



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

FFPIB 19-01

Date: June 12, 2019

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

FROM: DCHA/FFP

SUBJECT: **Eligible Uses of Section 202(e); Internal Transportation, Storage and Handling; Inland Freight, Monetization Proceeds; and Community Development Funds for FFP Awards**

I. Purpose and Authority¹:

Food for Peace Information Bulletin (FFPIB) 19-01 supercedes FFPIB 18-01 and 18-02, which are hereby rescinded in their entirety, and outlines the eligible uses for Section 202(e); Internal Transportation, Storage and Handling (ITSH); inland freight funding; monetization proceeds authorized in the Food for Peace Act as well as Community Development Funds authorized in the Foreign Assistance Act. **Note: Eligibility of certain costs does not guarantee such funding, nor does it constitute a determination of cost-allowability under any particular award. Decisions about the availability of funding in a particular award will be determined by the Office of Food for Peace (FFP) Agreement Officer (AO), in consultation with the Office of Acquisition and Assistance (OAA) when appropriate, taking into account the availability of funding, statutory requirements, and activity and policy considerations. Cost allowability determinations under particular awards are made by the Agreement Officer.**

Section 202(e) in Title II of the Food for Peace Act requires USAID to make funding available to eligible organizations to assist in activities, such as:

1. establishing and enhancing programs under Title II;
2. meeting specific administrative, management, personnel, transportation, storage and distribution costs for carrying out Title II programs in foreign countries;
3. implementing income-generating, community development, health, nutrition, cooperative development, agricultural and other developmental activities within one or more recipient countries or within one or more countries in the same region; and
4. improving and implementing methodologies for food assistance programs, including needs assessments (upon request of the Administrator), monitoring (especially at the household level), and evaluation.

Section 406 and Section 407(c)(1)(B) of the Food for Peace Act 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:

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 or CDF 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.

- **ITSH costs** include direct costs of all Title II emergency awards, or non-emergency awards in a least developed country (LDC), associated with the in-country movement, management, program implementation 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, natural disaster, or other port or logistical constraints. 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, 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.

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.

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;
3. distribution of Title II U.S. food assistance; and
4. program implementation of Title II U.S. emergency food assistance (this includes costs required to successfully process and utilize the U.S. in kind commodity in-country, such as milling or post distribution monitoring).

Monetization is an activity allowed under Section 203 of the Food for Peace Act in which donated commodities are sold in local markets in part to generate cash resources for award implementation. Monetization proceeds can be used to support ITSH or Section 202(e) costs. Per the Agricultural Improvement Act of 2018, USAID has permissive authority to monetize commodities where appropriate. USAID aims to reduce its reliance on monetization to the extent practicable and the use of monetization requires AO approval. For more information on monetization, please see the [FFP Monetization Field Manual](#).

II. Definition of Eligible Organizations for Section 202(e) funding for emergency or non-emergency awards:

As outlined in Section 202(d) of the Food for Peace Act, to receive Section 202(e) or ITSH funding, an organization must be either:

- a Private Voluntary Organization (PVO) or Cooperative; or
- an Intergovernmental Organization, such as the U.N. World Food Program (WFP).

As further outlined in Section 202(a), a foreign government is also eligible to receive Section 202(e) and ITSH funding for an emergency award.

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

III. Eligible Uses for Title II Funding:

Section 202(e) requires USAID to make funding available to eligible organizations to assist in the establishment and enhancement of Title II funded programs in both emergency and non-emergency settings. A program is defined as a coherent collection of activities, typically grants or cooperative agreements, with implementing organizations that collectively contribute to addressing the USAID objectives in a country or region. When relying on this specific authority, Title II commodities provided under Sections 202(a) or (b) must be an integral component of the program. All uses of funding must be reasonable, allowable and allocable², and are subject to the AO’s determination that the facts of the particular situation support the use of that funding.

Eligible uses for Section 202(e) funding include interventions that fall into two general categories: 202(e) and 202(e) Enhanced. The table below and following sections further illustrate the types of costs that fall into each category and should be used by both prime and sub-awardees. The table below and following sections further explain the types of cost that fall into each category. For non-emergency programs, these categories are to be used for reporting in the comprehensive budget and the annual budget pipeline subtotals.

Uses of Section 202(e) funding in emergency and non-emergency programs include the following:

Section 202(e)	Section 202(e) Enhanced ³
<ul style="list-style-type: none"> ● Direct administrative costs to implement Title II programming <ul style="list-style-type: none"> ○ Staff Salaries ○ Fringe Benefits and Overseas Allowances ○ Travel and Transport ○ Professional/Contracted Services ○ Audits (subject to AO approval) ○ Equipment and Capital Assets ○ Supplies and Other Direct Costs ○ Operating Costs ○ Indirect Costs ● Costs associated with USG commodity when ITSH is not available ● Development Program Interventions (not associated with market based assistance) 	<ul style="list-style-type: none"> ● Market Based Assistance (MBA) <ul style="list-style-type: none"> ○ Local, regional and international procurement (LRP) of food ○ Cash transfers ○ Food vouchers ○ Twinning⁴ ● Direct administrative costs associated with MBA <ul style="list-style-type: none"> ○ Staff Salaries ○ Fringe Benefits and Overseas Allowances ○ Travel and Transport ○ Professional/Contracted Services ○ Audits (subject to AO approval) ○ Equipment and Capital Assets ○ Supplies and Other Direct Costs ○ Operating Costs ○ Indirect Costs ● Emergency Program Essential Complementary Activities (ECA) to protect impacts⁵

² See 2 CFR §§ 200.403-407.

³ All costs associated with these interventions should be included in the designated cost categories.

⁴ FFP defines twinning as an initiative that pairs in-kind food contributions from governments receiving aid (host governments) with cash-based contributions from another donor to ensure delivery and distribution of the food. The cash contributions usually cover all associated costs to process bulk food commodities as well as to transport and distribute the food.

⁵ Essential Complementary Activities include food security related analyses, social behavior change communication, and resilience interventions in protracted recovery or conflict-affected settings, among others. For more information on complementary activities, refer to guidance in the Food for Peace Annual Program Statement (APS): [Emergency Activity Application Guidance](#).

Eligible uses for ITSH funding must support costs associated with the provision of Title II U.S. commodities to the final distribution point, including household or local warehouse. Costs of interventions that are not supported directly by Title II resources or directly related to the movement, management, implementation and monitoring of Title II U.S. commodities may not be funded under ITSH.

Annex I provides illustrative Title II Award costs. **In terms of order of preference, FFP encourages Awardees to use ITSH funding first over Section 202(e) as allowable and appropriate.** Cost Share or the use of non-USG resources is always encouraged, such as for the leasing or purchase of vehicles and other capital equipment. Monetization proceeds can be used in all cases where ITSH and Section 202(e) is used, however the use of monetization proceeds is the least preferred method.

IV. Ineligible Uses for Title II Funding:

In addition to the ineligible costs noted in the chart, USAID does not support the following costs with Title II resources:

- direct costs of activities not associated with FFP Title II awards;
- case studies not associated with assessments or evaluations of FFP Title II awards;
- proposal writing;
- advocacy; and
- expenses associated with hospitality.

Additionally, ITSH funding cannot be used to purchase commodity outside of the United States. It furthermore cannot be used to pay taxes. The use of ITSH funding to pay duties or fees requires AO prior approval.

Costs associated with market based assistance, including local and regional procurement, food vouchers or cash transfers, are **not permitted** to be paid for with ITSH funds.

VI. Title II Funding Expectations:

1. USAID 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 Title II funding.
2. No expense is eligible for funding until it has received AO approval under a freight procurement authorization, grant or cooperative agreement, or modification.

VI. Community Development Funds:

Development Assistance funding or Community Development Funds (CDF) are intended to complement Title II non-emergency programming in several Feed the Future target countries and resilience priority countries. Through CDF, USAID is able to program resources through its NGO partners to fund community-level development activities directly when the activities aim to build a community's resilience. The statutory source of these funds is Section 103 of the Foreign Assistance Act of 1961, and not the Food for Peace Act. As with all federal awards, the use of these funds is governed by 2 CFR Part 200, 2 CFR Part 700, and remains subject to applicable USAID standard provisions in ADS 303. Partners can use CDF to pay for the same types of costs as Title II programs, but for joint CDF and Title II awards, partners must not use CDF in lieu of Title II when paying for costs of Title II activities.

VII. FFPIB 19-01 Amendments/Modifications:

USAID 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.

Annex I - Illustrative Title II Award Costs

The chart does not cover all potential costs but is to be used as a guide and categories are illustrative. Some of these costs may be subject to restrictions and/or waivers as outlined in the relevant award requirements and examples are marked with asterisks (*).

Illustrative Title II Award Costs			
	ITSH (only for costs directly associated with U.S. in- kind commodities)	Section 202(e)	Enhanced Section 202(e)
Salaries	X	X	X
Fringe Benefits	X	X	X
Non-Employee Labor	X	X	X
Travel and Transportation			
Travel includes flights, taxis, lodging, M&IE and misc. costs	X	X	X
Training related travel, consultants, space rentals and per diem	X	X	X
Vehicle fuel/maintenance/insurance/parts	X	X	X
Vehicle lease	X	X	X
Inland/internal transport of commodity from discharge port to designated port(s) of entry or entry discharge point(s) (EDP) via rail, truck, barge or air ⁶ including costs	Eligible if not covered by Procurement Authorization	Eligible if not covered by Procurement Authorization	X
Overseas Allowances	X	X	X
Supplies			
Administrative supplies, small equipment (e.g., computers, phones, GPS equipment, software, etc.) and furniture	X	X	X
Staff Training	X	X	X
Equipment⁷			
Vehicle purchase* ⁸	X	X	X
Other capital equipment* (generators, large copiers, etc.)	X	X	X
USAID Branding and Marking	X	X	X
Public service messages, education, communication and training materials, publications		X	X
Branding and marking related to commodities (e.g. distribution site materials)	X	X	X
Miscellaneous administrative fees (banking, currency conversion, security updates, etc.)	X	X	X

⁶ 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 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 procurement authorization (PA).

⁷ Per 2 CFR 200.12, Capital assets means tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with Generally Acceptable Accounting Principles. Capital assets 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). 2 CFR 200.33 defines Equipment as "tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000."

⁸ Non-US vehicles may require a waiver prior to procurement.

Contracts			
Contracted services (e.g., security, IT, translation, legal, training, technical assistance)	X	X	X
Commodity Transport/Related Contracted Services – may include clearing and handling (excluding taxes, fees, duties), commodity reconstitution, stevedoring, lease or rental of vehicles, loading and unloading, packaging, reconstitution, inspections, pest control, fumigation, testing and other costs not captured in other direct line items). (Fees and duties require prior AO approval)	X	X	X
Commodity enhancement, fortification, rehabilitation, <i>local processing/milling</i> (only for emergency programs), loading and unloading, packaging and bagging, reconditioning/re-bagging, fumigation* and pesticides*, testing and sampling for quality control; insurance (except ocean insurance)	X	X	X
Commodity Monitoring and Evaluation, Environmental Compliance services, includes monitoring of commodities en route, in storage, and at distribution points	X	X	X
Program Monitoring, Evaluation, Assessments for emergency programs (including post distribution monitoring, analyses, surveys, needs/nutritional assessments and studies)	X	X	X
Program Monitoring, Evaluation, Assessments for development programs (including post distribution monitoring ,analyses, surveys, needs/nutritional assessments and studies)		X	X
Methodologies to improve and implement food security activities, as approved by the AO on a case-by-case basis; needs assessments upon the request of the USAID Administrator		X	X
Audits (subject to approval by the AO)		X	X
Other Direct Costs			
Materials and Tools necessary for development program interventions (e.g., posters and educational materials, training and SBCC materials, cooking demonstration equipment, materials for water access or provision, safety and security materials; supplies such as seeds*, fertilizers*, tools and equipment*, agricultural and educational materials, equipment*, animals for husbandry activities*, scales and medical equipment, demonstration plot materials, MUAC tapes, building materials used in activity interventions; ⁹ medications*, materials and funds for on- and off-farm income-generating or micro-financing interventions, materials for capacity building exercises leading to household and community resilience and sustainable food security)		X	X
Materials and Tools that allow for the use of the commodity, or are needed for preparing the commodity; commodity management and distribution (tents, scales, banners, etc.) pallets, warehouse supplies, reconstitution and packaging supplies, registration materials, educational materials, training materials, materials for commodity preparation or use, materials for destruction of unfit commodity, safety and security supplies, etc.	X	X	X
Minor Road Repairs ¹⁰		X	X
Field office rent, utilities, field office communications and IT running costs, licenses, mailing and shipping, printing, maintenance and pre-approved construction/rehabilitation costs	X	X	X
Warehouse/storage rent /lease, maintenance and improvements to physical structure, pre-approved temporary storage construction and storage space repairs	X	X	X

⁹ All types of construction in non-emergency programs must be identified for pre-approval and regulated per the USAID construction policy.

¹⁰ 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.

Market based food assistance modality activities (cash transfer, LRP, food vouchers)			X
Emergency essential complementary activities such as prevention and/or treatment of acute malnutrition; agriculture and food security; water, sanitation and hygiene (WASH); capacity-building support; gender equity; youth empowerment; and disaster risk reduction			X
Locally purchased ready-to-use supplementary and therapeutic foods, small quantity lipid-based nutrient spread (LNS), micronutrient powders, or ORS (and ORS ingredients)			X
Headquarters or other offshore indirect costs*		X	X
Sub-Awards and Sub-Contracts	As described in other categories		