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**OFFICE OF FOOD FOR PEACE
INFORMATION BULLETIN (FFPIB)**

FFPIB 18-02

Date: December 19, 2017

MEMORANDUM FOR ALL FOOD FOR PEACE OFFICERS

TO: USAID/W and Overseas Distribution Lists; USAID's Office of Food for Peace (FFP) Awardees

FROM: DCHA/FFP

SUBJECT: Eligible Uses of Internal Transportation, Storage and Handling, Inland Freight and Monetization Proceeds for FFP Awards

I. Purpose and Authority¹:

Food for Peace Information Bulletin (FFPIB) 18-02 updates and consolidates the eligible uses for Internal Transportation, Storage and Handling (ITSH) and inland freight funding under Title II of the Food for Peace Act.

Note: Eligibility of certain costs for ITSH and inland freight does not guarantee such funding. Decisions about the availability of ITSH and inland freight funding in a particular award will be determined by the Office of Food for Peace (FFP) Agreement Officer (AO), taking into account the availability of funding, statutory requirements and program and policy considerations.

Section 406 and Section 407(c)(1)(B) of the Food for Peace Act (7 U.S.C. §1736 & §1736a) provide the statutory authority to pay for the associated costs for the movement of Title II U.S. commodities, including ITSH, inland freight and other incidental costs. Consistent with this authority, USAID outlines its definitions for ITSH and inland freight costs as follows:

- **ITSH costs** include direct costs of Title II emergency awards, or non-emergency awards in a least developed country (LDC)², associated with the in-country movement, management and monitoring of Title II U.S. agricultural commodities necessary for distribution and in direct support of eligible Title II activities.
- **Inland freight costs** include costs required to move commodities through the transit country in the case of landlocked countries, or instances when commodities cannot be delivered to a port in the destination country due to conflict or natural disaster. Inland freight funds are awarded for transport from discharge port to extended delivery point (the first warehouse) or designated point(s) of entry (the border crossing) within the destination country. Inland freight costs represent a subset of ITSH,

¹ This FFPIB is issued pursuant to the authority contained in the Food for Peace Act (7 U.S.C. §1691 et seq.) and its implementing regulations in 22 CFR Part 211. Title II awards issued by FFP conform with the Office of Management and Budget Guidance for Grants and Agreements in 2 CFR Part 200 and the USAID supplementary grant regulations in 2 CFR Part 700, as well as USAID's applicable standard provisions in ADS 303 and ADS 308, as appropriate.

² All emergency awards are eligible for ITSH funding. Per Section 407(c)(1)(B) of the Food for Peace Act non-emergency awards only qualify for ITSH funding if they are in LDCs, which are defined as countries that meet the poverty and other eligibility criteria established by the International Bank for Reconstruction and Development for financing by the International Development Association. The following website provides a list of the eligible LDC countries in which FFP will consider ITSH funding for non-emergency awards: <http://ida.worldbank.org/about/borrowing-countries>. It should be assumed that any mention of ITSH in a non-emergency program in this FFPIB is in reference to a non-emergency program in a LDC.

however USAID is required to track and report on inland freight costs separately from ITSH costs due to reporting requirements in the Food for Peace Act.

ITSH funding is available to eligible organizations for in-country costs directly associated with:

1. movement of Title II U.S. food assistance to storage and distribution sites;
2. storage of Title II U.S. food assistance; and
3. distribution of Title II U.S. food assistance in all emergency and non-emergency awards.

II. Definition of Eligible Organizations for ITSH funding for emergency or non-emergency awards:

As outlined in Section 202(d) of the Food for Peace Act, to receive ITSH funding for a non-emergency award, an organization must be either:

- a Private Voluntary Organization (PVO) or Cooperative that is, to the extent practicable, registered with USAID; or
- an Intergovernmental Organization, such as the U.N. World Food Program (WFP).

As outlined in Section 202(a) of the Food for Peace Act, to receive ITSH funding for an emergency award, an organization must be:

- a PVO or Cooperative that is, to the extent practicable, registered with USAID;
- an Intergovernmental Organization, such as WFP; or
- a foreign government.

All eligible recipients of funding are referred to as “organizations” in this FFPIB.

III. Eligible Uses for ITSH Funding:

Eligible uses for ITSH funding must be allowable, reasonable and allocable³, and must support costs associated with the provision of Title II U.S. 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 programmatic costs of a Title II emergency award or a non-emergency award associated with the in-country movement, management and monitoring of Title II U.S. commodities necessary for distribution and in direct support of eligible Title II interventions include:

- a. clearing and handling;
- b. storage, warehousing and commodity distribution costs;
- c. internal transport⁴ via rail, truck, barge or air;
- d. monitoring, including commodities en route, in storage and at distribution sites, including interventions tied to environmental compliance;
- e. staff directly associated with the in-country movement, management and monitoring of Title II U.S. 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 (non-U.S. vehicles may require a waiver prior to procurement);

³ According to 2 CFR 200, “A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.”

⁴ In the case of landlocked countries, Title II inland freight funding may be provided on a reimbursable basis for transport from discharge port to extended delivery point(s) (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 using a 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).

- h. in-country operational costs;
- i. capital expenditures⁵; and
- j. branding and marking.

Note: FFP's preferred policy regarding vehicle procurement is that organizations purchase vehicles for award 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 U.S. commodities if the organization is unable to identify alternative funding.

IV. Ineligible Uses of ITSH Funding:

The following costs are not eligible for ITSH funding:

- a. costs of interventions that are not supported directly by Title II resources or directly related to the movement, management and monitoring of Title II U.S. commodities;
- b. commodities purchased outside of the U.S.;
- c. direct audit costs (2 CFR 200);
- d. headquarters or other offshore indirect costs;
- e. duties or fees, without express AO prior approval;
- f. taxes;
- g. inland transport from discharge port to designated point(s) of entry or extended delivery point(s) (EDP) of the recipient country, in the case of landlocked countries. Title II inland freight funding may be provided on a reimbursable basis for transport from discharge port to designated point(s) of entry or EDP(s);
- h. select intervention input costs for goods and services not directly associated with the Title II U.S. food assistance distribution activities, e.g., seeds, tools, agricultural or educational materials/equipment, construction materials;
- i. technical support staff who provide services not directly associated with the Title II U.S. food assistance distribution activities, e.g. agricultural specialists, civil engineers, economists;
- j. staff training, except as indicated below; and
- k. minor road repairs, except as indicated below.

Note: ITSH funding will only be considered for staff training directly tied to logistics and commodity management and end-use checking and other training required to safeguard commodities; 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 U.S. commodities, the AO may determine that these costs may be supported by ITSH funding on an exceptional basis.

Additionally, costs associated with local and regional procurement, food vouchers or cash transfers are **not permitted** to be paid for with ITSH funds. ITSH funds are limited to supporting the movement, management and monitoring of Title II U.S. agricultural commodities. For information on costs associated with local and regional procurement, food vouchers or cash transfers, see FFPIB 18-01 on Section 202(e) and CDF funding.

⁵ Capital expenditures are expenditures on a capital asset. Capital assets are tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with Generally Accepted Accounting Principles (GAAP). These include: (a) Land, buildings (facilities), equipment, and intellectual property (including software) whether acquired by purchase, construction, manufacture, lease-purchase, exchange, or through capital leases; and (b) Additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations or alterations to capital assets that materially increase their value or useful life (not ordinary repairs and maintenance).

V. Monetization:

Monetization is an activity in which donated commodities are sold in local markets in part to generate cash resources for award implementation. Monetization proceeds can be used for both ITSH and Section 202(e) purposes. FFP aims to reduce its reliance on monetization to the extent practicable. For more information on Section 202(e), please see FFPIB 18-01. For more information on monetization, please see the FFP Monetization Field Manual.⁶

VI. 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 award prior to making requests for ITSH and inland freight funding.
2. ITSH funding must only cover those costs/activities submitted in U.S. dollar amounts.
3. No expense is eligible for ITSH funding until AO approval under a procurement authorization, modification, grant or cooperative agreement.
4. For emergency activities in LDCs, ITSH funding covers expenses tied to the receipt of commodities, i.e., those costs tied to the movement, management and monitoring of Title II U.S. commodities. For non-emergency awards in non-LDCs, Section 202(e) funding is used to cover both types of expenses (See FFPIB 18-01 on Section 202(e) for more information).
5. FFP will receive and consider ITSH funding requests from organizations on a per award basis. All organizations will be subject to the same ITSH funding policy guidelines defining what types of costs may be covered by the funding.

VII. FFPIB 18-02 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.

⁶ The FFP Monetization Field Manual can be found here:
<https://www.usaid.gov/sites/default/files/documents/1866/MonetizationManual12222012FINAL.pdf>.