FOOD FOR PEACE
INFORMATION BULLETIN (FFPIB)

Date: 27 October 2003

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 202(e) Funding

FFPIB 04-01

**I. Authority and Purpose:** P.L. 480 Title II Section 202(e), requires the Office of Food for Peace (FFP) to make cash available to eligible organizations in support of Title II programs in order to 1) assist them in establishing new programs under Title II; and 2) help in meeting specific administrative, management, personnel and internal transportation and distribution costs for carrying out Title II programs (including monetization programs) in foreign countries.

**II. Background:** While Section 202(e) has historically been limited by a $28 million cap, the 2002 Farm Bill increased the authorization to an amount no less than 5% and no greater than 10%[1] of the total Title II appropriation in each fiscal year. Due to the previous $28 million cap on this funding, FFP placed restrictions on its use to ensure its availability for critical, priority needs. However due to the significant increase in the amount of 202(e) funding authorized in the 2002 Farm Bill, FFP has broadened the scope of the types of costs eligible for funding consideration under this section.

**III. Definition of Eligible Recipients:** In order to be considered "eligible" to receive funds under Section 202(e) an organization must be:

1) a Private Voluntary Organization (PVO) or cooperative that is, to the extent practicable, registered with USAID[2] or

2) an Intergovernmental Organization (IO), such as the World Food Program

[1] In FY 2003, the range between 5% and 10% of the Title II appropriation of $1.75 billion equated to between $87.5 million and $175 million. For FY 2004 the projected range is from $59.6 million to $119.2 million.

[2] Registration for U.S. based PVOs is done through the USAID/DCHA Office of Private and Voluntary Cooperation. Indigenous organizations in host countries work through the local USAID mission in most cases to establish themselves as eligible organizations. In addition, FFP requires all cooperating sponsors to sign a Food for Peace Agreement to use Title II commodities in compliance with P.L. 480 and USAID Regulation 11 (22 C.F.R. 211).

## IV. Eligible Uses:

Eligible uses for 202(e) funding differ between "new" programs and "established" programs as detailed in sections A and B below.

***A. FFP may use 202(e) funds to assist cooperating sponsors in establishing new programs under Title II. A new program can be defined in the following ways:***

> 1. Any new Title II program (emergency or non-emergency) that targets a distinct area or population not served by the same organization under an existing Title II program can be considered as "new" for up to two years. The term "new" does not apply to follow-ons or amendments that simply broaden the existing program area or target population.[3]
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> 2. Ongoing emergency programs that are undergoing a re-design in order to introduce non-emergency interventions may be considered as new for up to one year on a one-time basis.
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> 3. A Development Assistance Program (DAP) that follows an emergency program in the same area or that targets some or all of the same population can be considered as new for up to two years.

Eligible uses for Section 202(e) funding **in "new" programs** include reasonable, allowable and allocable line item costs for the following:

> 1. Administrative, management, overhead, training, personnel, internal transportation and distribution costs directly associated with the Title II program as delineated under section "B" below.
>
> 2. Program related costs for items to enhance the effectiveness of the use of Title II commodities including but not limited to:

a. Food for work materials, tools and equipment;
b. Food for training materials, tools and equipment;
c. Agricultural materials, seeds, tools and equipment;
d. Other training materials for beneficiaries;
e. Building materials used in program activities;
f. Health and nutrition interventions for beneficiaries;
g. Public health education/training materials for beneficiary populations;
h. Materials to promote community development or capacity building;
i. Costs of accessing or providing clean water or a clean water source;
j. Income generating or micro-financing activities;
k. Communications costs for food security related messages and training;
l. Publications (technical journals, reference guides, industry newsletters);
m. Locally purchased food supplements for therapeutic feeding; (i.e.: sugar, salt, etc.)
n. Milling

[3] For example: If an organization has a new TA in Sudan which follows a previous TA in the same area, their new TA is not considered a "new" program in this category. However, if an organization has a new TA in a different part of Sudan where the organization has not been operating, this could be considered a "new" program.

3. Storage related costs such as warehouse leases and security.

**B.** ***For both new and established programs, 202(e) can be used for meeting specific administrative, management, personnel and internal transportation and distribution costs for carrying out Title II programs (including monetization programs) in foreign countries.***

Eligible costs for Section 202(e) funding **in both "new" and "established" programs** include reasonable, allowable and allocable line item costs for the following:

1. Administrative/Overhead Costs such as:

a. Office rent, utilities, communications, supplies and equipment for Title II offices and distribution programs in field locations;
b. International and local travel costs for staff and consultants in relation to program administration, management or monitoring of Title II activities;
c. Facilities, supplies and equipment for preparation of foods for distribution (ie: kitchens or canteens for supplementary or therapeutic feeding activities);
d. Scales and medical equipment for nutritional assessments and monitoring of beneficiaries;
e. Vehicle maintenance and fuel; 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), 202(e) funds may be used to procure vehicles for use in Title II project(s). Vehicles purchased with USG funding must follow the FFP procurement policy on source and origin requirements.
f. Vehicle lease costs in short-term programs or when leasing a vehicle is considered to be more cost effective than purchasing a vehicle;
g. Miscellaneous fees associated with administration of the Title II programs, i.e.: bank fees, etc.

2. Management Costs such as:

a. Supervision of Title II commodity distribution and program implementation. (see personnel costs);
b. Surveys and assessments to identify community risks and vulnerabilities;
c. Assessments to determine nutritional and other needs of beneficiary groups;
d. Program evaluations;
e. Provision of technical assistance to a Title II program or activity.

3. Personnel Costs such as:

a. Salaries, benefits, travel and relocation expenses of field-based expatriate and local staff/consultants dedicated to the management, support or administration of a Title II program(s); Types of staff/consultants may include (but are not limited to) managers, supervisors, program officers, food monitors, monetization officers, commodity supervisors, logistics officers, technical staff, food for work staff, security and support staff;

b. Direct charges of salaries and benefits of headquarter backstop or management staff/consultants in proportion to their time spent managing or backstopping an approved Title II program or programs;
c. Title II related headquarters or field staff training and development costs, consultants/trainers, facilities, materials, transportation, lodging and per diem.

4. Internal Transportation and Distribution Costs[4] such as:

a. Internal transportation of commodities by rail, truck or barge associated with the delivery of Title II commodities to beneficiaries from discharge port (non-landlocked country) or designated point of entry (landlocked country) to distribution sites.

    1. Trucking includes the lease or rental of trucks, maintenance, fuel, drivers and loading/unloading charges.
    2. Rail and barge transportation include costs to transport, load and unload commodities. Barging costs may also include stevedoring.

Distribution includes registration materials, commodity distribution materials, commodity bagging, handling, superintendence, appropriate marking and labeling if done locally, commodity fumigation, rehabilitation, reconditioning and re-bagging and costs of monitoring the utilization of Title II commodities and their impact on the nutrition and food security levels of the beneficiaries.

## V. Ineligible uses:

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

1. Costs of activities not associated with programming of Title II resources;
2. Case studies not associated with assessments or evaluations;
3. Medicines or vaccines;[5]
4. Proposal writing;
5. Advocacy; and
6. Hospitality.

## VI. 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 202(e).

B. FFP expects that the 202(e) portion of most Title II programs will be between 5% and 7% of the approved program value (including the commodity cost, shipping cost, ITSH and 202(e) budgets), and will not exceed 10% of the approved program value. Exceptions will be considered on a case by case basis.

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[4] ITSH related costs should be covered under ITSH where possible in order to maximize the use of 202(e) funds for costs not eligible for ITSH funding.
[5] This includes items such as Vitamin A supplements and Oral Rehydration Salts (ORS).

C. No expense is eligible for 202(e) funding until it is made available under a Transfer Authorization or Cooperative Agreement budget (or amendment).

D. If the Title II program shares staff, services or space with another program(s), the amount charged to 202(e) should be in proportion to the expenses incurred by the Title II program.

E. FFP will receive and consider 202(e) funding requests from PVO Cooperating Sponsors on a per project basis. PVOs may charge indirect costs on their 202(e) direct costs in accordance with their previously established Negotiated Indirect Cost Rate Agreements (NICRAs). To promote efficiency, WFP will continue to receive a block grant of 202(e) funding applicable to all WFP programs. In order to meet WFP's full cost recovery requirement, this block grant will include both direct and indirect 202(e) costs as well as some indirect cost recovery on WFP ITSH expenditures. All cooperating sponsors, including WFP and PVOs will be subject to the same 202(e) policy guidelines defining what types of direct costs may be covered by 202(e) funding.

**VII. Office Procedure for Setting Section 202(e) spending levels:**

Once the overall annual budget level for Title II is finalized in the Agriculture Appropriations Bill, the FFP Budget Team will meet to discuss the amount of 202(e) allocated to each FFP Division. As a rule, the amount designated to each operating unit will be approximately 5 - 10 percent of each division's OYB. Each operating unit will be responsible for creating a plan to manage their portion of the 202(e) budget. Operating units within FFP will work together in determining a plan for addressing 202(e) allocations for WFP. After the second and third quarters of each year (and as needed), the Budget Team will meet to discuss needs related to 202(e) allocations, providing an opportunity to revise allocations and OYBs.

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CLEARANCES: Legitimate Uses of 202(e) Funding

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| FFP/POD: | J. Drummond___________________ | Date:_________ |
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