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FROM THE AMERICAN PEOPLE

**BUREAU FOR HUMANITARIAN ASSISTANCE
FUNCTIONAL POLICY
EXTERNAL BULLETIN**

DATE: October 1, 2020

SUBJECT: Eligible Uses of Title II-Associated Costs, Monetization Proceeds, and Community Development Funds for BHA Awards

I. Purpose and Authority:¹

Bureau for Humanitarian Assistance (BHA) Functional Policy (BHAFP) 20-01 supersedes Food for Peace Information Bulletin (FFPIB) 19-01,² which is hereby rescinded in its entirety. This Functional Policy outlines the eligible uses for Title II-associated costs including Section 202(e) and Internal Transportation, Storage, and Handling (ITSH); monetization proceeds authorized in the Food for Peace Act, [as amended](#); and Development Assistance, or Community Development Funds (CDF), authorized in the Foreign Assistance Act, as amended. It furthermore explains other Title II resources which are part of a BHA Title II award but which are not part of a partner budget including inland and ocean freight funding.³ **All guidance outlined in this document applies strictly to Title II funding and CDF.**

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 BHA 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 individual 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 interventions, 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

¹ This BHAFP 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 BHA conform with the Office of Management and Budget Guidance for Grants and Agreements in 2 CFR Part 200 as amended and the USAID supplementary grant regulations in 2 CFR Part 700 as amended, as well as USAID's applicable standard provisions in ADS 303 and ADS 308, as appropriate.

² FFPIB 19-01 is in effect until October 1, 2020.

³ This BHAFP generally addresses those costs that are included in a partner's detailed budget and reflects resources obligated to the partner. Title II inland freight and ocean freight, while part of the award value, are not included in the partner detailed budget and resources are not directly obligated to the partner under the award. Estimated commodity, ocean, and inland freight costs will be captured in the [commodity calculator](#).

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 for Title II awards.

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, ocean and inland freight, and other incidental costs. Consistent with this authority, USAID outlines its definitions for ITSH, ocean, and inland freight costs as follows:

- **ITSH costs** include direct costs of all BHA Title II emergency awards, or BHA Title II Resilience Food Security Activity (RFSA)⁴ awards in a least-developed country (LDC),⁵ 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 from the discharge port 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.
- **Ocean freight costs** include any costs associated with ocean transportation while under the carrier's care and custody and supported by the carrier's bill of lading, contract of affreightment, supplemental bills, and/or filed tariffs, provided all charges are allowable per contract terms.

Monetization is an activity allowed under Section 203 of the Food for Peace Act in which U.S. food 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. 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 [Monetization Field Manual](#).

II. Definition of Eligible Organizations for Section 202(e) and ITSH funding for all Title II 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 public international organizations (PIOs) e.g. the U.N. World Food Program (WFP) and United Nations Children's Fund (UNICEF).

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

⁴ These were formerly referred to as Development Food Security Activities (DFSAs).

⁵ "Least-developed" countries are those that meet the poverty and other eligibility criteria established by the International Bank for Reconstruction and Development for financing under the International Development Association, as specified in Section 407(c) of the Food for Peace Act.

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

III. Eligible Uses for Section 202(e) and ITSH funding for all Title II awards:

Section 202(e)

Section 202(e) requires USAID to make funding available to eligible organizations to assist in the establishment and enhancement of all Title II-funded programs. A program is defined as a coherent collection of activities, typically grants or cooperative agreements, with implementing organizations that collectively contribute to addressing 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 allocable,⁶ 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 the following sections illustrate and further explain the types of costs that fall into each category and should be used by both prime and sub-awardees. For RFSA programs, these categories are to be used in the comprehensive and detailed budget.

Uses of Section 202(e) funding across all Title II programs include the following:

Section 202(e)	Section 202(e) Enhanced ⁷
<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 U.S. Government commodity when ITSH is not available ● RFSA interventions (not associated with market-based modalities) 	<ul style="list-style-type: none"> ● Market-Based Modalities <ul style="list-style-type: none"> ○ Local, Regional, and International Procurement (LRIP) of Food ○ Cash Transfers ○ Food Vouchers ○ Twinning⁸ ● Direct administrative costs associated with market-based modalities <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 ● Essential interventions to protect program impacts in Title II emergency activities⁹

⁶ See 2 CFR §§ 200.403-407.

⁷ All costs associated with these interventions should be included in the designated cost categories.

⁸ BHA 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 and transport and distribute the food.

⁹ Essential interventions enhance the overall effectiveness and impact of the food assistance transfer modalities, and contribute to the stabilization of household/community availability of, access to, and utilization of nutritious foods.

ITSH

All Title II emergency awards are eligible for ITSH funding. Per Section 407(c)(1)(B) of the Food for Peace Act, RFSA Title II 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 BHA will consider ITSH funding for RFSA awards:

<http://ida.worldbank.org/about/borrowing-countries>. It should be assumed that any mention of ITSH in a RFSA Title II program in this BHAFP is in reference to a RFSA 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).

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, BHA encourages Awardees to use ITSH funding first over Section 202(e) as allowable and appropriate.** Cost share (the use of non-U.S. Government resources) is always encouraged, such as leasing or purchasing vehicles and other capital equipment. Monetization proceeds can be used in all cases where ITSH and Section 202(e) are used, but the use of monetization proceeds is the least-preferred method.

IV. Ineligible Uses for Section 202(e) and ITSH in Title II awards:

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

Costs associated with market-based modalities, including local, regional, and international procurement of food commodities, food vouchers, or cash transfers, are **not permitted** to be paid for with ITSH funds. ITSH cannot be used to pay taxes. The use of ITSH funding to pay duties or fees requires AO prior approval.

V. Title II Funding Considerations:

1. USAID strongly encourages organizations to identify other sources of public and private funding (including cost sharing) 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.

3. Partners should consider 3-6 months for arrival from time of commodity request (call forward) to arrival in the country and reflect this in their budgets (e.g., number of months staff are needed, warehouse rentals, etc.).
4. Budgets should reflect the commodity called forward and its packaging (e.g., reconstitution needs, training or sensitization on commodity specifications, etc.)
5. Partners requesting Title II commodities must be familiar with 22 CFR 211 and potential cost considerations outside of awards,¹⁰ as well as reporting specific reporting requirements on losses.
6. Partners applying for Title II funding under the BHA Emergency Application Guidelines should note that as of FY 2021, partners must differentiate between 202(e) and 202(e) Enhanced in their cost applications. Additionally, all sectors under a Title II emergency award, with the exception of food assistance and nutrition, would be funded under 202(e) Enhanced.
7. In an application, food assistance or nutrition could have 202(e) and 202(e) Enhanced if, for example, it had both U.S. in-kind and locally-procured commodities. The locally-procured commodity and associated costs would fall under Enhanced 202(e). Under the Title II award, some general costs could be split between 202(e), 202(e) Enhanced, and ITSH. Note ITSH would only be used for food assistance and nutrition sectors given that these are the only two sectors that could have U.S. in-kind commodities.

VI. Community Development Funds:

Development Assistance funding provided as Community Development Funds (CDF) are intended to complement Title II RFSA programming in several Feed the Future target countries and resilience priority countries. Through CDF, USAID is able to program resources through its partners to fund community-level RFSA interventions directly when the interventions 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 as amended, 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. BHAFP 20-01 Amendments/Modifications:

USAID may issue amendments/modifications to any BHAFP. However, subject to statutory requirements, the BHA Assistant to the Administrator may waive a particular provision in this BHAFP in extraordinary circumstances.

¹⁰22 CFR 211.5(o) Commodity transfers shall be made at no cost to the U.S. Government and with the concurrence of the cooperating sponsor and disaster relief organization concerned. A USAID or Diplomatic Post with funds available, however, may pay the costs of transfers to meet extraordinary relief requirements, and AID/W shall be advised promptly of the details of the transfer. Commodities transferred between programs shall not be replaced by the U.S. Government unless AID/W authorizes such replacement.

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, ¹¹ 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
Equipment¹²			
Vehicle purchase ^{*13}	X	X	X
Other capital equipment* (generators, large copiers, etc.)	X	X	X
USAID Branding and Marking			
Public service messages, education, communication and training materials, publications	X	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
Contracts			
Contracted services (e.g., security, IT, translation, legal, training, technical assistance)	X	X	X

¹¹ 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 the 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).

¹² 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."

¹³ Non-U.S. vehicles may require a waiver prior to procurement.

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 RFSA programs (including post distribution monitoring, analyses, surveys, needs/nutritional assessments and studies)		X	X
Methodologies to improve and implement food security interventions, 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; ¹⁴ 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 ¹⁵		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
Market-based food assistance modality intervention (cash transfer, LRIP, food vouchers)			X
Emergency interventions to protect the impact of market-based modalities 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 oral rehydration salts (ORS) (and ORS ingredients)			X
Headquarters or other offshore indirect costs*		X	X
Sub-Awards and Sub-Contracts	As described in other categories		

¹⁴ All types of construction in RFSA programs must be identified for pre-approval and regulated per the USAID construction policy.

¹⁵ 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.