**Shipping and Insurance**

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1. The cost of transportation is a significant component in the cost of goods purchased by Business Units and delivered to the designated project site. Therefore the contract should state the mode of transport and terms of insurance to be provided by Supplier. Freight, or the cost of transportation services is particularly critical where procurement is requested for land-locked countries. In general, freight costs range anywhere from 10 to15 percent of the total cost of goods.

**Modes of Transport**

1. Five basic modes of freight transportation – sea, rail, road, air and parcel post – are used, either individually or in combination, in international transportation. Business Units should consider modes of transport that are both economical and efficient. In general, rail, road and air transport costs are comparatively higher than freight by sea, thus UNDP recommends sea transport. To ensure sound delivery however, it is advisable to select a conference liner, which operates along definite routes and pre-determined ports of call.
2. The International Commerce Terms (INCOTERMS) define the obligations of both buyer and seller relating to shipment of goods. [INCOTERMS 2020](https://home.kuehne-nagel.com/-/knowledge/incoterms) shall govern shipment terms of all UNDP contracts.
3. Commonly used terms in UNDP procurement include:
4. for local procurement use the term “FCA” (Free Carrier);
5. for international procurement where the transportation is arranged by the Business Unit, use the term “FOB” (Free on Board) or “FCA”, depending on where the goods are to be delivered;
6. for international procurement where the Supplier arranges for transport, use the term “CPT” (Carriage Paid To);
7. for international procurement where the Supplier arranges both transportation and insurance, use the term “CIP” (Carriage and Insurance Paid To); and
8. for international procurement where UNDP elects for Supplier to bear all risks and costs associated with the transport of goods to the country of destination, use the term “DDU” (Delivered Duty Unpaid). Note that this method is expensive and should be used only during emergency operations or for the procurement of medical supplies.
9. All the terms referred to above should be followed by named place/destination point.

Structure Element - Procedures

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**Markings**

1. To facilitate the identification of goods and handling whilst in transit, Suppliers should be instructed to provide “shipping marks” on all packages:
2. consignee;
3. destination;
4. port of unloading;
5. project identification;
6. order number; and
7. case number

**Receipt of consignments**

1. When a consignment is delivered to the consignee (i.e., forwarding agent, Business Unit), it is common practice for the carrier to request a receipt. At the same time, the consignee should perform a cursory inspection of packages against all shipping documents. If, in apparent good order, it is recommended that an endorsement be so given (e.g., “received in good external condition – contents unchecked”). If, however, signs of tampering are visible, the receipt should state necessary reservations (e.g., “cases broken”, “contents lacking”, “cartons opened with sign of pilferage”). Where possible, packages should be weighed to determine differences between declared and actual weights, documenting any discrepancies on the delivery notes.

**Cargo insurance**

1. During transportation and storage, all cargo is vulnerable to a range of risks, such as damage, pilferage and theft, breakage, non-receipt of part or an entire consignment. Cargo insurance thus provides protection against potential financial losses resulting from such risks. Business Units should ensure the following:
2. Protection for goods subject to risks, including war, strikes, riots and civil commotions.
3. The duration of insurance coverage is sufficient for the period of transportation from “warehouse to warehouse,” including a minimum of 30 days, estimated for storage at the destination site.
4. Goods are insured for the cost, insurance and freight (CIF) value plus an agreed percentage, generally 10 percent, to reflect the indirect cost to the Business Unit incidental to cover, or replace goods.
5. Standard UNDP cargo insurance policies are negotiated and maintained by OLPS.

1. In the event of damage or loss, procurement personnel should contact the insurance underwriter within one week of discovery for further advice.

Structure Element - Inputs

Structure Element - Roles & Responsibilities

**Forwarding agents**

1. Forwarding agents, known also as freight forwarders or freight brokers, act as international freight forwarders, clearing agents or custom brokers to carry out the formalities and operations of consignment.

1. Generally employed to receive consigned goods where UNDP staff may not be physically present, forwarding agents engage in the prompt clearance and collection of goods vulnerable to loss and pilferage. Business Units should forward to the respective forwarding agent all necessary documents (i.e., bill of lading, shipping instructions) for the release of goods in transit.
2. [International Chamber of Commerce](http://www.iccwbo.org/)
3. [UNDP Cargo Insurance](https://intranet.undp.org/unit/bom/pso/SitePages/Cargo%20Insurance.aspx)