

**FOOD FOR PEACE
INFORMATION BULLETIN**

FFPIB 12-03

Date: August 10, 2012

MEMORANDUM FOR ALL FOOD FOR PEACE OFFICERS

TO: USAID/W and Overseas Distribution Lists; FFP Cooperating Sponsors

FROM: DCHA/FFP, Dina Esposito, Director

SUBJECT: Eligible Uses of Section 202(e) and ITSH Funding

I. Purpose and Authority:

This Food for Peace Information Bulletin (FFPIB 12-03) updates and consolidates the eligible uses for Section 202(e) and Internal Transportation, Storage and Handling (ITSH) funding and will help to improve the effectiveness and efficiency of Title II food aid programs. In addition, this FFPIB includes a matrix that provides guidance with respect to the order of preference for budgeting Section 202(e), ITSH, monetization and cost share funding. **Note: Eligibility of certain costs for Section 202(e) and/or ITSH funding does not guarantee such funding. Decisions about the availability of Section 202(e) and ITSH funding in a particular award will be determined by the Office of Food for Peace (FFP), taking into account the availability of funding, statutory requirements, and program and policy considerations.**

Title II Section 202(e), as amended in Subpart A. Food for Peace Act and Related Statutes (P.L. 110-246), requires FFP to make funding available to eligible organizations to assist in 1) establishing new programs under Title II; 2) meeting specific administrative, management, personnel and internal transportation and distribution costs for carrying out Title II programs (including monetization programs) in foreign countries; and 3) improving and implementing methodologies for food aid programs, including needs assessments (upon request of the Administrator), monitoring (especially at the household level), and evaluation.

ITSH funding is available to eligible organizations for in-country costs directly associated with 1) the movement of Title II food aid to storage and distribution sites, 2) storage of the food aid, and 3) distribution of the food aid in all emergency programs and in non-emergency programs in least developed countries (LDCs)¹ that meet the poverty and other eligibility criteria established by the International Bank for Reconstruction and Development for financing the International Development Association. Title IV Section 406 (b)(6) authorizes the use of funding for eligible organizations' transportation costs of agricultural commodities (including pre-positioned commodities) destined for meeting urgent and extraordinary relief requirements, i.e., emergency program costs, incurred in moving the commodities

¹ All emergency programs are eligible for ITSH funding; however, non-emergency programs only qualify for ITSH funding if they are in least developed countries (LDCs) as described by the list of the International Development Association's (IDA) eligible borrowers.

The following website provides a list of the eligible LDC countries in which FFP will consider ITSH funding for non-emergency programs.

<http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/IDA/0,,contentMDK:20054572~menuPK:115748~pagePK:51236175~piPK:437394~theSitePK:73154,00.html>

from designated points of entry or ports of entry abroad to storage and distribution sites. Title IV Section 407(c)(1)(B) authorizes the use of funding for eligible organizations' transportation costs for non-emergency assistance programs incurred in moving the commodities from designated points of entry or ports of entry abroad to storage and distribution sites in LDCs and associated storage and distribution costs.

II. Background:

With the Food for Peace Act of 2008, Section 202(e) funding was increased from “not less than 5 percent nor more than 10 percent” to “not less than 7.5 percent nor more than 13 percent” and additional eligible costs were included.

Prior to the 2002 Farm Bill, ITSH funding was only available for emergency programs; however, a 2002 Farm Bill amendment expanded the authorized uses of ITSH funding to include costs of non-emergency programs (referred to as development programs in this FFPIB) in LDCs. Therefore, FFP includes all eligible programs in its official ITSH funding policy in this FFPIB.

III. Definition of Eligible Organizations for Section 202(e) and ITSH Funding for emergency or development programs:

In order to be considered eligible to receive either Section 202(e) or ITSH funding for a development program, an organization must be either a Private Voluntary Organization (PVO) or Cooperative that is, to the extent practicable, registered with USAID; or a Public Intergovernmental Organization (PIO), such as the World Food Program. To receive either Section 202(e) or ITSH funding for an emergency program, an organization must be a Private Voluntary Organization (PVO) or Cooperative that is, to the extent practicable, registered with USAID; a Public Intergovernmental Organization (PIO), such as the World Food Program; or a foreign government. All eligible recipients of funding are referred to as “organizations” in this FFPIB.

IV. Eligible Uses for Section 202(e) Funding:

For eligible uses of Section 202(e) funding, FFP differentiates between new programs and programs implemented by organizations that have received funding in previous cycles for the same country in the same shock and same area and/or same technical sectors. Eligible uses are detailed in Sections A and B below.

A. FFP may use Section 202(e) funding to assist organizations in establishing new programs. A **new program** can be defined in the following ways:

1. An emergency program that targets a distinct area or population not served by the same organization under a pre-existing program may be considered as “new” for the life of the award (LOA). The term “new” does not apply to follow-on programs, amendments or modifications that simply broaden the existing program area or target population;
2. An on-going emergency program, including PIO appeals such as an WFP Emergency Operation (EMOP) or Protracted Relief and Recovery Operation (PRRO), that is undergoing a re-design in order to introduce non-emergency interventions may be considered as “new” for the LOA;
3. An emergency program, including PIO appeals such as a WFP EMOP or PRRO that targets the same area and population under a pre-existing program, but is initiated, revised or redesigned to respond to a new shock may be considered as “new” for the LOA.

4. A development program that targets a distinct area or population not served by the same organization under a pre-existing program may be considered as “new” for the LOA;
5. A development program that follows an emergency program(s) in the same area or that targets some or all of the same population may be considered as “new” for the LOA; and
6. A development program that targets the same area and a population under a pre-existing program but with new objectives and activities by the same organization may be considered as “new” for the LOA.

In new programs, eligible uses for Section 202(e) funding must be reasonable, allowable and allocable, and are subject to the Agreement Officer’s determination that the facts of the particular situation support the use of Section 202(e) funding. Costs may include, but are not limited to, those listed below. Some of these costs may be subject to restrictions and/or waivers; examples are marked with asterisks (*).

a. Program materials, tools and equipment necessary for all program sectors as described in the FFP annual program guidelines including:

- seeds*, fertilizers*, tools and equipment, including animals for husbandry activities
- publications related to programming
- education, communication and training materials
- building materials used in program activities
- access or provision costs for clean water or a clean water source
- materials, supplies and funds for income generating or micro-financing activities
- domestic or imported therapeutic feeding supplements purchased locally, including ingredients for or packets of oral rehydration solutions (ORS)*
- local processing
- branding and marking
- A-133 audit costs, subject to the approval of the Agreement Officer

b. Storage-related costs such as warehouse leases, fumigation*, pesticides*, security, property insurance as required by the host country laws (i.e., insurance that is not related directly to Title II commodities, in non-LDCs (for example, vehicle insurance).

B. Eligible uses for Section 202(e) funding in all programs include specific administrative, management, personnel and, in cases where ITSH funding is not permitted, internal transportation and distribution costs for carrying out Title II programs (including monetization programs) in foreign countries. These costs must be reasonable, allowable and allocable. Costs may include, but are not limited to those listed below. Some of these costs may be subject to restrictions and/or waivers; examples are marked with asterisks.

- a. methodologies to improve and implement food aid programs, as approved by the Agreement Officer on a case-by-case basis
- b. needs assessments (upon the request of the USAID Administrator)
- c. monitoring, especially at activity sites and at the household level, and evaluations, including activities tied to environmental compliance
- d. administrative and overhead costs in-country
- e. staff, including field management and personnel costs
- f. after preliminary discharge from an ocean carrier, internal transportation and distribution costs, i.e., rail and barge transportation (includes costs to transport, load and unload commodities; stevedoring for barge transportation), for non-LDCs

- g. trucking (includes the lease or rental of trucks, maintenance, fuel, drivers and loading/unloading charges) for non-LDCs
- h. distribution cost for non-LDCs
- i. local banking costs
- j. local processing
- k. branding and marking
- l. country-specific pro-rata indirect cost rates (Country-specific indirect cost rates (Negotiated Indirect Cost Rate Agreement or NICRA) approved by M/OP/PS/OCC prior to proposal submission will be authorized for Section 202(e) funding. These are separate and distinct from NICRAs approved by M/OP/PS/OCC for organizations' headquarters.)

Note: FFP's preferred policy regarding vehicle procurement is that organizations purchase vehicles for project use with a source of funding other than the U.S. Government (i.e., organizations' cost share.) Section 202(e) funding may be used to rent or procure vehicles for use in Title II project(s) if the organization is unable to identify alternative funding.

V. Ineligible Uses for Section 202(e) Funding:

The following costs are **not eligible** for Section 202(e) funding:

- costs of activities not associated with programming of Title II resources;
- case studies not associated with assessments or evaluations;
- medicines or vaccines;
- proposal writing;
- advocacy; and
- expenses associated with hospitality.

VI. Eligible Uses for ITSH Funding:

Eligible uses for ITSH funding must be reasonable, allowable and allocable and support costs associated with the provision of Title II commodities to the final distribution point including household or local warehouse. Costs may include, but are not limited to, those listed below. Some of these costs may be subject to restrictions and/or waivers.

Direct program costs of a Title II emergency program or a development program in an LDC associated with the in-country movement, management and monitoring of Title II commodities necessary for distribution and in direct support of eligible Title II activities including:

- a. clearing and handling
- b. storage, warehousing and commodity distribution costs
- c. internal transport² via rail, truck or barge transportation
- d. monitoring, including commodities en route, in storage and at distribution sites, including activities tied to environmental compliance

² In the case of landlocked countries, Title II Inland Transport funding may be provided on a reimbursable basis for transport from discharge port to extended delivery point(s) (EDP/EDPs), or designated point(s) of entry within the recipient country. ITSH funding will be provided for internal transport from the EDP(s) or designated point(s) of entry to distribution site. When an awardee requests inland or internal transport through bill of lading to a designated internal point, funding may be provided on a reimbursable basis under the awardee's inland freight purchase authorization (PA).

- e. staff directly associated with the in-country movement, management and monitoring of Title II commodities
- f. vehicle lease, fuel and maintenance in short term programs or when leasing a vehicle is considered to be more cost effective than purchasing a vehicle.
- g. vehicle procurement
- h. in-country operational costs
- i. capital expenditures
- j. local processing
- k. branding and marking

Note: FFP's preferred policy regarding vehicle procurement is that organizations purchase vehicles for project use with a source of funding other than the U.S. Government (i.e., organization's cost share). ITSH funding may be used to rent or procure vehicles for use in Title II activities related to internal transport, storage and handling of Title II commodities if the organization is unable to identify alternative funding.

VII. Ineligible Uses of ITSH Funding:

The following costs are **not eligible** for ITSH funding:

- costs of activities that are not supported directly by Title II resources or directly related to the movement, management and monitoring of Title II commodities
- pro rata indirect costs
- direct audit costs (OMB Circular A-133)
- headquarters or other offshore indirect costs
- duties, taxes or fees, without express Agreement Officer approval
- inland transport from discharge port to designated point(s) of entry or EDP(s) of the recipient country, in the case of landlocked countries. Title II inland transport funding may be provided on a reimbursable basis for transport from discharge port to designated point(s) of entry or EDP(s).
- select activity costs for goods and services not directly associated with the Title II food aid distribution activities, e.g., seeds, tools, agricultural or educational materials/equipment, construction materials, etc.
- technical support staff who provide services not directly associated with the Title II food aid distribution activities, e.g. agricultural specialists, civil engineers, economists, etc.
- staff training, except as indicated below
- long-term airlift costs
- minor road repairs, except as indicated below

NOTE: ITSH funding will only be considered for staff training directly tied to logistics/commodity management/end-use checking and other training required to safeguard commodities; long-term airlifts and minor road repairs will only be considered on an exceptional basis. If there is significant national interest, an immediate, urgent need for funding of these line item costs, and a finding that the cost is directly associated with internal transportation, storage and handling of Title II commodities, the Agreement Officer may determine that these costs may be funded by ITSH funding on an exceptional basis.

VII. Funding Expectations:

1. FFP strongly encourages organizations to identify other sources of public and private funding (including cost share) in order to leverage Title II resources and diversify support for the program **prior** to making requests for Section 202(e) and ITSH funding.
2. Section 202(e) and ITSH funding shall only cover those costs/activities submitted in U.S. dollar amounts.
3. No expense is eligible for Section 202(e) or ITSH funding until it is approved under a procurement authorization, modification, grant or cooperative agreement.
4. In LDCs, Section 202(e) funding is expected to cover expenses tied to program impact and ITSH funding is expected to cover expenses tied to the receipt of commodities, i.e., those costs tied to the movement, storage and distribution of Title II commodities. In non-LDCs, Section 202(e) funding would be used to cover both types of expenses.
5. FFP will receive and consider Section 202(e) and ITSH funding requests from organizations on a per program basis. All organizations will be subject to the same Section 202(e) and ITSH funding policy guidelines defining what types of costs may be covered by the funding.

VIII. FFPIB 12-03 Amendments/Modifications:

FFP may issue amendments/modifications to any FFPIB. However, subject to statutory requirements, the FFP Director may waive a particular provision in this FFPIB in extraordinary circumstances.

Food for Peace Budget Matrix, Version 2012

This budget matrix is a supplemental tool for use in conjunction with FFPIB 12-03. The matrix should be used as a guide in reviewing budgets for emergency programs and development programs. **However, this is only guidance; budgets may need to be re-aligned on a case-by-case basis. If discrepancies exist between the matrix and FFP policy or FFPIB, the policy or FFPIB takes precedence over this matrix.**

Within each funding column numbers 1, 2 and 3 indicate order of preference for funding. A "1" indicates that an item or cost should be budgeted under that source of funding first. A "2" or "3" indicates that these columns should be considered for funding an item or cost, if funds are not available in "1". Shaded cells indicate ineligibility for costs or items from this funding source. Monetization is abbreviated as mtz.

	ITSH	202(e)	MTZ.	Cost Share
Administrative/Overhead Costs (directly allocable, allowable and reasonable)				
Field office rent and utilities (non-ITSH related)		1	2	
Field office rent and utilities (ITSH related)	1	2	3	
Field office communications, supplies and equipment (non-ITSH related)		1	2	
Field office communications, supplies and equipment (ITSH related)	1	2	3	
Travel (non-ITSH related), includes per diem		1	2	
Travel (ITSH related), includes per diem	1	2	3	
Vehicle purchase (non-ITSH related)		1	2	preferred
Vehicle purchase (ITSH related)	1	2	3	preferred
Vehicle lease (non-ITSH related)		1	2	preferred
Vehicle lease (ITSH related)	1	2	3	preferred
Vehicle fuel/maintenance (non-ITSH related)		1	2	
Vehicle fuel/maintenance (ITSH related)	1	2	3	
Miscellaneous administrative fees (banking, currency conversion, etc.)	3	1	2	
Audit costs (non-ITSH related, e.g., OMB Circular A-122 audit)		1	2	
Personnel Costs				
Personnel/consultants (supervision, salaries, benefits, travel) directly related to Title II project (non-ITSH related)		1	2	
Personnel/consultants (supervision, salaries, benefits, travel) directly related to Title II project (ITSH related)	1	2	3	
Training related travel, consultants, and per diem (non-ITSH related)		1	2	
Training related travel, consultants, and per diem (ITSH related)	1	2	3	
Technical assistance (non-ITSH related)		1	2	
Technical assistance (ITSH related)	1	2	3	
Warehouse security personnel (non-ITSH related)		1	2	
Warehouse security personnel (ITSH related)	1	2	3	
Internal Transportation and Distribution				
Clearing and handling (port clearance—excluding taxes, fees, duties—pest control, fumigation, commodity reconstitution)	1	2	3	
Internal transportation from discharge port or designated port of entry to distribution sites, truck rental, rail or barge transportation, truck maintenance, truck fuel, truck drivers, and handling charges, stevedoring (if not covered in freight contract)	1	2	3	
Facilities, supplies and equipment for food distribution and preparation	1	2	3	
Distribution (materials for registration and commodity distribution, commodity handling, surveys, local marking and labeling)	1	2	3	
Commodity fumigation, enhancement, fortification, rehabilitation, local processing, reconditioning, re-bagging, testing and sampling for quality control	1	2	3	
Monitoring and evaluation costs of use and impact of Title II commodities (all programs) (ITSH related)	1	2	3	
Audit costs (ITSH related)	1		2	
Branding and Marking (ITSH related)	1	2	3	
Storage				
Warehouse rent /lease, temporary storage construction for Title II commodities, storage space repairs, pallets (ITSH related)	1	2	3	
Warehouse security (improvements to physical structure) (ITSH related)	1	2	3	
Programming				
Program materials, tools and equipment (new programs only)		1	2	
Program materials, tools and equipment			1	
Scales and medical equipment for assessments/monitoring (new programs only)		1	2	
Scales and medical equipment for assessments/monitoring			1	
Water access or provision (new programs only)		1	2	
Water access or provision			1	
Public service messages, communication costs, publications, and branding and marking (new programs only) (non-ITSH related)		1	2	
Public service messages, communication costs, publications, and branding and marking (non-ITSH related)			1	
Locally purchased ready-to-use therapeutic foods or ORS (and ORS ingredients) (new programs only)		1	2	
Locally purchased ready-to-use therapeutic foods or ORS (and ORS ingredients)			1	
Surveys and needs/nutritional assessments during LOA (all programs) (non-ITSH related)		1	2	
Surveys and needs/nutritional assessments during LOA (all programs) (ITSH related)	1	2	3	
Monitoring and evaluation costs (all programs) (non-ITSH related)		1	2	
Commodity Insurance (all programs)				optional

