

FOOD FOR PEACE  
INFORMATION BULLETIN (FFPIB)

MEMORANDUM FOR ALL FOOD FOR PEACE OFFICERS

TO: USAID/W and Overseas Distribution Lists

FROM: DCHA/FFP, Lauren R. Landis, Director

SUBJECT: Legitimate uses of ITSH Funding

FFPIB 04-02

**I. Authority and Purpose:** P.L. 480 Title IV Section 406 (b)(6), as amended, authorizes the use of Title II funding for the transportation costs of P.L. 480 Title II commodities for emergency programs (including pre-positioned commodities) from designated ports or points of entry abroad to storage and distribution sites and for the associated storage and distribution costs. P.L. 480 Title IV Section 407(c)(1)(B) authorizes funding for the same activities under Title II non-emergency programs in Least Developed Countries (LDCs)<sup>1</sup>.

Specifically, Internal Transportation, Storage and Handling (ITSH) funding is available for in-country costs directly associated with the movement, management and monitoring of P.L. 480 Title II commodities in all emergency programs and in non-emergency programs in LDCs. A budget request for ITSH funds may be submitted with the program proposal along with a justification of the need for items and services requested.

**II. Background:** Prior to the 2002 Farm Bill, ITSH funding was only available for emergency programs; however a 2002 Farm Bill amendment to P.L. 480 expanded the authorized uses of ITSH to include costs of non-emergency programs in LDCs. Therefore, FFP is revising the official ITSH policy to include all eligible programs.

**III. Eligible Uses:**

Eligible uses for ITSH funding include reasonable, allowable, and allocable line item costs for the following:

- A. Direct program costs of a Title II emergency program or a non-emergency program in an LDC associated with the in-country movement, management and monitoring of Title II commodities including:

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<sup>1</sup> This is defined in the criteria set forth by the International Bank for Reconstruction and Development for financing under the International Development Association.

1. Clearing and Handling: Includes costs such as port clearance costs (excluding taxes, fees or duties applied), pest control, fumigation and reconstitution of commodities.
2. Storage/Warehousing: Includes line item costs such as the cost of renting or leasing storage space, erecting temporary storage space, repairing storage space, warehouse labor, guards, pallets and administration.
3. Internal Transport: Rail, truck or barge transportation associated with the delivery of Title II commodities to beneficiaries from discharge port (non-landlocked country) or designated port of entry (landlocked country) to distribution site(s).<sup>2</sup>
  - a. Trucking: Lease or rental of trucks, maintenance, fuel, drivers and loading and unloading charges.
  - b. Rail/Barge: Charges paid to transport, load and unload commodities. Barging costs may also include stevedoring.
4. Distribution and Monitoring Costs: Including line item costs such as registration materials, commodity distribution materials, costs of monitoring the utilization of Title II commodities and their impact on the nutrition and food security levels of the beneficiaries.
5. Staff costs as they directly relate to eligible Title II activities:
  - a. Expatriate and national staff salaries: positions related to program oversight, supervision, management, monitoring, distribution and accounting.
  - b. Expatriate and national staff benefits: medical, housing/per diem, bonus/hardship pay, home/medical leave (round-trip international airfare for mid-tour home leave for personnel remaining in the field for a period of 24 months or longer and/or medical leave airfare to the extent that it is consistent with the cooperating sponsor's (CS) standard international staff benefit package.)
  - c. Expatriate and national in-country travel.
6. Vehicle lease, fuel and maintenance costs as they directly relate to usage under Title II activities in short term programs or when leasing a vehicle is considered to be more cost effective than purchasing a vehicle.

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<sup>2</sup> (1) In the case of landlocked countries, Title II Inland Transport funding will be provided on a reimbursable basis for transport from discharge port to extended delivery point (EDP), or designated port of entry within the recipient country. ITSH funding will be provided for internal transport from the EDP or designated point of entry to distribution site. (2) When a cooperating sponsor requests inland or internal transport through bill of lading to a designated internal point, funding will be provided on a reimbursable basis under the cooperating sponsor's INLAND freight purchase authorization (PA).

7. Vehicle procurement: The FFP preferred policy regarding vehicle procurements is that CSs purchase vehicles for project use with a source of funding other than the U.S. Government (USG). However, if the cooperating sponsor is unable to identify alternate funding (at the discretion of the CS), ITSH funds may be used to procure vehicles for use in activities related to Internal Transport, Storage and Handling in Title II project(s). Vehicles purchased with USG funding must follow the FFP procurement policy on source and origin requirements.
  8. In-country operational costs: May include costs such as office rent, supplies, communication, equipment maintenance, courier service, etc.
  9. Direct audit and evaluation costs.
  10. Capital expenditures: Funding may be authorized for depreciable assets designed to preserve the commodities in usable condition, such as temporary storage facilities or pallets. If the cooperating sponsor can demonstrate that other sources of funding are inadequate, or that there is a financial advantage for the use of ITSH to offset other in-country operational capital costs associated with Title II activities such as computers, radios, and motorcycles, Food for Peace will consider capital expenditure requests on a case by case basis.
- B. 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 Title II ITSH funding.

#### **IV. Ineligible Uses:**

*ITSH funding will not be considered for the following costs:*

- 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 commodities.
- B. Pro Rata Indirect Costs: Non-country-specific or global indirect cost rates (NICRA) will not be funded via Title II ITSH funding.
- C. Headquarters or other offshore indirect costs.
- D. Duties, taxes or fees.
- E. Inland transport from discharge port to designated point of entry or extended delivery point (EDP) of the recipient country, in the case of landlocked countries. Title II inland transport funding will be provided on a reimbursable basis for transport from discharge port to EDP or designated point of entry.

- F. Other illustrative costs: milling, seeds and tools, agricultural equipment, construction materials such as cement, iron, sand or wood, salt or sugar.
- G. Technical support staff that provide services not directly associated with the Title II food aid distribution activities, e.g. agricultural specialists, civil engineers, economists, etc.

*ITSH funding will only be considered for the following costs on an exceptional basis. i.e.: 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 Director of the Office of Food for Peace may determine that these costs may be funded by ITSH on an exceptional basis. The associated action memorandum must address this and the grant documentation should note, under Attachment 3 --Comprehensive Program Budget, this exception to FFP policy.*

- H. Staff training.
- I. Long-term airlift costs.
- J. Minor road repairs.

**V. Expectations:**

- A. FFP strongly encourages Cooperating Sponsors to identify other sources of public and private funding in order to leverage Title II resources and diversify support for the program prior to making requests for ITSH.
- B. ITSH funds shall only cover those costs/activities submitted in dollar funding.
- C. No expense is eligible for ITSH funding until it is approved under a Procurement Authorization, Transfer Authorization or Cooperative Agreement budget (or amendment).
- D. FFP will receive and consider ITSH funding requests from PVOs on a per program basis. WFP will receive a global Procurement Authorization for all ITSH funding. All cooperating sponsors will be subject to the same ITSH policy guidelines defining what types of costs may be covered by ITSH funding.

CLEARANCES: Legitimate Uses of ITSH Funding

FFP/D: L. Landis \_\_\_\_\_ Date: \_\_\_\_\_  
FFP/EP: D. Weller \_\_\_\_\_ Date: \_\_\_\_\_  
FFP/POD: J. Drummond \_\_\_\_\_ Date: \_\_\_\_\_  
FFP/DP: P.E. Balakrishnan \_\_\_\_\_ Date: \_\_\_\_\_  
FFP/PT: A. Crumbly \_\_\_\_\_ Date: \_\_\_\_\_  
GC/DCHA D. Gressett \_\_\_\_\_ Date: \_\_\_\_\_