

2021

2021 Financial Statements

(with independent Auditor's Report)



Union for the Mediterranean
Union pour la Méditerranée
الإتحاد من أجل المتوسط



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INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report in accordance with
International Standards on Auditing

SECRETARIAT OF THE UNION FOR THE MEDITERRANEAN
Financial Statements
for the year ended December 31, 2021

INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH INTERNATIONAL STANDARDS ON AUDITING

To the Secretariat of the Union for the Mediterranean

Opinion

We have audited the financial statements of the Secretariat of the Union for the Mediterranean (the Organization), which comprise the statement of financial position as at December 31, 2021, the statement of financial performance, the statement of changes in net assets/equity, the cash flow statement, the statement of comparison of budget and actual amounts, and the notes thereto for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Organization as at December 31, 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Organization in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The Union for Mediterranean constitutes a framework for political, economic and social relations between the European Union and the Southern and Eastern Mediterranean countries and the Secretariat of the Union for the Mediterranean was established by a decision of Heads of State and Government of the Union for the Mediterranean. The financial statements of Secretariat of the Union for the Mediterranean have been audited applying International Standards on Auditing issued by International Auditing and Assurance Standards Board.

Responsibilities of Management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS (Note 2 of the accompanying notes to the financial statements), and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

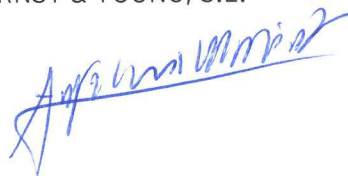
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

ERNST & YOUNG, S.L.



Angel Luís Martínez Fuentes

December 15, 2022



FINANCIAL STATEMENTS OF THE UNION FOR THE MEDITERRANEAN SECRETARIAT

The Financial Statements of the Union for the Mediterranean Secretariat for the year 2021 have been prepared in accordance with the relevant financial provisions of the UfMS Statutes and with the accounting principles, rules and methods set out in the notes to the financial statements.

We have obtained all the information necessary for the production of the accounts that show the UfM Secretariat assets and liabilities and the budgetary implementation.

We hereby certify that based on this information, and on such checks as we deemed necessary to sign off the accounts of the UfM Secretariat, we have a reasonable assurance that the accounts present fairly, in all material aspects, the financial position, the results of the operations and the cash flows of the UfMS.

Deputy Director of Legal and Administration: Omar Rakib

Signature:
Date:

Director of Legal and Administration: Angelos Agapiou

Signature:
Date:

Secretary General: Nasser Kamel

Signature:
Date:

30 NOV. 2022



ANNUAL FINANCIAL STATEMENTS AND NOTES

1. Statement of Financial Position;
2. Statement of Financial Performance;
3. Statement of Changes in Net Assets/Equity;
4. Statement of Cash Flow;
5. Statement of Comparison of Budget and Actual Amounts;
6. Notes to the financial statements.



1. Statement of financial position

	Note	2021	2020
ASSETS		EUR	EUR
Current Assets			
Cash and cash equivalents	4	8.722.247	8.392.839
Receivables	5	983.548	632.020
Inventories			
Prepayments	7	2.150.218	103.182
Other current assets	7	173.311	49.620
Total current assets		12.029.324	9.177.660
Non-current assets			
Receivables			
Investment in associates			
Other financial assets	10	71.121	70.985
Infrastructure, plant and equipment	8	333.581	393.378
Land and buildings			
Intangible assets	9	5.458	10.758
Other non-financial assets			
Total non-current assets		410.159	475.120
Total assets		12.439.483	9.652.780
LIABILITIES			
Current Liabilities			
Payables	12	1.395.823	1.040.345
Contribution received in advance	13	6.492.125	4.354.644
Deferred contributions	13	4.195.857	3.835.962
Short-term provisions/Accruals	12		
Short-term borrowings			
Current portion of long-term borrowings			
Total current liabilities		12.083.805	9.230.951
Non-current liabilities			
Payables			
Long-term borrowings			
Long-term provisions			
Employee benefits			
Total non-current liabilities			
NET ASSETS/EQUITY			
Capital Grant Member States & EC	16	339.038	404.135
Other capital Grant received	16		
Reserves			
Accumulated surplus/(deficit)	16	16.640	17.694
Total net assets/equity		355.678	421.829
Total liabilities and net assets/equity		12.439.483	9.652.780



2. Statement of financial performance

	Note	2021	2020
Revenue	17	EUR	EUR
<i>European Commission Contribution</i>		3.599.765	3.259.428
<i>Member States contribution</i>		947.127	637.450
<i>Capital grant transfer to results</i>		129.954	180.895
<i>Services in-kind</i>		2.196.963	2.363.679
<i>Other Revenue</i>		1.324.394	969.049
<i>Interest revenue</i>		75	77
Total revenue		8.198.278	7.410.577
Expenses	18	EUR	EUR
<i>Wages, salaries and employee benefits</i>		4.271.506	4.304.375
<i>Operating expenses</i>		2.247.574	1.620.683
<i>Grant and other transfer payments</i>		273.578	89.164
<i>Supplies and consumable used</i>		1.276.580	1.213.705
<i>Depreciation and amortization expenses</i>		129.954	180.894
<i>Impairment of property, plant and equipment</i>			
<i>Other expenses</i>		141	
<i>Finance costs</i>			
Total expenses		8.199.332	7.408.821
Surplus/(Deficit) for the period		-1.054	1.756



3. Statement of changes in Net Assets/Equity

	Contributed Capital	Capital Grant	Other Reserves	Accumulated Surpluses/(Deficits)	Total
Balance at December 31, 2019 carried forward	0	515.599	0	15.938	531.537
<i>Changes in net assets/equity for 2020</i>					
Loss on property revaluation					0
Gain on revaluation of investments					0
Exchange differences on translating foreign operations					0
Net revenue recognized directly in net assets/equity		-111.463			-111.463
Deficit/surplus for the period				1.756	1.756
<i>Total recognized revenue and expense for the period</i>	0	-111.463	0	1.756	-109.708
Balance at December 31, 2020 carried forward	0	404.135	0	17.694	421.830
<i>Changes in net assets/equity for 2021</i>					
Loss on property revaluation					0
Gain on revaluation of investments					0
Exchange differences on translating foreign operations					0
Net revenue recognized directly in net assets/equity		-65.097			-65.097
Deficit/surplus for the period				-1.054	-1.054
<i>Total recognized revenue and expense for the period</i>	0	-65.097	0	-1.054	-66.152
Balance at December 31, 2021 carried forward	0	339.039	0	16.640	355.679



4. Statement of Cash flow

	2021	2020
Cash flow statment from operating activities		EUR
Receipts		
<i>Taxation</i>		
<i>Sales of goods and services</i>		
<i>Grants</i>	8.253.452	6.601.720
<i>Interest received</i>		
<i>Other receipts</i>	104.387	402.944
Payments		
<i>Employee costs</i>	-2.916.982	-2.565.707
<i>Suppliers</i>	-4.124.530	-2.300.949
<i>Interest paid</i>		
<i>Other payments</i>	-920.985	-496.417
Net cash flows from operating activities	395.342	1.641.590
Cash flows from investing activities		
<i>Purchase of plant and equipment</i>	-65.934	-29.813
<i>Proceeds from sale of plant and equipment</i>		
<i>Proceeds from sale of investments</i>		
<i>Purchase of foreign currency securities</i>		
Net cash flows from investing activities	-65.934	-29.813
Cash flow from financing activities		
<i>Proceeds from borrowings</i>		
<i>Repayment of borrowings</i>		
<i>Distribution/dividend to government</i>		
Net cash flows from financing activities		
Net increase/(decrease) in cash and cash equivalents	329.408	1.611.777
<i>Cash and cash equivalents at beginning of period</i>	8.392.839	6.781.062
<i>Cash and cash equivalents at end of period</i>	8.722.247	8.392.839



5. Statement of Comparison of Budget and Actual Amounts

		Actual amount FFSS versus Actual Amount Budget											
note ref.	Original Budget 2021	Actual Budget 2021	Actual FFSS 2021	Difference Actual FFSS and Actual Budget	EASME grant agreement/ GIZ	Sida (Forwarding Funds)	GIZ (Forwarding Funds)	Netherland (Forwarding Funds)	Services in kind (Rent office)	Assets	Others	Difference Original Budget and Actual (FFSS)	Difference Original Budget and Actual Budget
Revenue													
	4.210.000	3.503.548	3.599.765	96.217	128.646					-32.429		610.235	706.452
European Commission Contribution	1.510.000	979.556	947.127	-32.429						-32.429		562.873	530.444
Member States contribution			129.954	129.954						129.954		-129.954	0
Capital Grant transfer to result	1.500.000	1.548.187	2.196.963	648.776					648.776			-696.963	-48.187
Services in-kind	1.200.000	975.805	1.324.394	348.589	55.952	240.661	20.183	32.917			-1.124	-124.394	224.195
Other Revenue			75	75							75	-75	0
Interest revenue													
	8.420.000	7.007.095	8.198.278	1.191.183	184.598	240.661	20.183	32.917	648.776	65.097	-1.049	221.722	1.412.905
Expenses													
22													
Operating expenses	4.100.000	2.983.396	3.151.256	167.860	149.860		18.000					948.744	1.116.604
Wages, salaries and employee benefits	2.045.000	1.784.899	1.819.637	34.738	34.738							225.363	260.101
Human Resources in kind	1.500.000	1.548.187	1.548.187	0								-48.187	-48.187
Supplies and consumable used	755.000	690.614	1.276.580	585.966			2.183		648.776	-64.857	-136	-521.580	64.386
Grant and other transfer payments			273.578	273.578		240.661		32.917				-273.578	0
Depreciation and amortization expenses			129.954	129.954					129.954			-129.954	0
Impairment of property, plant and equipment				0								0	0
Other expenses	20.000		141	141							141	19.859	20.000
Finance costs				0								0	0
	8.420.000	7.007.095	8.199.332	1.192.237	184.598	240.661	20.183	32.917	648.776	65.097	5	220.668	1.412.905
Total expenses		0	0	-1.054	-1.054	0	0	0	0	0	-1.054	1.054	0
Surplus/(Deficit) for the period													



NOTES ON FINANCIAL STATEMENT

NOTE 1. GENERAL INFORMATION

The Union for the Mediterranean (UfM) was established on 13 July 2008 at the Paris Summit as a continuation of the Euro-Mediterranean Partnership (Euro-Med), also known as the Barcelona Process, launched in 1995.

The UfM constitutes a framework for political, economic and social relations between the European Union and the Southern and Eastern Mediterranean countries and is inspired by the goals set out in the Barcelona Declaration, namely working towards the creation of an area of peace, stability, security and shared economic prosperity, as well as full respect of democratic principles, human rights and fundamental freedoms and promotion of understanding between cultures and civilizations in the Euro-Mediterranean region.

The Secretariat of the Union for the Mediterranean was established by a decision of Heads of State and Government of the UfM and its Statutes were adopted on 3rd March 2010 by a decision of the Senior Officials of the Member States.

Governance

Based in Barcelona, the Union for the Mediterranean comprises the 27 EU member states, the European Commission and 15 Mediterranean countries.

The members of the Union for the Mediterranean meet on a regular basis at the level of Senior Officials from the Ministries of Foreign Affairs of the 42 countries, EU institutions and the League of Arab States. The Senior Officials Meetings (SOM) oversees and coordinates the work of the Union for the Mediterranean. They approve the budget and the work programme of the Secretariat and prepare ministerial meetings. They also discuss the project proposals submitted by the Secretariat for approval and endorsement. Senior Officials take decisions by consensus.

The meetings of the Union for the Mediterranean are chaired by a twin co-presidency, one from the European Union side and the other from the Mediterranean side. The twin co-presidency principle applies to all levels: summits, ministerial meetings, and officials' level meetings.

Mission and mandate

The mandate and mission of the Secretariat of the Union for the Mediterranean (hereinafter UfMS/ the Organization) have been defined in the Paris and Marseille Declarations as well as in the Statutes adopted on 3 March 2010. It is recalled that the mandate of the UfM Secretariat focuses on identifying, processing, promoting and coordinating regional projects, which are in line with the principles and rules of international law, enhance and strengthen cooperation and positively impact the lives of citizens.



It is also recalled that on establishing the UfM, the Heads of State and Government identified six priority areas in the final declaration of the Paris Summit:

- De-pollution of the Mediterranean
- Maritime and land highways
- Civil protection
- Alternative energies: Mediterranean solar plan
- Higher education and research, Euro-Mediterranean University
- The Mediterranean Business Initiative

A Headquarters Agreement between Spain and the Secretariat grants the Secretariat privileges and immunities for carrying out its activities.

The Organization is funded primarily by voluntary contributions from its member countries as well as by these contributions' equivalents from the European Union's budget, within the framework of an annual Work Programme and Budget adopted by Senior Officials on annual basis. Note 3.11, note 3.12 and note 22 give further details of the income and expenditure budget and actual results.

Before 1st of October of each year, the Secretary General, together with the concerned Deputy Secretary General, submit to the Senior Officials the draft annual budget for the revenue and the expenditure of the Secretariat. Senior Officials adopt the annual budget with any amendments deemed proper and return the budget for implementation to the Secretariat by 1st December of the same year. The financial year of the Secretariat is the calendar year.

NOTE 2. BASIS OF THE PREPARATION AND PRESENTATION

The financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board (IPSASB), based on International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) issued by International Accounting Standards Board (IASB). When IPSASB does not prescribe any specific standard, IFRSs and IASs are applied.

The principal accounting policies adopted are set out below.

2.1. Financial Statements

In accordance with IPSAS 1, a complete set of financial statements have been prepared as follows:

- Statement of Financial Position;
- Statement of Financial Performance;
- Statement of Cash Flow;
- Statement of comparison between approved Budget and Actual Amounts;
- Notes to the financial statements, comprising a summary of significant accounting policies and other relevant information.



2.2. Materiality and the use of judgments and estimates

The materiality will be considered in determining whether, for example, a particular accounting policy should be adopted, or a point of information should be separately disclosed in the financial statements of the entity. Also, the materiality of an item should be considered when determining whether the omission or misstatement of a point of information could undermine not only the relevance, but also the faithful representation, understanding or verifiability of financial and non-financial information presented.

The financial statements include amounts based on judgments, estimates and assumptions by management. Changes in estimates are reflected in the period in which they become known.

2.3. Effects of the COVID-19 pandemic on the UfMS activity

The international pandemic, thus declared by the World Health Organization (WHO) on March 11, 2020, has caused an unprecedented health crisis that has impacted the macroeconomic environment and the evolution of business. In this sense, there have been disruptions in the supply chain, increases in raw materials and energy prices and contractions in the supply of certain components. The evolution of the pandemic is having consequences for the economy in general and for the Organization's operations, the effects of which in the coming months are uncertain and will largely depend on the evolution and spread of the pandemic.

Up to the date of presentation of these annual accounts, there have been no significant effects on the Organization's activity and, according to current estimates, no relevant effects are estimated for the year.

2.4. Going Concern

The financial statements have been prepared on a going concern basis. Management has a reasonable expectation that the Organization will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Statutes provisions, the regular meetings of Senior Officials of Member States (SOM), the Work Programme and the Budget approved by Member States, together with the annual Grant from the European Commission constitute the key factors confirming the continuity of UfM and UfM Secretariat.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Foreign currency

All assessed contributions are payable in euros. Voluntary and dedicated contributions are accepted in euros and other currencies. Assets and liabilities denominated in foreign currencies are translated into euros at the exchange rates prevailing on the date of the Statement of Financial Position.

Foreign-currency transactions are recorded at the exchange rates prevailing on the dates of the transactions.



At each reporting date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing on the reporting date as per InforEuro¹ exchange rates. Both realised and unrealised gains and losses resulting from the settlement of such transactions, and from the retranslation at the reporting date of assets and liabilities denominated in foreign currencies, are recognised in the Statement of Financial Performance.

3.2. Cash and cash equivalents

Cash and cash equivalents are held at nominal value and comprise cash on hand, cash at banks and short-term deposits.

3.3. Accounts receivable

The balance of accounts receivable includes, amounts due from Member States for assessed contributions and from Member States and other contributors for voluntary and dedicated contributions. Receivables are carried at original amount less write-down for impairment. A write-down for impairment of receivables is established when there is objective evidence that the Organization will not be able to collect all amounts due according to the original terms of receivables.

3.4. Prepayments

The UfMS regularly incurs expenses that are either paid periodically or as one off. When such expenses are prepaid, an asset is recognized. This is charged to expenses gradually as the prepaid expense is consumed. Prepayments allow costs to be apportioned over more than one reporting period rather than being expensed when paid.

Prepayments shall be recognized as current asset at transacted amount when a prepayment is made. Prepaid expense will be charged as an expense on a systematic and rational basis related to use.

3.5. Other Current Assets

Other current Assets are composed for other receivables, such as deposits with suppliers, credited amounts from tax office, staff advances, etc. different from contributions. The other current assets are recognized when revenue is earned but cash or its equivalent is yet to be received.

3.6. Other financial assets

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate.

3.7. Infrastructure, plant and equipment

Infrastructure, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

¹ http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/index_en.cfm



Depreciation is provided for property, plant and equipment over their estimated useful life using the straight-line method, except for land, which is not subject to depreciation. The estimated useful lives for the assets are provided in the table below:

Tangible Assets	Linear coefficient	Estimated useful life (in years)
Land	N/A	N/A
Vehicles and transport	10%	10
Furniture	10%	10
Office equipment	10%	10
Communications equipment	20%	5
Installations (*)	25%	4
IT equipment	25%	4
Other equipment	33%	3

(*) Installations shown in the table above refers to the fit-out cost for Organization additional offices allocated in Pedro i Pons (Barcelona) as established in the Work Programme 2017. Offices have been rent for a period of five years and the fitting out works as per the rent contract provisions were performed by the landlord during the first year of the contract. The following factor has been considered in determining the useful life of this asset according to the IPSAS 17. 72 (d) *Legal or similar limits on the use of the asset, such as the expiry dates of related leases*". Thus, depreciation of installations has been calculated and spread over the useful life, 4 years.

Tangible assets held by the Organization are non-cash generation assets. Non-cash generation assets are assets other than are held with the primary objective of generating a commercial return.

Items of property, plant and equipment or any significant part of an asset are derecognized at time of their disposal, or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

The threshold established by the Organization to consider an item as an asset is above 100€, under this amount it will be considered as an expense for the period, as long as the sum of these amounts on a yearly basis is not over 15.000 €.

Capital grants are awarded by the European Commission, Member States or International/ Governmental public entities or other private entities for the establishment or acquisition of non-current assets, in accordance with the recognition and measurement standards. Capital grants are recorded on the liability side of the financial position at the amount granted and transfer to result at the same rate of the transfer of non-currents assets to result.

For non-cash-generating assets, if there is any indication, or when annual impairment tests are required for an asset, the recoverable service amount of the asset is estimated. The recoverable amount of an asset



is the greater of the fair value of the asset that does not generate cash less costs to sell and its value in use.

Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount.

In evaluating value in use, the depreciation replacement cost approach is chosen, as it has determined that this is appropriate due to the nature of the assets. Under this approach, the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

In determining fair value less costs to sell, the price of the assets in a binding arrangement in an arm's-length transaction, adjusted for incremental costs that would be directly attributed to the disposal of the asset is used. If there is no binding agreement, but the asset is traded on an active market, fair value less cost to sell is the asset's market price less cost of disposal. If there is no binding sale agreement or active market for an asset, the group determines fair value less cost to sell on the basis of the best available information.

Depreciation and impairment reviews are undertaken for all assets at least annually. At the end of the year, there were no indications of impairment of assets.

3.8. Intangible assets

Intangible assets are stated at historical cost less accumulated depreciation and any impairment losses. Depreciation is provided for intangible assets over their estimated useful life using the straight-line method. The estimated useful lives for the assets are provided in the table below.

<i>Intangible Assets</i>	<i>Linear coefficient</i>	<i>Estimated useful life (in years)</i>
Software	33%	3
Licences and rights	33%	3

The threshold established by the Organization to consider an item² as an asset is above 100 €, under this amount it will be considered as an expense for the period, as long as the sum of these amounts on a yearly basis is not over 15.000 €.

Tangible assets held by the Organization are non-cash generation assets.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the surplus or deficit when the asset is derecognized.

² Items can be composed by group of sub-items of the same nature or complementary of each other.



3.9. Leases

Finance leases are leases that transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The lessee also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the group will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the lease term and the estimated useful life of the asset.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the group. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

3.10. Accounts payable and accrued liabilities

Accounts payable are financial liabilities in respect of goods or services which were acquired and received by the UfMS and for which the invoices were received from the suppliers.

Accruals are liabilities for goods and services which were received by or provided to the UfMS during the year, and which were not invoiced by suppliers as at the reporting date.

3.11. Contributions in advance and Deferred revenues

Contributions in advance and deferred revenues arise from Agreements between the UfMS and its contributors – including governments, international organizations, and private and public institutions. Deferred revenue is recognized when:

- A contractual Agreement is confirmed in writing by both the Organization and contributor; and
- the funds are earmarked and due in a future period.

Contributions in advance include any advances from non-exchange transactions.

Contributions in advance and deferred revenues are presented as non-current if the revenue is due one year later than the reporting date.

3.12. Provisions and contingent liabilities

Provisions are made where the UfMS has a present legal or constructive obligation as a result of past events, and it is probable that the UfMS will be required to settle the obligation.



Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of the UfMS.

3.13. Revenue

Revenue comprises gross inflows of economic benefits or service potentially received and receivable by the UfMS during the year, which represent an increase in net assets/equity. The Organization recognizes revenue following the established criteria of IPSAS 9 (Revenue from Exchange Transactions) and IPSAS 23 (Revenue from Non-Exchange Transactions).

The main sources of revenue for UfMS include but are not limited to (**non-exchange revenue**)

- European Commission contribution. The contribution is recorded when a binding Agreement is signed between both parties.
- Member States contributions. Voluntary and dedicated contributions as well as pledges of voluntary contributions confirmed in writing (Agreements, letters, mention in minutes of flash records of Senior Official Meetings, e-mail) are recognized as non-exchange transactions as per the International Public Sector Accounting Standard 23, "Revenue from non-exchange transactions (taxes and transfers). Revenue from Member States contributions is recognised up to the amount expensed in the period. As per Statutes, provision IX.4, any funds remaining uncommitted at the end of each financial year is carried over to the budget for the following year.
- In-kind contributions of goods and services. In-kind contributions of goods and services that directly support approved operations and activities and can be reliably measured, are recognized, and valued at fair value. These contributions include the use of premises, utilities and personnel. In-kind contributions of goods are treated as both revenue and assets upon receipt of the goods. In-kind contributions of services are treated as both revenue and expense upon recognition. The revenue is recognised when the expenditure has been incurred, which is when specific performance conditions are met.

When the revenue is received but the expenditure does not incur, it is reported as advance contribution on the Statement of financial position. The excess of funds treatment depends on the conditions of the related Agreement. Thus, it will be recognised as deferred contribution or as a liability waiting to be returned to the grantor.

3.14. Dedicated Contributions & Sub-granting

In addition to general contributions to the UfMS annual Budget, Member States, or any other contributors (international organisations, private sector entities, foundations, etc.) may provide dedicated contributions. These contributors participate to the financing of the UfM Secretariat's core activities (Operational Budget) earmarking their funds/resources to a specific sector, activity, operation etc. These contributions are framed through written arrangements and/or conventions of partnership including provisions of cost-sharing, where applicable, settlement of final amount and specific reporting. Funds (contribution in real figures) are used in accordance with UfMS rules and procedures.



Dedicated contributions are the amounts recorded by the organization associated with increases in economic resources related to its operating activities. The amount of revenue is determined by agreement between the entity and donor. The revenue is recognized, at a fair value, matching revenues with expenditures in the period in which those expenditures are incurred for all its funds. Contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred.

In case a pre-financing is received, the amount of the pre-financing is reduced (wholly or partially) by the acceptance of eligible costs and amounts returned.

3.15. Expenses

In accordance with the accrual basis of accounting, expense recognition occurs at the time of the delivery of goods or services by the supplier or service provider. Expenses are recorded in the accounting records and recognized in the financial statements of the period to which they relate.

3.16. Non-exchange transaction

In a Non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without receiving approximately equal value in exchange.

Goods in kind/Assets in kind

At the establishment of the UfM Secretariat, the local authorities (Generalitat de Catalunya) provided the Organization with equipment and furniture for its functioning at its headquarters in Barcelona- Spain. These goods received by the Organization are recorded as assets and have the same treatment in terms of nature (capital grant in form of assets) and in terms of impairment and depreciation.

Services in kind

Services in-kind are voluntary services provided to the UfMS by an individual or individuals or any other contributor. Such services may include free technical assistance (expertise, studies, etc.), services of conference organization or secondment of staff from other governments or international organizations.

For transactions where the recipient entity considers that the donor/grant-giver has imposed conditions, they will set up a liability for the obligation generally to the value of the money received, which will be reduced as the conditions are satisfied (by spending the money or through other actions) in accordance with the Agreement. There is no such requirement for grants with restriction and revenue is recognized immediately.

Staff Cost

The UfMS has recognised staff cost as services in kind in the Performance Statement both as income and expenses in accordance with certificates/supporting documents provided by the sending administration or organization of seconded members of staff. Thus, there is no final impact on the Performance Statement.



Office Rent

Services in kind- representing the provision of premises (Palau de Pedralbes) free of charge as per the Headquarters Agreement, is recognised at the fair value, as per IPSAS 23 revenue from non-exchange transactions. Thus, there is no final impact on the Performance Statement.

Technical assistance and services of conference's organization

These services are recognised at the fair value as non-exchange transactions in line with IPSAS 23. Thus, there is no impact on the performance statement.

Co-organization of conferences and workshops

In case where the UfMS, based on Agreements, provides, or contributes to the logistical organization or resources and services to third parties, related expenditure is registered as usual without specific different accounting treatment.

As the above-mentioned Agreements are arrangements of cost sharing of conferences, related third parties are contributing in kind to the concerned conferences. Those contributions are not recognized in the accounts unless the concerned conferences or workshops are substantially or exclusively in the benefit of the UfMS. Furthermore, in order to be recognized in the accounts, reliable data on the value of these contributions is to be provided by the third party in reasonable time.

3.17. Statement of cash-flow

The statement of cash-flow is prepared using the direct method.

3.18. Comparison between approved Budget and Actual Amounts

The UfM Secretariat Budget preparation and approval follows the Statutes provisions, namely Section IX "Budget of the Secretariat" and internal implementing procedures and circulars. The approved budget covers the fiscal period from January 1st to December 31st.

The budget framework follows partially cash-based system, for instance treatment of assets, provisions and some resources in-kind follow cash-based procedure: the purchase of assets (equipment, furniture, etc.) is expensed, provisions (i.e., provisions for risks) and some resources in kind-as not generating an actual flow of funds- are not reflected in the budget.

The budget is presented for adoption based on Activity Based Budgeting (ABB) methodology for the Heading "Activities-Operational" as per the matrix below:

- a) Actions' instruments on the UfMS interventions in support of initiatives and projects/programmes cycle and regional cooperation.
 - 1. Technical support for projects and activities
 - 2. Platforms, regional expert's groups meetings and conferences
 - 3. Outreach and visibility of projects and activities
 - 4. Follow-up and monitoring missions for projects and activities
- b) Core Activities:



1. Promoting regional dialogue: based on policy guidelines given by UfM Member States in terms of regional policy platforms in the framework of its mandate, the Secretariat is contributing to operationalize decisions taken at political level.
2. Promoting regional projects and initiatives: in this respect, priority is given to support, monitor and follow up the implementation of already labelled projects as well as to develop project pipelines as appropriate in order to maintain a balance between delivering results on the ground and developing new activities.

Member States contributions and the European Union Contribution are, as per the Statutes, provided on voluntary and balanced basis. Contributions of Member States can be delivered in two forms: in real figures and in terms of Human resources provisions (in kind).

The contribution of the European Commission is framed on a yearly basis through a Grant Agreement which foresees:

1. The eligibility rules of the expenditure
2. Rule of co-financing (i.e., Member States 50%- European Commission 50% for 2019)
3. Period of implementation

In addition to annual contribution of Member States other funds or resources can be provided as dedicated contribution from MS or other entities (international organizations, foundations, etc.).

The financial statements are prepared on the accrual basis, following IPSAS, using a classification based on the nature of expenses in the statement of financial performance, for the fiscal period from January 1st to December 31st. The financial statements and budget documents are prepared for the same period.

Reconciliation between the actual amounts on a comparable basis is presented in the Statement of Comparison of Budget and Actual Amounts (in similar format and classification schemes as the Statement of Financial Performance).

3.18. Impact of new IPSAS application

IPSAS 41, Financial Instruments and 42, Social Benefits have been issued and effective in 2022. The application of these accounting standards is not expected to have any impact in the Financial Statements of the Organization, although the classification and typology of the financial instruments will be adapted

NOTE 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts:

	2021	2020
Cash on hand and balances with banks	8.722.247	8.392.839
Short-term deposit	8.722.247	8.392.839



NOTE 5. RECEIVABLES

All contributions receivables were recorded as revenue in the year in which the donor's contribution was confirmed in writing (Agreements, letters, mention in minutes of flash records of Senior Official Meetings, e-mail). Likewise, contribution receivables, when they were not confirmed in writing, were recorded as revenue in the year in which the donor's contribution was received. The receivable balance includes outstanding amounts which are split between current and non-current based on when the amounts become due. On 31st December of 2021, the amount shown in the Statement of financial performance is detailed as follows:

	2021	2020
Current contributions receivable		
European Commission	983.548	632.020
Member States		
Other donors		
Other receivable		
Total current contributions receivable	983.548	632.020

NOTE 6. INVENTORIES

UfMS has no inventories to report

NOTE 7. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments are payments made in advance of the period to which the expense relates and include advances to suppliers and insurance (the payment of which is deferred in monthly amounts over the year). Value-added tax (VAT) receivables relate to amounts which are due to be reimbursed to the UfMS by the Spanish Government.

	2021	2020
Prepayments	2.150.218	103.182
Deposits with suppliers		
Value-added tax receivables	173.311	49.620
Staff advances		
Other receivables		
Total other current assets	2.323.529	152.801

NOTE 8. INFRASTRUCTURE, PLANT AND EQUIPMENT

IPSAS 17 allows a period of up to five years before requiring full recognition of infrastructure, plant and equipment. Assets in the form of infrastructure, plant and equipment acquired prior to 1st January 2015 were expensed at the date of purchase and had not been recognized as assets. Those assets were recognized by 1st January of 2015 and the initial effect of the recognition of infrastructure, plant and equipment was shown as an adjustment to the opening balance of 2015 as non-current assets.

Details of infrastructure, plant, and equipment for 2021-2020 are as follows:



Assets	2021			2020		
	Initial Value	Accumulated depreciation	Net Value	Initial Value	Accumulated depreciation	Net Value
Vehicles and transport	110.262	80.142	30.120	110.262	75.839	34.423
Furniture	566.547	460.283	106.264	566.547	432.162	134.385
Office equipment	104.463	70.444	34.019	104.463	60.054	44.409
Communications and electronic equipment	109.619	34.385	75.233	48.136	25.811	22.325
IT equipment	334.423	285.855	48.568	332.830	250.449	82.381
Other equipment	30.904	26.609	4.295	29.122	23.829	5.293
Installations	139.524	104.443	35.081	139.524	69.362	70.162
	1.395.742	1.062.161	333.581	1.330.885	937.507	393.378

Additions, disposals of infrastructure, plant, and equipment for 2021-2020 are as follows:

(Net value)	Vehicles and transport	Furniture	Office equipment	Communication equipment	IT equipment	Other equipment	Installations	Total
31st December 2020	34.423	134.385	44.409	22.325	82.381	5.293	70.162	393.378
Asset reclassification								0
Additions				61.483	1.593	1.782		64.857
Disposals								0
Revaluation adjustments								0
Write-off	-4.303	-28.121	-10.390	-8.574	-35.406	-2.780	-35.081	-124.654
31st December 2021	30.120	106.264	34.019	75.233	48.568	4.295	35.081	333.581

The depreciation of furniture and installations acquired in 2018 to equip the new premises has been calculated and spread over the useful life, 4 years (as per IPSAS 17.72 (d)). (See note 3.7)

NOTE 9. INTANGIBLE ASSETS

Details of intangible assets for 2021-2020 are as follows:

Intangible Assets	2021			2020		
	Initial Value	Accumulated depreciation	Net Value	Initial Value	Accumulated depreciation	Net Value
Software and Licenses	448.891	443.433	5.458	448.891	438.133	10.758
	448.891	443.433	5.458	448.891	438.133	10.758



Additions, disposals of intangible assets for 2021-2020 are as follows:

<i>(Net value)</i>	Software and licenses	Total
31st December 2019	14.016	14.016
Asset reclassification		
Additions	10.081	10.081
Disposals		
Revaluation adjustments		
Write-off	-13.339	-13.339
31st December 2020	10.758	10.758
Asset reclassification		
Additions		0
Disposals		
Revaluation adjustments		
Write-off	-5.300	-5.300
31st December 2021	5.458	5.458

NOTE 10. OTHER FINANCIAL ASSETS

UfM has deposit a guarantee of 71.121€, corresponding to the lease agreement for new offices.

NOTE 11. BORROWINGS

UfMS has no borrowing to report

NOTE 12. PAYABLES

	2021	2020
Accounts payable		
Suppliers	1.093.568	874.371
Reimbursement	11.971	1.792
Repayment of Grants		
Payables, Beneficiaries of Grants	917	25.419
Other payables	289.367	138.762
Total accounts payable	1.395.823	1.040.345
Accruals		
Suppliers		
Other payables		
Total accruals		
Total accounts payable and accruals	1.395.823	1.040.345



NOTE 13. CONTRIBUTIONS IN ADVANCE AND DEFERRED REVENUE

	2021	2020
Contributions received in advance and Deferred Contributions		
European Commission pre-financing		
Member states contribution in advance	60.000	40.000
Projects Contribution received in advance	1.385.662	1.177.073
Other contribution received in advance	5.046.463	3.137.571
Member states contribution (deferred)	3.781.767	3.251.535
Deferred contributions for projects	295.704	294.580
Other deferred contributions	118.386	289.846
	10.687.982	8.190.606

NOTE 14. PROVISIONS FOR LIABILITIES AND CHARGES

UfMS has no provisions to report

NOTE 15. COMMITMENTS AND CONTINGENCIES

Capital commitments

UfMS has no capital commitments to report

Contingencies

UfMS has no contingencies to report

NOTE 16. NET ASSET/EQUITY

Capital grants awarded by the European Commission and Member States are linked to the acquisition of assets. They are recorded on the liability side of the financial position at the amount granted and transfer to result at the same rate of the transfer of non-currents assets to result.

Amounts allocated to other capital grants are linked to the assets provided by the Generalitat de Catalunya to the UfMS in 2010 and transfer to result at the same rate of the depreciation of the assets. Details of capital grants during the year are shown in the following table:

CAPITAL GRANT	EC & MS	Other (Generalitat)	Total
31st December 2019	496.928	18.670	515.598
Additions	69.431		69.431
Capital grant transfer to result	-162.224	-18.670	-180.894
31st December 2020	404.135	-1	404.135
Additions	64.857		64.857
Capital grant transfer to result	-129.954	0	-129.954
31st December 2021	339.038	0	339.038



The result of the year has been a surplus of 70€ . Accumulated surpluses from previous period are shown in the following table:

<i>Accumulated surplus and deficit</i>	
31st December 2019	15.938
<i>Surplus of the period</i>	1.756
31st December 2020	17.694
<i>Deficit of the period</i>	-1.054
31st December 2021	16.640

NOTE 17. REVENUE

	2021	2020
Contributions		
<i>Member State Contributions</i>	947.127	637.450
<i>European Commission Contribution (EASME)</i>	128.646	142.124
<i>European Commission Contribution (ENI)</i>	3.471.119	3.117.304
	4.546.892	3.896.878
Capital grant transfer to results		
<i>Capital grant European Commission and Member States</i>	129.954	162.224
<i>Capital Grant Generalitat</i>		18.670
	129.954	180.894
Services in kind		
<i>Human Resources - in kind</i>	1.548.187	1.711.911
<i>Rent office - in kind</i>	648.776	651.768
	2.196.963	2.363.679
Other Revenue (dedicated contributions & Sub-granting)		
<i>Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)</i>	292.989	159.433
<i>Swedish International Development Cooperation Agency</i>	758.952	709.490
<i>Norwegian contribution Sub-granting</i>	-1.124	74.706
<i>Swedish International Development Cooperation Agency Sub-granting</i>	240.661	25.419
<i>Netherlands contribution Sub-granting</i>	32.917	
	1.324.394	969.049
Interest Revenue		
<i>Interest Bank accounts</i>		
<i>Interest European Commission bank accounts</i>		
<i>Other interests</i>	75	77
	75	77
	8.198.278	7.410.577



NOTE 18. EXPENSES

	2021	2020
<i>Wages, salaries, and employee benefits</i>		
<i>Personnel expenses</i>	2.723.460	2.592.464
<i>Contributions in kind</i>	1.548.187	1.711.911
	4.271.647	4.304.375
<i>Operating expenses</i>		
<i>Horizontal Activities</i>	508.730	227.156
<i>Business Development & employment</i>	286.923	93.237
<i>Transport and Urban development</i>	126.129	81.569
<i>Energy & Climate Change</i>	307.185	283.732
<i>Water & Environment (*)</i>	623.675	586.983
<i>Higher Education and Research</i>	246.446	154.298
<i>Social & Civil Affairs</i>	148.485	257.452
	2.247.574	1.684.427
<i>Grant and other transfer payments</i>		
<i>Swedish International Development Cooperation Agency</i>	240.661	25.419
<i>Netherlands Sub-granting</i>	32.917	63.744
	273.578	89.164
<i>Supplies and consumable used</i>		
<i>Leases and royalties</i>	786.529	790.301
<i>Repairs and maintenance</i>	242.597	197.101
<i>Consultancy services</i>	50.626	51.916
<i>Transport</i>	1.277	1.901
<i>Insurance</i>	3.212	3.705
<i>Banking and similar services</i>	6.351	1.819
<i>Advertising, publicity and public relations</i>		
<i>Utilities</i>	170.003	153.938
<i>Other services</i>	15.984	13.025
	1.276.580	1.213.705
<i>Depreciation .</i>		
<i>Depreciation intangible assets</i>	5.300	13.339
<i>Depreciation tangible assets</i>	124.654	167.555
	129.954	180.894
	8.199.332	7.472.565

(*) Including services as per EASME agreement

The accrued professional fees corresponding to the year ended as December 2021 for the auditors of UfM, for the audit of Financial Statements has amounted to 7.865 €.

NOTE 19. DEDICATED CONTRIBUTIONS (FUNDS RECEIVED & SUB-GRANTING)

For the reporting period, the following arrangements for dedicated contributions have been implemented:



- Activities under the Cooperation Agreement No 10402 between UfM and Swedish International Development Cooperation Agency. The purpose of the Programme is to support UfMS core activities targeted to Mena Countries in 3 priority areas:
 1. Women Empowerment and gender equality,
 2. Water, Environment and Blue Economy, and
 3. Energy and Climate Change.
- Activities under the Framework Implementation Agreement (12/2008-12/2021) between UfM and Deutsche Gesellschaft Internationale Zusammenarbeit (GIZ). The overall objective of the Framework Agreement for the period December 2018 to December 2021 is to strengthen the exchange between the private sector, civil society and government actors within the UfM in the areas of employment and trade. In the framework of the agreement, the contributions were established thorough specific grant/financing agreement per action during the reporting period: provision of experts, supply of material and equipment, operating and administrative costs, and other contributions such as technical advice and financial contributions through financing agreements.
- Activities under the Grant Agreement No/Ref 881619 between UfM and Executive Agency for Small and Medium-sized Enterprises (EASME) for the period from 1st November 2019 to 31st October 2022. Specific funds for designated activities for “Promoting the Blue Economy in the Mediterranean Sea Basin” were included in the Grant Agreement with DG EASME. A financial agreement with GIZ is related to these activities on Blue Economy and will be part of the co-financing of the EASME Grant. The objective of the action is to contribute to the further implementation of the UfM Ministerial Declaration on the Blue Economy and to support the work of three components of the Blue Economy Forum and notably, the Blue Economy Working Group, the Stakeholder Conference/Event and the Mediterranean Blue Economy Stakeholder Platform.

Dedicated contributions	2021
Swedish International Development Cooperation Agency	758.952
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	292.989
European Commission-EASME	128.646
Total Dedicated contributions	1.180.587

Sub-granting

For the reporting period, the following arrangements for forwarding funds have been implemented:

- Activities under the addendum related to the Cooperation Agreement 10402 between UfM and Swedish International Development Cooperation Agency. The program includes the implementation, through sub-granting, of projects supporting UfM water agenda- “Making Water Cooperation Happen in Middle East & North Africa and the Mediterranean”
- Activities under the Agreement of Contribution 2020; Application nr. 4000004140 between UfM and the Ministry of Foreign Affairs of the Netherlands. The program is referred to the



implementation of UfM Strategic Action Plan for Sustainable Urbanisation and UfM Action Plan for Sustainable Housing in the Mediterranean

<i>Grant and other transfer payments</i>	
<i>Swedish International Development Cooperation Agency</i>	240.661
<i>Netherlands & Norway Sub-granting</i>	31.793
	272.454

Specific reporting for each dedicated contribution is submitted to each donor and subject to audit in accordance with the provisions of the agreement with the donor. Audit reports sent to the different donors are attached as an annex of the Financial Statement.

NOTE 20. FINANCIAL REVENUES AND EXPENSES

<i>Interest Revenue</i>	2021	2020
<i>Other bank accounts interests</i>		
<i>Other interests</i>	75	77
	75	77

NOTE 21. PROPOSED ALLOCATION AND THE RESULTS OF THE PERIOD

According to the Statutes of the Organization, any funds remaining uncommitted at the end of each financial year shall be carried over to the budget for the following year and thereby reduce the required budgetary allocation in that following year.

NOTE 22. COMPARISON BETWEEN APPROVED BUDGET AND ACTUAL AMOUNTS

The UfM Secretariat's 2021 original budget was approved by the Senior Officials on 2nd December 2020, and the Grant Agreement with the European Commission was signed on 18th December 2020. The original budget objectives and policies and subsequent revisions are explained more fully in the explanatory note and the Work Programme, also associated to the Grant Agreement and Budget Outcomes reports issued on a semester basis in conjunction with the financial statements.

Detailed Contributions of Member States as per budgetary year have been as follows:



MEMBER STATES CONTRIBUTIONS				
Countries	2021 Contributions in Human Resources (seconded staff cost)	2021 (in real figures "cash")	2020 Contributions in Human Resources (seconded staff cost)	2020 (in real figures "in cash")
Algeria	100.260	20.000	98.990	
Bulgaria		10.000		10.000
Croatia		10.000		10.000
Cyprus	40.090		117.234	5.000
Egypt	306.198		266.300	
France	126.387	400.000	248.912	400.000
Germany		400.000		400.000
Greece		30.000		30.000
Hungary		10.000		10.000
Ireland		25.000		20.000
Israel		16.847		17.824
Italy	220.461	31.000	224.000	111.000
Luxemburg		30.000		30.000
Malta	115.712		102.046	20.000
Monaco		30.000		30.000
Montenegro		3.000		
Morocco	182.139		184.626	200.000
Portugal	172.484	20.000	191.731	20.000
Slovakia				
Slovenia		20.000		10.000
Spain	119.437	330.000	115.307	480.000
The Czech Republic		3.940		3.760
The Netherlands		100.000		100.000
Tunisia	73.239		70.809	
Turkey	91.781	20.000	91.957	20.000
	1.548.187	1.509.787	1.711.911	1.927.584
Contributions in kind		1.548.187		1.711.911
		3.057.974		3.639.495

Other contributions informed in the Budget of 2021 have been (other revenue as per FFSS):

- Swedish International Development Cooperation Agency
- Deutsche Gesellschaft Internationale Zusammenarbeit (GIZ)

The financial statements differ from the budget in the following aspects:

- Basis difference: the budget is approved on partial cash basis system
- Entity differences: the budget deals only with European Commission Grant Agreement framework excluding certain activities.



The difference as per the accounting basis is mainly explained by the activation of the assets and the related amortization for the period:

Asset's additions for 2021 = 64.857 (See note 8 and note 9)

Amortization for the period = 129.954 (See note 8 and note 9)

The difference as per the entity basis is mainly explained by the inclusion in the financial statement of:

- Services in kind such as the rent of the office,
- Cost related to the Grant Agreement Number 881619 Promoting the Blue Economy in the Mediterranean Sea Basin (EASME grant)
- Sub-granting cost related to the implementation of UfM Strategic Action Plan for Sustainable Urbanisation and UfM Action Plan for Sustainable Housing in the Mediterranean
- sub-granting cost of projects supporting UfM water agenda- "Making Water Cooperation Happen in Middle East & North Africa and the Mediterranean"
- and other minor costs not linked with the European Commission Grant Agreement

	Actual Budget 2021	Actual FFSS 2021	Accounting Basis	Entity Basis							Difference Actual FFSS and Actual Budget
			Assets	EASME grant	Netherlands	Sida (Forwarding Funds)	GIZ (Forwarding Funds)	Norway	Services in kind	Others	
Revenue											
European Commission Contribution	3.503.548	3.599.765	-32.429	128.646							96.217
Member States contribution	979.556	947.127	-32.429								-32.429
Capital Grant transfer to result		129.954	129.954								129.954
Services in-kind	1.548.187	2.196.963							648.776		648.776
Other Revenue	975.805	1.324.394		55.952	32.917	240.661	20.183	-1.124			348.589
Interest revenue		75								75	75
Total revenue	7.007.095	8.198.278	65.097	184.598	32.917	240.661	20.183		648.776	75	1.191.183
Expenses											
Operating expenses	2.079.714	2.247.574		149.860			18.000				167.860
Wages, salaries and employee benefits	2.688.581	2.723.319		34.738							34.738
Human Resources in kind	1.548.187	1.548.187									0
Supplies and consumable used	690.614	1.276.580	-64.857				2.183		648.776	-136	585.966
Grant and other transfer payments		273.578			32.917	240.661					273.578
Depreciation and amortization expenses		129.954	129.954								129.954
Impairment of property, plant and equipment											0
Other expenses		141								141	141
Finance costs											0
Total expenses	7.007.095	8.199.332	65.097	184.598	32.917	240.661	20.183		648.776	5	1.192.237
Surplus/(Deficit) for the period	0	-1.054	0	0	0	0	0		0	70	-1.054

Norway sub-granting is showing an adjustment due to the calculation of indirect cost, at the end of the activities, considered as 7% according to the agreement, but the budget submitted for the project has indirect cost for 4%.



There are also differences in formats and classification schemes adopted for presentation of financial statements and the budget. The structure of the budget is presented by headings:

Budget Headings	2021 Budget	2021 Expenditure
Activities-Operational Expenditure	4.100.000	2.983.396
Human Resources	3.545.000	3.333.086
General Administration	755.000	690.614
Contingency reserve	20.000	0
Grand total	8.420.000	7.007.095

Personnel (Budget) = Wages, Salaries and employee benefits (FFSS) – Experts in House

Operational expenditure (Budget) = Operating expenses (FFSS) + Experts in House

The operational expenditure (operating expenses as per FFSS) is shown in the budget as follows:

Line	Item	2021 Budget	2021 Expenditure
1	Activities-Operational Expenditure		
1.1	Technical Support for projects and activities	2.096.101	1.729.606
1.2	Platforms, regional expert groups meetings & conferences	1.263.899	724.962
1.3	Follow-up and monitoring for projects and activities	340.000	140.667
1.4	Outreach & visibility for projects and Activities	400.000	388.162
	Subtotal Activities-Operational Expenditure	4.100.000	2.983.396

According to the Activity Based Budget methodology Human Resources is classified as follows:

Line	Item	2021 Budget	2021 Expenditure
2	Human Resources		
2.1	Executive direction and management	895.000	884.730
2.2	Advisors and seconded experts	862.000	889.590
2.4	Technical and administrative staff	1.375.988	1.216.792
2.5	Employer Social Security	412.012	341.974
	Subtotal Human Resources	3.545.000	3.333.086

One of the main differences regarding the format and classification scheme is in relation with the “Supplies and consumable used” (FFSS) that includes the amount of General Administration budget excluding the assets (capitalization of fixed assets).



Line	Item	2021 Budget	2021 Expenditure
3	General Administration		
3.1	Leases	136.800	137.753
3.2	Office Services and Maintenance	180.500	242.597
3.3	Consultancy Services	110.100	50.626
3.4	Transport	3.500	1.277
3.5	Insurances	9.500	3.212
3.6	Utilities	191.000	170.003
3.7	Banking and similar services	1.000	4.167
3.8	Other Services	36.700	15.984
3.9	Furniture, Equipment and others	85.900	64.993
Subtotal general administration		755.000	690.614

NOTE 23. RELATED PARTIES AND KEY MANAGEMENT DISCLOSURE

The key management personnel of the UfMS consists of the Secretary General and Deputy Secretaries General as they have the executive authority and responsibility for the overall running of the UfMS in accordance with its Statutes. The aggregate remuneration paid to key management personnel during the years ended in December 2021 and 2020, except the Deputy Secretaries General paid by their countries, including salaries, allowances and other entitlements paid in accordance with the Staff Rules and Regulations have amounted to 180.000€, respectively. The amounts informed by the countries regarding to the salaries paid to the Deputy Secretaries General is 570.484€ for 2021 and 502.583€ for 2020.

There are no advances or credits conceded, nor have there been contracted bonds for pensions or life insurance with any member, actual or old, of the Key management personnel.

NOTE 24. EVENTS AFTER THE REPORTING DATE

After the closing date, no material issues came to the attention of the UfM Secretariat or were reported to it which would require modification of the Financial Statements or separate disclosure under this section. The Financial Statements and related notes were prepared using the most recently available information and this is reflected in the information presented.

Since February 2022 Ukraine war impacted negatively in the macroeconomic environment, generating significant inflation, and making more difficult the recovery from the effects of Covid 19 pandemic. In this sense there have been disruptions in the supply chain, with increases in energy prices. There are consequences for the economy, in general, whose effects in the coming months are uncertain and will largely depend on the evolution of the war and the economic development.

Up to the preparation of these Financial Statements, there have been no significant effects on UfM activities and according with the current estimates, no relevant effects are foreseen in 2022.