

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

CFDA 98.007 FOOD FOR PEACE DEVELOPMENT ASSISTANCE PROGRAM CFDA 98.008 FOOD FOR PEACE EMERGENCY PROGRAM

I. PROGRAM OBJECTIVES

The United States Agency for International Development (USAID) donates agricultural commodities to foreign countries under Title II of the Food for Peace Act (formerly the Agricultural Trade Development and Assistance Act of 1954) (Pub. L. No. 480) (7 USC 1691 through 1738r). These programs include donated commodities, monetization proceeds from the sale of commodities, and cash assistance (referred to as Section 202(e) funding (7 USC 1722(e)), and International Transportation, Storage and Handling (ITSH) funding (7 USC 1736 and 1736a).

II. PROGRAM PROCEDURES

General Overview

As the primary conduit of humanitarian assistance for USAID, the Bureau for Democracy, Conflict and Humanitarian Assistance (DCHA) is charged with the overall responsibility for USAID's response to humanitarian crises, both natural and complex. The Office of Food for Peace (FFP) manages Pub. L. No. 480, Title II (7 USC 1721 through 1726b) provision of agricultural commodities channeled to foreign countries as food assistance. Food assistance is also authorized and delivered under Titles I and III of Pub. L. No. 480, as well as under other legislation. This supplement covers only food assistance authorized and delivered under Title II.

USAID may transfer agricultural commodities to address famine or other urgent or extraordinary relief requirements; combat malnutrition, especially in children and mothers; carry out activities that attempt to alleviate the causes of hunger, mortality and morbidity; promote economic and community development; promote sound environmental practices; and carry out feeding programs. Agricultural commodities may be provided to meet emergency food needs through foreign governments and private or public organizations, including intergovernmental organizations. Agricultural commodities also may be provided for non-emergency assistance through private voluntary organizations or cooperatives which are, to the extent practicable, registered with USAID, and through intergovernmental organizations.

“Cooperating Sponsor” is the term used to define the organization entering into an agreement with USAID for the use of agricultural commodities or funds. Cooperating Sponsors may include governments and public or private agencies, including intergovernmental organizations such as the World Food Program, and non-governmental organizations. Non-governmental Cooperating Sponsors include private voluntary organizations and cooperatives. Title II assistance is provided to Cooperating Sponsors for emergency and non-emergency programs. Activities include direct distribution as well as food assistance for programs that support smallholder agriculture, market liberalization through policy change, nutrition and other child survival programs, community development, such as water and sanitation and environmental restoration, and small-scale infrastructure development. A portion of Title II commodities can be monetized (sold to obtain cash for use in US assistance programs) by Cooperating Sponsors to fund complementary interventions to enhance the impact of food programs and contribute to

food security. Monetization of food aid under emergency programs occurs to fund complementary activities such as distribution, repackaging, and wet feeding in refugee camps.

Program Operation

General

Each Cooperating Sponsor is required to submit for USAID approval an application that typically include a program description, along with purposes and goals; criteria for measuring program effectiveness; a description of the activities for which commodities, monetized proceeds, or program income will be provided or used; and other specific provisions as required by USAID. If a Cooperating Sponsor submits a multi-year Operational Plan that is approved by USAID, the Operational Plan provided with an Annual Estimate of Requirements (AER) each subsequent year will only cover those components which require updating or the Cooperating Sponsor proposes to change. Operational Plans are required for all non-governmental Cooperating Sponsors' emergency programs along with the AER; however, emergency situations may not permit the same degree of detail and certainty of analysis that is expected in planning Title II development programs (22 CFR section 211.5).

USAID uses Transfer Authorization to make an award for commodities and supporting costs.

Host Country Food for Peace Program Agreement (HCFFPA)

Each non-governmental Cooperating Sponsor is required to enter into a separate, written agreement with the foreign government of each country for which Title II commodities are transferred to the Cooperating Sponsor. The agreement must establish terms and condition needed by the non-governmental Cooperating Sponsor to conduct a Title II program in accordance with 22 CFR part 211. When this is not appropriate or feasible, the USAID mission or diplomatic post may instead provide assurance to FFP that the program can be effectively implemented in compliance with 22 CFR part 211 without a HCFFPA (22 CFR section 211.3(b)).

Recipient Agencies

A Cooperating Sponsor may enter into agreements with Recipient Agencies (e.g., schools, institutions, welfare agencies, disaster relief organizations, and public or private agencies) for the delivery of program services. Such an agreement must be in place prior to the transfer of any commodities, monetized proceeds, or program income to the recipient agency. The agreement must require the recipient agency to compensate the Cooperating Sponsor for any assets generated by the foregoing sources that are not used for purposes expressly provided for in the agreement, or that are lost, damaged, or misused as the result of the recipient agency's failure to exercise reasonable care (22 CFR sections 211.2(s) and 211.3(c)).

Monetization

Monetization is a critical resource for Cooperating Sponsors. The Cooperating Sponsor remains responsible for the commodities, monetized proceeds, and program income in accordance with the Operational Plan or Transfer Authorization (22 CFR section 211.3(c)(3)).

Other Resources

In addition to commodities (including ocean and inland freight costs) and monetization proceeds, cash resources, from either Section 202(e) funds or ITSH funds, are made available to Cooperating Sponsors for establishing new programs and meeting the specific administrative, management, and personnel costs of programs (7 USC 1722 (e)), as well as in support of commodity transportation within the host country, warehousing, fumigation, and more ITSH-related costs of the program (7 USC 1736(b) and 1736a(c)).

Source of Governing Requirements

This program is authorized under Title II of the Food for Peace Act (formerly the Agricultural Trade Development and Assistance Act of 1954) (Pub. L. No. 480) (7 USC 1691 through 1738r). Implementing regulations are found at 22 CFR part 211.

Availability of Other Program Information

USAID maintains a web page with information on the “Food for Peace” program, including laws, regulations, and other information at <http://www.usaid.gov/what-we-do/agriculture-and-food-security/food-assistance>.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for a Federal program, the auditor should first look to Part 2, Matrix of Compliance Requirements, to identify which of the 12 types of compliance requirements described in Part 3 are applicable and then look to Parts 3 and 4 for the details of the requirements.

A. Activities Allowed or Unallowed

1. *Use of Funds*
 - a. *General* – The Operational Plan and Transfer Authorization set forth the description of the activities for which commodities, monetized proceeds, or program income shall be used.
 - b. *Program Management (Section 202(e) Funds)* – Cash resources provided by USAID under this provision of Title II may be used for activities including (1) direct program costs of a Title II program—administrative, management, distribution, and other program implementation costs; (2) improving the impact of food aid—feasibility assessments, baseline studies and technical assistance; and (3) costs of implementing audit and evaluation recommendations (7 USC 1722 (e) and (f)).
 - c. *Internal Transportation, Storage and Handling* – Emergency and eligible non-emergency programs to cover ITSH costs (7 USC 1736 and 1736a(c)).

2. *Use of Commodities and Monetization Proceeds*
 - a. Except as USAID may otherwise agree in writing, agricultural commodities donated by USAID shall not be distributed, handled, or allocated by any military forces (22 CFR section 211.5(e)).
 - b. Within the limits of the total amount of commodities, monetized proceeds, and program income as approved by USAID in the Operational Plan or Transfer Authorization, the Cooperating Sponsor may increase or decrease by not to exceed 10 percent the amount of commodities, monetized proceeds, or program income allocated to approved program categories or components of the Operational Plan (22 CFR section 211.5(a)).
 - c. A Cooperating Sponsor is required to provide proper storage, care, and handling of commodities. In determining whether there was a proper exercise of the Cooperating Sponsor's responsibility, USAID considers normal commercial practices in the country of distribution and the problems associated with carrying out programs in developing countries (22 CFR section 211.9(d)).
 - d. Cooperating Sponsors are not required to monitor, manage, report on, or account for the distribution or use of commodities after title to the commodities has passed to buyers or other third parties pursuant to a sale under a monetization program and all sales proceeds have been fully deposited in the special interest-bearing account established by the Cooperating Sponsor for monetized proceeds (22 CFR section 211.5(j)).
 - e. Monetized proceeds may not be used to pay for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions (22 CFR section 211.5(k)(4)).

J. Program Income

Program income means gross income earned by the Cooperating Sponsor from activities supported under the approved program during the program period, including, but not limited to, interest earned on deposits of monetized proceeds, revenue from income generating activities, funds accruing from the sale of containers and nominal voluntary contributions by recipients made on the basis of ability to pay. Monetized proceeds are not considered program income (22 CFR section 211.2(s)).

Program income may be used by Cooperating Sponsors for activities specified in 22 CFR section 211.5 (k), including the transport and distribution of the donated commodities; implementing income-generating community development, health, nutrition, and other developmental activities; making investments with USAID approval; and improving their financial and other management systems (22 CFR section 211.5(k)).

Program income may not be used to pay for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions (22 CFR section 211.5 (k)(4)).

L. Reporting

1. Financial Reporting

- a. SF-270, *Request for Advance or Reimbursement* – Applicable
- b. SF-271, *Outlay Report and Request for Reimbursement for Construction Programs* – Not Applicable
- c. SF-425, *Federal Financial Report* – Applicable

2. Performance Reporting – Not Applicable

3. Special Reporting – Not Applicable

N. Special Tests and Provisions

Recipient Agencies

Compliance Requirement – Cooperating Sponsors are responsible for determining that Recipient Agencies to whom they distribute commodities are eligible in accordance with the Operational Plan or Transfer Authorization and 22 CFR part 211.

Prior to the transfer of commodities, monetized proceeds or program income to a Recipient Agency, the Cooperating Sponsor is required to enter into a written agreement that (a) describes the approved uses of resources provided, (b) requires the Recipient Agency to pay the Cooperating Sponsor the value of any resources that are used for purposes not permitted under the agreement or that are lost, damaged or misused as a result of the Recipient Agency's failure to exercise reasonable care of transferred resources, and (c) incorporate by reference or otherwise the terms and conditions set forth in 22 CFR part 211 (22 CFR section 211.3(c)).

In entering into agreements with Recipient Agencies for the transfer of commodities, monetized proceeds, or program income, the Cooperating Sponsor remains responsible for such resources transferred in accordance with the Operational Plan or Transfer Authorization and 22 CFR part 211 (22 CFR section 211.3(c)(3)). In monitoring Recipient Agencies, the Cooperating Sponsor is required to provide adequate supervisory personnel for the efficient operation of the program, including personnel to (a) plan, organize, implement, control, and evaluate programs involving distribution of commodities or use of monetized proceeds and program income; (b) make warehouse inspections, physical inventories, and end-use checks of food or funds, and (c) review books and records maintained by Recipient Agencies that receive monetized proceeds and/or program income (22 CFR section 211.5(b)).

Audit Objectives – Determine whether (1) the Cooperating Sponsor entered into written agreements with the Recipient Agencies; (2) the use of the Recipient Agencies was consistent with the Operational Plan and Transfer Authorization; and (3) the Cooperating Sponsor monitored the activities of Recipient Agencies to ensure proper performance of assigned activities and use of commodities, monetized proceeds, and program income.

Suggested Audit Procedures

Select a sample of Recipient Agencies and ascertain if:

- a. The Cooperating Sponsor entered into a written agreement with the Recipient Agency.
- b. The Cooperating Sponsor's use of the Recipient Agency was consistent with the Operational Plan and Transfer Authorization.
- c. The Cooperating Sponsor appropriately monitored the activities of the Recipient Agency to ensure proper performance of assigned activities and use of commodities, monetized proceeds, and program income.