

GUIDE

on the application of modified exchange rate conversion method for Lead Beneficiaries, Ukrainian Beneficiaries and Auditors

- *valid from 2nd of June, 2023* -

Due to the military aggression of the Russian Federation against Ukraine on 24 February 2022 activities of most projects have been paralyzed, the beneficiaries in Ukraine, especially those in the public sector faced significant difficulties in implementing and financing the project activities.

In this unstable economic situation, the risks for depreciation of the Ukrainian currency continue to grow. In order to eliminate financial risks and to prevent the negative consequences, the Programme management bodies supported by the European Commission were examining the possible options to change the Programme rules on the applicable exchange rate method for Ukrainian Beneficiaries. Pursuant to the decision of the HUSKROUA ENI CBC Programme Joint Monitoring Committee the Programme ***derogates exceptionally from the basic rule on the applicable exchange rate method for Ukrainian beneficiaries***, securing for them the conversion of expenditure in national currency into the currency of the report (euro) using the monthly accounting exchange rate of the Commission of the month during which the payment of an expenditure was incurred.

The **Joint Operational Programme document** and the **Project Implementation Manual** have been revised accordingly.

Starting from 2nd of June, 2023, the changes can be applicable for **any project related costs of the Ukrainian Beneficiaries but exclusively those that are not yet approved by MA**, i.e. not included in an approved interim Project Report nor in an approved final Project Report.

Case 1. For expenditures which have been submitted for verification, but not approved by the Managing Authority, changing the original exchange rate conversion method to the new method is optional.

The beneficiary may decide whether or not to ask for the expenditure to be re-verified according to the new method, depending on which is considered more advantageous, taking into account all the relevant factors. (e.g. the contracted total budget amount, the incurring extra costs of re-verification, etc.). ***In any case, a declaration of the explicit request (whether or not to request re-verification) issued by the concerned Beneficiary shall be submitted to the JTS through the Lead Beneficiary without delay.***

Upon the receipt of the acknowledgement notification from the JTS, the next steps of the chosen process will follow. In case of requested re-verification, depending on the BR status, one of the below procedures no. 3)-6) have to be followed. The JTS will notify the Audit firm on the explicit request of the Beneficiary for doing a re-verification and the Auditor will have to follow the relevant procedure. If a re-verification is not requested, the JTS is not responsible to inform the Audit firm, hence the original process is being continued until the financial closure of the project.

Case 2. For expenditures not submitted for verification yet, changing the original exchange rate conversion method to the new method is NOT optional, but the new method has to be considered as the applicable one starting from the above given date till the financial closure of the projects. Below procedures no. 1) or 2) have to be followed.

The incurring extra costs for auditing by the Ukrainian Beneficiaries due to the necessary re-verification are eligible and can be submitted for approval.

The INTERREG+ system is ready for operating the new exchange rate conversion method, by allowing the manual setting of the exchange rate to an invoice, exclusively for the Ukrainian Beneficiaries. Technically, this can be done by applying the 'Different exchange rate' function for each individual UAH invoice recorded in the respective Beneficiary Report. Please note that for all the expenditures in national currency that fit to the above defined conditions, the conversion to euro shall be made on the monthly accounting exchange rate of the Commission of the month during which the expenditure was paid.

Depending on the status of the reporting of an expenditure the actors (Ukrainian Beneficiary, Auditor, JTS) will have to proceed according to special steps in order to recalculate (and to re-verify if it is the case) those with the applicable conversion method being in force from 2nd of June 2023.

The following procedures have to be followed applying the 'Different exchange rate' function:

- 1) In case of future Beneficiary Report submission, the Beneficiaries can (and have to) manually set the exchange rate to an expenditure in national currency (UAH). The Auditor will have to check the appropriateness of the chosen exchange rate as part of his/her verification task, which will also be checked by the JTS.
- 2) In case the Beneficiary is currently preparing the Beneficiary Report, will have to update the already set exchange rate to an invoice according the new rule and to submit the updated report to the Auditor.

The following procedures 3) to 6) refer to the case when the Beneficiary declares its explicit request for re-verification:

- 3) In case the Beneficiary has already submitted the Beneficiary Report to the Auditor, the Auditor has to make a 'Need amendment' decision, and during the completion round the Beneficiary has to modify the invoices (not yet accepted by the Auditor) by setting manually a different exchange rate than the month of submission, i.e. the month of incurrance of the payment shall be applied. **Note for the auditors: before returning the Beneficiary Report for completion, all already checked invoices must be unchecked, otherwise the Beneficiary cannot edit those.**
- 4) In case the expenditure verification is already finalized and the Beneficiary Report is approved by the Auditor, however, the BR is not yet included in a Project Report by the Lead Beneficiary (the PR preparation is not started yet) the Auditor can re-verify the Beneficiary Report. In this case, the Auditor have to submit a role request for Re-verification permission, indicating unequivocally which project part the access should be granted to; project part ID must be provided.

- 5) In case the Lead Beneficiary has already started the PR preparation, there are two solutions: the Lead Beneficiary may drop the process, or may submit the PR. In the first case, the Auditor can re-start the approval process as described above at point 4). In the latter case, the process continues as it is described in following point 6).
- 6) In case the Project Report is already submitted, the process is by the JTS. The JTS makes a re-verification decision for the concerned BR and the Auditor can send the BR with 'Need amendment' decision back to the Front Office (Beneficiary) as detailed in point 3).
- 7) In case the Project Report is approved by the Managing Authority (as such the expenditure is already approved in the Beneficiary Report included in the PR), there is no possibility to change the concerned exchange rate.

Should the (Lead) Beneficiary or the Auditor need further instruction on the above, JTS programme and financial managers are ready to provide the necessary support.