

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

**FFPIB 17-02**

Date: September 29, 2017

**MEMORANDUM FOR ALL FOOD FOR PEACE OFFICERS**

**TO:** USAID/W and Overseas Distribution Lists; FFP Awardees

**FROM:** DCHA/FFP

**SUBJECT: Eligible Uses of ITSH, Inland Freight, and Monetization Proceeds for FFP Awards**

**I. Purpose and Authority<sup>1</sup>:**

This Food for Peace Information Bulletin (FFPIB 17-02) 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, 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 commodities including internal transportation, storage, handling, 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 a Title II emergency award or a non-emergency award in a least developed country (LDC)<sup>2</sup> 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, 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:

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<sup>1</sup> 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 the Office of Food for Peace 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.

<sup>2</sup> 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 least developed countries (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>

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

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

In order to be considered eligible to receive ITSH funding for a non-emergency award, 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 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;
- 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 allocable, 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 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 transport<sup>3</sup> via rail, truck, barge or air;
- d. monitoring, including commodities en route, in storage and at distribution sites, including activities tied to environmental compliance;
- 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 (non-U.S. vehicles may require a waiver prior to procurement);
- h. in-country operational costs;
- i. capital expenditures<sup>4</sup>; and

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<sup>3</sup> 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).

<sup>4</sup> 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).

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 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 activities 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 United States;
- c. direct audit costs (2 CFR 200);
- d. headquarters or other offshore indirect costs;
- e. duties or fees, without express Agreement Officer prior approval;
- f. taxes;
- g. 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 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 activity input costs for goods and services not directly associated with the Title II food assistance distribution activities, e.g., seeds, tools, agricultural or educational materials/equipment, construction materials, etc;
- i. technical support staff who provide services not directly associated with the Title II food assistance distribution activities, e.g. agricultural specialists, civil engineers, economists, etc;
- 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 Agreement Officer 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 17-01 on Section 202(e) and CDF funding.

**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 202(e) purposes. For more information on 202(e), please see FFPIB 17-01. For more information on monetization, please see Food for Peace Monetization Field Manual.<sup>5</sup>

**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.

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<sup>5</sup> The Food for Peace Monetization Field Manual can be found here:  
<https://www.usaid.gov/sites/default/files/documents/1866/MonetizationManual12222012FINAL.pdf>.

2. ITSH funding must only cover those costs/activities submitted in U.S. dollar amounts.
3. No expense is eligible for ITSH funding until it is approved by the Agreement Officer under a procurement authorization, modification, grant, or cooperative agreement.
4. In LDCs, ITSH funding is expected to cover expenses tied to the receipt of commodities, i.e., those costs tied to the movement, management and monitoring of Title II commodities. For non-emergency awards in non-LDCs, Section 202(e) funding would be used to cover both types of expenses (See FFPIB 17-01 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 17-02 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.