May 2019



### RELATED SUPPLY CHAIN MANAGEMENT RESOURCES

- The [African Journal of Procurement, Logistics & Supply Chain Management](#) for more general information on supply chain management in Africa.
- The [MIT Center for Transportation and Logistics](#) for more general supply chain education and research.
- The Georgia Tech [Supply Chain and Logistics Institute](#), the largest supply chain and logistics leadership institute in the world.
- The [Association for Supply Chain Management](#) (ASCM), a global leader in supply chain organizational transformation, innovation, and leadership.
- [SAPICS](#), the professional body for supply chain management, offering training programs, internationally recognized certifications, and comprehensive resources.

# 03.

## The Basic Types of Contracts



PHOTO CREDIT: Farrinhouse | GHSC-PSM

## How the Supply Chain Organization Will Pay the Contracted Transportation Provider

The first step in contracting for transportation services is deciding on the contracting type. The **Project Management Body of Knowledge (PMBOK)** describes three broad procurement contract types in terms of how the contracting organization pays the contractor<sup>1</sup>:

- **Fixed-price** contracts (also called **lump-sum** contracts)
- **Cost-reimbursable** contracts (also called **cost-disbursable** contracts)
- **Time-and-materials** contracts (also called **time-and-means** contracts)

**Fixed-price contracts are the recommended approach** for contracting for transportation services in a public health system. The section below explains this type of contract and why it is recommended.

### Fixed-Price (or Lump-Sum) Contracts: The Recommended Approach

According to PMBOK, this category of contracts involves setting a fixed total price for a defined product, service, or result to be provided. These contracts are typically

used when the requirements (scope of work) are well defined and no significant changes of the scope are expected.<sup>2</sup>

### Types of Fixed-Price Contracts

Fixed-price contracts are divided into three categories:

- **Firm fixed price (FFP)**. In this simplest type of procurement contract, the contractor is contractually bound to complete the job within the agreed price and time. This type of contract is mostly used in short-term contracts with a very specific and known scope of work, to mitigate the risk of changes in scope. This contract is the easiest to float and receive bids, and it is evaluated on a cost basis, which can enable a fairly quick decision. FFP contracts are best suited to short-term

contracts with very specific and known tasks, to mitigate the risk of changes in scope. This ought to be mentioned.

- **Fixed price incentive fee (FPIF)**. In an FPIF contract, although the price is fixed, the contractor may receive an incentive if it performs well. The incentive can be tied to any project metrics, such as cost, time, or technical performance.
- **Fixed price with economic price adjustment (FP-EPA)**. An FP-EPA contract can be used for a multi-year agreement and provides price increases after a certain amount of time (e.g., each year) to account for cost-of-living increases. This protects the contractor from inflation.

### Potential Benefits of Fixed-Price Contracts

Once the contract is signed, the contractor is bound to complete the task within the agreed price and time. The contractor must carefully set its price and assume responsibility if calculations underestimated the cost because price cannot be

<sup>1</sup> Project Management Institute. *A Guide to the Project Management Body of Knowledge PMBOK®*, Sixth Edition. Newtown Square, PA: Management Institute, 2017, 471–472.

<sup>2</sup> Types of Procurement Contracts Used in Project Management. PM Study Circle: [online article](#) sourced in March 2021.



renegotiated unless the scope of work changes. This is a benefit to the contracting organization because it means that the risk of costs turning out to be higher than estimated falls on the contractor. For the contracting organization, all costs to be paid through the contract are known and can therefore be budgeted accordingly.

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### Potential Disadvantages for Fixed-Price Contracts

A consideration for the contracting organization is that if contractors are successful in winning a fixed-price contract by bidding the lowest price—perhaps a price that ends up being too low—they may then try to generate extra revenue by requesting a change in scope. Changes in scope may be warranted but they can be costly to the contracting organization and should be approached cautiously.

### Why Fixed-Price Contracts are Recommended When Contracting for Transportation Services

Contracting for transportation services for health commodities distribution is recommended to be of the fixed-price category because the scope of work is well defined and no significant changes are expected. The scope of work is the delivery of health products to fixed



3PL distribution of long-lasting insecticide-treated nets in Ghana. PHOTO CREDIT: Ken Twist | GHSC-PSM

locations (e.g., warehouses, hospitals, health centers).

The fixed price could be expressed as, for example, the cost to use a full 10-ton vehicle from the central warehouse to each of 29 provincial warehouses. The size of the vehicle provides the number of cubic meters (volume) of space to hold commodities, and the listing of 29 provinces would provide information about the number of kilometers (distance) to be driven. The contract might also specify if this is a one-time delivery or routine deliveries on a weekly or monthly basis.

Transportation service providers could then use this volume, distance, and delivery schedule information to determine a fixed price for its services. Or they could base their fixed price on one factor only—for example, a price per kilometer driven or a price per cubic meter of space filled.

A fixed-price contract still offers enough flexibility (as will be explained further in sections below) to include variations for fuel prices, road conditions, and the

size of vehicle used. When distributing health commodities, the volume, size, weight, and value of the products do vary but not so significantly as to require a cost-reimbursable or time-and-material contract (see sections below for an explanation of these contract types).

### Cost-Reimbursable (or Cost-Disbursable) Contracts

This category of contracts, as PMBOK states, involves payments (cost reimbursements) to the contractor for all legitimate actual costs incurred for completed work, plus a fee representing the contractor's profit. This type of contract should be used if the scope of work is expected to change significantly during contract execution.<sup>3</sup>

### Types of Cost-Reimbursable Contracts

Cost-reimbursable contracts are divided into four categories:

- **Cost plus fixed fee (CPFF).** The contractor is paid for incurred costs plus a fixed fee, regardless of

<sup>3</sup>Types of Procurement Contracts Used in Project Management. PM Study Circle: [online article](#) sourced in March 2021.

performance. Organizations use this type of contract with high-risk projects for which bidders may not be interested in competing.

- **Cost plus incentive fee (CPIF).** The contractor is paid for incurred costs plus an incentive fee based on achieving specified performance objectives stated in the contract. The incentive is calculated based on a formula defined in the contract. Often, the incentive is a percentage of cost savings—for example, if the project is completed under budget, the contractor will receive 25 percent of the savings.
- **Cost plus award fee (CPAF).** The contractor is paid for incurred costs plus an award fee, which is based on the contracting organization's satisfaction with the contractor's work according to specified performance objectives described in the contract. For example, if the contractor completes a task and the contractor's performance meets or exceeds quality standards, the contracting organization may give an award up to \$10,000 (U.S. dollars).
 

**Note:** The difference between an incentive fee and an award fee is that the incentive fee is objective, calculated based on a formula defined in the contract. An award fee is subjective, depending on the client's satisfaction with the contractor's work against performance objectives defined in the contract. An award fee is not subject to an appeal by the contractor.
- **Cost plus percentage of cost (CPPC).** The contractor is paid for incurred costs plus a percentage of these costs (e.g., 15 percent of costs).

### Potential Benefits of Cost-Reimbursable Contracts

This type of contract is typically used when the contracting organization does not have

Supply chain managers should know what their supply chain performance is and routinely monitor it, enabling them to identify challenges, assess root causes, and determine solutions.

a well-defined scope of work. Reimbursing contractors for all actual costs incurred for completed work, plus paying contractors an additional fee, helps attract bidders because it lowers the risk that the less-defined and changing scope of work will reduce or negate their ability to make any profit from the work.

### Potential Disadvantages of Cost-Reimbursable Contracts

Cost-reimbursable contracts place risk on the contracting organization. Since the scope of work is not well defined, costs are not known in advance. And since costs are not known and the contractor's performance is not yet known, the additional fees are also not known. These cost uncertainties make it challenging for the contracting organization to plan budgets and ensure budgets are not exceeded.

Cost-reimbursable contracts also require significantly more time to manage the contract because contractors must submit documentation demonstrating costs incurred. The contracting organization must then spend time reviewing, verifying, and approving these costs to be paid.

Also, since the scope of work is unclear, contractors may try to artificially increase their costs to increase their fee, especially with a cost-plus-percentage-of-cost model. One way for contracting organizations to minimize this is through proper monitoring or capping the profit at a certain percentage (e.g., 10 percent of costs).

### Why Cost-Reimbursable Contracts are Not Recommended When Contracting for Transportation Services

A cost-reimbursable contract for transportation services is possible, but as stated above, it would be more labor intensive because it requires significant management oversight. Transportation providers would have to provide documentation demonstrating costs incurred, and that documentation could be very detailed, requiring significant time to review, verify, and approve. For example, they could ask to be reimbursed for many small-value expenses, like the cost of road tools or maintenance items like filters and lubricant.

The burden of managing such a contract would be significantly higher for both the contracting organization and contractor than managing a fixed-price contract, and it would be unlikely to result in cost savings or performance improvement.

### Time-and-Materials (or Time-and-Means) Contracts

PMBOK describes time-and-material contracts as a hybrid of both fixed-price and cost-reimbursable contracts. Contracting organizations pay contractors for the time their staff spend performing the work, plus reimburse the cost of any materials used. The contracting organization sets the required qualifications and experience for the contractor's staff and can specify the hourly rate with a not-to-exceed limit.<sup>4</sup>

<sup>4</sup> Types of Procurement Contracts Used in Project Management. PM Study Circle: [online article](#) sourced in March 2021.

### **Potential Benefits of Time-And-Materials Contracts**

While this type of contract is commonly known for its use in the construction industry, it is also used often by a variety of organizations for staff augmentation, acquisition of experts, or securing of any outside support when a scope of work is not known and cannot be defined in advance. This enables organizations to quickly obtain the required staffing expertise and support to fill staffing gaps due to attrition or to augment staffing when the work needs change.

### **Potential Disadvantages of Time-and-Materials Contracts**

Like cost-reimbursable contracts, time-and-materials contracts place risk on the contracting organization in terms of unknown costs. Since the scope of work is not well defined, costs for staff hours and materials used are not known in advance. These uncertainties make it

challenging for the contracting organization to plan budgets and ensure budgets are not exceeded.

And like cost-reimbursable contracts, the time required to manage the contract by reviewing the contractor's cost documentation would be higher:

### **Why Time-and-Materials Contracts are Not Recommended When Contracting for Transportation Services**

In addition to the challenges mentioned above of cost uncertainty and increased contract management time, a time-and-materials contract is simply not a good fit for contracting for transportation services for health commodities distribution. Since the scope of the transportation work is well known in public health supply chains, the burden on both the contracting organization and contractor to manage this type of contract would not be justified.

### **More Resources on Contract Types**

For more information on contract types, please see the following resources:

- The Outsourcing Toolkit from the Africa Resource Centre
- A Guide to the Project Management Body of Knowledge: PMBOK® Guide, Sixth Edition. The Project Management Institute. 2017.



# 04.

## Levels of Competition for the Contract



PHOTO CREDIT: GHSC-PSM

## Number of Transportation Providers Allowed to Bid on the Contract Can Be Open or Restricted

After the contracting type is chosen, the next step is to consider the level of competitive bidding that will be allowed.

The government agency or supply chain organization that is seeking to outsource transportation services must issue a form of solicitation commonly referred to as a request for proposal (RFP). The RFP details the products or services sought, and interested vendors must submit a proposal to bid on the contract.<sup>5</sup> This process is often referred to as a tendering process.

Developing an RFP can take time to ensure the scope of work is fully considered and captured in detail. Supply chain managers must also pay careful attention to local regulations regarding how to issue an RFP (e.g., how it should be published, such as on a website or in a newspaper) and how long the competitive period should last. Overseeing a fair, objective competition often requires forming a committee of technical and financial professionals to evaluate proposals. In public health supply chains, public funds are often being used, so ensuring a thorough and objective tendering process is especially important to

demonstrate stewardship of taxpayer funds. Developing an RFP is covered in more detail in later sections.

### There are three competition types to consider for an RFP:

- **Open, competitive bidding**, in which the RFP is publicly announced and any organization that meets the criteria is invited to submit a proposal
- **Limited, competitive bidding**, in which the contracting organization declares only a few organizations eligible to bid on the RFP and invites them to submit a proposal
- **Sole-source bidding**, in which the contracting organization invites only one organization to bid on the RFP

### Open Competitive Bidding: *The Recommended Approach*

While limited competitive bidding or sole-source bidding can be appropriate

and necessary in specific situations (as described in the sections below), free and open competition is recommended for outsourcing transportation whenever possible.

The potential to obtain a lower price from a well-qualified transportation provider is the main benefit. The Corporate Finance Institute notes that “competitive bidding helps the buyers get the best price and contract terms for their proposals. It allows them to get the most qualified sellers of products and services while keeping costs low. They also get to work with sellers with a history of achievements and that are qualified to deliver specialized services.”<sup>6</sup>

### Potential Benefits of Open, Competitive Bidding

- **Lower price for quality.** When used to contract for transportation of health commodities, it promotes healthy competition among well-qualified transportation providers by competing on price and/or performance metrics.
- **Opportunity to understand transportation provider approaches.**

<sup>5</sup> Corporate Finance Institute, <https://corporatefinanceinstitute.com/resources/knowledge/other/competitive-bidding/>, retrieved March 13, 2021

<sup>6</sup> Ibid.

Open competition results in the most variety of proposed options, giving the supply chain manager the opportunity to understand how transportation providers will maximize their cost effectiveness and performance.

- **Opportunity to understand the transportation provider market.** For a transportation contract, nearly any organization that maintains a fleet of capable, quality vehicles could be competitive. Supply chain managers may not be aware of the number of these organizations that might be operating in other sectors in the area (e.g., construction, mining, telecommunications, or other infrastructure).
- **Fairness and transparency.** Open competition helps ensure that procurement is fair and transparent.

### Potential Disadvantages of Open, Competitive Bidding

- **Investment of time and money in the competitive bidding and evaluation process.** Open competition requires a larger investment of time and money to advertise, promote, and manage the solicitation for proposals.
- **Bidder reluctance.** Bidders may become reluctant to bid if they have responded numerous times to solicitations without ever winning, resulting in market dominance by a limited number of transportation providers.

### Limited, Competitive Bidding

#### When Should Limited, Competitive Bidding Be Used?

Limited, competitive bidding can be used to establish a list of pre-qualified transportation providers. Because nearly any organization with a fleet of vehicles may claim that its vehicles and personnel are capable, the supply chain manager would be advised to visit the transportation provider to conduct

an on-site inspection, review policies and procedures, and confirm that all drivers are licensed and fleet registered. The cost of such inspections may result in the manager limiting procurement to transportation providers that have previously passed such an inspection. The government or supply chain organization would then request proposals from this shortlist of transportation providers.

A limited pool of bidders is also a good option when transportation providers serving a particular geographic area, especially a hard-to-reach area, are few and well known by the supply chain organization. Having a pool of at least three bidders is often considered a recommended lowest threshold for demonstrating that there has been some level of competition. Consequently, if the manager can obtain at least three proposals and knows that the market is limited to only these three qualified transportation providers, a limited competition is feasible.

Limited competition may also make sense when a specialty service is needed—for example, transportation of cold-chain products, hazardous materials (HAZMAT) like lab samples, or sensitive medical equipment—and the transportation providers with this specialized capacity are known and few.

A limited pool of bidders may also be useful when time is short and/or the distribution requirements are urgent, such as in an epidemic or natural disaster.

### Potential Benefits of Limited, Competitive Bidding

- **Incentive to bid.** The direct solicitation for proposals can encourage transportation providers to bid because they are aware that they have specifically been invited to do so and that their chance of winning the bid is higher because of the limited pool of bidders.



### PREQUALIFICATION OF TRANSPORTATION PROVIDERS

Pre-qualification “is a process to pre-screen competing suppliers against a pre-determined set of criteria. This ensures the vendors have the baseline capacity and capability to provide goods and/or services before being invited to bid for a particular project/request.”

When contracting for transportation services, it may be valuable to visit a number of vendors in advance of issuing an RFP to prequalify them.

Supply chain managers can gain first-hand information about what the vendors are offering. A pre-qualification process could include interviews with previous clients; review of business licenses, vehicle maintenance records, driver licensing, and insurance records; confirmation of their fleet type and size; and discussion of locations served.

A pre-qualification checklist is helpful to ensure all needed information is obtained.

Source: [The Fundamentals of Vendor Prequalification: Definition, Process & Enablers](#). Jakob Eisele. PASA (Procurement and Supply Australasia). February 2021.

- **Lower investment of time and money in the competitive bidding and evaluation process.** Direct invitations to bid also reduce the cost for advertising, promoting, and managing the solicitation.
- **Opportunity to understand transportation provider approaches.** Limited competition remains an effective competitive process and should result in a variety of proposed options, giving the supply chain manager the opportunity to understand how transportation providers will maximize their cost effectiveness and performance.

### Potential Disadvantages of Limited, Competitive Bidding

- **Higher prices.** Limiting competition could result in transportation providers bidding higher prices than in open, competitive bidding.
- **Provider capacity does not match need.** Having a limited pool of bidders could also result in transportation providers not being the right provider for the transportation needs as in open, competitive bidding.
- **Lower service level.** Likewise, the limited pool of transportation providers may not provide as high a level of service.
- **Market limitation driving down competition.** Limited competitive bidding can limit the ability of new transportation providers to enter into the competitive process.
- **Lack of transparency, poor performance.** Using “urgency” as the frequent justification for limited, competitive bidding can lead to a procurement process that is not transparent and even unfair, resulting in the contract award appearing rigged or actually being rigged. This lack of competition and transparency can also result in poor performance from the transportation provider.

### Sole-Source Bidding

#### When Should Sole-Source Bidding Be Used?

Sole-source bidding can be used when only one bidder is known to have the capacity to distribute according to requirements. This may be especially true when there is a need for a specialty service—for example, transportation of cold-chain products, HAZMAT like lab samples, or sensitive medical equipment.

A sole-source procurement may also be useful when time is short and/or the transportation requirements are urgent. For example, in the event of an epidemic or natural disaster, only one transportation

provider may have access to necessary equipment, like boats, helicopters, or other specialty systems.

Sole-source bidding can be used when only one transportation provider serves a particular geographic area, especially a hard-to-reach area or a conflict zone where special travel authorizations are required.

Sole-source bidding can also occur when an open or limited competitive bidding results in a single proposal being submitted. In this case, supply chain managers should create a justification detailing why a sole source is being used. Managers who received only a single proposal should also consider if an over-specification of requirements led to the single submission (e.g., requiring more years of experience in transportation than all but one provider may have) or if they have limited their public announcement (e.g., if it's on a highly specific website forum or only in local print newspapers that do not reach international audiences).

#### Potential Benefits of Sole-Source Bidding

- **Speed of procurement.** Sole-source bidding enables the quickest procurement process to meet transportation needs in urgent situations, especially in the midst of an epidemic or natural disaster.
- **No investment in time and money in the competitive bidding and evaluation process.** Advertising publicly is not needed when only a single transportation provider exists or is qualified to bid, and evaluating only one provider's proposal requires significantly less time.

#### Potential Disadvantages of Sole-Source Bidding

- **Higher prices.** Sole-source bidding could result in higher prices than in open or limited competitive bidding.
- **Provider capacity does not match need.** Sole sourcing could also result in the transportation provider not

having the right capacity for the transportation needs as in open or limited, competitive bidding.

- **Lower service level.** Likewise, the transportation provider may not provide as high of a level of service.
- **New bidders kept from competing.** Sole sourcing can limit the ability of new transportation providers to bid on RFPs.
- **Lack of transparency, poor performance.** Using “urgency” as the frequent justification for sole sourcing can lead to a procurement process that is not transparent and even unfair, resulting in the contract award appearing rigged or actually being rigged. This lack of competition and transparency can also result in poor performance from the transportation provider.

### More Resources on Levels of Competition

For more information on level of competition for a contract, please see the following resources:

- The Outsourcing Toolkit from the Africa Resource Centre
- A Guide to the Project Management Body of Knowledge: PMBOK® Guide. Sixth Edition. The Project Management Institute. 2017.



Nampula Warehouse in Mozambique from 2018. PHOTO CREDIT: Michael Breard | GHSC-PSM



# 05.

## Length of the Contract



PHOTO CREDIT: Chris Norman | Chemonics

## Transportation Can Be Contracted for a One-Time Distribution or Multiple Distributions

After the contracting type and level of competitive bidding is decided, the next step is to consider the length of the contract.

When contracting for transportation services for public health commodities distribution, there are two choices for length of the contract

- A **short-term contract** for transportation for a **one-time (or one-off) distribution**
- A **longer-term contract** for transportation for **multiple distributions** (also called a **framework** contract)

The following sections examine these two options and then take the reader through the steps to contract for each.

### Short-Term Contract for a One-Time (or One-Off) Distribution

If the transportation to be contracted for will occur only once, this is referred to as one-time or one-off distribution.

Distribution of **long-lasting insecticide-treated bed nets (LLINs)** to protect against malaria is a good example of when contracting for a one-time distribution is commonly used. LLINs are usually

distributed to all households in a particular region before the rainy season, when the risk of malaria is high. These mass bed net campaigns require a significant investment in transportation and distribution resources over a short time period. The bed nets cannot be distributed with other pharmaceuticals or medical supplies due to the insecticide and chemicals used on them, so a separate distribution must be conducted.

Under these circumstances, outsourcing transportation for this activity would make more sense than diverting the vehicles used for routine distribution, and since the campaign happens over only a few weeks, it would not make sense to purchase vehicles for such a short time. While it may be possible to rent or lease vehicles, drivers would still be needed as well as someone to manage the overall transportation and distribution plan to multiple locations with multiple vehicles. Therefore, relying on a transportation provider with a fleet of vehicles and a staff of drivers and managers makes more sense.



### CAMBODIA

#### ONE-TIME DISTRIBUTION

A one-time distribution of malaria bed nets and hammocks was needed for a single geographic area, as it was the final unserved area. Because the quantity of nets and the routes were known, a fixed-price, on-time contract was chosen. An RFP was sent to six vendors, which is a form of limited competition, chosen on the basis of Internet searches and discussion with other partners that had done similar work. It was understood that the local market was not particularly robust. None of the vendors initially solicited responded.

A more simplified RFP was then issued to eight vendors, and three responded. Of these, one did not meet the technical qualifications. Of the remaining two, the more than 35 percent difference in price between them was the determining factor in selecting the vendor.

The selected vendor received a simple contract for this one-time service, limiting the risk to the supply chain organization. Because the deliveries take a short time, a one-time contract made the most sense for getting the products distributed.



Distribution of **x-ray machines or other heavy equipment** is another good example of when contracting for a one-time distribution makes sense. Given that these types of products are not generally procured or distributed frequently, a one-time distribution is generally the best option. The same is true for distribution of **microscopes or other sensitive equipment**, which require specific materials handling procedures.

### Longer-Term Framework Contract for Multiple Distributions

A longer-term framework contract allows the supply chain manager to award a contract for multiple distributions within a fixed period of time. Each distribution may involve a different quantity and volume of commodities or different routes.

The framework contract describes the services to be provided—for example, transportation to distribute 10 cubic meters per month of antiretroviral drugs (ARVs) to each of 20 hospitals in major cities, and 3 cubic meters per month of ARVs to each of 700 health facilities in urban and rural areas.

For each distribution, whether it is routine or off cycle, the supply chain manager issues a **purchase order** (sometimes called a task order, especially in U.S. Government contracting, or a work order) to the transportation provider. The purchase order specifies the quantity and volume of commodities to be transported and the delivery locations, and it gives the transportation provider a deadline for responding with proposed pricing for that specific work.

The transportation provider, knowing the exact volume and locations, is expected to propose the most efficient and cost-effective way to conduct the transportation for distribution—for example, using the smallest vehicle that would carry the entire volume to one location, or combining multiple deliveries in a single vehicle and taking a route that would allow delivery to different locations. The maximum (ceiling) price the transportation provider could propose would be specified under “unit costs for distribution” in its original bid for the contract (this is covered in more detail in later sections).

The supply chain manager may negotiate price with the transportation provider. Once the price is negotiated, the transportation provider agrees to conduct the stated distribution at that price.

The manager can issue as many purchase orders as necessary during the given period, recognizing that off-cycle distributions or distributions during some periods (e.g., the rainy season) may come at a higher cost.

The RFP for a framework contract could also specify that a purchase order could be issued with little advanced notice in the case of an urgent need or an emergency, such as a disease outbreak or natural disaster. Bidders could be invited to note what their cost would be for such emergency deliveries. They might specify that they would charge an additional percentage for urgent deliveries. The supply chain institution can also negotiate with the selected vendor, when preparing the final contract, about how the price might change for an urgent distribution.



### MALAWI FRAMEWORK CONTRACT WITH PURCHASE ORDERS

Malawi wanted a longer-term framework contract to distribute products over a three-year period. Over the three years, 29 purchase orders were issued for routine distribution. The framework contract therefore eliminated the need for creating, competing, awarding, and managing each distribution action, by awarding them to a single, qualified vendor.

A fixed-price sub-contract type was used because the quantities and routes were easily determined and not especially variable. The contract included negotiated, fixed prices so that when a distribution list was issued, it included a schedule of prices based on fixed rates per ton per kilometer, which made for quick pricing.

The framework contract type has also allowed for the use of emergency/urgent shipments from time to time, particularly during the COVID-19 pandemic, using the scheduled rates.

At the end of three years, another three-year contract was awarded, this time to a local vendor (versus an international vendor). Vendor performance has been managed not just by contract deliverables but also by having project staff in the field who provide feedback and perform spot checks. No problems with vendor performance have been reported.



Patient receiving medication in Malawi. PHOTO CREDIT: GHSC-PSM

The cost of an emergency distribution may need to be negotiated separately from the framework contract. However, since the framework contract specifies the ceiling rate for routine distribution, the manager will have some information to help judge the reasonableness of the additional fee(s).

## The Contracting Steps for a One-Time Distribution

This section looks at the steps involved in contracting for a short-term period for a one-time distribution. This assumes that supply chain managers have chosen the previously recommended contract type (fixed price) and competition level (open competition), and that the contract is being awarded to a single transportation provider. (Awarding multiple vendors is covered in a later section.)

### The following six steps in the contracting process are covered below:

1. Developing a **scope of work** (SOW)
2. Understanding the **market**
3. Developing a **request for proposal** (RFP)
4. Conducting the **competitive process**
5. **Selecting** the transportation provider
6. **Contracting** with the selected transportation provider

### I. Developing the Scope of Work for a One-Time Distribution

The scope of work, also called “terms of reference,” is the list of task-specific instructions that the transportation provider will be contracted to follow. Supply chain managers will need to think carefully about what to include and what not to include. Including too many requirements (e.g., brand specifications) may be over-specifying the requirements and may make it impossible for some transportation providers to bid. Requiring timelines that are overly ambitious may also discourage transportation providers

from bidding or disqualify providers who cannot meet those deadlines.

An SOW describes the overall objectives of the transportation services to be provided and relevant background information about the work. It then features three main parts, the:

1. List of tasks and requirements
2. Deliverables
3. Deliverable schedule

**List of tasks and requirements.** The task itself is relatively easily described—for example, pick up pharmaceuticals and related medical supplies from one or more warehouses and deliver them to their destinations. This is generally defined through a distribution list, which names the facility to be delivered to and the quantity in individual units, boxes, cartons, or pallets. (The section below on pricing describes how to format the distribution list.)

Because pharmaceuticals have specific handling requirements, particularly for temperature, the SOW should specify requirements intended to monitor shipments and maintain product quality, such as the following:

— **World Health Organization (WHO) reference.** Because it is difficult to foresee all possible distribution conditions and it would be difficult to list every requirement in the SOW, the SOW should make a broad reference to WHO practices:

- WHO Technical Report Series No. TRS 957, 2010, Annex 5
- WHO Model Guidance for the Storage and Transportation of Time- and Temperature-Sensitive Pharmaceutical Products (Technical Report Series No. 961, 2011 Annex 9), Guidelines for Temperature Control of Drug Products during Storage and Transportation (GUI-0069, 2011)

- WHO Guidelines on the International Packaging and Shipping of Vaccines (WHO/EPI/CCIS/81.0, 2002)

- **Temperature requirements.** If the products to be distributed include pharmaceuticals, requirements should be included to ensure temperatures are monitored. If the products include cold-chain items requiring cool storage (2–8 C) or frozen storage (–20 C), this will also need to be specified in the SOW.
- **Use of global positioning system tracking.** Transportation providers should be requested to provide global positioning system (GPS) access for real-time tracking of vehicles. The supply chain organization is not necessarily required to monitor GPS data, but this requirement demonstrates that the provider has the ability to provide immediate updates on the timeliness of deliveries. While a provider not offering real-time GPS tracking could be disqualified, the supply chain organization may choose to relax this requirement—for example, providers can be invited to provide a substitute tracking system that includes frequent check-ins but may not provide real-time data.
- **Use of documented standard operating procedures (SOPs).** Transportation providers should be required to confirm that they have documented standards for processes like loading and unloading, driver routing, security, chain of custody, and materials handling. As with GPS tracking, the supply chain organization may wish to relax this requirement if, for example, most of the SOPs are in place, with the provider agreeing to furnish the remaining SOPs before beginning the work.
- **Requirement for insurance.** One of the most important requirements included in the SOW

is the requirement for insurance for the commodities being stored or distributed. Although transportation providers are likely to have an insurance policy (or cover) for their vehicle and other vehicles and passengers in the event of an accident, they may not have insurance for the value of the items they are carrying. Given the value of pharmaceuticals in the event of theft, fire, or an accident, the supply chain organization would want to recover at least the replacement cost. Requiring that transportation vendors provide insurance will increase the cost of distribution but may be an important safeguard for public goods. (Some governments are “self-insured,” meaning that they absorb the cost in the event of a loss. It is possible for transportation providers to be self-insured, but it should still be made clear that the provider will be required to cover the loss of the commodities.)

**Deliverables.** In a distribution contract, the main deliverable required for payment to the transportation provider is a POD form. Once the goods are delivered, the transportation provider proves that the work has been accomplished by returning to the contracting organization a POD signed by the recipient of the goods. The POD should at a minimum list the name and quantity of each product and contain a signature line and date. Because the receiving facility is not always able to confirm that all cartons are intact and in good condition (e.g., not wet or otherwise damaged), PODs often include a statement noting that the recipient agrees that the shipment is received and that the recipient has a period (often one to two weeks) to report any discrepancies in product count or condition.

The POD can be a paper form signed by a person at the delivery site, or an electronic POD (ePOD) like a recipient signature on an electronic tablet or phone (also called

By understanding the reasons for contracting for transportation services, supply chain managers can make informed decisions on whether to outsource and which contracting approach fits their context.

“sign on glass”), a GPS-tagged, or a time-stamped photo taken with a cell phone or tablet that may include the recipient’s photo (with their permission) and the goods delivered. In the case of a signed, paper-based POD, a driver can submit it upon return to the warehouse or upload a photograph of it electronically before returning with the hard copy.

Supply chain managers may want to designate at least two staff members at the receiving facilities who can sign off on receipt to limit the possibility of false signatures. Some warehouse management system software packages may include an optional module for implementing an e-POD system.

A second deliverable in a distribution contract may be a summary report of an executed distribution plan noting quantities delivered by date/time, including recipient information.

**Deliverables schedule.** The SOW may specify that all deliveries should be completed within a fixed number of days after receiving the distribution list and should specify the date all PODs and the summary report are to be submitted. A more detailed schedule might provide additional expected dates—for example, that deliveries to geographic area A should be completed within the first two weeks and to geographic area B within the following two weeks. The summary report might be required within a fixed number of days after the final delivery has been completed.

See [Annex A](#) for a sample SOW and distribution list.

## 2. Understanding the Market for a One-Time Distribution

Managers looking to contract with transportation providers may not have an understanding of the marketplace of transporters and freight forwarders. Almost anyone could own one or a fleet of vehicles that might be used for the distribution of health products. Some companies that specialize in handling freight often have easily recognizable logos on their vehicles, but some may have unmarked vehicles.

In a one-time distribution contract, a **publicly advertised RFP process** should provide a pool of appropriate bidders, giving a better idea of the market. Supply chain managers who do not know the market may want to ask other programs about their use of transportation providers. Ministries dealing with emergency food distribution, agricultural products, mining and minerals, fisheries, and even education may have experience with transportation providers to share.

A request for information (RFI) to explore the market further is not usually necessary for a one-time distribution but is an option. RFIs are more commonly used when developing framework contracts. For more information about RFIs and how to use the information to inform the RFP, please refer to the section below titled “[Understanding the market in a framework contract: A request for information \(RFI\).](#)”

## 3. Developing a Request for Proposal for a One-Time Distribution

This section looks at how to determine pricing for an RFP and gives quick guidance on RFP templates.

**Pricing the distribution contract.**

Deciding how transportation providers will be asked to price their distribution services is one of the most important parts of competing this work.

Previously, the service fee established for distribution has been calculated as a percentage of the value of the commodities being distributed, an approach known as value-based charging. While straightforward, this approach is an arbitrary determination of the costs to provide distribution services.

For example, lightweight products of low value, such as cotton swabs, may be packaged in large boxes, which would then take up a lot of room in a truck. Calculating a distribution fee based on the value of these boxes would result in a relatively low fee. Conversely, high-value goods such as expensive medicines or laboratory reagents may be packaged in smaller containers, more of which could fit in a truck. Calculating a distribution fee based on the value of these boxes would result in a very high fee.

Similarly, it may seem logical to award a distribution contract on the basis of the total number of kilometers driven. But this approach also may not reflect the true cost.

For example, a supply chain may have delivery points A, B, C, D, E, and F, as shown in *Diagram 1* below.

The shortest, most direct path for the vehicle to travel is from the warehouse (A) to each point, then back to the warehouse. However, should road conditions change, a driver may take longer trips without the supply chain organization having the opportunity to determine if the change is valid. Also, in an exclusively per-kilometer payment, transportation providers may be incentivized to choose longer routes to increase payment.

Similarly, pricing based on the volume of products (in cubic meters) may make sense if the products are uniform in type and size, such as the aforementioned LLIN campaigns. But when products are different

sizes, the cost of distributing high-volume, low-value commodities is much higher.

Pricing based on weight (in kilograms) also has limitations because of differences in product size and packaging. For example, one kilogram of gauze requires more volume than one kilogram of condoms.

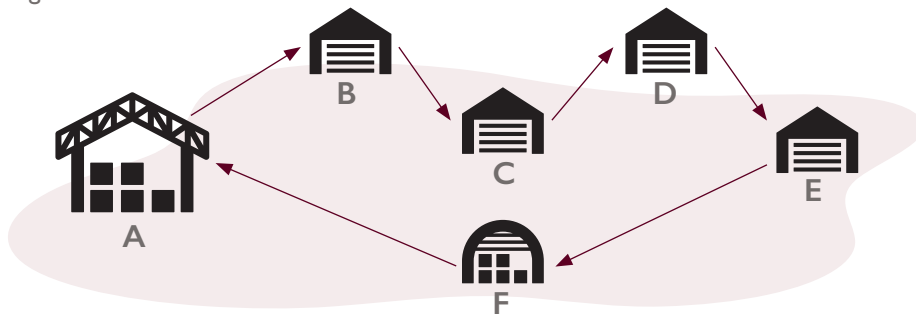
**The recommended approach for a one-time distribution is to price distribution by route.** In the RFP, the supply chain manager would create a distribution list that defines routes for a group of sites and defines the volume of the products to be distributed on those routes. The transportation provider would then propose a price based on the size of the vehicle needed for the defined volume and the costs for fuel and maintenance for the defined route.

**Note:** Routes are one way only. Return trips must be factored into a transportation provider’s price.

It is also possible for the supply chain manager to provide all bidders with a copy of the shipping documents for each product, which would include volumetric information, and ask the transportation provider to calculate the value for cubic meters. Because transportation providers might want to determine their own routing, it is also possible to ask providers to fill in the route distance in kilometers. The proposed provider price, however, will be the determining factor for the contract award.

While creating the distribution list for the RFP may be additional work for

Diagram 1



Route	Product Name	Quantity	Total Volume (cubic meters)	Distance To Be Driven (kilometers)	Transportation Provider’s Proposed Price
Location A to Location B					
Location B to Location C					
Location C to Location D					
Location D to Location E					
Location E to Location F					



the manager; the result should be clear, comparable information for decision-making and fair and appropriate pricing.

**Other sections in the RFP.** For other sections that should be included in the RFP, see [Annex B](#) for a sample RFP for a one-time distribution and [Annex C](#) for a sample RFP for a framework contract. Supply chain managers may already be familiar with standard RFP information and formats, as they are not unique to distribution. Managers who are not familiar should check in their organization for an existing RFP template for soliciting services.

#### 4. Conducting the Competitive Process for a One-Time Distribution

Once the scope of work and RFP have been prepared, the next step is the competitive process.

**Issue the RFP.** The supply chain organization would first issue the RFP and publish it publicly (for open competitive bidding), usually online and in local, regional, and even international newspapers as appropriate. Supply chain managers who are unfamiliar with local standards for procurement should seek guidance as to where and how government procurement is advertised and what costs for advertising are considered reasonable.

**Allow written questions from transportation providers.** It is a best practice to allow potential transportation providers to submit written questions about the RFP and the SOW, as bidders may identify errors or contradictions in these documents. The manager may set a deadline for receipt of questions. Questions are then answered publicly so that no provider gains an unfair advantage and to ensure that all providers understand how the RFP and scope may have been modified.

**Conduct a bidder's conference as appropriate.** If the RFP and SOW

are particularly complex, it may be advantageous, after issuing the RFP, to invite all potential transportation providers to a meeting, called a bidder's conference. This is generally a one-day (or shorter) meeting in which all interested transportation providers are invited to meet with the supply chain manager, hear an overview of the requirements and process, and then ask questions and answers. Bidders who have not previously contracted with the supply chain organization may have questions about payment, their liability while storing or distributing goods, or manager expectations for performance. Attendance at a bidder's conference is usually not mandatory. Minutes of the bidder's conference can be published for all bidders, even those who did not attend.

**Accept bids.** A formal process for how bids are to be submitted (e.g., electronically or a certain number of printed copies, or both) is usually defined in the RFP. A deadline should also be set in the RFP beyond which bids may or may not be accepted, with the manager deciding if late bids will be given the same consideration as others. As noted in the sample RFPs in Annexes B and C, the cost proposal, when required to be submitted as a hard copy, is often requested to be sealed in a separate envelope or as a separate file attached to an e-mail.

#### 5. Selecting the Transportation Provider for a One-Time Distribution

In advance of receiving the bids, it is best practice to establish a small committee of people who will review the proposals coming from the transportation providers. This group can be made up of technical staff to evaluate the technical proposals and financial staff to evaluate the cost proposal. The committee should be empowered to choose the winner or to make a recommendation to other decision-makers who accept the decision of the committee as being technically and financially sound. No member of the committee should have any connection, real or perceived, to any bidder.

**Scoring technical proposals.** In the RFP, the technical criteria for making an award should have been described. This is frequently done by awarding a total of 100 points among the different requirements in the RFP as a "scorecard," as shown in an example below.

The weights assigned on the scorecard should be appropriate for a distribution contract. For example, past experience in and references for similar distribution work, even if outside the health sector, is often given significant weight, since new entrants into the field may not have on-the-ground experience in the health sector.

Distribution Score Card		
Criteria	Maximum Score	Score
Technical capacity: technical approach, methodology, and detailed work plan	25	
Capability to provide comprehensive in-transit tracking and written POD with routine updates	20	
Established standard operating procedures that comply with WHO Good Distribution and Storage Practices for Pharmaceutical Products (e.g., customer service, maintenance/servicing for vehicles in fleet, security)	20	
Corporate capabilities, experience, and past performance in either the health sector or other sectors	35	
<b>Total</b>	100	

The scorecard should be completed by each committee member; then, the committee should meet and discuss the scores. A final score should then be assigned to all transportation providers, which is often the average of the individual scores.

Next, the procurement committee should set a level for bids that are considered technically qualified or in the “competitive range”—for example, a score of 70 points or higher. Bids outside this range are no longer considered.

If possible, committee members can be given time to conduct on-site inspections of bidders in the competitive range to confirm their technical capacity and to re-score an element if it proves different from what the transportation provider described in the bid.

At the end of the committee’s discussion, the scores and notes from each committee member should be collected. Notes of the committee’s discussion may also be useful in case the decision is questioned.

**Scoring cost proposals.** Cost proposals should not be opened until the technical review is completed to ensure the most competent bidders are considered equally. In general, the lowest-cost, technically competent bidder is favored.

Understanding the cost proposal can be challenging if the RFP did not specify pricing, and the total costs from each bidder can appear quite different. In these cases, reviewers should work to understand how the costs were generated. A bidder may have included many extras that were not required, or it may have proposed a complicated pricing mechanism that allows for additional charges beyond what the supply chain organization anticipated. It may also be that the lowest-cost bidder set too low a price, which may reflect a lack of understanding the true cost rather than simply being the lowest cost.



### OPEN-BOOK CONTRACTING IS ABOUT TRANSPARENCY AND CONFIDENTIALITY WHEN CREATING A COST BUILD-UP

Asking 3PL bidders to share their cost build-up in detail is also referred to as open-book contracting. It requires vendors to share details that they might consider proprietary, so a supply chain organization should assure them that their detailed pricing will be kept confidential. Open-book contracting makes costs transparent, allowing the supply chain organization to see the factors that went into determining costs—for example fuel, maintenance, insurance, driver allowances, road fees (e.g., tolls), and the bidder’s fee (or profit). Bidders who are unwilling to share

this information may not be good long-term partners. The 3PLs that do not share should know that their prices will be taken as the definitive response, which may make their bids less competitive or may hold them to a price that they would otherwise want to negotiate. Once a contract is agreed to, the supply chain organization should not be expected to pay any additional costs without written pre-approval. Costs that do not meet the criteria are disallowed and the contractor must bear the cost themselves from its fees.

In a complex bid for distribution, questions will likely arise about bids due possibly to poor wording or incomplete information in the bidder’s proposal. The supply chain organization then submits written questions to bidders asking for clarifications. Questions and answers should be submitted in writing, as oral presentations risk influencing the outcome inappropriately.

It can be valuable to ask each bidder how they developed their price, often called a cost build-up. While bidders may be hesitant to share these details if they are viewed as proprietary, they may be less hesitant if they know they are in the competitive range and being evaluated on the basis of price. Therefore, managers should be sure to inform transportation providers of this. (See box for more information on cost build-up.)

When a small number of bids are technically competent and close in price, the supply chain organization may want to negotiate until the bids are similar in price. This is done by requesting a best and final offer (BAFO) from the bidders. The BAFO process can also be used with a single bidder to help clarify or lower the bidder’s costs.

**Awarding the contract.** Once BAFO offers are received, the supply chain organization makes the final decision on which transportation provider will be awarded the contract.

The transportation provider selection process generally ends with a written memo documenting the procurement process, called a negotiation memo. It should contain any documentation that will be filed for future reference should any dispute arise.

#### The negotiation memo can include:

- Copies of the SOW and RFP
- Advertisements run, along with a list of places advertised and dates
- Questions submitted from bidders and the responses
- Names of bidders
- Names and titles of staff members on the evaluation committee and an affirmation that they do not have an interest in the outcome, have not received any benefit, and have no affiliation with the bidders
- Scores for each bid for each committee member, as well as the consensus scores





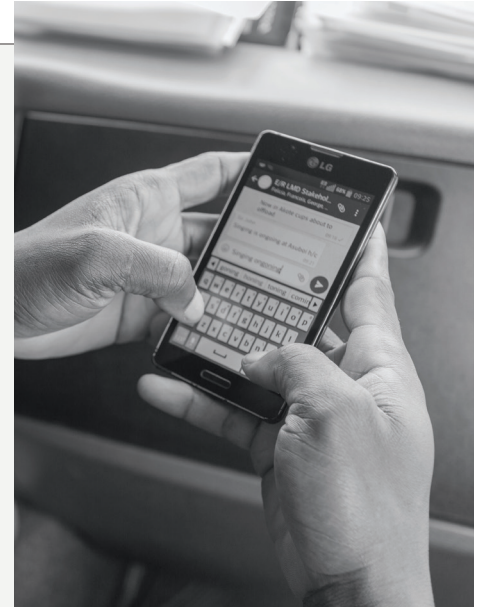
## AN EXAMPLE RFI FOR ROUTINE DISTRIBUTION

### Background:

The Ministry of Health seeks distribution companies with the ability to deliver family planning products to district warehouses within 3 regions, Regions A, B, and C. The products will be picked up from the central medical store and distributed monthly. About 40% of the volume of products will be distributed in Region A, 35% in Region B, and 25% in Region C.

Interested bidders are asked to respond to the following questions:

- Does your organization have the capacity to pick up, distribute, and drop off the products to all districts at all times of the year? If not, what is your capacity? Please state which districts you have capacity to deliver to on a monthly basis and which times of year may affect your ability to deliver.
- What capacity do you have to further distribute the products to health centers and health posts within the districts?
- Please describe your truck fleet in terms of number of vehicles, size, and volume.
- Bidders are expected to return proof of delivery (POD) in the form of signed receipts. Does your organization have the ability to collect and deliver PODs electronically?
- What type of real-time or near-real-time vehicle tracking are you able to provide?
- What else do you think the MOH needs to know about this activity for it to be successful?



Staff using WhatsApp while delivering supplies in Ghana. PHOTO CREDIT: Farmhouse | GHSC-PSM

The SOW should include the same general requirement as for a one-time distribution contract (e.g., requiring closed vehicles, licensed drivers, and GPS tracking of vehicles).

## 2. Understanding the Market for a Framework Contract with a Request for Information

In a one-time distribution, publication of the RFP can be sufficient for generating enough interest by transportation providers and, therefore, understanding the market. But because a framework contract can result in awards that last for a year or more, managers may want to more thoroughly explore the transportation provider market by **publishing an RFI**. An RFI, like the RFP, is usually published online and in local, regional, and even international newspapers.

RFIs can also be helpful if it is not entirely clear how any activity might be accomplished or if supply chain managers are not sure if they have the information to define the scope of the activity. RFIs can also request ideas from potential transportation providers if the

project is particularly complex or if the manager wants to know about potential future capacities—for example, the ability to conduct a one-time delivery of microscopes for a malaria program.

The RFI should state that responding to it is not obligatory, nor does it affect eligibility to bid later. The RFI should also state that the supply chain organization is not obligated to issue an actual RFP and will do so only at its discretion.

Once supply chain managers receive results of the RFI, they should consider what they suggest. It may be that transportation providers lack the ability to distribute goods to specific locations; that distribution during the required time period will be challenging; or that it may require a multi-award to make sure all locations can be covered given provider capabilities.

## 3. Developing the RFP for a Framework Contract

The RFP in a framework contract is the same as for a one-time distribution contract.

The difference is that an RFP should include a clause that notes that issuing the RFP does not obligate the supply chain organization exclusively to the transportation provider that wins the contract. This permits the supply chain organization to award no work to the winner in a competitive process and reserves the right to make separate awards to other transportation providers. While a supply chain organization would not issue an RFP for a period longer than regulations would permit, by including such a clause in the RFP, the supply chain organization can sign for the longest time possible while preserving its flexibility if a transportation provider's performance or pricing is not meeting the needs.

## 4. Conducting the Competitive Process for a Framework Contract

In a framework contract, the competition and award steps remain the same, but the supply chain manager may want to expand the methods of advertising, extend the period for responding to the RFP, and extend the period for questions and answers.



## 5. Selecting a Transportation Provider for a Framework Contract

The process for selecting a transportation provider is the same as for a one-time distribution contract, but the supply chain manager may want to allow additional time for reviewing bids to be able to ask providers more detailed questions and/or make site visits to potential vendors to confirm that their operation is as they describe it; to confirm that the fleet is of the size, age, and qualities they proposed; and to meet with senior managers to confirm that they understand the financial arrangements (e.g., that costs will only be reimbursed, meaning no financial deposit will be given in advance; that payments will be made within a standard number of days). This additional step serves as a sort of pre-qualification that the transportation provider is ready and capable of executing the work.

## 6. Contracting With the Selected Transportation Provider and Using Purchase Orders Under a Framework Contract

In a framework contract, the supply chain manager will issue a purchase order for each distribution. A purchase order is the same as the SOW for a one-time delivery—it includes a distribution list, a list of deliverables, and a deliverables schedule. A purchase order should specify the quantities, volumes, and delivery locations, and managers would then expect to pay for the smallest vehicle that would carry the entire volume or to combine deliveries in a single vehicle.

Unlike with a one-time contract, the manager would issue a purchase order to the transportation provider and give the provider a deadline for responding with pricing for that specific work.

A transportation provider, knowing the exact locations and volumes, will likely propose routing with multiple stops along the way. The maximum price is taken from what the transportation provider offered



Driver transported medications at an ARV warehouse facility in South Jakarta, Gudang Jaksel, Indonesia. PHOTO CREDIT: Andi Gultom | GHSC-PSM

in the “unit costs for distribution” table from its bid.

For example, in the transportation provider’s bid, the route “central warehouse to regional warehouse A to central warehouse” may have been bid at \$100 for a 5-ton truck. The route “central warehouse to regional warehouse B to central warehouse” may have been bid at \$200 for a 10-ton truck. A purchase order specifying a delivery to both regional warehouses would have an absolute maximum cost of \$300, assuming that A and B were served separately.

But assuming that region A is not far from the main roadway serving region B, the bid price should be lower for a combined delivery—it should be similar to \$200 to reach region B, plus an incremental cost to

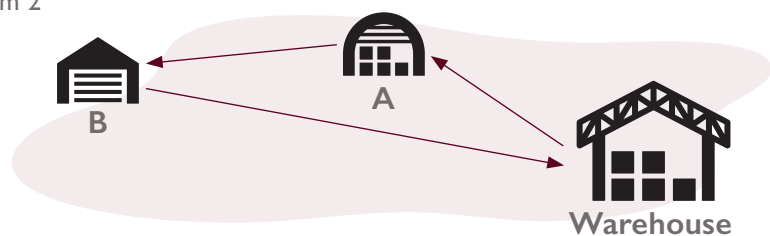
stop at region A to drop off goods, as shown in **Diagram 2** below.

A purchase order containing the list of all items to all locations would, of course, be more complex, but the principle remains the same—transportation providers determine the routing and propose it to the manager, noting that the ceiling prices are taken from the rates finalized at the contracting phase. A short negotiation period would take place for the rates used for the purchase order.

The deadline for response should be listed in the purchase order. A transportation provider is generally able to respond to a purchase order within 48 hours.

Supply chain managers may find it time consuming to calculate the volume of products and may want to provide

Diagram 2





## GOOD PARTNERSHIP IN A FRAMEWORK CONTRACT CAN LEAD TO GOOD NEGOTIATION

The supply chain manager and transportation provider will find it mutually advantageous to discuss each purchase order to ensure both parties are clear about the use of vehicles for the distribution. While the route pricing in the RFP may have been based on “central warehouse to location A to central warehouse” routing, this may not be the most cost effective, assuming that multiple stops can be made by a single large vehicle.

Pricing from the RFP process should be understood to be the maximum possible price.

Open discussion may be valuable in the following scenarios:

- While previous deliveries have used a single 10-ton truck to deliver to locations A, B, and C, the current distribution plan may call for increased volume to one or more of the locations. The transportation provider might propose one 5-ton truck to locations B and C and a second 5-ton truck for location A. This might represent an increase

in price but one that the manager would understand is necessary for the given volumes.

- While previous deliveries have been to locations A, B, and C, the current distribution plan may skip location B, changing the roads that the transportation provider will use to drive to locations A and C. This should represent a decrease in price, although if the same-size vehicle is needed, the difference might be relatively small.
- The rainy season may have washed out a road or a bridge on the regular route to location C, making the cost to deliver there more expensive than anticipated. The transportation provider and manager can negotiate on price to deliver to that location alone. The provider should have provided any potential surcharges and fees when submitting its bid so seeing them on invoices during the contract’s execution should not be a surprise.

Any and all deviations from additional negotiations should be documented and archived for audit purposes.

transportation providers with the product name and quantity, as well as the original shipping documents, and ask the provider to calculate the volume. This will require managers to provide the provider with information about packaging, since providers are unlikely to know this information. It may also make sense to allow providers to name origin and destination points and determine the routing and distance. Managers should always verify the proposed figures, particularly if distances between locations differ from the previous purchase order (perhaps as the result of taking a different route).

Once the purchase order is approved, the transportation provider will complete the distribution and return the PODs and the summary report to the supply chain organization.

This process continues for the lifetime of the contract—the manager will issue a purchase order for distribution each time it is needed, using the pricing in the response to the RFP as the ceiling price for delivery to each location.

## Benefits and Disadvantages of a Framework Contract

### Potential benefits of a framework contract include the following:

- It **eliminates the need to create an SOW, issue an RFP, and complete the competitive process** for each distribution, which can be time consuming for the supply chain manager and review committee.
- It can **lower the overall price** for the service as compared to a one-time distribution because the transportation provider anticipates a longer period of performance.
- It can **improve delivery speed** as transportation providers learn to improve their performance over time.
- It can help in the event of an **urgent need for service**, since transportation providers are pre-qualified to distribute.
- When responding to purchase orders, transportation providers **build changing conditions into pricing**—for example, road conditions,

seasonality (e.g., rainy season), fuel prices, road fees, per diem rates, currency exchange rates, and other variables that cannot be controlled.

### Potential disadvantages of a framework contract include the following:

- Development of the **purchase order can be time consuming** for the manager, although it is less than the full procurement process for one-time distribution contracting.
- It may be **time consuming** for the transportation provider and supply chain manager to **negotiate pricing** for each purchase order impacting contract management costs.
- Transportation providers **may not want to be sufficiently transparent** in their cost build-up, making it difficult to reduce costs.
- The supply chain manager **must understand the changing conditions** to determine if the changes in pricing are justified.

06.

Number of  
Vendors Awarded



PHOTO CREDIT: Mickael Breard | GHSC-PSM

## The Contract Can Be Awarded to One Transportation Provider or Multiple Providers

The next step is to consider the number of transportation providers that will receive contract awards:

- **Single award:** Awarding to **one** transportation provider
- **Multi-award:** Awarding to **multiple** transportation providers

In general, awarding to multiple vendors allows organizations to continually benefit from marketplace competition after contract award to help keep prices low and performance high. This is especially true for longer-term framework contracts for multiple distributions. However, single-award contracts are preferable and/or the only option in some situations.<sup>7</sup>

The following sections examine these two options and then take the reader through the steps to contract for a multi-award contract for a one-time distribution and for a framework contract for multiple distributions. (The previous sections on the contracting steps for a [one-time distribution](#) and a framework contract for

[multiple distributions](#) assumed awarding to a single transportation provider.)

### Single Award: Awarding to One Transportation Provider

Single-award contracts may be the best (or only) choice in certain cases. For example, supply chain managers could decide on a single award if they determine that:<sup>8</sup>

- **Only one transportation provider** can reasonably perform the work, such as when specialized transportation is required for such items as sensitive medical equipment or HAZMAT like lab samples
- **More favorable terms and conditions**, including pricing, can be secured under a single award
- **The cost of administering multiple contracts** outweighs any potential benefits

### Multi-Award: Awarding to Multiple Transportation Providers

Multi-award contracts enable the competitive forces of the commercial marketplace to continue to work for a supply chain organization, potentially keeping prices low and performance high. Multi-award contracts also reduce the time required of supply chain managers from SOW identification to award.

A multi-award contract may be the best choice in the following situations:

- **No single transportation provider is capable of meeting the entire need.** When bids are received, it may become apparent that none of the transportation providers are capable of serving all distribution points. Also, only a limited number of transportation providers may be familiar with and capable of reaching some remote geographical areas. Therefore, awarding the contract to more than one provider helps achieve full coverage.

<sup>7</sup> Best Practices for Multiple Award Task and Delivery Order Contracting, Office of Federal Procurement Policy, Office of Management and Budget, Executive Office of the President, February 19, 1999. Sourced [online](#) in April 2021.

<sup>8</sup> Ibid.

- **Different transportation providers have differing comparative advantages.** Transportation providers may offer lower pricing for areas they know well but higher prices for those they do not. For example, the list of sites and offered prices could look like this:

Location	Product #1 Bid	Product #2 Bid
Region A	\$100	\$125
Region B	\$200	\$150
Region C	\$200	\$150
Region D	\$100	\$120
<b>Total</b>	<b>\$600</b>	<b>\$545</b>

Assuming that both providers are in the competitive range and their total prices are fairly close, an award of the entire contract to provider #2 could be justified based on total cost. But assuming the cost build-up is reasonable for both providers, it is clear that provider #1 has a comparative advantage in Regions A and D, and provider #2 has an advantage in Regions B and C. Therefore, routes could be awarded to each provider (also often called “lanes”) according to best price for each.

Before deciding to select more than one transportation provider, making a site visit to potential vendors to confirm their qualifications, as discussed earlier, can be a useful step.

### The Contracting Steps for Awarding to Multiple Transportation Providers (Multi-Award) for a One-Time Distribution

As noted, the previous sections on the contracting steps for a [one-time distribution](#) and a framework contract for [multiple distributions](#) assumed awarding to a single transportation provider:

When awarding a **one-time distribution contract to multiple transportation providers**, some steps in the procurement process would change:

- **Developing the SOW.** No changes.
- **Understanding the market.** No changes.
- **Developing the RFP.** The RFP and its announcement should include a clause that the supply chain organization reserves the right to award more than one transportation provider at its discretion.
- **Conducting the competition.** No changes.
- **Selecting the transportation providers.** When selecting the winning bids, some or all transportation providers in the competitive range could be selected for award for the routes where they are most competitive on price. If the supply chain organization has strong management to provide oversight to multiple awards, bidders that can serve different areas or can do so at a lower price might be combined to provide complete coverage.
- **Contracting with the selected transportation providers.** A contract is developed, negotiated, and awarded to all transportation providers.

**Potential advantages of a multi-award contract include the following:**

- It should secure a **lower overall price** for the service.
- The **speed can improve**, since transportation providers with a limited fleet would not have to complete some routes and then be sent out for additional routes.
- It promotes the **market for healthy competition** and demonstrates public-sector support for the private sector.
- It **reduces risk** if one transportation provider performs poorly (slowly).

- The supply chain organization **does not have to fill gaps** that a chosen transportation provider is unable to reach.

**Potential disadvantages of a multi-award contract include the following:**

- If the supply chain manager has **designed the routes poorly**, awarding routes to multiple transportation providers may increase time for delivery or result in higher costs.
- Awarding more than one contract can be more **time consuming**, leading to higher labor costs; thus, an internal cost benefit analysis should be considered when weighing this contracting option.
- Managing multiple transportation providers requires **strong management capabilities and more oversight**.
- Depending on how the final contract is priced, one or more transportation providers may request to **alter their price**. If, for example, there is a discounted price for being contracted for all routes and the vendor is offered only 20 percent of the routes, the vendor may need to increase its price.

### The Contracting Steps for Awarding to Multiple Transportation Providers (Multi-Award) in a Framework Contract

As noted, it is possible, and sometimes necessary, to award a transportation contract to more than one provider to complete a task. Transportation providers are awarded based on their **comparative advantage**, generally the price, and their ability to serve one or more routes at a lower price.

In a framework contract, the use of multiple awards can also leverage a transportation provider’s **competitive advantage**.



A multi-award framework contract would follow the same process for developing the **SOW** and **RFP** as with any contract, with notice provided to bidders that the supply chain organization reserves the right to award a contract to more than one vendor (as well as to award no work or to issue separate RFPs for additional or different work).

As with other multi-award contracts, when **selecting the transportation provider**, the committee will decide which providers are in the competitive range before reviewing the cost proposals. Some or all providers within the competitive range may be awarded a contract. Because the contract is not an obligation by the supply chain organization to issue any purchase orders under it, the bidding process is used to pre-qualify providers.

The main difference comes in when **contracting and issuing purchase orders**. Instead of a purchase order, supply chain managers issue a request for task order proposal (RFTOP). (“Task order” is used here instead of “purchase order” because RFTOPs are commonly used in USAID projects.) The RFTOP is sent to all transportation providers that have received a contract. As with the regular framework contract, providers are given a short time period to submit the distribution list with their pricing for the purchase order. Managers review each submission and award the work based on the lowest cost and past performance.

In this sense, each purchase order results in a mini-competition among pre-qualified vendors for the work.

As with a one-time multi-award, the manager can either select a single transportation provider for the entire distribution or can award the distribution to more than one provider. The manager should inform all providers whether they were awarded or not.

### **Benefits and Disadvantages of a Multi-Award Framework Contract**

**Potential benefits of a multi-award framework contract include the following:**

- Since an RFTOP is issued for each distribution, transportation providers must compete for each distribution on the basis of their **competitive advantage** for price. Knowing when they have lost based on price should result in having a closer competition next time. Prices



## **ANGOLA** FRAMEWORK CONTRACT WITH REQUEST FOR TASK ORDER PROPOSALS

When an existing framework contract with task orders (purchase orders) with a single vendor for warehousing and distribution concluded, a new competition was held. The previous contract was about three years long, and the new competition also aimed for a contract of about three years, recognizing that this would be for routine and regular storage and distribution of products. Developing and competing the contract represented an investment of resources and time, so a multi-year contract was desirable.

Two vendors submitted bids, both of which were technically qualified. One vendor was chosen for warehousing for a one-year term, since it would not be desirable to hold stock of the same product in two different warehouses managed by different vendors. The chosen vendor’s overall proposal and value were also stronger.

However, to ensure competition in distribution, both vendors were chosen to receive contracts, since their pricing was competitive. Their proposed rates became the ceiling rates in their framework contracts. Rather than issue task orders based on those rates, the contracts were made with the understanding that competitive request for task order proposals (RFTOPs) would be used to make awards for each distribution.

For each distribution, both vendors were given a short time to bid on the basis of the quantity and route, recognizing that the rate can be no

higher than the ceiling rate. The RFTOPs were awarded on the basis of price and performance.

One challenge of this type of contract is that it requires greater vendor management, since vendors must be prepared to bid each time they receive a distribution list. Another challenge in this particular case is that because one vendor was managing all warehousing and both vendors were providing transportation, the second vendor was sometimes picking up from the warehouse of the first vendor. The contract type and the process for RFTOPs and for reviewing bids was also challenging for the vendors to understand and more time consuming for supply chain staff.

The process, however, resulted in better value. Both vendors were “winning” RFTOP awards on the basis of price. When the second vendor won initial task orders, the first vendor lowered its prices to be more competitive. Ultimately, prices began to level off, with both vendors able to provide pricing lower than in the previous contract awarded to only one vendor.

This type of contract was possible in part due to the market in Angola having more than one company that was capable of implementing the work.



## MOZAMBIQUE FRAMEWORK CONTRACTS WITH PURCHASE ORDERS, BASED ON REGIONS

Mozambique needed a transporter to deliver malaria bed nets for antenatal care visit distribution quarterly to each of the provincial capitals. The quantity each capital would receive would vary each quarter depending on an estimate of number of pregnancies and the stock on hand. Because the bed nets were to be distributed in bulk, it was clear that distribution would be by a combination of 40-foot and 20-foot containers—filling 40-foot containers to maximum capacity and then putting the remainder in a 20-foot or 40-foot container depending on the volume. Because these are fixed sizes, a fixed-price contract made the most sense.

An RFP was issued for quotes for 40-foot containers for each provincial capital and 20-foot containers for each capital. Offerors were invited to bid on as many provinces and as many sizes for each as they wanted. The award was based on the best price for each capital for a 20-foot container and the best price for a 40-foot container, and those fixed unit prices made up the basis for the task order (purchase order) contracts.

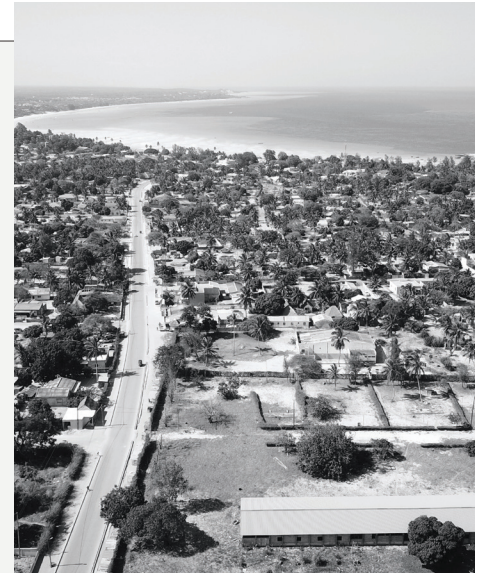
Three offerors bid, but one was higher on all unit prices, so two transporters got contracts. Each quarter, the volume was calculated for each provincial capital in terms of 40-foot and 20-foot containers, and task orders were given to the transport companies accordingly. Each

quarter, the total job was divided between the two transporters depending on what size container was required for which province, and which transporter had offered the best fixed unit price for each in their original bid.

Because this was a flexible contract mechanism, other commodities were sometimes included in the empty space of the container that held the “leftovers” after as many containers as possible were filled to capacity for each province.

Mozambique has since increased its use of multi-award framework contracts without RFTOPs to transport other types of commodities. As the total volumes for routine distribution are not known, but since routes and vehicle sizes are known, a fixed-price framework contract was awarded to three vendors. When it is time for a distribution, the lowest-price vendor is issued a task order. If the vendor is unable to make the delivery within the specified time frame, the next-lowest-price vendor is issued a task order. The goal is to make sure that vendors are available at all times. The task order process takes only about a day to issue a simple table, since the contract includes the routes, vehicle sizes, and ceiling costs per route.

These framework contracts used to have a one-year length, but now the contracts are



Roads in Vilankulo, Mozambique. PHOTO CREDIT: Mickael Breard | GHSC-PSM

re-competed only when they get close to their maximum contract ceiling value, which is the total limit to the value of the entire contract, a value set by the managers when issuing the contract, based on minimizing risk. As a result, contracts are being re-competed about every year and a half. One advantage of this method is that it has reduced the frequency of starting over at the RFP stage, and it helps to preserve the per-delivery ceiling price.

Mozambique has issued more than 500 task orders since 2016, recognizing that there is value in not starting at the RFP stage each time and that task orders can be rapidly issued and accepted by vendors to ensure delivery at a previously agreed price.

should decrease closer to or at market rates as transportation providers recognize that they must offer a competitive price.

- If the manager awards based on **comparative advantage**, the supply chain organization can take best advantage of transportation providers' fleets. For example, provider #1 may not have had as many small trucks available for the previous distribution due to other contracts and therefore lost out on some routes to provider

#2. But during the current RFTOP, the availability of provider #1's smaller trucks may become a comparative advantage and may help the supply chain organization save money.

- A multi-award framework contract can **improve both the performance** and price paid for services and demonstrates that the supply chain organization remains impartial to which transportation providers it partners with and is working to provide best value.

- Because each RFTOP is a competition among pre-qualified transportation providers, the providers and supply chain manager already have a **basic understanding of the requirements** and should meet minimal performance standards.
- RFTOPs may also be awarded on the basis of **factors other than price**, such as speed, if the distribution is urgent.

- By issuing an RFTOP with the distribution list, **competition may be improved** if, for example, provider #1 is more competitive for large loads and provider #2 is more competitive for small loads. The volume of the distribution (or the locations for distribution) will take comparative advantage of the best vendor for the specific task.

#### Potential disadvantages of a multi-award framework contract include:

- Developing the RFTOP is no more time consuming than developing the purchase order for a framework contract, but the competition process and comparison of quotes **may take some time**. If the quotes are not easily comparable, demonstrating that the award decision was fair and objective may be difficult.

- In a multi-award framework contract in which all routes are awarded to a single vendor, one vendor **may always win best-value awards**. Other transportation providers, although pre-qualified contract holders, may become disheartened and decide not to respond to RFTOPs in the belief that the effort of responding will not result in an award.

One way to keep transportation providers bidding is, as noted above, to award on the basis of some routes rather than all routes. Providers will likely have a comparative advantage for one or more routes or will at least once price their routes low enough to win a route.

Another way to keep transportation providers bidding is to sometimes offer them a few routes even if they are not the lowest price. This is done to maintain

market competitiveness and helps the manager ensure that the vendor remains available as a back-up source.

The manager may also learn from the service that a secondary transportation provider may provide qualitatively or quantitatively better performance (e.g., while it may not have been a requirement, a secondary transportation provider may deliver with greater speed). An award based on best value, rather than exclusively based on price, can allow the manager to test the value of another transportation provider.

Choosing a secondary transportation provider based on market competition may not always be possible depending on regulations and other practices requiring the lowest-price winner. A supply chain organization seeking to use this option may want to ensure it's available.



## GHANA FRAMEWORK CONTRACTS WITH PURCHASE ORDERS, BASED ON REGIONS

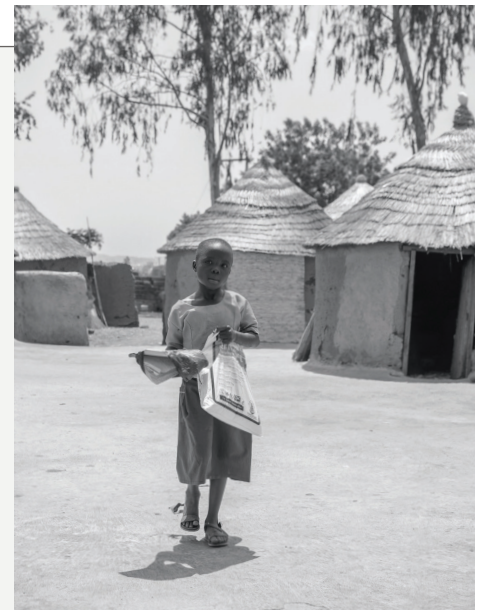
In Ghana, year-long framework contracts are used to distribute regularly a variety of commodities to last-mile SDPs in each of Ghana's regions. With known routes and varying volumes, a fixed-price contract made the most sense. In Ghana's case, framework contracts have been issued for each region, recognizing that the market for private-sector local vendors would produce the best results for performance and value.

For each annual RFP, seven or eight vendors submit bids and one vendor is chosen for the year for each region on the basis of a price per cubic meter for pre-defined consignment destination. Because some items may require cold-chain storage, bidders provide separate pricing information for cold-chain transportation. Bids have been very close in

price due to keen competition in the local market.

The framework contract is seen as advantageous because of the high cost and relatively low volumes for each distribution. The one-year period also maintains a steady price and avoids vendors requesting to change prices due to currency and/or fuel price fluctuations. All vendors are meeting their expected targets for on-time delivery and are providing good customer service.

Ghana also uses similar but shorter contracts of three to five months for the distribution of malaria bed nets for schools and point mass distributions given the shorter duration of the activity and the need to transport bed nets separately from other products.



School girl receives a malaria bed net in a school distribution event in Ghana. PHOTO CREDIT: Ken Twist | GHSC-PSM



# 07.

## Using KPIs in Contracts



PHOTO CREDIT: GHSC-PSM

## Key Performance Indicators (KPIs) can be Used in Addition to Contract Deliverables to Monitor Transportation Providers' Performance

All contract types and variations described include, as part of the SOW, a list of deliverables, such as PODs, to demonstrate that the transportation provider has carried out the work. The deliverables schedule defines when the work should be conducted. The transportation provider is paid based on the deliverables being completed.

But what happens if the distribution is completed, but not on time? What if the transportation provider completes the distribution on time, but the PODs are not returned until after the due date? What if the manager receives complaints about incomplete deliveries, damaged boxes or cartons, or other qualitative concerns?

Payment would generally not be withheld because, for example, a small number of deliveries were made outside the delivery window.

However, KPIs can be included in any contract type to better measure transportation provider performance and the supply chain organization's satisfaction with **performance beyond accomplishment of the deliverables**.

For a **one-time distribution contract**, KPIs can be used to rate the transportation provider for future contracts (as part of its past performance score). For **framework contracts**, past performance under the framework contract can be considered in addition to price to determine the best overall value.

Supply chain managers should also use KPIs to measure the supply chain organization's own performance and can use those measures as a baseline indicator. For example, a supply chain organization that delivers on time 80 percent of the time may expect at least 80 percent from a transportation provider.

KPIs that a manager could consider for a transportation contract include the following, with the expectations for performance increasing over time:

- On-time departure, defined by the percentage of vehicles that leave from the origin warehouse on a specific date/time
- On-time delivery, defined by the percentage of the loads arriving by a specific date
- Percentage of PODs submitted on time, as specified in the SOW
- Delivery accuracy, based on the number of drop off points receiving the correct quantity of products.

The KPIs in a one-time distribution contract would be listed in the SOW.

**In a framework contract**, KPIs can be finetuned over time since each purchase order offers the opportunity to add, subtract, or modify KPIs used. In the beginning of a contract with a new vendor, the KPIs can be as simple as the following:

- Percentage of all deliveries completed within XX calendar days after receiving the signed purchase order and distribution list





## SOUTH AFRICA EXPERIENCE WITH KPIs IN SOUTH AFRICA

In South Africa, KPIs have always been used in RFPs and contracts for warehousing and distribution.

The mandate is more on the supply chain organization to ensure that it quantifies KPIs and builds tools to measure and track KPIs, confirming they add value to the contract.

Vendor performance feedback sessions are also held so that vendors understand their performance levels and improve where required, especially for long-term contracts. This fosters continuous quality improvement and open communication between both parties.

A certain level of skill is required to craft contracts and KPIs. A skilled supply chain workforce is the oil in the engine to ensure the success of contract management and vendor monitoring.

See [Annex D](#) for the beginner and advanced KPIs used in South Africa, as well as an example KPI template.

- Percentage of PODs received within XX calendar days of delivery of the last shipment

These KPIs are simplest because these requirements should already be listed in the SOW, and this is simply a measurement of actual performance. It may be useful to offer the expected result—for example, that 80 percent of all deliveries should be completed.

It is possible to use only these two KPIs for all purchase orders and for the life of the contract. But to improve performance, supply chain managers can challenge transportation providers to do better. For example, if the supply chain organization is achieving 80 percent of all deliveries within 21 calendar days, it may want

to encourage transportation providers to achieve this within 14 calendar days instead. Or it may be that the provider is consistently performing at 18 calendar days and the 21-day KPI has therefore become less meaningful. In these cases, using KPIs to adjust targets to match performance improvements can be beneficial.

KPIs should not set an impossible-to-achieve goal or a goal with limited value. For example, requiring 80 percent of deliveries within three calendar days may not be more advantageous than five days, so a three-day goal is not meaningful. Also, while the performance level of 80 percent could be increased to 85 percent or even 90 percent, requiring 100 percent is unlikely to be met and could end up increasing costs (e.g., if 100 percent performance is required, a vendor may request to switch to much more expensive modes of distribution, such as air cargo).

Using KPIs and performance data to drive decision-making is important. In a one-time distribution contract, the supply chain manager can use the KPI to decide on future procurement. A transportation provider that delivered only 70 percent of all deliveries within 21 calendar days or who did not submit PODs as required by the contract should be considered a poor performer for future contracting. In a single-award framework contract, a transportation provider who performed poorly on a KPI should be informed and expected to perform better for subsequent purchase orders, and the manager can discuss with the provider how improved performance will be achieved.

In a multi-award framework contract, results of the KPIs can be used to award purchase orders. The scorecard for an RFTOP can be adjusted to include a weighting for achieving (or failing to achieve) KPIs. A transportation provider with a price that represents best value but that consistently fails to deliver on time can be scored lower on the scorecard, which will permit other providers to win some

distribution. In the RFTOP, it should be clear what values will be assigned to KPIs and how providers with no performance record will be judged (e.g., they will be assumed to have 100 percent performance until proven otherwise).

The inclusion of KPIs in a contract does not necessarily require that they be used for key decisions such as incentive payments or awarding of purchase orders, especially in the early days of contracting. When a contract is new and the transportation provider and manager are working together for the first few contracts or purchase orders, it is possible to collect KPI data and calculate and discuss the results without it impacting the outcome. This might be desirable when determining which KPIs might be useful and how they might need to be modified.

But KPIs can be used more broadly for decision-making and performance management later in the contract. They can support continuous improvement of transportation services, which can be achieved through routine meetings in which the supply chain institution and transportation providers collaboratively review performance metrics and



## A GOOD PARTNERSHIP IN SETTING KPIs CAN LEAD TO BETTER PERFORMANCE

As with the terms of a framework contract, the manager and transportation provider will find it mutually advantageous to discuss the KPIs for each purchase order to ensure that both parties are clear about the expectations and the potential increases (or decreases) that might result from reducing delivery windows (i.e., distributing faster) or requiring more complete coverage. Transportation providers and supply chain managers should work together to set reasonable expectations of performance.

identify challenges and solutions. Also, KPIs should keep the supply chain institution accountable for quantifying, measuring, and tracking KPIs. And KPIs can be used to evaluate bidders' past performance when awarding new contracts if the supply chain institution has contracted with them previously.

### Using KPIs to Improve Performance Through Performance-Based Incentives/Performance-Based Logistics

A more advanced use of KPIs is in performance-based logistics (PBL), in which transportation providers receive a financial award for improved performance. Using PBL is a relatively simple concept, but managers will need to work with transportation providers to refine and structure the award.

The basic structure is to begin with a KPI—for example, 80 percent of all deliveries will be completed within 21 calendar days after receiving the signed purchase order and distribution list. A performance-based payment will be made if the measure is exceeded. For example, if the cost is \$15,000 for a distribution achieving 80 percent within 21 calendar days, the maximum payment is \$15,000. If 90 percent of deliveries are completed within 21 days or if 80 percent of deliveries are completed within 14 days, the bonus payment is added. No partial payment is made if performance is between 80 percent and 90 percent or deliveries are completed within days 15–20.

A performance-based system can also be used on a sliding scale for a new project—for example, 70 percent to 79 percent of shipments received within 21 calendar days will receive 90 percent of the payment, 80 percent to 89 percent will receive 95 percent of the payment, and 90 percent to 100 percent will receive 100 percent of

the payment. The goal is to incentivize the best possible performance without penalizing acceptable performance.

Because transportation providers will incur actual costs for fuel, maintenance, and salaries for making the deliveries, even if they are not within the contracted time window, it would not be appropriate to use punitive measures that are so heavy (e.g., denying payment) that the risk is not palatable to the private sector. Supply chain institutions must consider the risk tolerance of the private sector and must share some of the risk, to help ensure the availability of strong competitors that are willing to bid for future work.

Using incentives, as with contract negotiations and KPIs, works best when the supply chain organization and transportation providers work together as partners in setting realistic targets.

PBL contracts work best when transportation providers have agreed to share their cost build-up and use an open-book accounting system. If a provider uses open-book accounting, the PBL portion can be based on the fee, with the value of the fee rising or falling based on performance, while assuring that the vendor recuperates all actual costs.

Local rules and regulations may affect the use of PBL, but the rewards for both the supply chain manager and transportation providers can produce reasonable profits for providers while maximizing performance of providers, a win-win situation.

KPIs can be included in any contract type to better measure transportation provider performance and the supply chain organization's satisfaction with performance.

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### Benefits and Disadvantages of a KPI-Based Contract

Potential benefits of adding KPIs to a contract include the following:

- KPIs can help managers demonstrate to the supply chain organization that outsourcing results in **good performance**.
- KPIs provide managers with an **objective way** to provide performance feedback to transportation providers, particularly when providers have participated in defining the KPI.
- Incentive-based KPIs can motivate transportation providers to **work harder** to receive the incentive payment.

Potential disadvantages of adding KPIs to a contract include the following:

- The transportation provider must understand **how to collect the data** for the KPIs, and the provider and manager must agree on how the percentage will be calculated.
- The use of KPIs depends on the ability of the manager to **track and analyze the indicators** regularly, which requires managerial oversight.
- PBL contracts could inadvertently result in perverse incentives that might encourage transportation providers to **“cheat” the system** to obtain a better score.

# 08.

Conclusion



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## Making Informed Transportation Contracting Decisions to Improve Supply Chain Management

Contracting for transportation of public health commodities to the private sector requires supply chain professionals to gather information and make sound decisions.

First, measuring the supply chain's current cost and performance helps inform the supply chain institution whether contracting for transportation is a good option to improve performance and/or save costs.

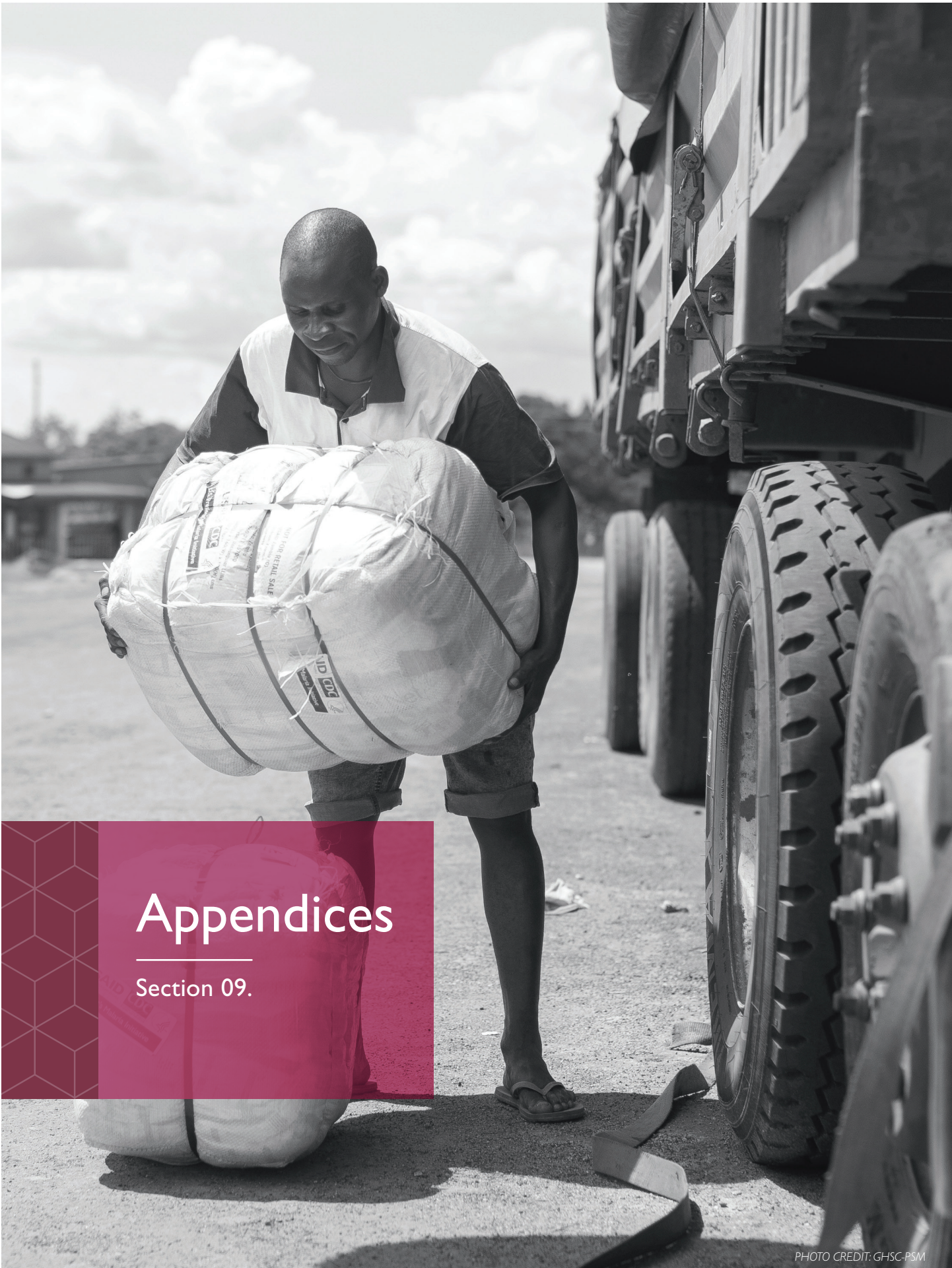
Next, supply chain managers must decide which segment of transportation to outsource.

Then, the contracting approach that best fits the needs and context must be determined. Factors to be decided include the pricing approach, level of competition, contract length, number of vendors receiving awards, and whether KPIs will be added to the contract. Once the appropriate contracting options are chosen, the contracting process is conducted.

It's important also to measure and track performance of transportation providers once they are contracted to support accountability and continuous improvement.

By examining each of these topics in the guide and providing links to additional resources for more detailed information, we hope readers are empowered to analyze their supply chain operations and make informed decisions on contracting for transportation as a way to improve supply chain management and performance.





# Appendices

Section 09.



## ANNEX A | Sample SOW and Distribution List

### Scope of Work, Deliverables, and Deliverable Schedule

#### Scope of Work

Offerors will consider the following requirements and guidelines when responding to the RFP:

- Trucks used for distributing pharmaceuticals, non-drugs consumables, and other health commodities must meet the following requirements:
  - Load and distribute commodities within [number of days] of notification by the MOH
  - Provide fully enclosed, lockable cargo compartments/clean containers attached to the truck at all times during the distribution
  - Be appropriate for the volume and type of commodities being shipped
  - Be clean, dry, and free of vermin; cleaning records will be maintained for vehicles and for reusable shipping containers
  - Be well-serviced and regularly maintained in proper working order; with no damage that would impact their ability to operate
  - For pharmaceutical grade commodities, will have compartments that are well covered and padded to ensure that the temperature within the compartments is conducive and in keeping with warehousing storage conditions
  - Must have equipment and containers that are clean, suitable for use, and able to appropriately protect products from exposure to conditions that could affect their stability or packaging integrity
  - May not be passenger vehicles leased from public or private distribution organizations
  - Must have a tracking device and GPS data to monitor the location of vehicles and duration of time travelled in the delivery of health commodities
  - Must ensure that the commodities and quantities match the shipping documents before taking possession of the commodities; the Offeror must notify the MOH immediately of any damage, tampering, theft or missing items upon arrival or during transit
  - Take the most direct route while in transit
- The Offeror must:
  - Ensure trucks and trailers of trucks to be used for the work are ready for visual inspection by the MOH
  - Provide before any distribution activity the truck make and model, trailer plate numbers of equipment to be used and locations parked
  - Ensure all drivers have a valid driver license
  - Take responsibility for loading before transit and off-loading at delivery destinations, including labor and other costs associated with off-loading
  - Use a security seal, record the number on the POD, and confirm the condition and number at delivery
  - Maintain the trucks in optimal working conditions throughout the duration of the contract
  - Take responsibility for maintenance (mechanical, electrical, and otherwise), including the fueling of the truck(s), and record activities in a maintenance log
- Drivers used for distributing medicines and related medical supplies must:
  - Be sufficient in number to distribute health commodities to the destinations in the timeframe specified.
  - Be sufficiently literate to manage the inventory of listed health commodities. Drivers may be assigned the responsibilities of keeping the truck movement log and maintenance schedule
  - Be responsible and accountable for the health commodities from the point they are loaded on the trucks, up to the point they are offloaded and delivered, and ensure all the stipulated documentation is completed to demonstrate clear transfer of custody of commodities between the truck and the recipient
- The Offeror must also:
  - Be legally and financially responsible for the commodities during the distribution process
  - Provide insurance against all loss or damage to products as specified below
  - Continually assess security in the operating environment and must communicate all changes or concerns immediately to the MOH

- Deliver MOH health commodities safely and securely and in prescribed condition to the recipient and destination, as evidenced by a signed POD; PODs must include:
  1. Consignee name and physical address, delivery location
  2. Date of departure
  3. List and description of commodities delivered
  4. Quantity of items delivered
  5. Date and time of delivery
  6. Batch and lot numbers of the commodities being delivered
  7. Name and signature of driver and recipient at destination
  8. Remarks or notation of any loss or damages
- Submit PODs with the subcontractor's invoice to the MOH
- Take responsibility for all offloading costs at the point of delivery, including labor
- Supervise the offloading and handover of the correct quantity of commodities to the designated recipient(s)
- SOPs will be in place for all vehicles and equipment involved in the distribution process, including:
  - Cleaning
  - Pest control
  - Maintenance of the product's identity
  - Prevention of cross-contamination
  - Precautions against spillage or breakage
  - Procedures for distributing hazardous products, which can present risks of abuse, cleaning, maintenance, fire, or explosion (these products are to be stored and distributed in safe, dedicated containers and vehicles)
  - Process wherein unauthorized persons are prevented from entering and/or tampering with vehicles and/or equipment
  - Theft or misappropriation
- Waste will be disposed of safely and properly at frequent intervals.
- Vehicles must be loaded in such a way that cargo is stable and the possibility of shifting during distribution is limited. Necessary materials should be used to secure the cargo to prevent movement and subsequent damage to the cargo.
- Offeror will maintain appropriate disaster recovery and security systems to provide continuity of services in case of causes beyond the control and without the fault or negligence of the Subcontractor; such as (1) acts of God or of the public enemy, (2) acts of the government in either its sovereign or contractual capacity, (3) fires, (4) floods, (5) epidemics, (6) quarantine restrictions, (7) strikes, (8) freight embargoes, and (9) unusually severe weather; or (10) security breach (each a "Force Majeure Event"). During a Force Majeure Event, the Offeror and MOH will discuss the continued and uninterrupted provision of services and the MOH will reasonably consider any request by the Offeror to alter the performance and deliverable timelines for a limited period of time. For clarity, the parties agree that a Force Majeure Event will not excuse performance by the Offeror in the purchase orders issued hereunder.
- Offerors must ensure storage and distribution of health commodities adheres to WHO practices. Refer to the following documents:
  - WHO Technical Report Series (TRS) No. 957, 2010, Annex 5
  - WHO Model Guidance for the Storage and Transportation of Time- and Temperature- Sensitive Pharmaceutical Products, TRS No. 961, 2011, Annex 9
  - Guidelines for Temperature Control of Drug Products during Storage and Transportation, GUI-0069, 2011
  - WHO Guidelines on the International Packaging and Shipping of Vaccines, WHO/EPI/CCIS/81.0, 2002
- The Subcontractor will maintain at all times adequate documentation, including written instructions and standard operating procedures (SOPs) for all operations, particularly for:
  - Training in relation to good distribution practice
  - Vehicle maintenance
  - Security
  - Storage
  - Shipment receiving and confirmation
  - Truck loading
  - Pharmaceutical product distribution
  - Incident management and reporting
  - Daily operations reporting
  - Disaster recovery plan



## ANNEX B | Sample RFP for One-Time Distribution

### Request for Proposals for the Transportation of Public-Sector Health Commodities

#### Instructions to Offerors

##### Introduction

The MOH is soliciting offers from companies and organizations (“Offerors”) to submit proposals to carry out warehousing and distribution services for health commodities from the central medical store to the provincial and/or district levels.

The MOH will issue an award to one or more companies or organizations. The awards will be in the form of a contract. The successful Offerors will be required to adhere to the statement of work and terms and conditions of the subcontract.

This RFP does not obligate the MOH to execute a contract nor does it commit the MOH to pay any costs incurred in preparing and submitting the proposals. Furthermore, the MOH reserves the right to reject any and all offers, if such action is considered to be in the best interest of the MOH.

##### Offer Deadline

Offerors will submit their offers electronically through email only.

Emailed offers must be received no later than [time] on [date], at the following address:

Proposal Manager, Proposals@moh.gov

Offerors are responsible for ensuring that their offers are received in accordance with the instructions stated herein. Late offers may be considered at the discretion of the MOH. The MOH cannot guarantee that late offers will be considered.

##### Submission of Offers

Proposals must be submitted electronically only.

Separate technical and cost proposals must be submitted by email no later than the time and date specified to the designated point of contact.

The technical proposal and cost proposal must be kept separate from each other. Technical proposals must not make reference to pricing data so that the technical evaluation may be made strictly on the basis of technical merit.

#### Required Proposal Documents

##### Technical Proposal

- **Technical Approach, Methodology and Detailed Work Plan.** The length of this part will be between [number] and [number] pages but may not exceed [number] of pages.

This part must include details on total number, variety, and adequacy of vehicles in Offeror’s fleet. If the Offeror proposes to provide distribution services with trucks (cabs or trailers) it does not own, Offeror must specify the company or mechanism it plans to use to carry out the activity, along with the number, variety, and adequacy of available vehicles in that company’s fleet. This section must also include the Offeror’s geographic reach, listing the provinces and districts that it serves and the provinces and districts it does not serve. Also, it must include capability for comprehensive in-transit tracking and established standard operating procedures (SOPs) that comply with World Health Organization Good Distribution Practices (e.g., customer service, maintenance/servicing for vehicles in fleet, security). Finally, the Offeror must disclose any services that may result in additional fees, such as fuel, road conditions, maintenance, expedited services, and hours of travel.

##### — Corporate Capabilities, Experience, and Past

**Performance.** Offerors must include a description of the company and organization, with appropriate reference to any parent company and subsidiaries. Offerors must include details demonstrating their experience and technical ability in implementing the technical approach/methodology required to complete the scope of work. Offerors must also present their experience storing, distributing, and handling health commodities. Also, Offerors must include past performance references of similar work (under contracts or subcontracts) previously implemented as well as contact information for the companies for which such work was completed. Contact information must include at a minimum: name of point of contact who can speak to the Offeror’s performance, name and address of the company for which the work was performed, and email and phone number of the point of contact. The MOH reserves the right to check additional references not provided by an Offeror.

##### Cost Proposal

The cost proposal is used to determine which proposals represent the best value and serves as a basis of negotiation before award of a contract.

The price of the contract to be awarded will be in the form of an all-inclusive fixed-unit rate. No additional costs can be added after award. All cost information must be expressed in local currency. Prices/rates should be inclusive of all associated costs. Successful Offerors are responsible for paying all payroll and other taxes.



The MOH reserves the right to request additional cost information if the evaluation committee has concerns about the reasonableness, realism, or completeness of an Offeror's proposed costs.

Using the table below or the Offeror's own template, Offerors should provide unit costs, with truck type, the unit of measure, associated with distribution from the capital to each province and district. If the Offeror does not provide services to any of the locations below, indicate such with an "X" in the corresponding box. These unit costs will be incorporated into the subcontract.

Offerors must disclose any services that may result in additional fees, such as fuel, road conditions, maintenance, expedited services, and hours of travel.

### Chronological List of Proposal Events

The following calendar summarizes important dates in the process. Offerors must strictly follow these deadlines below.

The dates above may be modified at the sole discretion of the MOH. Any changes will be published in an amendment to this RFP.

All questions or clarifications regarding this RFP must be in writing and submitted to the designated point of contact no later than [time] hours on [date]. Questions and requests for clarification, and the responses thereto, will be circulated to all RFP recipients who have indicated an interest in this RFP.

Only written answers from the MOH will be considered official and carry weight in the RFP process and subsequent evaluation.

Any answers received outside the official channel, whether received verbally or in writing, from employees or representatives of MOH or any other party, will not be considered official responses to this RFP.

### Validity Period

Offerors' proposals must remain valid for [number of days] calendar days after the proposal deadline.

### Evaluation and Basis for Award

An award will be made to the Offeror whose proposal is determined to be responsive to this solicitation document, meets the eligibility criteria stated in this RFP, meets the technical and corporate capability requirements, and is determined to represent the best value to the MOH. Best value will be decided using the "tradeoff" process.

This RFP will use the tradeoff process to determine the best value. That means that each proposal will be evaluated and scored against the evaluation criteria and evaluation sub-criteria, which are stated in the table below. Cost proposals are not assigned points, and for overall evaluation purposes of this RFP, technical evaluation factors other than cost, when combined, are considered significantly more important than cost factors. Cost will primarily be evaluated for realism and reasonableness. If technical scores are determined to be equal or nearly equal, cost will become the determining factor.

List of Proposal Events	
Event	Date
RFP announcement	[date]
RFP published	[date]
Deadline for written questions	[date]
Answers provided to questions/clarifications	[date]
Proposal due date	[date]
Contract award (estimated)	[date]

In evaluating proposals, the MOH will use the following evaluation criteria and sub-criteria:

Evaluation Criteria	
Evaluation Sub-Criteria	Maximum Points
<b>I. Technical Capacity: Technical Approach, Methodology, and Detailed Work Plan</b>	
<ul style="list-style-type: none"> <li>Geographical reach: Offerors must list the provinces and districts they do and do not serve.</li> <li>Offerors must demonstrate their ability to make multiple stops en route without compromising the security of commodities. Offerors must demonstrate presence and type of security/tracking systems.</li> <li>Offerors must own at least [number and size of] trucks. Offerors must provide copies of the registration for each truck, which demonstrates ownership of the truck.</li> <li>Presence and description of SOPs.</li> </ul>	25 points
<ul style="list-style-type: none"> <li>Capability to provide comprehensive in-transit tracking and written POD with routine updates. Preference will be given to Offerors who can provide electronic POD.</li> </ul>	20 points
<ul style="list-style-type: none"> <li>Established SOPs that comply with WHO Good Distribution and Storage Practices for Pharmaceutical Products (e.g., customer service, maintenance/servicing for vehicles in fleet, security).</li> </ul>	20 points
Total Points, Technical Approach	65 points
<b>2. Corporate Capabilities, Experience, and Past Performance</b>	
<p>Successful past performance providing services as requested in the RFP, with references to support this. Relevant factors include:</p> <ul style="list-style-type: none"> <li>Description of company or organization, including parent company or subsidiaries</li> <li>Experience and technical ability to implement the scope of work</li> <li>Experience distributing and handling health commodities per WHO Good Distribution and Storage Practices for Pharmaceutical Products</li> <li>Percentage of on-time delivery</li> <li>Number of deliveries per year provincial and district levels</li> <li>Track record of dispatching vehicles quickly</li> </ul>	35 points
Total Points, Corporate Capabilities	35 points
<b>Total Points</b>	100 points

## Negotiations

Best-offer proposals are requested. It is anticipated that a subcontract will be awarded solely on the basis of the original offers received. However, the MOH reserves the right to conduct discussions and negotiations and/or request clarifications before awarding a subcontract. Furthermore, the MOH reserves the right to conduct a competitive range and to limit the number of Offerors in the competitive range to permit an efficient

evaluation environment among the most highly rated proposals. Highest-rated Offerors, as determined by the technical evaluation committee, may be asked to submit their BAFO during a competitive range. At the sole discretion of the MOH, Offerors may be requested to conduct oral presentations.

## Scope of Work, Deliverables, and Deliverables Schedule

Refer to [Annex A](#) above for the scope of work, deliverables, and deliverables schedule.

## ANNEX C | Sample RFP for a Framework Contract

### Request for Proposals for the Transportation of Public-Sector Health Commodities

#### Instructions to Offerors

##### Introduction

The MOH is soliciting offers from companies and organizations (“Offerors”) to submit proposals to carry out warehousing and distribution services for health commodities from the central medical stores to the provincial and/or district levels.

The MOH will issue an award to one or more companies or organizations. The awards will be in the form of a contract. The successful Offerors will be required to adhere to the statement of work and terms and conditions of the subcontract.

The format of the contract to be awarded is a framework contract of a duration of one year and two, additional optional years, not to exceed three years in total. Each time the MOH requires goods to be transported, which is expected to be monthly, a “purchase order” will be issued to the successful bidder(s).

This RFP does not obligate the MOH to execute a contract nor does it commit the MOH to pay any costs incurred in preparing and submitting the proposals. Furthermore, the MOH reserves the right to reject any and all offers, if such action is considered to be in the best interest of the MOH.

##### Offer Deadline

Offerors will submit their offers electronically through email only.

Emailed offers must be received no later than [time] on [date], at the following address:

Proposal Manager, Proposals@moh.gov

Offerors are responsible for ensuring that their offers are received in accordance with the instructions stated herein. Late offers may be considered at the discretion of the MOH. The MOH cannot guarantee that late offers will be considered.

##### Submission of Offers

Proposals must be submitted electronically only.

Separate technical and cost proposals must be submitted by email no later than the time and date specified to the designated point of contact.

The technical proposal and cost proposal must be kept separate from each other. Technical proposals must not make reference to pricing data so that the technical evaluation may be made strictly on the basis of technical merit.

#### Required Proposal Documents

##### Technical Proposal

- Technical Approach, Methodology and Detailed Work Plan. The length of this part will be between [number] and [number] pages but may not exceed [number] pages. This part must include details on total number, variety, and adequacy of vehicles in the Offeror's fleet. If the Offeror proposes to provide distribution services with trucks (cabs or trailers) it does not own, it must specify the company or mechanism it plans to use to carry out the activity, along with the number, variety, and adequacy of available vehicles in that company's fleet. This section must also include the Offeror's geographic reach, listing the provinces and districts that it serves and the provinces and districts it does not serve. Also, it must include capability for comprehensive in-transit tracking and established standard operating procedures (SOPs) that comply with World Health Organization Good Distribution Practices (e.g., customer service, maintenance/servicing for vehicles in fleet, security). Finally, the Offeror must disclose any services that may result in additional fees, such as fuel, road conditions, maintenance, expedited services, and hours of travel.
- Corporate Capabilities, Experience, and Past Performance. Offerors must include a description of the company and organization, with appropriate reference to any parent company and subsidiaries. Offerors must include details demonstrating its experience and technical ability in implementing the technical approach/methodology required to complete the scope of work. Offerors must also present their experience storing, distributing, and handling health commodities. Also, offerors must include past performance references of similar work (under contracts or subcontracts) previously implemented as well as contact information for the companies for which such work was completed. Contact information must include at a minimum: name of point of contact who can speak to the Offeror's performance, name and address of the company for which the work was performed, and email and phone number of the point of contact. The MOH reserves the right to check additional references not provided by an Offeror.

##### Cost Proposal

The cost proposal is used to determine which proposals represent the best value and serves as a basis of negotiation before award of a contract.

The framework contract, to be awarded, will include an aggregate ceiling price for all the orders issued and ceiling route prices in the form of all-inclusive fixed unit rates. No additional costs can be added after award. All cost information must be expressed in local currency. Prices/rates should be inclusive of all associated costs. Successful Offerors are responsible for paying all payroll and other taxes. When issuing purchase orders, the routes may not all correspond to the routes listed in the framework contract, which is to be expected based on distribution efficiencies to create optimized routes. If a route in the purchase order corresponds to a route in the framework agreement, the price in the framework agreement will be considered the ceiling. The MOH reserves the right to request additional cost information if the evaluation committee has concerns about the reasonableness, realism, or completeness of an Offeror's proposed costs.

Using the table below or the Offeror's own template, Offerors should provide all-inclusive unit costs per truck type and size and provide the kilometers and the price per kilometer associated with distribution from the capital to each providence and district. If the Offeror does not provide services to any of the locations listed, indicate such with an "X" in the corresponding box. These unit prices will be incorporated as ceiling rates into the framework contract.

Offerors must disclose any services that may result in additional fees, such as fuel, road conditions, maintenance, expedited services, and hours of travel.

### Chronological List of Proposal Events

The following calendar summarizes important dates in the process. Offerors must strictly follow these deadlines below.

The dates above may be modified at the sole discretion of the MOH. Any changes will be published in an amendment to this RFP.

All questions or clarifications regarding this RFP must be in writing and submitted to the designated point of contact no later than [time] hours on [date]. Questions and requests for clarification, and the responses thereto, will be circulated to all RFP recipients who have indicated an interest in this RFP.

Only written answers from the MOH will be considered official and carry weight in the RFP process and subsequent evaluation. Any answers received outside the official channel, whether received verbally or in writing, from employees or representatives of MOH or any other party, will not be considered official responses regarding this RFP.

### Validity Period

Offerors' proposals must remain valid for [number of days] calendar days after the proposal deadline.

### Evaluation and Basis for Award

An award will be made to the Offeror whose proposal is determined to be responsive to this solicitation document, meets the eligibility criteria stated in this RFP, meets the technical and corporate capability requirements, and is determined to represent the best value to the MOH. Best value will be decided using the "tradeoff" process.

This RFP will use the tradeoff process to determine the best value. That means that each proposal will be evaluated and scored against the evaluation criteria and evaluation sub-criteria, which are stated in the table below. Cost proposals are not assigned points, and for overall evaluation purposes of this RFP, technical evaluation factors other than cost, when combined, are considered significantly more important than cost factors. Cost will primarily be evaluated for realism and reasonableness. If technical scores are determined to be equal or nearly equal, cost will become the determining factor.

List of Proposal Events	
Event	Date
RFP announcement	[date]
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Proposal due date	[date]
Contract award (estimated)	[date]



In evaluating proposals, MOH will use the following evaluation criteria and sub-criteria:

Evaluation Criteria	
Evaluation Sub-Criteria	Maximum Points
<b>I. Technical Capacity: Technical Approach, Methodology, and Detailed Work Plan</b>	
<ul style="list-style-type: none"> <li>Geographical reach: Offerors must list the provinces and districts they do and do not serve.</li> <li>Offerors must demonstrate their ability to make multiple stops en route without compromising the security of commodities. Offerors must demonstrate presence and type of security/tracking systems.</li> <li>Offerors must own at least [number and size of] trucks. Offerors must provide copies of the registration for each truck, which demonstrates ownership of the truck.</li> <li>Presence and description of SOPs.</li> </ul>	25 points
<ul style="list-style-type: none"> <li>Capability to provide comprehensive in-transit tracking and written POD with routine updates. Preference will be given to Offerors who can provide electronic POD.</li> </ul>	20 points
<ul style="list-style-type: none"> <li>Established SOPs that comply with WHO Good Distribution and Storage Practices for Pharmaceutical Products (e.g., customer service, maintenance/servicing for vehicles in fleet, security).</li> </ul>	20 points
Total Points, Technical Approach	65 points
<b>2. Corporate Capabilities, Experience, and Past Performance</b>	
<p>Successful past performance providing services as requested in the RFP, with references to support this. Relevant factors include:</p> <ul style="list-style-type: none"> <li>Description of company or organization, including parent company or subsidiaries</li> <li>Experience and technical ability to implement the scope of work</li> <li>Experience distributing and handling health commodities per WHO Good Distribution and Storage Practices for Pharmaceutical Products</li> <li>Percentage of on-time delivery</li> <li>Number of deliveries per year provincial and district levels</li> <li>Track record of dispatching vehicles quickly</li> </ul>	35 points
Total Points, Corporate Capabilities	35 points
<b>Total Points</b>	100 points

## Negotiations

Best-offer proposals are requested. It is anticipated that a subcontract will be awarded solely on the basis of the original offers received. However, the MOH reserves the right to conduct discussions and negotiations and/or request clarifications before awarding a subcontract. Furthermore, the MOH reserves the right to conduct a competitive range and to limit the number of Offerors in the competitive range to permit an efficient evaluation environment among the most highly rated proposals. Highest-rated Offerors, as determined by the technical evaluation committee, may be asked to submit their BAFO during a competitive range. At the sole discretion of the MOH, Offerors may be requested to conduct oral presentations.

## Scope of Work, Deliverables, and Deliverables Schedule

### Scope of Work

Offerors will consider the following requirements and guidelines when responding to the RFP:

- Trucks used for distributing pharmaceuticals, non-drugs consumables, and other health commodities must meet the following requirements:
  - Load and distribute commodities within [number of days] of notification by the MOH

- Provide fully enclosed, lockable cargo compartments/clean containers attached to the truck at all times during the distribution
  - Be appropriate for the volume and type of commodities being shipped
  - Be clean, dry, and free of vermin; cleaning records will be maintained for vehicles and for reusable shipping containers
  - Be well-serviced and regularly maintained in proper working order; with no damage that would impact their ability to operate
  - For pharmaceutical grade commodities, will have compartments that are well covered and padded to ensure that the temperature within the compartments is conducive and in keeping with warehousing storage conditions
  - Must have equipment and containers that are clean, suitable for use, and able to appropriately protect products from exposure to conditions that could affect their stability or packaging integrity
  - May not be passenger vehicles leased from public or private distribution organizations
  - Must have a tracking device and GPS data to monitor the location of vehicles and duration of time travelled in the delivery of health commodities
  - Must ensure that the commodities and quantities match the shipping documents before taking possession of the commodities; the Offeror must notify the MOH immediately of any damage, tampering, theft or missing items upon arrival or during transit
  - Take the most direct route while in transit
- The Offeror must:
- Ensure trucks and trailers of trucks to be used for the work are ready for visual inspection by the MOH
  - Provide before any distribution activity the truck make and model, trailer plate numbers of equipment to be used and locations parked
  - Ensure all drivers have a valid driver license
  - Take responsibility for loading before transit and off-loading at delivery destinations, including labor and other costs associated with off-loading
  - Use a security seal, record the number on the POD, and confirm the condition and number at delivery
- Maintain the trucks in optimal working conditions throughout the duration of the contract
  - Take responsibility for maintenance (mechanical, electrical, and otherwise), including the fueling of the truck(s), and record activities in a maintenance log
- Drivers used for distributing medicines and related medical supplies must:
- Be sufficient in number to distribute health commodities to the destinations in the timeframe specified.
  - Be sufficiently literate to manage the inventory of listed health commodities. Drivers may be assigned the responsibilities of keeping the truck movement log and maintenance schedule
  - Be responsible and accountable for the health commodities from the point they are loaded on the trucks, up to the point they are offloaded and delivered, and ensure all the stipulated documentation is completed to demonstrate clear transfer of custody of commodities between the truck and the recipient
- The Offeror must also:
- Be legally and financially responsible for the commodities during the distribution process
  - Provide insurance against all loss or damage to products as specified below
  - Continually assess security in the operating environment and must communicate all changes or concerns immediately to the MOH
  - Deliver MOH health commodities safely and securely and in prescribed condition to the recipient and destination, as evidenced by a signed POD; PODs must include:
    1. Consignee name and physical address, delivery location
    2. Date of departure
    3. List and description of commodities delivered
    4. Quantity of items delivered
    5. Date and time of delivery
    6. Batch and lot numbers of the commodities being delivered
    7. Name and signature of driver and recipient at destination
    8. Remarks or notation of any loss or damages

- Submit PODs with the subcontractor's invoice to the MOH
  - Take responsibility for all offloading costs at the point of delivery, including labor
  - Supervise the offloading and handover of the correct quantity of commodities to the designated recipient(s)
- SOPs will be in place for all vehicles and equipment involved in the distribution process, including:
- Cleaning
  - Pest control
  - Maintenance of the product's identity
  - Prevention of cross-contamination
  - Precautions against spillage or breakage
  - Procedures for distributing hazardous products, which can present risks of abuse, cleaning, maintenance, fire, or explosion (these products are to be stored and distributed in safe, dedicated containers and vehicles)
  - Process wherein unauthorized persons are prevented from entering and/or tampering with vehicles and/or equipment
  - Theft or misappropriation
- Waste will be disposed of safely and properly at frequent intervals.
- Vehicles must be loaded in such a way that cargo is stable and the possibility of shifting during distribution is limited. Necessary materials should be used to secure the cargo to prevent movement and subsequent damage to the cargo.
- Offeror will maintain appropriate disaster recovery and security systems to provide continuity of services in case of causes beyond the control and without the fault or negligence of the Subcontractor, such as (1) acts of God or of the public enemy, (2) acts of the government in either its sovereign or contractual capacity, (3) fires, (4) floods, (5) epidemics, (6) quarantine restrictions, (7) strikes, (8) freight embargoes, and (9) unusually severe weather, or (10) security breach (each a "Force Majeure Event"). During a Force Majeure Event, the Offeror and MOH will discuss the continued and uninterrupted provision of services and the MOH will reasonably consider any request by the Offeror to alter the performance and deliverable timelines for a limited period of time. For clarity, the parties agree that a Force Majeure Event will not excuse performance by the Offeror in the purchase orders issued hereunder.
- Offerors must ensure storage and distribution of health commodities adheres to WHO practices. Refer to the following documents:
- WHO Technical Report Series (TRS) No. 957, 2010, Annex 5
  - WHO Model Guidance for the Storage and Transportation of Time- and Temperature- Sensitive Pharmaceutical Products, TRS No. 961, 2011, Annex 9
  - Guidelines for Temperature Control of Drug Products during Storage and Transportation, GUI-0069, 2011
  - WHO Guidelines on the International Packaging and Shipping of Vaccines, WHO/EPI/CCIS/81.0, 2002
- The Subcontractor will maintain at all times adequate documentation, including written instructions and standard operating procedures (SOPs) for all operations, particularly for:
- Training in relation to good distribution practice
  - Vehicle maintenance
  - Security
  - Storage
  - Shipment receiving and confirmation
  - Truck loading
  - Pharmaceutical product distribution
  - Incident management and reporting
  - Daily operations reporting
  - Disaster recovery plan

### Contract Type and Ceilings

This is a framework contract with an overall ceiling price of \$[insert ceiling price]. The total value of all orders issued to all framework contract holders will not exceed the total ceiling amount. The ceiling is not being subdivided among the number of awardees under the framework contract nor is the ceiling being multiplied by the number of awardees.

The MOH will give an initial obligation of funds in the amount of \$[insert minimum order guarantee] to all successful bidders. The initial obligation will cover the minimum order guarantee. The MOH is required to order and the successful bidder is required to provide the minimum order amount of services.







## ANNEX D | Beginner and Advanced Key Performance Indicators Used in South Africa

Key performance indicators (KPIs) are indicators of progress toward an intended result. KPIs provide a focus for strategic and operational improvement, create an analytical basis for decision-making, and help us to understand what metrics matters most. Managing with the use of KPIs requires you to set or develop targets (the desired level of performance) and track progress against that target. Managing the operation using KPIs means you are working to improve leading indicators that will later drive efficiencies and build capacity.

Below are KPIs you should consider using in your warehouse/distribution center and in your transportation/distribution services.

### Driver/Distribution KPIs/Metrics

**Beginner/introductory-level KPIs:** The following are recommended for countries that have never implemented or measured KPIs.

Assess where we need to hold 3PL “feet to fire.” This will need to be relevant to the specific country context.

[Instructions: The list of KPIs below are sample KPIs from the HSS team. You may add to or modify the list as needed for your own contract. Please ensure that you are not over including KPIs for the sake of having KPIs but rather that the indicators chosen reflect the capacity of your supply chain and the results that you can and want to measure. Think through the conditions that need to be in place before the KPI being measured, such as distribution plans or commodities, and then go from there. You may also extract the list below, edit as needed, and then insert them as an Annex (and this is preferable). You should work with the HSS team to finalize appropriate KPIs for your needs. Please choose only three to six KPIs maximum and feel free to verify with HSS and the warehousing and distribution team.]

### Non-negotiable:

- **On-time arrival:** Defined by the percent of loads arriving at a specific date. Start with a reasonably wide window of time and then tighten it up as the number improves. (This is non-negotiable but please define what on-time arrival means and be specific per the country context.)

	Beginner	Advanced
<b>Distribution KPIs</b>	<ul style="list-style-type: none"> <li>On-time departure</li> <li>On-time arrival</li> <li>On-time PODs</li> <li>Perfect load</li> <li>Delivery accuracy</li> <li>Operational performance</li> </ul>	<ul style="list-style-type: none"> <li>Percent utilization</li> <li>Fleet yield</li> <li>Cost per kilometer</li> <li>Stops per load</li> <li>Freight cost per unit</li> <li>Outbound transportation cost as percentage of cost</li> <li>In-transit time</li> <li>Claims as a percentage of transportation costs</li> <li>Driver dashboard</li> </ul>
<b>Warehousing KPIs</b>	<ul style="list-style-type: none"> <li>Reception report</li> <li>Inbound shipment arrival report</li> <li>Stock on hand report</li> <li>Dispatch of outbound shipments report</li> </ul>	<ul style="list-style-type: none"> <li>Inventory turnover</li> <li>Stock aging analysis</li> <li>Space utilization</li> <li>Inventory accuracy (micro and macro)</li> <li>Picked, packed, and dispatched (PPD) accuracy</li> <li>Product lost due to theft, damage, or expiry—warehouse</li> <li>First expiry, first out (FEFO)</li> </ul>

- **Percent of PODs submitted on time:** This is non-negotiable but please be sure to define what on time means for your country and the context and be specific about how you want to receive the PODs, i.e., email, electronic system. If paper-based, provide the specific details on when and how.
- **Delivery accuracy:** Number of correct drop-off points receiving correct quantity of product

#### Additional Options:

- **On-time departure:** Defined by the percent of loads that leave on a specific date/time
  - Distribution start date
  - Delivery schedule that includes staging, departure, and arrival for each drop point
- **Percent perfect load:** No OS&D
- **Operational performance:** Damages/losses/theft/anomalies incurred during operation, including occurrences within and not within the control of the 3PL
  - Depending on country context, you can have two options to measure this: 1) Track the incident itself and the nature of the incident and 2) Track that the 3PL reports the incident within the time frame provided, should an incident occur.
- **Quotation/routing + costs proposal/invoice KPI:** Here, depending on your country context, you may want to include a KPI that measures the 3PL's ability to properly present its costs/routing and follow instructions. Options include but are not limited to:
  - Quotation packet received in full by the deadline requested
  - Quotation packet is complete; complies with contractual parameters and processes (including instructions, distribution plan, pricing, any justifications and documentation needed)
  - Routing plan and costs are submitted in full by the deadline requested and per the cost schedule
  - Invoice/invoice packet is received in full by the deadline requested (i.e., 48 hours after the end of the distribution operation) and per the cost schedule and including any needed annexes

**Final Summary Distribution Report:** Submitted within five days of distribution completion

**Advanced KPIs:** The following are recommended for countries that have implemented KPIs in the past and want to further improve or add on new control measures:

- **Percent of utilization:** Used space within a given truck. Is there a second level of verification?
- **Fleet yield:** Driver throughput per actual units per hour delivered
- If your country has a sophisticated technology (quick response code, GPS, ePOD, geofencing), please work with the HSS team to identify an effective KPI for your team that makes sense based on the technology and is useful for you to measure.
- **Stops per load:** Defined as the number of drop points per load. Couple this one with volumetrics, and you get a great look at how well the routes are run and established. It also is a correlation for cost per kilometer. The better the route (less kilometers, maybe the higher stops per load), the lower the costs per kilometer
- **Freight cost per unit:** The indicator is calculated by dividing the total freight cost by the number of units shipped in shipping cycle/period (volumetric data required).
- **Outbound transportation cost as a percentage of cost:** The (delivery) freight costs are divided by the revenues of sales for a given period. A useful gauge to check the financial performance of the transportation area or provider.
- **In-transit time:** Measured as the number of days (or hours) from the time the order departs the warehouse/distribution center until it is delivered.
- **Claims as a percentage of transportation costs:** This is calculated by dividing the costs of loss and damage claims by the total transportation costs (OS&D information).
- **Driver dashboard:** Provides visibility into each driver's performance versus the total team (kilometers driven, total deliveries, OS&D, issues, time at delivery location).

## Example KPIs

KPI: On-Time Departure	
<b>Objective</b>	To measure conformance of the number of truck deliveries that departed the warehouse or distribution center within (less than) 15 minutes of scheduled departure time
<b>Measure</b>	Number and percentage of truck deliveries to service delivery points (SDPs) that departed the warehouse or distribution center (less than) 15 minutes of scheduled departure time
<b>Numerator</b>	Number of vehicles that left the warehouse or distribution center on time or less than 15 minutes of scheduled departure time to SDPs as per the distribution plan
<b>Denominator</b>	Total number of vehicles to SDPs per the distribution plan
<b>Data Sources</b>	Vehicle logs, distribution schedules, invoices, or proof of delivery (POD) (without unexplained endorsements/corrections) indicating dispatch and receipt dates
<b>Data Requirements</b>	Schedule of desired departure dates and time, actual receipt dates according to requisition and issue, total number of shipments during specified period
<b>Target</b>	99.9 percent
<b>Definition</b>	$\frac{[\text{Number of vehicles that left the warehouse/distribution center on time to SDPs scheduled as per the distribution plan}]}{[\text{Total number of vehicles to SDPs per distribution cycle}]}$

KPI: Submission of PODs	
<b>Objective</b>	To measure the timeliness of submission of signed PODs after completion of each delivery cycle for last-mile distribution
<b>Measure</b>	Number and percentage of submission of PODs completed and signed within agreed timeframe (48 hours) on the completion of a cycle
<b>Numerator</b>	Actual number of PODs (without unexplained endorsements/corrections) completed, signed, and submitted within (48 hours) on the completion of all drop-offs
<b>Denominator</b>	Expected number of PODs (without unexplained endorsements/corrections) completed, signed, and submitted at the completion of each trip
<b>Data Sources</b>	PODs, POD log
<b>Data Requirements</b>	Delivery schedule, date of last delivery, date of receipt of PODs (working days and hours to be considered)
<b>Target</b>	99.9 percent
<b>Definition</b>	$\frac{[\text{Total number of PODs submitted to the project}] - [\text{Total number of PODs submitted to the project within 24 hours of delivery}]}{[\text{Total number of PODs submitted to the project per distribution cycle}]}$ <p>For instance, if 1,000 PODs are expected at the end of the distribution cycle and 990 completed and signed PODs (without unexplained mutilations/corrections) are returned to GHSC-PSM in hard copy or electronically within agreed schedule (48 hours), 99 percent attainment of KPIs will be recorded.</p>



KPI: On-Time Delivery	
<b>Objective</b>	To measure conformance of the number of deliveries successfully made to SDPs (health facilities) scheduled to be serviced within the stipulated timeframe in the distribution plan
<b>Measure</b>	Number and percentage of deliveries that are made on time to SDPs scheduled to be serviced in a distribution cycle
<b>Numerator</b>	Number of on-time deliveries made in full to SDPs scheduled to be serviced in a distribution cycle
<b>Denominator</b>	Total number of deliveries made in full to SDPs scheduled to be serviced in a distribution cycle
<b>Data Sources</b>	Vehicle logs, distribution schedules, invoices, or POD (without unexplained endorsements/ corrections) indicating dispatch and receipt dates
<b>Data Requirements</b>	Schedule of desired delivery dates, actual receipt dates according to requisition and issue, total number of shipments during specified period
<b>Target</b>	99.9 percent
<b>Definition</b>	<p><math display="block">\frac{[\text{Number of completed deliveries/drop-off points within the agreed-upon timeline}]}{[\text{Total quantity of products delivered per distribution cycle}]}</math></p> <p>The deliveries are counted per health facility, not number of PODs, as some health facilities may have more than one POD depending on the product type. For example, if there are 1,000 customer health facility deliveries within a distribution cycle and 990 of these are successfully delivered to the customer health facilities within the timeframe, then the level of attainment will be 99 percent for that cycle.</p>

KPI: Delivery Accuracy	
<b>Objective</b>	To measure the number of correct drop-off points receiving the correct quantity of product
<b>Measure</b>	Variance between the overall quantity of product ordered for distribution and the actual quantity delivered to the correct drop-off points
<b>Numerator</b>	$[\text{Number of correct drop-off points receiving the correct quantity of product}]$
<b>Denominator</b>	$[\text{Total number of drop-off points as per the distribution plan}]$
<b>Data Sources</b>	Distribution plans, PODs
<b>Data Requirements</b>	Number of correct drop-off points receiving the correct quantity of product, total number of drop-off points per the distribution plan
<b>Target</b>	100 percent
<b>Definition</b>	$\frac{[\text{Number of correct drop-off points receiving the correct quantity of product}]}{[\text{Total number of drop-off points as per the distribution plan}]}$

**KPI: Product Loss (damage, theft) In-Transit**

<b>Objective</b>	To measure the conformance of stock (value) delivered at SDPs in acceptable quality versus the total stock (value) dispatched.
<b>Measure</b>	Percentage of value (in USD) of products written off because of damage/loss while in the custody of 3PL service provider in the specific distribution cycle
<b>Numerator</b>	Value (in USD) of products written off because of damage/loss while in the custody of 3PL service provider in the specific distributing cycle
<b>Denominator</b>	Total cost (in USD) of throughput in the specific distributing cycle
<b>Data Sources</b>	Visual inspection of products at originating and receiving facility, distribution schedules, endorsement on the POD
<b>Data Requirements</b>	Number of shipments arriving without damage to product or packaging, total number of shipments during specified period
<b>Target</b>	99.9 percent
<b>Definition</b>	For example, if the landed value of loss/damages/negative product variances is US\$1,000 and the landed cost value of throughput for that distribution cycle is US\$100,000, then the level of attainment will be 99 percent

**KPI Template (blank)**

<b>KPI:</b>	
<b>Objective</b>	
<b>Measure</b>	
<b>Numerator</b>	
<b>Denominator</b>	
<b>Data Sources</b>	
<b>Data Requirements</b>	
<b>Target (%)</b>	
<b>Definition</b>	