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**Figure**

**CARE receives food resources from public and private donors valued at hundreds of millions of dollars each year. CARE is entrusted with the responsibility of accounting for it, safeguarding it, and using it for its intended purposes.**

**It is essential that accountability responsibilities and financial liability limits are clearly specified in written, legally binding agreements and contracts with donors, host government counterparts, local non-governmental organizations (NGOs), community-based organizations and others who provide goods and services, e.g., survey agents and transporters.**

### **Internal Control**

**While agreements and contracts are no guarantee that all parties will carry out their responsibilities, they provide the basis for understanding each party's role**

**and the extent to which they may be held liable for failure to carry out specified terms and conditions.**

## **I. Bi-Lateral and Multi-Lateral Donors**

**Country offices receive food resources from bi-lateral and multi-lateral donors. CARE is subject to all applicable donor laws, rules and regulations unless otherwise waived.**

**While donor requirements may at times be burdensome and seemingly unnecessary, they are designed to assure that valuable resources are used appropriately and can be accounted for. At the same time, donors understand that food programs are often carried out under extremely difficult conditions and that inevitably some food will be lost.**

**The information and guidance presented in this manual are intended to set a CARE standard for managing food that should satisfy donor reporting requirements.**

### **Internal Control**

**Donors and CARE USA do not want to be surprised. Senior managers of country offices, through discussion and in writing, must alert donors, CARE USA, and other CARE International member headquarters of potential or discovered problems and keep them informed about all efforts to resolve them. This is especially true in cases of losses. Lack of timely communication could expose CARE to significant liabilities. It is always better to say too much too soon and not too little too late.**

**The tables below summarize information on food aid available from bi-lateral and multi-lateral donors. This information is based on current laws and regulations of donors which are always subject to change.**

**When U.S. Government or WFP regulations change, CARE USA's Food Security Unit must notify country offices. Other CI members should notify country offices of changes in their donor government laws and regulations. Country offices should also request local representatives of donors to notify them of any changes, and, in turn, country offices should inform the Food Security Unit.**

## **A. Bi-lateral Donors**

### **1. The United States**

#### **Food Assistance and Support--USAID**

<b>Type</b>	<b>Description</b>	<b>Eligibility</b>	<b>Comment</b>
<b>PL-480, Title I, II, and III</b>	Provides agricultural commodities to: <ul style="list-style-type: none"> <li>• Combat the causes of world hunger and malnutrition</li> <li>• Promote broad-based, equitable, and sustainable development, including agricultural development</li> <li>• Expand international trade</li> <li>• Develop and expand export markets for United States agricultural commodities</li> </ul>	PVOs, governments, multi-lateral organizations	Direct distribution or monetization programs

	<ul style="list-style-type: none"> <li>• Foster and encourage the development of private enterprise and democratic participation in developing countries.</li> </ul>		
<b>Office of Foreign Disaster Assistance (OFDA)-AID</b>	Non-food disaster relief, disaster rehabilitation and incipient disaster interventions including: health care, water and sanitation, and emergency shelter	PVOs	Funds cost of operations, although capital equipment expenditures are not generally funded

**CARE receives a majority of its food resources through U.S. Public Law 480 Title II which is presently administered by the Office of Food for Peace. This table summarizes the types of Title II support.**

### USAID

Type	Description	Eligibility	Comment
Development Programs	Infant, mother, child, and school feeding programs A wide variety of food for work programs in which food is paid as wages for work performed.	PVOs, WFP	Stringent reporting requirements

	Monetization programs, where food is sold to generate cash and compensate workers, pay administrative costs of handling food, or fund development activities not necessarily associated with the food itself		
Section 202(e) "Farm Bill" Proposals	Provides dollar funding for specific administrative, management, personnel, internal transportation and distribution costs for carrying out Title II programs	PVOs	Annual funding allocation
Emergency Relief	Disaster and emergency relief activities, usually less than nine months (food and funding)	PVOs, WFP	Same accountability and reporting requirements as regular Title II programs

**Food assistance is also provided through the United States Department of Agriculture.**

### **USDA Section 416 and Food for Progress**

<b>Type</b>	<b>Description</b>	<b>Eligibility</b>	<b>Comment</b>
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Section 416	<p>Authorized by the Agricultural Act of 1948, as amended, this program provides for the disposal of surplus agricultural commodities owned by the CCC through donations to help the needy of friendly countries.</p> <p>The Section 416 (b) program allows for:</p> <ul style="list-style-type: none"> <li>• Direct distribution</li> <li>• In-country and cross-border monetization with the stipulation that proceeds must be used to assist the needy</li> </ul> <p>USDA is authorized to pay the cost of ocean transportation to the recipient country and, in cases of extreme emergencies, inland transportation cost.</p>	PVOs, governments	<p>Can be used for tri-lateral monetization (monetization where sales take place in one country and the proceeds are used for projects in a different country).</p> <p>Section 416 (b) food availabilities are dependent upon USDA food inventories, domestic production and U.S. budget resources. Resources availabilities fluctuate and may only exist late in a fiscal year, if at all.</p> <p>Although grains, such as corn and sorghum, have available in previous years, this source is now limited to dairy products.</p>
Food for	Authorized by Section 1110 of the Food	PVOs,	CCC is authorized to



Progress	<p>Security Act of 1985, as amended. The program provides agricultural commodities for multi-year programs in exchange for a country's progress toward a market-oriented economy, or the process of privatization and democratization. Food for Progress is provided through the following mechanisms:</p> <ul style="list-style-type: none"> <li>• Direct donations from CCC inventories</li> <li>• Direct donations of CCC financed commodities</li> <li>• Credit sales from appropriated Title I funds</li> <li>• Direct donations from Title I funds</li> </ul> <ul style="list-style-type: none"> <li>• Credit sales from CCC-funded procurement of commodities not in CCC inventories or included in the Section 401 availability determination</li> </ul>	governments	<p>pay transport costs for the program, but cannot spend more than \$30 million per fiscal year on non-food expenses. The legislation has a minimum annual program quantity of 75,000 MT and a maximum of 500,000 MT of donated food per fiscal year.</p>
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## 2. Canada

### Canadian Food and Other Assistance

Type	Description	Eligibility	Comment
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Type	Description	Eligibility	Comment
Bi-lateral	Direct distribution of food aid	NGOs that are registered in Canada	There is no matching grant requirement. ITSH is always covered. Administrative costs are covered, when judged appropriate.
International Humanitarian Assistance Division (IHA)	Short-term funding for <b>non-food</b> emergency relief, including disaster preparedness activities: <ul style="list-style-type: none"> <li>• Health</li> <li>• Nutrition</li> <li>• Water and sanitation</li> <li>• Household Shelter needs</li> <li>• Support for repatriation</li> </ul>	Canadian NGOs approved by the Canadian Treasury Board	No matching grant required. Contributions of other organizations and CARE Financial commitment is taken into consideration in funding determinations.
Canadian Food Grains Bank (CFGB)	Commodity purchase and deliveries	Any eligible Canadian NGO	Requires four to one match.
Responsive Program	Commodity purchase and deliveries	Any eligible	Funding only covers food purchase; CARE is responsible for ocean

### 3. Australia

#### Aus. AID (formerly AIDAB)--Food Assistance

Type	Description	Eligibility	Comment
Bi-lateral developmental aid (BDFFA)	Program food aid: the proceeds of market sales being either tied to development activities or for use as budget support or structural adjustment assistance Project food aid, in which food aid is distributed in kind to target groups for development purposes	Host country governments	Not directly available to NGOs
Multi-lateral developmental food aid donated through WFP	Multi-lateral programming	WFP	Not directly available to NGOs
Emergency/refugee food aid projects	Emergency programming, including triangular and local purchases, and monetization where appropriate	WFP, NGOs or by bi-lateral donation	All Australian food aid is given on a grant basis.

### 4. European Union

## European Union Food and Other Assistance

Type	Description	Eligibility	Comment
Direct food aid	Bi-lateral funding	Host governments	Not directly available to NGOs
Food Aid Operations financed through the EC Food Aid Unit with commodity procured through Euronaid	<p>The food aid operations have the following objectives:</p> <ul style="list-style-type: none"> <li>• To promote food security of households or communities in developing countries</li> <li>• To raise the standard of nutrition in the recipient population</li> <li>• To help in famine</li> </ul>	<p>Established autonomous, non-profit NGOs in a member state of the European Union, in accordance with the legislation in force in that state; Head offices in one of the member states of the European Union; Head offices must be effective decision-making center for all operations related to food aid and food security funded by the Commission.</p>	<p>Euronaid will only reimburse, upon submission of <b>original</b> documentation for all transportation, administration and related costs up to CARE's main warehouse. Costs of delivery and distribution are typically 10% <u>more</u> than the amount allowable for reimbursement. Other funding sources must be located to cover costs not covered by Euronaid, such as storage, end-use distribution and monitoring. Payment is based on an advance/reimbursement system and CARE must have some other source of funding for initial expenses.</p>

	<p>situations</p> <ul style="list-style-type: none"> <li>• To support efforts by recipient communities to improve their own food production</li> <li>• To support development activities required in order to tackle the causes of the problems</li> </ul> <p>Includes food for work, monetization and free food distribution.</p>	<p>Bulk of their human and financial resources must be of European (Union) origin.</p>	
<p>Emergency Food Aid (through</p>	<p>Provides assistance as a response to a sudden natural or</p>	<p>Same as above</p>	<p>Approved funding will be at least 10% less than real costs to CARE. Pays up to 80% of</p>

ECHO)	man-made disaster. Covers a period of 90 days.		contract up front, rest reimbursable, remaining 20% cannot be requested until final reporting completed.
Co-financed Programs	Purchase of: <ul style="list-style-type: none"> <li>• Food products</li> <li>• Seeds</li> <li>• Tools</li> </ul> <ul style="list-style-type: none"> <li>• Transportation</li> </ul>	Same as above	Products must be purchased in Europe or in developing countries. EC contributions are fixed between 25% and 75% of approved expenditures up to a maximum of 400,000 ECU.
Storage programs for food products and seeds	Activities to prevent the deterioration of food stocks	Same as above	Costs must be less than 400,000 ECU.

**EURONAIID is a non-profit association set up in 1980. The organization was created by NGOs with the support of the EC Food Aid Division to coordinate NGO food aid and expedite approvals for food aid. Euronaid acts as an intermediary between the Commission of the European Community (CEC) in Brussels and NGOs for procurement, marine transport (and, if required, inland transport), insurance, and processing of NGO financial claims. Euronaid also acts as a forum for NGOs to advocate changes in EC policy on food aid.**

### European Union Member States

Type	Description	Eligibility	Comment
United Kingdom: Overseas Development Administration (ODA)	Humanitarian assistance in emergency situations. ODA allows for both direct distribution and monetization of commodities.	British NGOs	ODA has historically shown a great deal of flexibility with emergency food aid donations. Funding provided is always adequate to cover expenses.
The Netherlands: Rural Sector Program	Direct distribution Agricultural production Rural infrastructure development	Dutch NGOs	
The Netherlands: Other projects	Nutrition projects	Dutch NGOs	
Denmark: Direct donations		NGOs	Has funded programs in Somalia and the former Yugoslavia.

## B. World Food Program (WFP)

**WFP, the food aid arm of the United Nations, began operations in 1963 and handles the majority of food aid distributed worldwide. Because of a dramatic increase in emergencies and refugee programs in recent years, the focus of the majority of WFP budget allocations has shifted from development projects to emergency food aid operations. CARE country offices provide specific services to**

**WFP, such as storage, transport of food to feeding sites, distributions of food to beneficiaries, and monitoring.**

**CARE performs similar services for the United Nations High Commission for Refugees (UNHCR).**

### WFP Food Assistance

Type	Description	Eligible	Comment
International Emergency Food Reserve (IF)	<p>Comprises the equivalent of at least 500,000 MT of cereals annually Annual allocations set aside for US\$ 15 million Intended to respond to sudden disasters and abnormal droughts, and providing initial assistance (for the first 12 months) to refugees and displaced persons. For WFP purposes, emergencies fall into three categories:</p> <ul style="list-style-type: none"> <li>• Sudden natural disaster</li> <li>• Food scarcities due to drought or crop failure</li> <li>• Population displacements due to war.</li> </ul>	WFP	<p>Not a physical stock: the commodities are neither owned nor physically held by WFP. It is only a portfolio of pledges which WFP is able to call on. Food is rarely pledged in advance of requirements, limiting considerably the "stand-by" nature of the reserve. There is often insufficient funding to cover the 50 percent ITSH subsidies.</p>
Protracted Refugee	Donors pledges in a similar manner as the IF.	WFP	Same as IF



<p>Operation (PRO)</p>	<p>An annual allocation fixed at US\$ 30 million          For use after the first 12 months of an emergency          Funding through this mechanism can be used to support the following types of interventions:</p> <ul style="list-style-type: none"> <li>• Education or training projects</li> <li>• Public/development works projects (as food for work)</li> <li>• Projects which promote recovery and development, including agricultural rehabilitation and the creation of employment.</li> </ul> <p>• Targeting assistance on the poorest and most severely affected</p>		
<p>Support to Small Scale NGO Projects</p>	<p>Small amounts of food granted to NGOs by the WFP Country Director for use in projects having objectives and target groups similar to WFP projects.</p>	<p>NGOs</p>	<p>The food will be borrowed from an on-going project or taken from a reserve attached to the project. No consultations with WFP HQ in Rome are required, the</p>

			<p>lead-time can be short.</p> <p>The Country Director can grant food up to a value of US\$ 200,000 per year or 10 percent of the value of the total food commitments to a project.</p> <p>WFP does not provide cash contributions. The availability of the commodities in stock determines the content and size of the contribution.</p>
Development projects	<p>Commitment of 2.8 billion to ongoing projects designed to assist developing countries improve their economies and social programs. Activities include:</p> <ul style="list-style-type: none"> <li>• Environmental protection</li> <li>• Resettlement of communities</li> <li>• Health and nutrition</li> <li>• Education and human resources development</li> <li>• Forestry</li> </ul>	WFP	Often works with government counterpart agencies that lack sufficient capacity to design and implement projects

- Infrastructure and transportation
- Fisheries
- Food-for-work
- School feeding.

### **CARE customarily has the following responsibilities:**

- **Logistical management of storage**
- **Secondary transportation**
- **Distribution**
- **Monitoring**
- **Identify target groups at local level**
- **Supervise food distribution**
- **Insure that allocated quantity is provided free to beneficiaries**
- **Cover costs related to establishment, administration, management and overhead**
- **Recruit, hire, and supervise operation staff as needed**
- **Procure and hire vehicles, office and communication equipment**
- **Comply with UN safety instructions.**

### **WFP's responsibilities are as follows:**

- **Make available specified amount of food, in specified packaging and specified tranches**

- **Deliver food to designated points**
- **Provide ITSH costs for actual amount of food delivered at agreed-upon rate, or costs actually incurred**
- **Provide 50% of ITSH funds in advance, additional 25% during distribution, and balance upon completion of distribution**
- **Inform authorities of activities**
- **Provide support in obtaining documentation and authorizations from government**
- **Keep CARE informed of safety measures**
- **Facilitate evaluation of CARE staff, if needed.**

## **C. Donor Agreements**

**Agreements between CARE and donors come in a variety of different forms. PL 480 Title II programs are primarily based on CARE's multi-year Development Activity Proposals or emergency operation proposals, AERs, and budgets. Approval is by letter and/or a Transfer Authorization which incorporates the requirements of Public Law 480 Title II and AID's Regulation 11 which govern all Title II programs. CARE and USDA enter into specific agreements for section 416 or Food for Progress projects. WFP may enter into an agreement with a country office each time there is a shipment of food that comes into a country.**

## **Agreements are reached between CARE USA and donors as follows:**

### **1. CARE USA Lead Member**

- **Government donors through CARE USA Regional Management Units (RMUs) with support from the Food Security Unit (FSU). Country offices must comply with all requirements negotiated with the donor.**
- **Other bi-lateral donors with country offices working through other CI members. For example, CARE Britain will enter into agreements with ODA on behalf of a CARE USA lead member country. The country office programming the food must then comply with all ODA requirements. The CI members that obtained the resource and CARE USA should also sign an agreement that specifies CARE USA's responsibility and liability.**
- **WFP or other multi-lateral donors such as UNHCR. In some cases, a country office will contract directly with WFP for each shipment of food that arrives in country. In other cases, the CARE USA Emergency Group will negotiate an agreement for a country office. In either case, once the agreement is signed, the country office must comply with all requirements negotiated with the donor.**

### **2. Other CARE International Lead Member**

**U.S. Government donors through CARE USA regional managers with support from the FSU. For example, CARE USA will enter into an agreement with the Office of Food for Peace on behalf of another CI lead member country. The country office programming the food must then comply with all Food for Peace requirements.**

**CARE USA and the CI member should also sign an agreement stipulating that in accepting the U.S. Government food resources all responsibilities and liabilities are assigned to the CI lead member and its country office.**

**In all cases, CARE USA RMUs and country office senior managers must be familiar with donor agreements and understand what CARE's obligations are under them before accepting food or other related program resources.**

**Every effort must be made by country offices, CARE USA and other CI member headquarters to communicate fully with each other while negotiations are going on with donors to avoid surprises after agreements have been signed.**

**At a minimum, the guidelines below should be followed before CARE USA regional managers and senior managers of country offices assume responsibility for donor resources:**

### **General Guidelines for Entering Into Donor Agreements**

- Be familiar with donor laws and regulations governing the food resource. For non-U.S. Government food aid, managers should request copies of donors' most recent laws and rules.
- Review copies of all donor letters of intent, agreements, and contracts.
- Complete the long-form checklist for food resources valued at USD\$ 500,000 or more, or the short-form checklist for resources valued at USD\$ 499,000 or less. Answers for the checklist may be found in the agreement itself or in the original project proposal.

- Pay particular attention to indemnity and liability provisions. CARE USA and the country offices should not be liable for unavoidable food losses (e.g., thefts or acts of civil disturbance). The agreements should limit the liability of CARE USA and country offices only to food losses resulting from their intentional wrongdoing. If the agreement (or the assignment relaying responsibility to CARE USA and/or the country office) cannot be revised to reflect that provision, the agreement must be approved by the Senior Vice President of Program, in consultation with executive staff, before food resources are accepted and before any agreement or assignment is signed by the country office or CARE USA.
- Be sure there is adequate funding to cover program management and monitoring costs. If the agreement cannot be revised to reflect this, it must be approved by the Senior Vice President of Program in consultation with executive staff before food resources are accepted and before any agreement or assignment is signed by the country office or CARE USA.

## **D. Donor Agreements During Emergencies**

**In emergency situations, CARE may not be able to comply with some or all donor requirements and regulations for a period of time. Therefore, CARE USA should include a *best efforts clause* in the agreement. CARE, its counterparts and the donor agree that CARE and its counterparts will make their best effort to comply with the donor's requirements during the emergency, but that CARE or its counterparts will be relieved from partial or full liability if conditions make compliance extremely difficult or impossible. If the donor has specific requirements that would be difficult to meet in an emergency, refer to those requirements in the best efforts clause. Then the country office and regional**

**managers must notify the donor of all constraints and request written waivers of any requirements which cannot be met.**

**An example of a best efforts clause could be:**

***CARE will make every effort to maintain acceptable standards for program management and monitoring in (country or region). (Name of donor) acknowledges that due to current instability, insecurity and absence of law and order, CARE will not be held accountable for any losses of food assets or supplies supporting the emergency program resulting from damages, diversions, misappropriations, sales or other that are caused by acts over which CARE has limited or no control.***

***CARE and (name of donor) will jointly determine when acceptable standards for program management and monitoring in (country or region) will be reinstated.***

**Add specific provisions as necessary.**

**A best efforts clause can never be a justification for poor programming. Poorly staffed operations and inadequate systems to manage food are not acceptable standards for CARE programming and they will certainly never impress donors.**

**There is no fixed rule about when to use a best efforts clause. Conditions and situations in countries vary, and each country office must make an honest assessment of its ability to comply with donor requirements when the proposal is submitted or if conditions change substantially, after the contract is awarded.**



**If a donor does not agree to the best efforts clause, CARE must carefully balance the importance of carrying out a program against the realistic risk of exposure to financial liability. In these cases, the Senior Vice President of Program in consultation with executive staff must approve the program before agreements are signed or decide whether the program continues in spite of unexpected emergency conditions which may have arisen. If it is still in the country office's interests to carry out or continue a program, country offices and counterparts must comply with all donor laws and rules.**

## **E. U. S. Government Agreements**

### **1. PL 480 Title II**

**An emergency operational plan submitted by CARE may propose the waiver of any section of USAID Regulation 11 that is not required by statute. The waiver is in effect a best efforts clause. Discuss the waiver with the local USAID missions and ask them to support it. Agreements on waivers should be included in project agreements or any other written correspondence to CARE. Agreements should not be signed if USAID has not approved the waivers.**

### **2. Section 416 and Food for Progress**

**The plan of operation submitted by CARE may propose the waiver of any section of the regulations relating to Section 416 or Food for Progress Programs. The Commodity Credit Corporation (CCC) incorporates the plan of operation into the program agreement. Section 416 and Food for Progress regulations stipulate that if there is a conflict between the plan of operation and the program agreement, the**

**program agreement prevails. For this reason it is essential to inform the Agricultural Counselor or Attach in the local US mission of any proposed waivers when the proposal is submitted. Notify CARE-USA Headquarters Regional Management Units, the Emergency Group, and the Food Security Unit not to sign the emergency agreement if the CCC has not approved the waivers. If the program agreement is signed and the waiver(s) are not approved, be prepared to follow all the requirements of the regulation.**

## **F. Agreements with Other Donors**

**While other donors may or may not have specific regulations for granting waivers, that is, allowing the inclusion of a best efforts clause, country offices should discuss waivers with the donor's local representatives and insure that any waivers are written into project agreements. RMUs or the Emergency Group at CARE USA Headquarters and other CI members negotiating with the non-US donor should be advised, and they should give approvals for carrying out programs, as required.**

## **II. Counterpart Agreements**

### **A. General**

**When food aid is programmed by counterparts, all agreements must include provisions that require the counterpart to:**

- Accept donor laws and regulations related to the food aid**
- Accept and implement CARE's standards and procedures for managing food as set forth in this Manual, procedures set forth in CARE's *Overseas***

***Financial Manual and Procurement Manual for Overseas Operations, Almis #4496, Commodity Management Manual* and other established policies and procedures**

- **Agree to reimburse CARE for any loss or damage to food caused by the negligence or intentional action of managers or staff of counterparts.**

**See also the CARE USA *Grants Management and Compliance Manual for USAID and Other Donors*, Section 5, "Managing Sub-agreements and Sub-recipients," and Appendix X for further information on areas that need to be included in agreements with counterparts.**

## **B. National Governments**

**Before CARE program operations begin in a country, CARE must enter into an agreement with the government. The basic agreement provides the framework for program activities and defines the roles and responsibilities of CARE and the government. Often there is a general agreement with a ministry like Foreign Affairs, and then a specific agreement with one or more ministry counterparts--for instance, the Ministry of Health and/or Ministry of Agriculture. See *CI Procedures for Basic Agreements*. Basic agreements may include certain provisions relating to food aid or they may be part of other specific agreements.**

**The following areas should be covered in specific agreements:**

- **Types of program interventions**
- **Areas of operation**

- **Roles and responsibilities of national, regional, and district officials and staff including warehouse managers and storekeepers**
- **Names of persons authorized to approve losses and authorize warehouse managers and storekeepers to remove losses from warehouse inventory**
- **Procedures for accounting for and turning over to CARE proceeds from the sale of unfit food to CARE**
- **Responsibility to submit Commodity Status, distribution site or other reports to CARE**
- **Number of beneficiaries**
- **Total amount of food and size of ration**
- **Resource commitments to a project by CARE and Government--staff, financial, materials, equipment, and training**
- **Right of CARE to visit and monitor ports, warehouses and project sites where donated food is being stored or used**
- **Transport of food to government warehouses and use of storage space**
- **General provisions granting duty-free import of food.**

**CARE may also be required to obtain other duty-free clearances for each individual shipment to import food into the country, including:**

- **Requests for duty-free status at the time CARE receives the Notice of Arrival of a shipment from a CARE International member or a donor**
- **Clearances from the Ministry of Health for food inspections and certifications**
- **Import licenses for grains or other agricultural commodities from the Ministry of Agriculture.**

### **C. Regional or Local Governments, Local NGOs and Community- Based Organizations**

**The general and specific areas covered for national agreements, as appropriate, should also be included in agreements under this section.**

**Since programs carried out at local levels are the direct link to program beneficiaries, agreements must also cover:**

- **Names and titles of persons responsible for programs**
- **Names of persons in possession of keys to local warehouses storing food**
- **Names of persons authorized to approve losses and make adjustments to warehouse inventories**
- **Procedures for selecting and registering beneficiaries**
- **Procedures for graduating or terminating beneficiaries from program**

- **Procedures for recording actual distributions to beneficiaries--number of beneficiaries and amounts**
- **Procedures for tracking the receipt, storage, and distribution of food**
- **Procedures for regularly reporting food balances in stores and total amount distributed to beneficiary by commodity**
- **Standard measures to scoop grains or processed foods, or to pour oil into containers used by beneficiaries**
- **Site monitoring by CARE field staff**
- **Provisions for assessing monetary penalties or filing criminal charges for damages or losses of food**
- **Mechanisms for suspension or termination of programs.**

**Agreements with regional and local governments, local NGOs, and other community-based groups should be written in English or another official language (French), kept up to date and renewed annually. Agreements must be kept on file in CARE or designated counterpart offices.**

**As local laws and customs govern agreements, country offices should use local attorneys to prepare documents or review and comment on any drafts prepared by CARE.**

### **III. Contracts**

**Written contracts protect against misunderstandings and are the best form of evidence if there is a legal problem.**

## **Internal Control**

**While verbal contracts may be enforceable, CARE requires all contracts related to the receipt, warehousing, dispatch, and distribution of food to be in writing.**

**A well-written contract will have no effect if the person or organization does not have the ability to perform. Investigate the person or organization with whom you propose to contract. What is their reputation with other organizations? Have they successfully performed similar contracts in the he past?**

**Country offices should use local attorneys to prepare contracts or to review and comment on any drafts prepared by CARE staff.**

**Contracts for goods or services must be awarded according to the policies and procedures stipulated in CARE USA's *Procurement Manual*. Three or more written quotations are required when the expected value of the contract exceeds US\$500 unless:**

- **Goods or services are not available from three companies or individuals.**
- **Emergencies or other conditions justify the lack of three written quotations.**

**Analyze written quotations and award the bid according to cost, ability to perform, quality, and payment terms.**

## **A. Shipment Contracts**

**Shipment contracts to transport food from the country of export to the country of import are usually negotiated by the CARE International member or donor who procured the food. However, the country office should understand the terms of the contract. Moreover, the country office can provide advice about country specific situations requiring special attention in shipping contracts.**

**The CARE USA Procurement Office should send copies of all shipping contracts to country offices. For non-U.S. Government food, country offices should request copies of contracts from the shipping agents of the donors, or from CARE International members who assisted the country office in obtaining food.**

### **Country Office Example**

**In the past, CARE Peru did not receive a copy of the shipping contract. This meant that staff had to rely on the ship's captain to inform them about the time and manner of unloading food, whether staff could come on to the ship and inspect the holds, who was responsible for paying food handling charges, and what documents were required from the shipping company. CARE Peru now obtains a copy of every shipment contract. Staff are therefore better prepared to deal with problems that arise with the shipping company.**

### **Through Bills of Lading**

**To assure that food shipped to designated warehouses on a Through Bill of Lading is delivered on time, CARE should include clauses in contracts with shipping**



## **companies that stipulate:**

- **Penalties for late delivery of food**
- **Payment only after delivery is completed.**

## **B. Independent Surveyors**

**Independent survey reports document the quantity and condition of the food discharged by the shipping company at port or other designated location against the Bill of Lading. They also document the nature and extent of any losses that are the responsibility of the shipping company. See Port for more information about carrying out independent surveys.**

### **Checklist for Independent Survey Contracts Discharge (Ex-tackle) and Delivery Surveys**

#### **General**

- Name of the survey company
- Duration of the contract, terms for renewal and termination
- Amendments, in writing, to the contract
- Cancellation of contract for material breaches
- Insurance to cover losses, and/or, as necessary, posting of performance bonds
- Name of person authorized to sign contract for surveyor
- Force Majeure clause
- Right to sub-contract with CARE approval
- Payment terms-- minimize advances to the extent possible. Generally, pay for a

service when it is completed and service satisfactory to CARE

- Type of payment, US\$, other currency
- Delay or reduction of payment if reports are inaccurate or not timely
- Timely reports to be furnished
- Format and content of reports - ex-tackle (discharge) and delivery surveys
- Amount and description of food discharged or delivered

Food in original and packaging and good condition

Disposition of sweepings

Food damaged, type of damage, and probable cause

Food unfit for human consumption

Food reconstituted

Short - or excess-landed or delivery

Total losses

- Reports to be written in English
- Number of tally clerks to be assigned to discharge and delivery surveys and attachment of tally sheets to survey reports
- Daily discharge or delivery tally sheets are to be submitted with survey report
- Liability for indemnification or damages includes payment of penalties for failure to perform as per contract
- Provisions for settlement of disputes, enforcement of the contract, and payment of damages to CARE (includes settlement at CARE/USA or surveyor's international headquarters if appropriate.)

## **Ex-tackle survey**

- Identification of shipment and time of unloading
- Reports based on direct observation of cargo

Observe the holds of ship prior to unloading

Observe cargo as it is off-loaded

Observe containers as they are unstuffed

Description of condition of food including sweepings while in ship holds.

Describe type and probable cause of damages.

Amount and description of food unloaded. See general areas above.

### **Delivery Survey**

- Direct delivery by truck from the port
  - Observe trucks before loading
  - Observe and count bags and containers of food as they are loaded onto trucks
  - Time and place of delivery of food
  - Direct observation of delivery directly to trucks from ship or from port warehouse
  - Observe trucks or port warehouses before dispatch
  - Observe bags, tins, pails of food as they are loaded onto truck
- 
- Description of condition of food while in port warehouse, including damage

### **C. Clearing and Forwarding Contracts**

**In most country offices CARE or its counterparts contract with a clearing and forwarding agent to clear food through customs and to forward food from the port**

**to CARE or counterpart warehouses or, in some cases, directly to distribution sites.**

**The quality of clearing and forwarding services varies from country to country and among organizations offering these services within a single country. In some countries there may be considerable competition, while in others only one or two companies offer services.**

### **Checklist for Clearing and Forwarding Contracts**

- Name of clearing and forwarding company
- Duration of the contract, terms of renewal and termination
- Amendments, in writing, to the contract
- Cancellation of contract for material breaches including failure to pay
- Insurance to cover losses, and/or, as necessary, posting of performance bonds
- Name and title of person authorized to sign contract for clearing and forwarding agent
- Force Majeure clause
- Right to sub-contract with CARE approval
- Lines of authority--name(s) and title(s) of person at CARE or a counterpart to whom agent reports
- Type of currency--US \$, other currency
- Payment terms:

Minimize large advances to the extent possible

Require the company to finalize the account within a limited number of days after shipment is discharged

- Supporting documents submitted with invoices:

Copies of all port invoices for landing fees, port warehouse, storage, and labor charges

Copies of signed registers for payments to laborers for reconstitution of damaged food and moving food from warehouses to tracks or railcars for onward transport

- Services to be performed:

Clearing-- payment of port fees, import licenses, obtaining customs clearances, stamps, and phyto-sanitary certificates

Forwarding-- arrangements for food transport directly from vessel or from port transit sheds to CARE or counterpart warehouses or direct distribution sites

- Documents to be used and routing of documents:

CARE dispatch waybills

CARE Loss and Adjustment Reports

- Responsibilities for damaged food:

Reconstitution of damaged food

Analysis and disposition of food suspected to be unfit for human consumption

- Liability for indemnification or damages, including payment of penalties for

failure to perform as per contract

- Provisions for settlement of disputes, enforcement of the contract, and payment of damages

## **D. Warehouse Service**

**CARE may contract either for warehousing services or only for the lease of a warehouse. As a general rule, CARE country offices or their counterparts should not store food in any warehouse not under CARE or the counterpart's direct control, nor should food be stored with other "non-CARE" food, material, equipment, or supplies.**

### **Checklist for Warehouse Service Contract**

- Name of company providing services
- Description of food and amount to be stored
- Duration of the contract, terms of renewal and termination
- Amendments, in writing, to contract
- Cancellation of contract for material breaches including failure to pay
- Insurance to cover losses, and/or, as necessary, posting of performance bonds
- Name and title or person authorized to sign contract for warehouse
- Force Majeure clause
- Right to sub-contract with CARE approval
- Services to be performed, including provision that contractor accepts CARE's policies and procedures relating to warehouse storage, receipt and dispatch of food

- Accounting for inventory
- Documents to be used

Receipt and dispatch waybills  
Loss and Adjustment Reports  
Warehouse inventory ledgers

- Reports to be filed and due dates
  - Repairs and maintenance to warehouse (Refer to ***Storage and Handling*** for specific requirements)
  - Warehouse security (Refer to ***Storage and Handling*** for specific requirements)
  - Whether other items can be stored in same warehouse with food
  - CARE's or counterpart's right to inspect warehouse where food is stored
  - Payment terms--avoid large prepayments to the extent possible
  - Type of payment-- US\$, other currency
  - Liability for indemnification or damages, including payment of penalties for failure to perform as per contract
- Provisions for settlement of disputes, enforcement of the contract, and payment of damages.

## **E. Leasing a Warehouse**

### **Checklist for Warehouse Leases**

- Name of landlord

- Description of food and amount to be stored
- Duration of the contract, terms of renewal and termination
- Amendments, in writing, to the contract
- Cancellation of contract for material breaches including failure to pay
- Insurance to cover losses, and/or, as necessary, posting of performance bonds
- Name and title of person authorized to sign contract
- Force Majeure clause
- Assignability of contract
- Right to sublease with CARE approval
- Identification of property to be leased, including fixtures and equipment that are part of the lease
- Security deposit, if applicable, and conditions for return
- Insurance on structure
- Insurance on contents
- Bonding of warehouse managers, storekeepers, and security guards
- Payment terms:

Minimize large prepayments to the extent possible

Due dates for rent payments

Penalties for late payments

Type of payment-- US\$, other currency

- Repairs to structure:

Right of lessee to repair and deduct cost from rent if landlord does not repair within required time

Repairs distinguished from ordinary maintenance and party responsible for



## ordinary maintenance

- Responsibility for security of warehouse
  - Right of lessor to enter and inspect the warehouse only with advance written request and when accompanied by CARE staff
  - Liability of lessor for indemnification for damages, including payment of penalties for failure to perform as per contract
- Provisions for settlement of disputes, enforcement of the contract, and payment of damages.

## F. Security Service Contracts

**CARE may enter into contracts for security services for warehouse operations. Specify the duties of the security service and their responsibilities for losses due to theft.**

### Checklist for Security Service Contracts

- Name of security service
- Description of food and amount to be protected
- Duration of the contract and terms of renewal and termination
- Amendments, in writing, to the contract
- Cancellation of contract for material breaches including failure to provide security guards on timely basis
- Insurance to cover losses, and/or, as necessary, posting of performance bonds

for company and individual security guards

- Name and title of person authorized to sign contract
- Force Majeure clause
- Right to sub-contract with CARE approval
- Hours of service
- Number of guards per shift
- Background check on guards
- Bonding of security guards
- Documents and reports to be completed:

Signing for entrance and exit to the building

Reports on thefts or attempted break-ins

Log of activities performed by person on duty

- Specific duties:

Checking the premises every hour

Checking for locked doors and windows

Checking contents of bags or briefcases of people leaving the building

- Use of force and deadly force--when and if permitted
- Liability of security company and individual guards, as appropriate, for indemnification or damages includes payment of penalties for failure to perform as per contract

- Provisions for settlement of disputes, enforcement of the contract, and payment of

damages.

## G. Transportation Contracts

**Before entering into a transportation contract, insure that the transporter is reputable. Speak with other organizations that have used the transporter to determine past performance. Look at the transporter's fleet as well as repair facilities and spare parts stores. If the transporter does not have the capability to perform, a well-written contract will do little to deliver food to locations that need it.**

### Checklist for Transportation Contracts

- Name of transporter
- Description of food and tonnages to be transported
- Duration of the contract and terms of renewal and termination
- Amendment of the contract
- Cancellation of contract for material breaches including failure to provide trucks on a timely basis or unacceptable losses of food during transport
- Name and title of person authorized to sign contract
- Force Majeure clause
- Right to sub-contract for independent transporters with CARE approval
- Routes and loading and unloading locations
- Name(s) and title(s) of CARE staff who direct the transport operation
- Precautions to be taken by the transporter in inclement weather

Use of tarpaulins

- Responsibility to keep trucks in good condition, repaired, maintained, insured, and properly licensed:

Insurance required by law of country of operation

Licensing, both for trucks and chauffeurs required by law of country of operation

Insurance or security deposit over contents transported

- If fuel is obtained by CARE, a description of how fuel will be allocated and controlled
- Responsibility for supplying spare parts, if applicable
- Transportation rates and examples:

Per metric ton per kilometer

Per kilometer or per route

Per time period, e.g., per week or month

- Handling cargo on return trips
- Responsibility for loading and unloading food, including costs of labor
- Documents to be used and routing of documents

Waybills signed by transporter at dispatch and upon receipt

- Procedures and responsibilities for losses:

Reconstitution of damaged food

Commodity suspected to be unfit for human consumption

Short deliveries

Waybill signed by transporter and warehouse manager or storekeeper at dispatching and receiving warehouse is primary source document for determining damages

- Procedures and responsibilities including use of waybills for returning food to dispatching warehouse.
- Payment procedures:

Payment based on invoice submitted with copy of waybill signed by transporter and receiver

No payment for missing or damaged food

Type of payment -- US\$. , other currency

- Claims against transporter for missing or damaged food in in-transit or temporary storage in transporter's warehouses

Deductions from transporter's invoice:

Method of calculating value of claim:

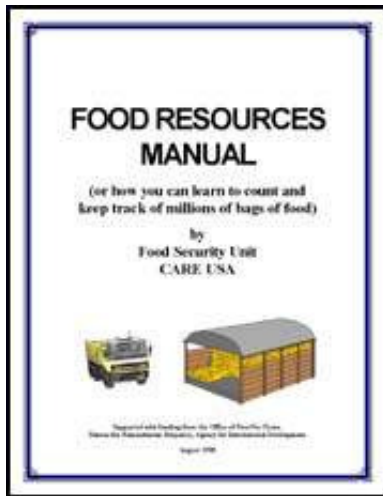
local market value of food


local market value plus percentage as a penalty other

- Penalties for delay and noncompliance with delivery schedules
- Waiver of liability for CARE for any death or damage to persons or property caused by the transporter's trucks while carrying food from CARE or counterpart warehouses

- Provisions for settlement of disputes and enforcement of the contract

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  **Chapter 5 - Call Forward and Procurement**

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### **Chapter 5 - Call Forward and Procurement**



Figure

## I. Obtaining the Food

### A. Sources

**For a summary of types of funding and food which is available from donors, see Agreements and Contracts.**

### B. Estimating Food Requirements and Time For Arrivals

#### 1. Amount of Food Required

**The Annual Estimate of Requirements (AER) required by USAID for PL 480 Title II programs is an example of how to estimate the total quantity of food needed for a program. Simply put, the ration size x population size x the number of distributions = the total amount of food required.**

**A plan also helps determine when the food needs to be called forward from the**



**donor country and how much needs to be procured over the life of the project. See Attachments for an example of an AER. The important points to note are that lines 1 - 8 take into account what the overall program requirements will be, and lines 9 - 17 take into account expected receipts, distributions, any in-country stocks and a percentage for a reserve to anticipate losses. Line 17 shows the estimates of the actual amount of food that will be needed during a program year. The Office of Food for Peace will base its approval for a program on the Line 17 figures. Similar estimates can be done for other donors. See Attachments for a useful summary of issues related to timing of purchases, packaging, freight rates and cargo size that should be taken into consideration.**

**The plan for estimating tonnage needs should include the following basic information:**

- **Type of program**
- **Number of recipients**
- **Number of feeding days per month**
- **Number of operating months per year**
- **Number of recipients per food type**
- **Ration size per food type**
- **Total amount requested by type of program and food type**
- **Expected arrivals and distributions of food by the end of the current fiscal year**
- **Desired operating reserve**
- **Total adjusted food requirement for the next fiscal year.**

## **2. Procurement Timetable**

**Once estimated food needs are determined, country offices must also estimate the amount of time it will actually take to deliver food to project beneficiaries. To receive food in time for distribution, country offices must plan and request shipments of food well in advance.**

**The following two examples show of the length of time it takes to submit proposals to donors and then to receive food for distribution to beneficiaries. Unless there are already pre-positioned stocks in-country or food that can be easily diverted from other areas, it may take as long as six months before food reaches beneficiaries, even in emergencies.**

#### **Example - AID - PL 480 Title II**

**AERs are normally submitted by country offices more than a year and a half before the last quarter call forward is distributed. For example, for USG FY 1995 (October 1, 1994 - September 30, 1995), the Development Project Proposal and AER were prepared in February or March 1994, and the last call forward for the FY 95 program had to be in AID's Office of Food for Peace by the end of June 1995 in order to assure the arrival of food in the host country sometime between October and December 1995. This means that more than a year and one half can pass from the time the DPP is prepared and submitted to Food for Peace and the final distribution of the FY 95 food to program beneficiaries.**

#### **Example - European Union**

**EC allocations are made in three periods throughout the relevant fiscal year. CARE country offices can submit a request under any of the three periods. The**

**closing dates for requests and allocations to the EC via Euronaid are shown below.**

### **EC/Euronaid Scheduling**

Timing	Submission Period	Allocation Period	Departure from European Port	Arrival in Host Country
Period 1	Requests received by EC on 1 October	January of the following year	June/July	August/September
Period 2	Requests received by 15 January	April	September/October	December/January
Period 3	Requests received by 1 July	October	April/May of the following year	July/August

### **C. Call Forward**

**The call forward is a request for delivery of a specified amount of food to a particular country program for use at specified periods of time. While distribution of all food may span more than a year and a half, the call forward process arranges for export of food from donor countries or sources on a regular basis throughout the life of the project. To prepare a call forward country offices must know existing balances of food, expected arrival times of shipments already requested and how much food they plan to distribute. Once the call forward is approved, the donor procures the food and arranges shipments with CARE.**

**See Attachments for the U. S. Government's PL 480 Title II monthly purchase**

**schedule for processed food. Call forwards for Title II programs must be consistent with the purchase schedule. While there are differences in purchase times if food is shipped in bulk or in bags or containers, call forwards must be timed to match the purchase and shipping periods that will get food to a program as quickly as possible. To assure timely approval of Title II call forward requests by AID, country offices should submit requests to the Procurement Office by the 25th day of each month.**

**For food from other donors, country offices should contact the CI member who submitted the proposals.**

**To meet donor purchasing schedules and insure that food will be available on time, country offices must estimate the interval between the time the call forward is approved and the time the food is available for consumption. If a country office wanted food exported from the United States by October 1995, a call forward must have been submitted to USAID by July 1995**

**To facilitate planning for the Procurement Office, other CI members and donors, country offices should provide CARE USA's Procurement Office and Food Security Unit or the appropriate CI member with projected call forward schedules for an upcoming fiscal year, i.e. the times during the year food will be called forwarded from the exporting country.**

## **1. Commodity Pipeline Analysis**

**Commodity pipeline analyses provide information about where food is in the project pipeline, whether there will be a continuous, uninterrupted flow of food for**

**distribution or whether there may be interruptions. The pipeline analysis takes into account all food resources that are on order, on the high seas, at the port, in local warehouses, in transit to distribution sites, and available at the sites. It also takes into account the time it will take for the food to move through the pipeline. Using the following format for a pipeline analysis, a call forward can be prepared and submitted to the Procurement Office which submits it to the Procurement Section of USAID's Office of Food for Peace in Washington.**

**If country offices have different types of projects, e.g., supplementary feeding and food for work, separate pipeline analyses are done for each project and then consolidated into one overall analysis.**

### **COMMODITY PIPELINE ANALYSIS**

To Determine Call Forward Amount for USG FY 1st Qtr. Oct - Dec	Type of Commodity (in MT)
<b>STOCK BALANCE</b>	
1) Stock balance in CARE or counterpart warehouse as of 30 June	
<b>EXPECTED</b>	
2) Calls forward not yet shipped	
3) Shipments on the seas (includes shipments at port, but not surveyed)	
4) Loans / transfers to be received from other NGOs	
5) Total available for distribution (1+2+3+4)	0
<b>DISTRIBUTIONS</b>	

6) Estimated distributions July 1 - December 31	
7) Repayments of loans to other NGOs	
8) Estimated loans / transfers to other NGOs	
9) Total estimated distributions July 1 - December 31 (6+7+8)	0
<b>PLANNED DISTRIBUTIONS JAN-MAR</b>	
10) Estimated distributions for Jan - Mar	
11) Repayments of loans to other NGOs	
12) Estimated loans / transfers to other NGOs	
13) Total estimated distributions Jan -Mar 31 (10+11+12)	0
<b>TOTAL DISTRIBUTIONS JULY 1 - MARCH 31</b>	
14) Lines 9 + 13	0
<b>LESS TOTAL AVAILABLE</b>	
15) Line 5	0
<b>RESERVE</b>	
16) 5% (of line 14) reserve for expected losses. If more than 5% discuss with USAID	0
<b>TOTAL CALL FORWARD AMOUNT</b>	
17) Call forward amount (14+15+16)	0

## 2. Submission of Call Forward

**Call forwards are submitted to the local USAID office and to CARE USA's**

**Procurement Office for U.S. donors, and through CARE International member offices for other donors. Usually, each call forward covers projected quarterly needs, although intervals can be shorter or longer for development or emergency programs. See Attachments for an example.**

### **3. Content of the Call Forward**

**Donors may require different information for call forwards, but in general they should contain:**

- **Types and quantities of food**
- **Package sizes**
- **Port of destination**
- **Shipment mode (i.e., container specifications)**
- **Timing of the food arrival**
- **All required sanitary certifications**
- **Local donor representative endorsements.**

### **4. Unavailability of Requested Food**

**There may be instances where requested food is not available because of a lack of availability, seasonal constraints, or poor harvests. Also, when food is purchased commercially, factors such as trade agreements or other market conditions may push the dollar value of the food over the amount budgeted by the donor for purchases. In order not to cause breaks in food pipelines, country offices may want to indicate alternative foods.**

## **D. Purchase of Food by Donors**

**Once donors receive a country office's call forward, they arrange to procure food usually on a competitive bid basis from suppliers in the donor's country. The donor is responsible for tendering, insurance, procurement, and dispatch of shipments from their origins to the primary (and sometimes secondary) point of distribution. Country offices will only become involved with procurement of food or other goods if they are purchased locally or if donors have given permission to buy in other countries.**

## **1. Specifications**

**To assure that food is of good quality and fit to eat by program beneficiaries, donors and host governments require that food meet certain specifications. These may vary for different types of food. Country offices must make sure that the specifications established by the donor are consistent with those required by the country where the food will be consumed. If not, a ministry may refuse to let the ship discharge the food at the port or food could be held in a port warehouse until the government is satisfied it meets standards.**

**The factors listed below are taken into consideration by donors when they make their purchases:**

- **Maximum moisture content upon loading**
- **Maximum allowable bad and damaged grains**
- **Maximum allowable impurities**
- **Chemical treatments**
- **Country and year of harvest of the grain**
- **Shelf life of food**



- **Packaging of the grain**
- **Insurance terms**
- **Payment terms.**

## 2. Packaging

### Considerations involved in food packaging include:

- **Program requirements**
- **Durability of the package or container**
- **Ease of handling**
- **Warehouse and storage capacity**
- **Composition of packaging**
- **Resistance to moisture and infestation**
- **Cost**
- **Reuse potential of the package or container.**

### Three types of standardized package are generally used.

<b>Type of Food</b>	<b>Package Size</b>	<b>Packaging Description</b>
Grains (wheat, sorghum, bulgur, rice) and pulses (peas, lentils, beans)	50 kg bags	Woven polypropylene fabric with an inhibitor to resist ultraviolet absorption and antiskid coating. Bags are often handled with hooks by dock workers, which can result in losses.
Blended and vitamin-	25 kg	Multiwall paper bags with a 1-mm polypropylene

fortified grain products including corn soy blend (CSB) and wheat soy blend (WSB)	bags	liner. This food is moisture-sensitive and susceptible to infestation because of its high fat and caloric nature. The plastic acts as a moisture barrier and the outer plies resist tearing.
Vegetable oil	1 gallon can 5 gallon pails 55 gallon drums	Metal tins. One gallon tins suffer most leakages and damage during shipping.

### 3. Expedited Procurement Options

**In emergency situations food is needed immediately. If normal procurement is too slow, shipments are delayed or the number of beneficiaries in a program have increased, country offices must examine a variety of options to obtain food more quickly. Suggestions include:**

#### a. Transfers and Loans

**CARE may request a transfer or loan of food from another CARE project or other organizations such as government, NGO, private or multilateral reserve stocks in country or in neighboring countries. A written request should be sent to the donor explaining the reasons for the request. While CARE is not obligated to repay food transfers, they are required to repay food loans. Both the donor and the organization supplying the food must agree in writing to the loan or transfer arrangements.**

**See *Inventory Accounting and Reporting* for information on recording these transactions in ledgers. In all cases, it is important to consider the quality of the food borrowed or used to pay back a loan, the logistics costs, and the time limit to pay back the loans. CARE should insure that loans are repaid according to the terms of the agreement.**

## **b. Food Diversion**

**In some circumstances, food at a donor port or onboard a ship bound for a regular program may be diverted to an emergency program. The following steps should be taken to divert a shipment:**

- **Identify the amount of food needed.**
- **Obtain permission from the donor to divert the food, and, if the food belongs to an organization other than CARE, obtain permission to use the food.**
- **Agree in writing with the donor and other organization how the food will be replaced.**
- **Determine if the vessel can enter the intended port.**
- **Determine if there is sufficient storage to permit discharge of the food.**
- **Insure that a provision exists for payment of diversion charges.**

**Since diversion of food is difficult and expensive, this option should only be**

**considered after all other means of procurement have proven impossible. The challenge is to replace the food before there is any negative impact on the program from which the food is diverted.**

### **c. Prepositioned Stocks**

**To meet emergency needs, some governments and donors have prepositioned food at donor ports, in recipient country ports, in other regions of the recipient country, or in nearby countries, to be programmed through NGOs. The food reserves are most often in vulnerable regions, such as East Africa.**

### **d. Local Purchase**

**This is often the easiest way of obtaining food and supplies, provided they exist in sufficient supply to meet the need. However, there is a tendency for prices to increase as procurement increases. Attention must be paid to price swings which affect those in the local population who are already in the low-income category.**

**Purchase of food locally generally reduces the risk that the food could be culturally unacceptable to the population.**

**Issues to consider in deciding to purchase food locally are:**

- Terms of sale**
- What currency to use and how payment will be made**
- Credibility of local suppliers**
- Tender process and minimum number of bids**
- Impact of purchase on local economy**

- **Delivery of food in standard weight bags or containers.**

## **II. Shipping Food**

**For a discussion of the different types of shipments and the shipping documents that accompany a ship's cargo see Port.**

### **A. Booking**

**The donor usually books the ocean transportation. When date of dispatch is known, the donor informs CARE USA's Procurement Office and its shipping agent, other appropriate CI members, and the country office. The booking advice is based on the agreement with the shipping company and includes the name of the particular vessel and the estimated times of arrival and departure. The donor then issues a shipping number and shipping instruction, which contains all necessary details about the shipment.**

### **B. Shipping Documents**

**A Bill of Lading is the legal document used by shipping companies to define the terms and conditions under which they accept cargo. (See Attachment.)  
Information on the B/L includes:**

- **The type of food**
- **Gross and net weights**
- **Standard weight for each unit of food**
- **Ports of export and discharge**
- **Value of food and cost of freight and insurance**

- **Terms and conditions for shipment.**

**All claims or actions against a shipping company are based on the information contained in the Bill of Lading. See Port and Losses and Claims.**

**A Through Bill of Lading is often used for landlocked countries, or in a country that has experienced very high losses during discharge of food at a port or in port-controlled warehouses. It may also be used when food is discharged at a main port and then directly loaded onto local ships for delivery to other coastal or island ports.**

**The shipping company retains custody of the food and responsibility for any losses until it arrives at the location specified on the Through Bill of Lading.**

**A disadvantage of a Through Bill of Lading is the cost to donors because shipping companies will increase rates for the additional handling and safeguarding of the food. Country offices must convince the donor that the additional costs would be offset by decreased port losses or that it would be easier to collect claims from shipping companies than from local government port authorities.**

**While shipping companies may agree to deliver food to other locations on a Through Bill of Lading, there is no guarantee that their local agents will expedite delivery. Whenever possible, agreements with shipping companies should include clauses for payment only upon delivery. See Agreements and Contracts.**

**The local government must grant permission to use a Through Bill of Lading. Customs will often break the seals at port and examine containers for drugs, weapons, or other illegal contraband. A new customs seal will be placed on the**


**container at the port, signifying that the cargo has cleared customs. The shipping company's representative must record the number of the new seal on the Through Bill of Lading.**

## **C. Transshipment**

**Transshipment occurs when food is discharged from the vessel at a foreign port and loaded on board a second vessel for delivery to its final destination. This is most often done by the same steamship company, however, it is not uncommon for transshipments to involve more than one carrier. In some instances, food might leave the United States for a port in Europe where the food is placed on another ship bound for the final port of discharge. Transshipments can also occur once food arrives at the country's main port and is then turned over to a local shipping company for onward delivery to a secondary port. In each case, the terms and conditions of the original Bill of Lading remain in force, and the original shipping company's liabilities are not waived.**



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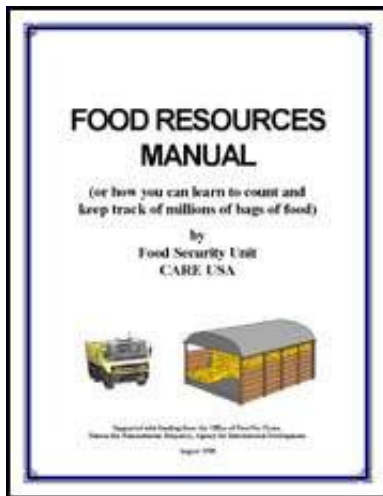
  **Chapter 6 - Port**

 **(introduction...)**

 **I. Arrival and Discharge**
























 **A. Prior to Arrival**





- B. Arrival at Port**
- C. Cargo Discharge**
    - (introduction...)**
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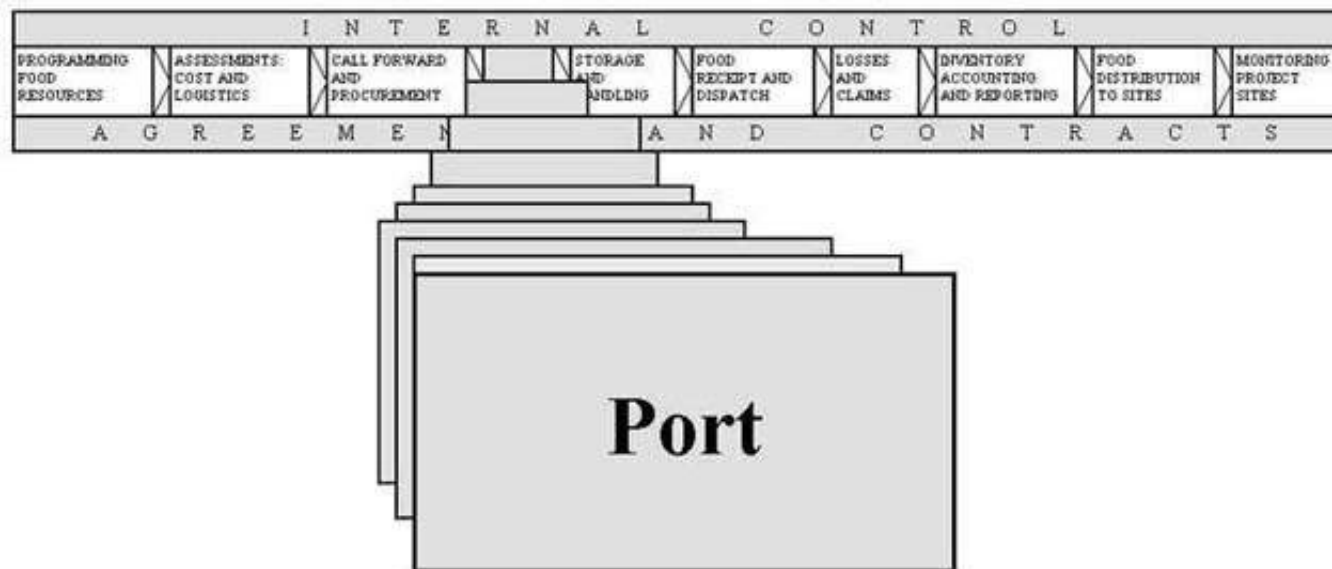


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**CARE Food Manual (CARE , 1998, 355 p.)**

**Chapter 6 - Port**



**Figure**

## **I. Arrival and Discharge**

### **A. Prior to Arrival**

**CARE's clearing and forwarding agents and port/customs officers must make certain that all necessary documents and authorizations have been filed and approved by government ministries to assure as smooth a discharge as possible. See Agreements and Contracts for information on certificates and clearances that may be required.**

**If food arrives before final approvals are given, the clearing and forwarding agent and CARE port officer may provide a letter of guarantee to the shipping agent and ship's captain, countersigned by authorized officials of the government, stating that the shipment may be discharged.**

## **B. Arrival at Port**

**Once a ship arrives in port, the shipping company presents the ship's cargo manifest to port authorities for authorization to unload. The ship is then either directed to a port berth for clearance or, if the port is too shallow, food is off-loaded onto smaller vessels called lighters. Before the food is off-loaded, CARE, its counterpart or representative must insure that the ship's hatches are inspected and the ship captain's log reviewed to ascertain the condition of the food and weather conditions en route. Many countries require a representative from the Ministry of Health or other government agency to make a visual inspection and approve the discharge of the food.**

**If CARE or its counterpart takes custody and control of the food at port, the independent surveyor must be available prior to the unloading of the cargo. The surveyor must be allowed to inspect the hold to determine the condition of the food. If for any reason a shipping company prohibits inspection of food, the country office should immediately notify the CARE USA Procurement Office for U.S. food, or the local representative or Brussels office of Euronaid for European Union Food for non-emergency programs or ECHO for emergency programs. For other donors, notify their local representatives. In all cases, country offices should notify the CARE International member's headquarters to request their assistance. When there are problems with shipping companies, the CARE USA Procurement Office should be copied on all correspondence relating to non-U.S. donors.**

## **C. Cargo Discharge**

**To insure that food is properly examined, losses are identified and the party**

**responsible for the loss is determined, the independent surveyor, a shipping company agent and a customs official must be available simultaneously to witness the discharge of the food from the ship.**

### **Internal Control**

**CARE personnel must insure that discharge of food from the ship does not take place if an independent surveyor is not present. If so, the responsibility for any losses may be placed on CARE.**

**In addition to the three people on site examining the cargo, a CARE or counterpart employee and a clearing and forwarding agent should be at the port to oversee the actual discharge. Their responsibilities are to:**

- **Examine the condition of the vessel and food prior to discharge from the ship and witness the discharge of food to the dock and/or destuffing of containers**
- **Compare the amount of food on the bill of lading to the amount of food received in good condition, which is also being documented by the independent surveyor.**

**Whether the survey is done at port or at a CARE or counterpart warehouse, if food is shipped on a Through Bill of Lading, the agent of the shipping company must witness the discharge and sign the Independent Survey Report.**

**If the containers are destuffed at port or if customs inspects the food at port, a shipping company agent must be present when the container seals are broken. The customs representative must be present at the time the food is taken from the**

**container to witness the physical count.**

## **1. Lighterage**

**Lighterage is the method of discharging cargo from a ship onto a smaller, lighter vessel, which carries the cargo to the docks. Because the cargo has to be handled an additional time, the possibility of damage and loss is increased. Lighterage should be avoided whenever possible. The responsibility for losses when using lighters is determined by local laws and customs of the port. Generally, the organization requesting and paying for the lighters is responsible for related losses. If CARE requests the lighter, all losses resulting from its use are CARE's responsibility.**

## **2. Types of Cargo Packaging**

### **a. Bulk Cargo**

**Food shipped in bulk (not pre-packaged in the donor country) will either be bagged in the ship's hold and unloaded to the dock, or will be transferred to silo storage by vacuum equipment and rebagged by machine. When food is received in bulk, the shipment will also include a predetermined number of bags to package the food at the port after discharge from the ship.**

**When food is bagged by machine, country offices and counterparts, together with clearing and forwarding agents, independent surveyors, shipping company representatives and port officials, must insure that the bagging and calibrating equipment is in good working order and that port personnel accurately measure how much food goes into each bag.**

## Internal Control

**Anytime food is bagged, country offices should instruct independent surveyors to pay close attention to the bagging process to assure standard weight.**

### **b. Breakbulk**

**Breakbulk refers to food packed in individual bags or containers. Breakbulk cargo is unloaded from the ship by crane to the dock or by manual labor directly onto trucks or railcars for direct dispatch to CARE or its counterpart's warehouses, or moved to port storage (transit sheds) for later dispatch.**

### **c. Containerized Cargo**

**Containerized cargo will either be destuffed at port or will go to a receiving warehouse for inspection and storage. A seal is placed on the container in the country of export so that no entry is possible without being detected. The seal numbers are recorded by container and accompany the Bill of Lading.**

**When containers are discharged from a vessel, the independent surveyor must tally and inspect the seal numbers during the unloading to insure the original seals have not been removed or tampered with. If the original seals are intact, the cargo is said to have traveled under "clear seal security."**

**If container seals appear broken or it appears there have been unauthorized entries into containers at the port, local laws may require that an official be present for the opening of the container. The local official should be asked to**

**prepare a report which documents the investigation. A copy of the report should be retained in the shipment file.**

**Whenever there is evidence of tampering with seals or unlawful entry to containers, country offices must notify, in writing, port and customs officials, the local police, local donor representatives, the Procurement Section of CARE USA Headquarters, and the CARE International member who assisted the country office in procuring the food.**

## **II. Inspection and Evaluation**

**A surveyor hired by CARE is directly responsible for producing the official inspection report for the discharge of food from a ship. CARE staff, counterparts, or a clearing and forwarding agent should also make frequent visits during discharge, delivery, and packaging of the food to observe the quantity and condition of the food, monitor the extent of marine losses, determine the shipping company's responsibilities, and be able to report losses accurately to the donor. See *Losses and Claims* for more specific information on marine losses.**

### **A. Damages**

**Independent survey reports should cover the following causes of food damage:**

#### **1. Inadequate Packaging**

**Damage may result from inadequate packaging of the food in the country of origin and not because of improper handling during shipping or discharge. Whenever a**



**loss due to inadequate packaging is discovered, the independent survey report should document the following:**

- **Type of food and package size**
- **Description of packaging deficiencies, e.g., material or seals to close packages are weak. Include any results of an independent analysis of the packages in the survey report.**
- **Contract identification number**
- **Bag/container identification number**
- **Number of packages damaged and the total bill of lading quantity**
- **Ship name, discharge date and location**
- **Current location and quantity of food**
- **If samples are appropriate, draw a one kilogram sample from each unsatisfactory sub-lot of ship's cargo.**

### **Country Example - CARE India**

**CARE India had often received PL 480 Title II shipments of corn soya blend (CSB) that were damaged. They determined that faulty packaging was largely responsible. USAID, USDA, and CARE USA Headquarters were repeatedly notified. While it took the donors time to complete an investigation and redesign the bags,**

**CARE India's persistence led to an important change in the design of CSB bags. If the packaging problem is recurrent, the country office must prepare a summary describing the nature and history of the problem and send it to the CARE-International country that procured the food, the CARE USA Procurement Office, and Food Security Unit. Donors will be asked to look into this problem and redesign packages if necessary.**

## 2. Marine Damage

Type of Damage	Possible Origin
Mold/sweat	Damp storage conditions Moisture due to condensation Inadequate and/or improper ventilation
Infestation	Infestation present before the food was loaded onto the ship Improper segregation of infested food Holds not thoroughly cleaned and fumigated before loading
Sea water damage	Hatches not properly secured during passage through rough seas; water able to enter into the compartments Leak in the steel plates allowing entry of water
Fresh water damages	Hatches not properly closed, permitting the entry of water during rains
Cut/torn containers	Improper handling while loading Food stacked along side pipes, rails and crates Improper handling when the food is discharged from the holds

Contamination	Food loaded next to chemicals, insecticides, or other hazardous materials
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### 3. Damages During Discharge at the Port

Time of inspection	Common Causes of Damage	What to look for
Before discharge from ship	Poor loading supervision in donor country, resulting in broken bags Moisture trapped in the hold, condensing the cargo, particularly in lash barges and breakbulk ships in transit from cold to warm climates. Mold as a result of wet bags	Quality of stowage on board the ship Condition of cargo in the hold (mold, broken bags, etc.) Condition of packaging
During discharge from ship to port storage area	Dragging a pallet across the hold Overloading pallets Allowing rope slings to cut into bags stacked on a pallet Overloading material handling carts Use of hooks Theft	Quality of stevedore labor Quality of discharge techniques Acceptability of dock and storage area for food Discharge customs of the port/country Accuracy of reports controlling the movement of the food from port to warehouse Port security, including

		<p>limited access to the storage area</p> <p>Inordinate delays in moving the food out of the port area</p> <p>Storage of food with incompatible goods, such as grains stored next to gasoline</p>
<p>During repackaging at the dock or port storage area</p>	<p>Infestation</p> <p>Shortweight</p>	<p>Adequate labor, packaging, and equipment available for reconstitution</p> <p>Proper segregation of damaged food</p> <p>Timeliness of fitness certifications</p> <p>Proper inventory adjustment authorizations</p>

#### 4. Sweepings

**Sweepings are spillages collected in the ship's holds, collected from slack/torn bags, or collected after repacking. The independent surveyor must determine the total weight of the sweepings, the number of units that can be reconstituted (e.g., how many 50 kg bags), how much is lost and how much is to be declared unfit for human consumption. Losses from sweepings should be included in the survey**

**report and treated as marine losses. Spillages that have occurred in port transit sheds or other interior warehouse while in CARE's possession should be treated as internal losses.**

## **5. Infestation**

**A sample of bags should be examined for possible insect infestations during the survey (see chart on Sampling Guidance below). If the sample shows the shipment to be infested, the survey report documents the inspector's health certificates, the amount of the original shipment, the amount able to be repackaged, and the amount that may be unfit.**

### **B. Inspection for Weight**

**If there is evidence during discharge that bags or containers are not standard weight (short or excess), CARE or its counterpart must insure that bags are not dispatched from the port until food is placed in standard weight packages. CARE, its counterpart, the shipping company, clearing and forwarding agent, independent surveyor and port authorities must set aside the bags and containers for later repackaging. Any losses would be the responsibility of the shipping company. If circumstances require that short-weight bags be dispatched, the quantity of bags and reasons for dispatch must be stated on the dispatch waybill. The surveyor's report should include a narrative stating where, when, and how short-weight losses may have occurred. (See Independent Survey Reports below.)**

#### **1. Port Weighing**

**Ports often require that bags be weighed during unloading to limit their liability.**

**They then issue an "official weight" based on their calculations. Port documents often are not completed with a high degree of accuracy, and/or the port authorities do not release these reports to CARE, its counterpart or the surveyor. The presence of CARE staff and independent surveyors may insure greater accuracy of the port reports. CARE or its agent should request, in writing, copies of all port documents for claims purposes. Country offices must keep files of all requests to ports, even if the port does not respond, to show auditors and donors that efforts were made to obtain the information.**

## **2. Sample Weights**

### **a. Breakbulk Shipments**

**A sample of bags or tins should be weighed at port in the presence of a shipping company representative, the independent surveyor, and CARE, its counterpart or other representative. The sample weight will determine the uniformity of unit weights in the shipment. (See Sampling Guidance below).**

#### **Country Office Example - CARE India**

**For years, underweight oil tins were shipped to CARE India. CARE India did not want the tins sent to MCH centers for fear MCH workers would be accused of stealing the oil if the shortages were discovered during the distribution. Shortweight deliveries impaired CARE's ability to assess the causes of losses and pursue claims. Working closely with the local USAID mission and the Government of India for more than two years, CARE weighed all of the oil shipments, documented the shortweight losses, repackaged all shortweight containers to**

**standard weight and submitted the independent survey reports and reconstitution charges to the donor. On the basis of CARE's detailed documentation and certification by the independent survey company, the donor brought criminal charges against the processing company. Conclusive evidence enabled the donor to file complaints against the processor, and then terminate the contract, thereby eliminating the short-weight problem.**

## **b. Bulk Cargo**

**Most ports do not have adequate facilities to properly package food to a standard weight. Bags from this source should be monitored closely. Because of lax oversight and faulty bagging equipment, there is a greater incidence of short-weight deliveries.**

## **c. Sampling Guidance**

**A simple method of sampling bags or containers recommended by the Food and Agricultural Organization (FAO) and adapted for this manual is the following:**

### **Sampling Guidance**

<b>Number of units</b>	<b>Number of units in the sample</b>
Up to 10	Each unit
11- 100	10 units drawn at random
More than	The square root (approximately) of the total number drawn at random

**Adapted from Table 10, Food Storage Manual, World Food Programme, 1992. Note that the sampling fraction varies with the population.**

**If there appears to be wide variance in the individual unit weights, a larger sample should be weighed and the average weight recorded in the independent survey report. The country office should work closely with the local representative of the donor, and notify CARE USA Headquarters Procurement Office and Food Security Unit of any unusual circumstances.**

**The range of tolerance must be negotiated with the donor. In some cases, donors establish weight tolerances for shipments from their countries. The Procurement Office in CARE USA Headquarters should advise country offices of acceptable weight variances for all U.S. Government donated food. Country offices should obtain the same information from non-U.S. donors.**

**The tolerance range should be known only by the person authorizing repackaging (i.e., the port officer) to avoid collusion among those handling the food. All packages that do not fall within the tolerance range permitted by the donor must be rebagged before they are transported to warehouses or centers.**

### **Internal Control**

**If the sample shows total weights of the shipment outside of the acceptable range of tolerance, the donor must be immediately notified.**



## **C. Excess Landings**

**Occasionally, a ship will discharge more food than stated on the Bill of Lading.**

### **1. Acceptance of Food**

**A country office may accept the food if it receives the following, in writing, from the shipping company:**

- **The shipping company offers the food to CARE.**
- **The shipping company accepts responsibility for any storage charges levied on the excess food.**
- **A Health Authority certifies that the food is fit for human consumption.**
- **The shipping company agrees to pay any customs duty levied against the excess food.**

### **2. Notice to CARE International and Donors**

**The country office should notify the local representative of the donor, in writing, about the excess food and CARE's plans to use it. The CARE International headquarters office that assisted the country office in procuring the food should be notified of the following:**

- **Date and time of first notification of the excess food**
- **Actions taken to obtain the excess food**
- **Date and place food made available to CARE**
- **Condition of the food**
- **Disposition of the food.**

### **III. Independent Discharge Surveys**

**An independent surveyor is a disinterested third party who observes the discharge of food from a ship at the port. The surveyor prepares a report called a discharge (*ex-tackle*) survey which documents the condition of the food, amount delivered against the bill of lading, and the cause and nature of any shortages or damages to the food while it is in the control of the shipping company.**

**When there is a Through Bill of Lading, an independent surveyor carries out the survey at the time the shipping company transfers custody of the food to CARE or its counterpart at a designated warehouse.**

**An independent surveyor should also be used when food has been stored in a port warehouse for later dispatch to a CARE or a counterpart warehouse or directly to a distribution site. In this case the survey report is called a Delivery Survey Report. Delivery surveys are primarily used to fix responsibility for losses during the period of time food is in the custody of the port and in transit to an inland warehouse.**

**The surveyor must know how to insure that food moves through the port with the fewest possible losses and, when losses do occur, what to include in a survey report in order to substantiate a claim against a shipping company or port.**

**If an independent surveyor cannot be located or if there is reason to question the integrity or competency of a surveyor in the area, the country office must consult with the donor to determine how to document marine or port storage losses. Any agreements between CARE and the donor should be in writing, and the country**

**office should immediately inform CARE-USA Headquarters Procurement Office of all arrangements.**

**In addition to ex-tackle and dispatch surveys, some surveyors can also perform clearing and forwarding activities. Some even have lab facilities to test food suspected of being unfit for human consumption. The types and quality of services offered by surveyors must be examined by each country office and contracts must be drawn up detailing the specific responsibilities expected of the surveying company.**

### **A. Time and Place of the Discharge Survey**

**In order to assign responsibility for losses while the food is in the custody of the shipping company, the surveyor must examine the food while stowed in the hatches of the ship during discharge and while it is being discharged from the vessel to the dock.**

**If food is off-loaded from the carrier onto a lighter at the request of the shipping company, the survey would take place at the time the food is discharged from the lighter to the dock. If CARE has requested the lighter, the survey report should be prepared when the food is discharged from the ship into the lighter. If food is loaded directly from the vessel's hold onto trucks or railcars for transport directly to CARE or counterpart warehouses, the survey must take place at the time of loading onto the vehicles.**

### **B. Format and Content of Discharge Survey Reports**

**The format for the ex-tackle survey report should be developed by the surveyor, CARE, and the counterpart. If necessary, obtain approval of this format from the donors. The length of the report should correspond to the size of the shipment and the extent of the losses incurred. For instance, if the surveyor observed no losses, the report could be quite short. On the other hand, if considerable losses and damages are noted, the surveyor's report should elaborate in full detail. See Attachments for examples of surveys from CARE India and CARE Peru.**

**At a minimum, the ex-tackle survey reports should include the following information:**

### **1. Data Regarding the Shipment**

- **Name of vessel**
- **Bill of Lading quantity in units and kilograms**
- **Type of food**
- **Stowage location in the ship**
- **Port of discharge and number of berth**
- **Port of registry and flag of vessel**
- **Bill of Lading number and date**
- **Contract numbers or shipment numbers on Bill of Lading**

### **2. Dates and Times**

- **Request for survey**
- **Vessel arrives**
- **Vessel begins and ends discharge operations**

- **Surveyor views the cargo**
- **Cargo viewed by customs**
- **Reconstitution of damaged food**

### **3. Amount and Condition of Food**

- **Quantity of food discharged**

**Short landed (less than the Bill of Lading quantity)**

**Excess landed (more than the Bill of Lading quantity)**

- **Quantity of food not discharged**
- **Condition and amount**

**Good**

**Damaged (wet, infested, contaminated with oil, chemicals or insecticides)**

**Slack/torn**

**Infested**

- **Quantity after reconstitution**
- **Quantity determined unfit for human consumption**
- **Quantity destroyed/donated/sold for animal feed**
- **Total losses**
- **Average weight (see above Inspection for Weight)**

### **4. Narrative Analysis**

**The Survey Report should include a narrative analysis of how, when, and where**

**losses occurred, who did what, and when. It should also describe:**

- **The condition of the food in the hatches, containers, or barges including the condition of the hatches and nature of any damage**
- **Adverse weather conditions from the ship's log during loading, voyage, and previous ports of call, which may have a bearing on the damage**
- **Quality of stevedore labor**
- **Quality of discharging techniques**
- **Acceptability of dock and storage areas for food**
- **Quality of stowage onboard the vessel.**

**The surveyor's opinions should be clearly noted. For example, if the surveyor notes that 119 bags of cargo are wet at discharge, the report should contain information similar to the following:**

***"Upon discharge of corn soya blend from hatch no. 4 on November 16, 1994, we noted 119 bags (as per the attached tally) discharged wet. These bags were segregated, and samples gave a positive saline reaction. No explanation was given by vessel personnel or is advanced by surveyors as to how the bags became wet. Commodity was analyzed by the Health Authorities on November 18, 1994, and declared unfit for human consumption. Unfitness certificate number 123456 is attached to this report. The remaining contents of 119 bags weighing 2,975 kgs were fit for animal consumption and donated to the XZY pig breeding farm."***

**or**

***"Upon discharge of bags of sorghum grits from hatch no. 4 on November 16, 1994, 119 bags were discharged wet, torn and slack. These bags were segregated and tests gave a negative saline reaction. Vessel personnel advised that the bags could have been loaded wet as heavy showers occurred at the loading port of Corpus Christi. In our opinion, the bags became wet because of inadequate dunnage to protect the cargo. Bags were lying on the hatch floor and what little dunnage was available was green and oozing. A representative sample of damaged cargo was drawn by surveyors in the presence of ship's agents on November 16, 1994, and forwarded to the independent chemists, Jones and Jones, for analysis. Their report has yet to be received."***

**For all containerized shipments, the narrative section of the report must:**

- **List the container and seal numbers**
- **Advise whether the containers were in any way damaged**
- **Document when and where the seals were broken and by whom**
- **Document new seals put on the containers, by whom, and include a list of new seal numbers.**

## **5. Physical Counts/Stroke Tallies**

**Surveyors employ tally clerks who are responsible for counting the actual number of bags and containers of food that are discharged in slings or pallets from a ship or the number of bags taken by laborers from port warehouses and put on trucks. Clerks often use a method called stroke/tallies for counting. The tally sheets**

**prepared by clerks are the primary source documents used to prepared the survey reports. See Tally Sheets attached to Survey Reports examples.**

**The surveyor must arrange for sufficient clerks to be present during a survey to obtain accurate tallies and insure that tally reports are attached to discharge and delivery survey reports.**

## **6. Daily Discharge Reports**

**Daily discharge reports should be prepared by the surveyor and submitted each day to CARE or counterpart staff assigned to the port area. CARE staff should review the reports upon receipt and note the amount of losses in the shipment. The reports should indicate:**

- **Sound, damaged bags or infested packages**
- **Brief description of discharge practices**
- **Actions initiated to minimize loss/damage.**

## **7. List of Persons**

**A list of the names of persons who witnessed discharge and/or who can provide information about the date and time the shipping company transferred all responsibility for its cargo to CARE or its counterpart should be included in the survey report.**

## **8. Translations**

**If survey reports are prepared in a language other than English, there must also**



**be an official English translation of the report, signed by the surveyor. In some countries, reports are written in two columns per page--one column in the official national language and the other in English.**

## **Internal Control**

**The importance of timely independent documentation cannot be overemphasized, as the survey report fixes responsibility for losses by shipping companies, ports, and transporters. See *Losses and Claims* for information.**

## **IV. Other Documents**

### **A. Host Country Health Certification**

**If the host country requires certification of the fitness of imported food or if food is suspected to be unfit for human consumption, CARE or its counterpart must notify the Port Health Officer or other health official promptly, arrange for a health officer or other designated official to analyze the food, and prepare a written report that includes the following information:**

- **Name of the vessel**
- **Date of discharge from the vessel**
- **Date and place of examination**
- **Amount (bags, cartons, tins) of food examined**
- **Amount of food fit for human consumption**
- **Amount of food unfit for human consumption**
- **Amount of food that can be used as animal feed or that should be destroyed**

- **Signature and title of person making the determination.**

**Submit the statement with the survey report to the donor and obtain permission for the disposition of the unfit food. (See Losses and Claims.)**

## **B. Ship's Out-Turn Report**

**The Ship's Out-Turn Report is prepared by the ship or the ship's agents showing, in their opinion, the quantity and quality of cargo discharged from the vessel. CARE or its counterparts should attempt to obtain copies of these reports and compare them to the independent survey reports. Any discrepancies between the ship's report and the independent survey must be noted and communicated to the surveyor and the ship's agents, who must then attempt to resolve differences.**

## **C. Port Tallies and Port Out-Turn Report**

**Port Tally Sheets and Port Out-Turn Reports are produced by the Port Authority. The Port Tally Sheets provide an ongoing record of the amount of cargo off-loaded and are the supporting documents for the Port Out-Turn report. The Port Out-Turn report contains a count of the cargo discharged and a description of the condition of the food. Port tallies and reports are often inaccurate and difficult to obtain. However, for auditing and claims purposes, CARE should request in writing copies of the reports.**

## **D. Other Official Port Records**

**Some ports prepare a complete set of documents, such as inventory reports, showing the quantity and quality of the cargo as it is received by the port in**

## **addition to the out-turn reports.**

**All of these reports often are difficult to obtain and may be inaccurate. They do not substitute for independent survey reports.**

## **V. Port Fees**

**A variety of costs are involved in the receipt, storage and transshipment of food at the port, including the following:**

- **Stevedoring fees for discharge of a cargo from ship's hatches to dockside**
- **Landing charges for movement of cargo from dockside to port storage areas**
- **Local transport fees for movement of cargo from storage areas to loading onto forwarding transport**
- **Demurrage**
- **Surveillance/supervision charges for the inspection of cargo.**

**A list of all fees charged by the port should be made available by the local Port Authority to CARE, its counterpart, and the clearing and forwarding agent.**

**Reminder - Demurrage is a penalty fee charged by ports for failure to move cargo out of their warehouses within certain fixed time periods, e.g., seven, fifteen or thirty days. Payment of demurrage must be taken into account by country offices in the development of their port warehouse dispatch plans.**

## **VI. Port Storage**

**Wherever possible, CARE or its counterparts should avoid storing food at the port. Once cargo is discharged "ex-tackle" from the ship to the dock, custody is transferred to CARE or its counterpart, who from this point forward assume full responsibility for management of the food in country.**

## **A. Problems of Port Storage**

**The Port Authority is responsible for reserving sufficient covered storage at the port, as well as sufficient dunnage (pallets and tarpaulin) to protect stored food from moisture. However, experience has shown that in countries where CARE has programs:**

- **Port areas are generally not well maintained and unclean.**
- **Port areas often lack appropriate equipment and facilities. Warehouses are often in need of repair (e.g., leaking roofs), which can lead to damaged food.**
- **Port storage space is generally limited and expensive. More lucrative commercial cargo often receives preference over food imported for relief or humanitarian programs.**
- **Pilferage, siphoning, and destruction of cargo are common in port storage facilities, due to lax security.**
- **Often food is stacked on the floor, susceptible to damage and infestation.**
- **Port records and ledgers are often inaccurate and difficult to obtain.**

**It is difficult to collect claims against the Port Authority in most countries. Indeed, in many countries where the port is owned and operated by the government, claims cannot be filed against the government.**

### **Example: CARE Peru**

**CARE Peru had 5% port losses on each call forward. Most of the losses took place while the food was in port storage, which was generally between 20 - 25 days. Port storage facilities were inadequate to accommodate the volume of CARE's shipments. The areas also lacked security. Many bags were siphoned by stevedores and day laborers. Port records were often inaccurate and claims against the Port Authority ignored. CARE Peru switched to direct delivery and now loads food directly from a ship onto trucks which immediately leave the port area. All clearance documents are completed and approved before the ship's discharge. CARE Peru also makes arrangements for an adequate number of trucks to receive and dispatch the food quickly. Port losses are now minimal, and CARE Peru does not have to deal with claims against the Port Authority.**

**Many donors and country offices are opting for containerized cargo delivered via a Through Bill of Lading in order to circumvent port storage and handling. Indeed, almost all food procured through Euronaid, except local purchases, are shipped via a Through Bill of Lading to CARE's main warehouse. Containerized shipments are more expensive than breakbulk shipments, and the receiving port must have appropriate equipment to off-load containers. However, if losses are high, CARE should discuss this option with the donor.**

## **B. General Guidance for Port Storage**

**If CARE must use port storage, the following table contains some suggestions:**

### Port Storage Guidance

<b>Activities</b>	<b>Guidance</b>
Storage Practices	Work with the Port Authority to insure that reasonable warehouse storage, handling and accounting practices are followed in the port transit sheds.
Inspections	If food is kept in storage for more than one month, CARE, its counterpart or clearing and forwarding agent must inspect the food for damage and infestations. In some countries, the Ministry of Health requires an inspection to certify the condition of the food.
Fumigation	If food is stored for more than one month, arrange with port authorities to hire licensed professionals for fumigation.
Ledgers	Food stored at the port transit sheds is part of CARE's physical inventory. CARE, its counterparts or the clearing and forwarding agent must regularly inspect port inventory ledgers, complete Loss and Adjustment Reports, and file claims against the Port Authority.

**Additional procedures must be put in place to counteract lax security in port areas and limit losses by theft and pilferage.**

### Limiting Diversion in Port Storage Areas

<b>Type of Shipment</b>	<b>Signs of theft</b>	<b>Suggestions for limiting diversion</b>
For all	Short-weight	An independent surveyor should inspect the quantity

shipments		<p>and condition of the food before it leaves the port storage area.</p> <p>Assign CARE port officer to inspect facilities and make his/her presence visible to deter pilferage.</p> <p>Limit delays in the port by processing exemptions and clearances as quickly as possible.</p> <p>Limit access to off-loading areas.</p> <p>Place security guards at doors to detect theft.</p> <p>File claims immediately.</p>
<b>For containerized shipments</b>	Damage to containers, (seals, doors or hinges) with removal of part of their contents	The seals and seal numbers should be carefully examined and any sign of tampering noted on the survey report and investigated at the time the tampering is detected with a brief narrative of the probable causes of the damage.
<b>For breakbulk shipments:</b>	Siphoning of small amounts of food	<p>Weight bags to insure uniform weight and note weights on the survey report.</p> <p>Inspect the stevedores' clothing before they leave the port area.</p> <p>Publicly identify individuals caught stealing by placing their names on a blackboard in the port area with the amount of food stolen.</p>
<b>For oil tins</b>	Substitution of oil in tins with water	Seals on tins should be inspected and any sign of tampering noted and investigated.

## **VII. Forwarding Food From Port Warehouse**

### **A. Dispatch Reports from the Port to the Country Office**

#### **1. Daily Dispatch Reports**

##### **Internal Control**

**Country offices must provide its port officers or clearing and forwarding agents with instructions, in writing, on when, where and how much food is to be dispatched from the port. Food cannot move from the port without this authorization.**

**Depending on the size and nature of a program, country offices may require port staff to send them daily dispatch reports, via fax, telex or radio. Country offices must determine who will be responsible for notifying receiving warehouses of estimated times of arrival.**

**Dispatch reports, at a minimum, should include:**

- **The amount of food dispatched**
- **Waybill numbers**
- **Transporters' names**
- **Truck and trailer numbers and numbers of rail cars**
- **Destination and ETA.**

#### **2. Through Bill of Lading**



**When food is dispatched from a port under a Through Bill of Lading, CARE and its counterparts must provide the shipping agent with a dispatch plan. Based on the plan, CARE should request the shipping company to provide it with a report similar to the Dispatch Report from port.**

**If the shipping company is unable to dispatch food from the port in a timely manner or significant losses occur during transport, the country office must notify in writing the local donor representative and the CARE International member who assisted in the original food procurement. The country office must maintain complete and up-to-date files of all correspondence with the shipping company, donor, government authorities, transporters and others for later loss/claim actions.**

### **3. Weekly Inventory and Dispatch Status Reports**

**A country office may require Weekly Dispatch Reports summarizing the amount of food still in port storage, dispatches for the past week, and the ETA of the remaining quantity into CARE warehouses.**

#### **B. Delivery Survey**

**Once customs and other government ministries have given permission to import food into the country, CARE, its counterpart, and the clearing and forwarding agent will coordinate plans with customs and port authorities to forward food from port warehouses to CARE or counterpart warehouses.**

**In all cases, the independent surveyor should prepare a Delivery Survey Report. This report is similar to information contained in a Discharge Survey Report**

**except that it focuses on conditions at port warehouses, the amount of food moved out of the warehouses and onto trucks or trains, the extent of damages and losses, and determining the port's and transporter's responsibility for any losses**

**The format for the Delivery Survey report should be similar to the "Ex-Tackle" Discharge Survey.**

**At a minimum, the report should include the following information:**

**1. Data regarding the dispatch:**

- **Name of port and warehouse name or number**
- **Quantity in units and kilograms reported in the ex-tackle survey report and moved from the ship to port warehouse**
- **Type of food(s)**
- **Bill of Lading number and data**
- **Contract numbers or shipment numbers on Bill of Lading**
- **Country office shipment number.**

**2. Dates and times:**

- **Request by CARE for survey**
- **Trucks or railcars arrive**

- **Dispatch begins and ends**
- **Surveyor views food in port warehouse**
- **Food viewed by port and customs authorities and released for dispatch**
- **Repackaging of damaged food.**

### **3. Amount and condition of food:**

- **Condition of the food in port warehouses prior to loading on trucks or rail cars.**
- **Quantity of the food dispatched**

**Less than survey amount**

**In excess of survey amount**

- **Condition**

**Good**

**Damaged (water, infested, and/or contaminated with chemicals, insecticides or oil)**

**Slack/torn**

**Wet**

**Infested**

- **Quantity after reconstitution**
- **Quantity determined unfit for human consumption**
- **Quantity destroyed/donated/sold for animal feed.**

## 4. Narrative Analysis

- **Description of the condition of the food in the port warehouses and nature of any damage**
- **Extracts from port records about any conditions that may have caused damage to food**
- **Quality of port labor**
- **Acceptability of port storage areas for food.**

## VIII. Recordkeeping for Port Activities

**Recordkeeping at the port can be divided into two main areas: overall summary records for all shipments that arrive in country, and inventory accounting records for each individual shipment. Reference ALMIS #4496, *Commodity Accounting Manual*, and the *Inventory Accounting and Reporting* chapter of this manual for more information on recording transactions in commodity and warehouse inventory ledgers.**

### A. Shipment Ledgers

**The Master Shipment Ledger records all food arrivals by shipment. This ledger provides basic information useful for cross-checking past shipments and can be used along with individual warehouse inventory ledgers to prepare Commodity Status Reports. Some CARE country offices may keep records of all shipments in one large ledger; other countries have a ledger for each individual shipment or have developed computerized databases or spreadsheets to prepare reports. In any case, the purpose of the Master Shipment Ledger is to have in one record a**

**summary of all transactions relating to the shipment and a file which contains all documents and correspondence relating to each shipment.**

**A Master Shipment Ledger and Shipment File must be maintained either by CARE's contracted clearing and forwarding agent, the port representative, or the country office headquarters. The following information should be included in the ledger:**

- **Vessel**
- **Food type**
- **Bill of lading number**
- **Donor shipment or contract number**
- **Ship's arrival date**
- **Number of units**
- **Total weight**
- **Marine losses**
- **Port losses**
- **Total losses**
- **Total available balance for dispatch to inland warehouses**
- **Date of survey and other documents sent to CARE USA's Procurement Office or other CI member**
- **Cost of survey**
- **Costs of reconstitution.**

**Generally, Master Shipping Ledgers and shipment files should be maintained by logistics managers in the country office. Information in the Master Shipping Ledger should reconcile with the Commodity Inventory Records kept by the commodity financial accountant and the warehouse inventory records kept by port**

**officers or warehouse managers for each shipment.**

## **B. Shipment File**

**An up-to-date shipment file must be maintained at the central office. The file contains all shipping documents and correspondence for each shipment and is the primary source material for the Master Shipping Ledger.**

### **Required Documentation for Shipment File:**

- **Copy of signed AER or similar document from donors**
- **Call forward letter and/or donor approval**
- **All transmittal notices**
- **All signed customs authorizations and clearances**
- **Phyto-sanitary certificates**
- **Bill of Lading**
- **Independent discharge and delivery survey reports and invoices**
- **Ship and Port Out Turn Reports**
- **All correspondence related to the shipment**
- **Port dispatch summary**
- **Dispatch waybills from the port**
- **Health certifications.**

## **C. Warehouse Inventory Accounting at the Port**

**For warehouse inventory purposes, food arriving at a port is treated and accounted for in the same way as food arriving at a CARE warehouse. CARE or counterpart staff or a clearing and forwarding agent must prepare a receiving**

**waybill to account for the arrival of food at the port, and prepare dispatch waybills to account for food moved directly from a ship to trucks or rail cars to CARE or counterpart warehouses or from port warehouses to CARE or counterpart warehouses.**

**Warehouse inventory ledgers must also be prepared for all transactions at the port. Waybills and Loss and Adjustments Reports must account for all food described on the Bill of Lading. These documents will all be forwarded to the country office and the information will be entered into the commodity financial accounting ledgers. Accurate documentation is essential. (See *Food Receipt and Dispatch, Inventory Accounting and Reporting*, and *ALMIS #4496 Commodity Accounting Manual*.)**

