2020

2020 Financial Statements

(with independent Auditor's Report)

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

THE SECRETARIAT OF UNION FOR THE MEDITERRANEAN | Pere Duran Farell 11, 08034

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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, 2020

Building a better working world

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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, 2020, 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, 2020 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 matters

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 Mediterranean. The financial statements of Secretariat of the Union for the Mediterranean have been audited applying International Standards on Auditing.

Domicilio Social: C/Raimundo Fernández Villaverde, 65. 28003 Madrid -Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª, Madrid 9 de Marzo de 1.989. A member firm of Ernst & Young Global Limited. C.I.F. B-78970506.

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.

Col·legi de Censors Jurats de Comptes de Catalunya

ERNST & YOUNG, S.L.

2022 Núm.20/22/03525

Informe d'auditoria de comptes subjecte a la normativa d'auditoria de comptes espanyola o internacional

ERNST & YOUNG, S.L.

Angel Luís Martínez Fuentes

June 13, 2022

FINANCIAL STATEMENTS OF THE UNION FOR THE MEDITERRANEAN SECRETARIAT

The Financial Statements of the Union for the Mediterranean Secretariat for the year 2020 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:
30 MAYO 2022

Director of Legal and Administration:

P.O

Signature:
Date: 30 MAYO 2022

Secretary General: Nasser Kamel

Signature:
Date:
30 MAYO 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	2020	2019
ASSETS		**EUR**	**EUR**
Current Assets			
Cash and cash equivalents	4	8.392.839	6.781.062
Receivables	5	632.020	1.386.954
Inventories			
Prepayments	7	103.182	33.414
Other current assets	7	49.619	28.895
Total current assets		**9.177.660**	**8.230.325**
Non-current assets			
Receivables			
Investment in associates			
Other financial assets	10	70.985	70.985
Infrastructure, plant and equipment	8	393.377	501.583
Land and buildings			
Intangible assets	9	10.758	14.016
Other non-financial assets			
Total non-current assets		**475.120**	**586.584**
Total assets		**9.652.780**	**8.816.909**
LIABILITIES			
Current Liabilities			
Payables	12	1.040.345	979.989
Contribution received in advance	13	4.354.644	4.713.919
Deferred contributions	13	3.835.962	2.529.250
Short-term provisions/Accruals	12	0	62.214
Short-term borrowings			
Current portion of long-term borrowings			
Total current liabilities		**9.230.951**	**8.285.372**
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	404.135	496.928
Other capital Grant received	16	0	18.671
Reserves			
Accumulated surplus/(deficit)	16	17.694	15.938
Total net assets/equity		**421.829**	**531.537**
Total liabilities and net assets/equity		**9.652.780**	**8.816.909**

2. Statement of financial performance

	Note	2020	2019
Revenue	**17**	**EUR**	**EUR**
European Commission Contribution		3.259.428	3.868.771
Member States contribution		637.450	576.329
Capital grant transfer to results		180.894	276.526
Services in-kind		2.363.679	2.375.763
Other Revenue		969.049	1.601.263
Interest revenue		77	101
Total revenue		**7.410.577**	**8.698.753**
Expenses	**18**		
Wages, salaries and employee benefits		4.304.375	4.310.621
Operating expenses		1.620.683	2.899.692
Grant and other transfer payments		89.164	
Supplies and consumable used		1.213.705	1.211.812
Depreciation and amortization expenses		180.894	276.526
Impairment of property, plant and equipment			
Other expenses		0	169
Finance costs			
Total expenses		**7.408.821**	**8.698.821**
Surplus/(Deficit) for the period		**1.756**	**-68**

3. Statement of changes in Net Assets/Equity

	Contributed Capital	*Capital Grant*	*Other Reserves*	*Accumulated Surpluses/(Deficits)*	*Total net assets/equity*
Balance at December 31, 2018 carried forward	**0**	**759.615**	**0**	**16.006**	**775.621**
Changes in net assets/equity for 2019					
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		-244.016			-244.016
Deficit/surplus for the period				-68	-68
Total recognized revenue and expense for the period	***0***	***-244.016***	***0***	***-68***	***-244.084***
Balance at December 31, 2019 carried forward	**0**	**515.599**	**0**	**15.938**	**531.537**
Changes in net assets/equity for 2020					
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		-111.462			-111.462
Deficit/surplus for the period				1.756	1.756
Total recognized revenue and expense for the period	***0***	***-111.462***	***0***	***1.756***	***-109.708***
Balance at December 31, 2020 carried forward	**0**	**404.135**	**0**	**17.694**	**421.829**

4. Statement of Cash flow

	2020	2019
Cash flow statement from operating activities	**EUR**	**EUR**
Receipts		
Taxation		
Sales of goods and services		
Grants	6.601.720	10.059.885
Interest received		101
Other receipts	402.944	289.528
Payments		
Employee costs	-2.565.707	-3.320.543
Suppliers	-2.300.949	-4.065.415
Interest paid		
Other payments	-496.417	-36.443
Net cash flows from operating activities	**1.641.590**	**2.927.112**
Cash flows from investing activities		
Purchase of plant and equipment	-29.813	-45.338
Proceeds from sale of plant and equipment		
Proceeds from sale of investments		
Purchase of foreign currency securities		
Net cash flows from investing activities	**-29.813**	**-45.338**
Cash flow from financing activities		
Proceeds from borrowings		
Repayment of borrowings		
Distribution/dividend to government		
Net cash flows from financing activities		
Net increase/(decrease) in cash and cash equivalents	**1.611.777**	**2.881.775**
Cash and cash equivalents at beginning of period	*6.781.062*	*3.899.287*
Cash and cash equivalents at end of period	*8.392.839*	*6.781.062*

5. Statement of Comparison of Budget and Actual Amounts

	note ref.	Original Budget 2020	Actual Budget 2020	Actual FFSS 2020	Actual amount FFSS versus Actual Amount Budget: Difference Actual FFSS and Actual Budget	EASME grant agreement/ GIZ	Norway	Sida (Forwarding Funds)	Services in kind (Rent office)	Assets	Others	Difference Original Budget and Actual (FFSS)	Difference Original Budget and Actual Budget
Revenue	**22**												
European Commission Contribution		4.210.000	3.152.020	3.259.428	107.409	142.124				-34.716		950.572	1.057.980
Member States contribution		1.510.000	672.165	637.450	-34.716					-34.716		872.550	837.835
Capital Grant transfer to result				180.895	180.895					180.895		-180.895	0
Services in-kind		1.500.000	1.711.912	2.363.679	651.767				651.767			-863.679	-211.912
Other Revenue		1.200.000	767.942	969.049	201.106	100.981	74.706	25.419				230.951	432.058
Interest revenue				77	77						77	-77	0
Total revenue		**8.420.000**	**6.304.039**	**7.410.577**	**1.106.538**	**243.105**	**74.706**	**25.419**	**651.767**	**111.464**	**77**	**1.009.423**	**2.115.961**
Expenses	**22**												
Operating expenses		4.100.000	2.184.611	2.391.214	206.604	198.255	8.349					1.708.786	1.915.389
Wages, salaries and employee benefits		2.045.000	1.777.080	1.821.931	44.850	44.850						223.069	267.920
Human Resources in kind		1.500.000	1.711.912	1.711.912	0							-211.912	-211.912
Supplies and consumable used		755.000	630.436	1.213.705	583.269		933		651.767	-69.431		-458.705	124.564
Grant and other transfer payments				89.164	89.164		63.744	25.419				-89.164	0
Depreciation and amortization expenses				180.894	180.894					180.894		-180.894	0
Impairment of property, plant and equipment					0							0	0
Other expenses		20.000			0							20.000	20.000
Finance costs					0							0	0
Total expenses		**8.420.000**	**6.304.039**	**7.408.821**	**1.104.781**	**243.105**	**73.026**	**25.419**	**651.767**	**111.463**	**0**	**1.011.179**	**2.115.961**
Surplus/(Deficit) for the period		***0***	***0***	***1.756***	***1.756***	***0***	***1.680***	***0***	***0***	***0***	***77***	***-1.756***	***0***

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 28 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 43 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 InforEuro[1] 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.

Intangible Assets	*Linear coefficient*	*Estimated useful life (in years)*
Software	33%	3
Licences and rights	33%	3

The threshold established by the Organization to consider an item[2] 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).

NOTE 4. CASH AND CASH EQUIVALENTS

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

	2020	*2019*
Cash on hand and balances with banks	8.392.839	6.781.062
Short-term deposit		
	8.392.839	6.781.062

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 2020, the amount shown in the Statement of financial performance is detailed as follows:

	2020	*2019*
Current contributions receivable		
European Commission	632.020	1.352.799
Member States		
Other donors	0	34.155
Other receivable		
Total current contributions receivable	**632.020**	**1.386.954**

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.

	2020	*2019*
Prepayments	103.181	33.414
Deposits with suppliers		
Value-added tax receivables	49.620	28.895
Staff advances		
Other receivables		
Total other current assets	***152.801***	***62.309***

NOTE 8. INFRASTUCTURE, 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 2020-2019 are as follows:

	2020			2019		
Assets	**Initial Value**	**Accumulated depreciation**	**Net Value**	**Initial Value**	**Accumulated depreciation**	**Net Value**
Vehicles and transport	110.262	75.839	34.423	110.262	64.813	45.449
Furniture	566.547	432.162	134.385	565.681	375.612	190.069
Office equipment	104.463	60.054	44.409	104.463	49.665	54.799
Communications and electronic equipment	48.136	25.811	22.325	47.958	17.486	30.473
IT equipment	332.830	250.449	82.381	276.899	209.439	67.460
Other equipment	29.122	23.829	5.293	26.748	18.656	8.092
Installations	139.524	69.362	70.162	139.524	34.281	105.243
	1.330.885	***937.507***	***393.378***	***1.271.535***	***769.952***	***501.583***

Additions, disposals of infrastructure, plant, and equipment for 2020-2019 are as follows:

(Net value)	**Vehicles and transport**	**Furniture**	**Office equipment**	**Communication equipment**	**IT equipment**	**Other equipment**	**Installations**	**Total**
31st December 2018	***56.475***	***244.380***	***64.322***	***35.439***	***100.613***	***8.337***	***137.124***	***646.688***
Asset reclassification								0
Additions		2.167	905	2.862	7.568	4.010	2.400	19.912
Disposals								0
Revaluation adjustments								0
Write-off	-11.026	-56.478	-10.429	-7.828	-40.721	-4.255	-34.281	-165.018
(Net value)	**Vehicles and transport**	**Furniture**	**Office equipment**	**Communication equipment**	**IT equipment**	**Other equipment**	**Installations**	**Total**
31st December 2019	***45.449***	***190.069***	***54.798***	***30.473***	***67.460***	***8.092***	***105.243***	***501.583***
Asset reclassification								0
Additions		*866*		*178*	55.932	2.374		59.350
Disposals								0
Revaluation adjustments								0
Write-off	-11.026	-56.549	-10.389	-8.326	-41.010	-5.173	-35.081	-167.555
31st December 2020	***34.423***	***134.385***	***44.409***	***22.325***	***82.381***	***5.293***	***70.162***	***393.378***

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 2020-2019 are as follows:

	2020			2019		
Intangible Assets	**Initial Value**	**Accumulated depreciation**	**Net Value**	**Initial Value**	**Accumulated depreciation**	**Net Value**
Software and Licenses	448.891	438.133	10.758	438.809	424.794	14.016
	448.891	***438.133***	***10.758***	***438.809***	***424.794***	***14.016***

Additions, disposals of intangible assets for 2020-2019 are as follows:

	Software and licences	Total
31st December 2018	***112.926***	***112.926***
Asset reclassification		
Additions	12.598	12.598
Disposals		
Revaluation adjustments		
Write-off	-111.508	-111.508
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***

NOTE 10. OTHER FINANCIAL ASSETS

UfM has deposit a guarantee of 70.985€, corresponding to the lease agreement for new offices.

NOTE 11. BORROWINGS

UfMS has no borrowing to report

NOTE 12. PAYABLES

	2020	***2019***
Accounts payable		
Suppliers	874.372	826.264
Reimbursement	1.792	28.081
Repayment of Grants		
Payables, Beneficiaries of Grants	25.419	0
Other payables	138.762	125.644
Total accounts payable	***1.040.345***	***979.989***
Accruals		
Suppliers	0	62.214
Other payables		
Total accruals	***0***	***62.214***
Total accounts payable and accruals	***1.040.345***	***1.042.203***

NOTE 13. CONTRIBUTIONS IN ADVANCE AND DEFERRED REVENUE

	2020	***2019***
Contributions received in advance and Deferred Contributions		
European Commission pre-financing	0	2.520.000
Member states contribution in advance	40.000	42.250
Projects Contribution received in advance	1.177.073	66.933
Other contribution received in advance	3.137.571	2.084.737
Member states contribution (deferred)	3.251.535	1.996.117
Deferred contributions for projects	294.580	369.286
Other deferred contributions	289.846	163.846
	8.190.606	***7.243.169***

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 2018	**722.240**	**37.375**	**759.614**
Additions	32.509	0	32.509
Capital grant transfer to result	-257.821	-18.705	-276.526
31st December 2019	**496.928**	**18.670**	**515.599**
Additions	69.431	0	69.431
Capital grant transfer to result	-162.224	-18.670	-180.894
31st December 2020	**404.135**	**0**	**404.135**

The result of the year has been a surplus of 1.756€ . Accumulated surpluses from previous period are shown in the following table:

Accumulated surplus and deficit	
31st December 2018	**16.006**
Deficit of the period	-68
31st December 2019	**15.938**
Surplus of the period	1.756
31st December 2020	**17.694**

NOTE 17. REVENUE

	2020	2019
Contributions		
Member State Contributions	637.450	576.329
European Commission Contribution (EASME)	142.124	12.227
European Commission Contribution (ENI)	3.117.304	3.856.544
	3.896.878	**4.445.100**
Capital grant transfer to results		
Capital grant European Commission and Member States	162.224	257.821
Capital Grant Generalitat	18.670	18.705
	180.894	**276.526**
Services in kind		
Human Resources - in kind	1.711.911	1.722.020
Rent office - in kind	651.768	653.743
Technical assistance - in kind		
	2.363.679	**2.375.763**
Other Revenue (dedicated contributions & Sub-granting)		
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	159.433	310.401
Swedish International Development Cooperation Agency	709.490	1.290.862
Norwegian contribution Sub-granting	*74.706*	
Swedish International Development Cooperation Agency Sub-granting	25.419	
	969.049	**1.601.263**
Interest Revenue		
Interest Bank accounts		*101*
Interest European Commission bank accounts		
Other interests	*77*	
	77	**101**
	7.410.577	**8.698.753**

NOTE 18. EXPENSES

	2020	2019
Wages, salaries, and employee benefits		
Personnel expenses	2.592.464	2.588.601
Contributions in kind	1.711.911	1.722.020
	4.304.375	**4.310.621**
Operating expenses		
Horizontal Activities	227.156	647.290
Business Development	93.237	344.989
Transport and Urban development	81.569	264.514
Energy & Climate Change	283.732	314.525
Water & Environment (*)	612.402	798.440
Higher Education and Research	154.298	182.472
Social & Civil Affairs	257.452	347.462
	1.709.846	**2.899.692**
Supplies and consumable used		
Leases and royalties	790.301	792.792
Repairs and maintenance	197.101	185.711
Consultancy services	51.916	51.600
Transport	1.901	1.655
Insurance	3.705	3.620
Banking and similar services	1.819	1.179
Utilities	153.938	145.055
Other services	13.025	30.370
	1.213.705	**1.211.982**
Depreciation		
Depreciation intangible assets	13.339	111.508
Depreciation tangible assets	167.555	165.018
	180.894	**276.526**
	7.408.821	**8.698.821**

The accrued professional fees corresponding to the year ended as December 2020 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	***2020***
Swedish International Development Cooperation Agency	709.490
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	159.433
European Commission-EASME	142.124
Total Dedicated contributions	**1.011.047**

Sub-granting

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

- Activities under the Cooperation Agreement No/Ref NAF-18/0002 between UfM and Norwegian Ministry of Foreign Affairs. On December 2019, a cooperation with MFA of Norway were engaged for a period of 1 year. This agreement provides through the Secretariat grants to UfM-labelled projects in agreed priority areas. The maximum amount foreseen is €600.000 to finance projects targeting the employability of youth and women in North Africa.
- 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"

Sub-granting	***2020***
Swedish International Development Cooperation Agency	25.419
Norwegian contribution	63.744
Total Sub-granting	**89.163**

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

Interest Revenue	***2020***	***2019***
Other bank accounts interests		*101*
Other interests	*77*	
	77	**101**

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 2020 original budget was approved by the Senior Officials´ Meeting on 3rd October 2019, and the Grant Agreement with the European Commission was signed on 4th November 2019. 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	*2020 Contributions in Human Resources (seconded staff cost)*	*2020 (in real figures "in cash")*	*2019 Contributions in Human Resources (seconded staff cost)*	*2019 (in real figures "in cash")*
Algeria	*98.990*		27.900	20.000
Bulgaria		*10.000*		10.000
Croatia		*10.000*		10.000
Cyprus	*117.234*	*5.000*	171.900	5.000
Egypt	*266.300*		134.604	
France	*248.912*	*400.000*	427.174	400.000
Germany		*400.000*		400.000
Greece		*30.000*		
Hungary		*10.000*		40.000
Ireland		*20.000*		25.000
Israel		*17.824*		50.000
Italy	*224.000*	*111.000*	103.555	55.000
Luxemburg		*30.000*		30.000
Malta	*102.046*	*20.000*	122.728	
Monaco		*30.000*		30.000
Morocco	*184.626*	*200.000*	158.822	
Portugal	*191.731*	*20.000*	307.108	20.000
Slovakia				10.000
Slovenia		*10.000*		
Spain	*115.307*	*480.000*	103.850	345.000
The Czech Republic		*3.760*		3.899
The Netherlands		*100.000*		100.000
Tunisia	*70.809*		70.600	
Turkey	*91.957*	*20.000*	93.779	
	1.711.911	***1.927.584***	***1.722.020***	***1.553.899***
Contributions in kind		*1.711.911*		*1.722.020*
		3.639.495		***3.275.919***

Other contributions informed in the Budget of 2020 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 2020 = 69.431 (See note 8 and note 9)
Amortization for the period = 180.894 (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)
- cost related to the Cooperation Agreement No/Ref NAF-18/0002 between UfM and Norwegian Ministry of Foreign Affairs
- 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

			Accounting Basis	*Entity Basis*				*Difference Actual FFSS and Actual Budget*
	Actual Budget 2020	**Actual FFSS 2020**	*Assets*	*EASME grant*	*Norway*	*Services in kind*	*Others*	
Revenue								
European Commission Contribution	3.152.020	3.259.428	-34.716	142.124				107.409
Member States contribution	672.165	637.450	-34.716					-34.716
Capital Grant transfer to result		180.895	180.894					180.895
Services in-kind	1.711.912	2.363.679				651.768		651.767
Other Revenue	767.942	969.049		100.981	74.706		25.419	201.106
Interest revenue		77					77	77
Total revenue	**6.304.039**	**7.410.577**	**111.463**	**243.105**	**74.706**	**651.768**	**25.496**	**1.106.538**
Expenses								
Operating expenses	2.184.611	2.391.214		198.255	8.349			206.604
Wages, salaries and employee benefits	1.777.080	1.821.931		44.850				44.850
Human Resources in kind	1.711.912	1.711.912						0
Supplies and consumable used	630.436	1.213.705	-69.431		933	651.768		583.269
Grant and other transfer payments		89.164			63.744		25.419	89.164
Depreciation and amortization expenses		180.894	180.894					180.894
Impairment of property, plant and equipment								0
Other expenses								0
Finance costs								0
Total expenses	**6.304.039**	**7.408.821**	**111.463**	**243.105**	**73.026**	**651.768**	**25.419**	**1.104.781**
Surplus/(Deficit) for the period	***0***	***1.756***	***0***	***0***	***1.680***	***0***	***77***	***1.756***

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 Heading	2020 Budget	2020 Expenditure
Activities-Operational Expenditure	*4.100.000*	*2.184.611*
Human Resources	*3.545.000*	*3.488.992*
General Administration	*755.000*	*630.436*
Contingency Reserve	20.000	0
GRAND TOTAL	***8.420.000***	***6.304.039***

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	2020 Budget	2020 Expenditure
1	**Activities-Operational Expenditure**		
1.1	Technical Support for projects and activities	1.894.300	1.369.008
1.2	Platforms, regional expert groups meetings & conferences	1.440.700	365.714
1.3	Follow-up and monitoring for projects and activities	*365.000*	*74.161*
1.4	Outreach & visibility for projects and Activities	400.000	375.728
	Subtotal Activities-Operational Expenditure	***4.100.000***	***2.184.611***

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

Line	Item	2020 Budget	2020 Expenditure
2	**Human Resources**		
2.1	Executive direction and management	895.000	899.402
2.2	Advisors and seconded experts	862.000	1.044.110
2.4	Technical and administrative staff	1.375.988	1.195.498
2.5	Employer Social Security	412.012	349.983
	Subtotal Human Resources	***3.545.000***	***3.488.992***

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	2020 Budget	2020 Expenditure
3	**General Administration**		
3.1	Leases	136.800	138.533
3.2	Office Services and Maintenance	167.600	197.101
3.3	Consultancy Services	100.100	51.916
3.4	Transport	4.500	1.901
3.5	Insurances	11.000	3.705
3.6	Utilities	203.500	153.938
3.7	Banking and similar services	1.000	886
3.8	Other Services	39.400	13.025
3.9	Furniture, Equipment and others	91.100	69.431
	Subtotal General Administration	***755.000***	***630.436***

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 2020 and 2019, 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 502.583€ for 2020 and 647.198€ for 2019.

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.

Report for an Expenditure verification of a Grant Contract External Actions of the European Union

Grant Contract ENI/2019/396-981 concerning Operating Grant for the annual work programme 2020

The Union for Mediterranean Secretariat

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REPORT FOR AN EXPENDITURE VERIFICATION OF A GRANT CONTRACT EXTERNAL ACTIONS OF THE EUROPEAN UNION

GRANT CONTRACT ENI/2019/396-981 CONCERNING OPERATING GRANT FOR THE ANNUAL WORK PROGRAMME 2020

To The Union for Mediterranean Secretariat:

Dear Mr. Nasser Ahmed Kamel,

We have performed the procedures in accordance with the terms of reference dated 15/03/2021 that you agreed with us, with respect to the accompanying Financial Report for the period covering 01/01/2020 - 31/12/2020 (Annex 1 of this Report) in connection with the European Community financed Grant Contract ENI/2019/396-981 concerning Operating Grant for the annual work programme 2020, the 'Project'.

Our engagement was undertaken in accordance with International Standard on Related Services ('ISRS') 4400 Engagements to perform Agreed-upon Procedures regarding Financial Information as promulgated by the International Federation of Accountants ('IFAC).

As requested, we have only performed the procedures listed in Annex 2.

These procedures have been determined solely by the European Commission and the procedures were performed solely to assist the European Commission in evaluating whether the expenditure claimed for the Project in the accompanying Financial Report is eligible in accordance with the terms and conditions of the Project. European Commission is responsible for ensuring that the procedures performed serve the desired purpose. Thus, we assume no professional liability whatsoever regarding the adequacy of the procedures performed.

Because the procedures performed by us did not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the accompanying Financial Report.

Had we performed additional procedures or had we performed an audit or review of the Financial Report for the Project in accordance with International Standards on Auditing or International Standard on Review Engagements (ISRE), other matters might have come to our attention that would have been reported to you.

This Report is solely for the purpose set forth in the above objective.

This report is prepared solely for your own confidential use and solely for the purpose of submission by you to the Contracting Authority in connection with the requirements as set out in Article 15.7 of the General Conditions of the Grant Contract. This report may not be relied upon by you for any other purpose, nor may it be distributed to any other parties.

The Contracting Authority may only disclose this Report to others who have regulatory rights of access to it in particular the European Commission, the European Anti-Fraud Office and the European Court of Auditors.

This Report relates only to the Financial Report specified above and it does not extend to the entity's financial statements taken as a whole.

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1. Background information

1.1. Short description of the action subject to verification

Contract number and title:	ENI/2019/396-981
Contract type	Grant Contract
Financial Report subject to verification	01/01/2020 - 31/12/2020
Reporting Entity and Other Spending Entities[1]	Reporting Entity: The Union for the Mediterranean
Location where the Contract is implemented	Spain
Contract execution period	01/01/2020 - 31/12/2020
Contract implementation status	Completed
General and specific objectives of the Contract	The purpose of the grant contract is the award of a grant by the contracting authority to finance an operating grant for the annual work programme 2020 of the beneficiary.
Synthetic description of the activities, outputs and target group	2020 Work programme: taking stock of the past and paving the way forward. In this context, the UfM Secretariat will implement its 2020 WP in line with the 2017 Roadmap, the policy guidelines validated by the UfM Member States, and the 2030 Agenda for Sustainable Development. More specifically: 1) Enhancing political dialogue amongst the Member States on key issues of the region 2) Ensuring the contribution of UfM activities to regional stability and human development 3) Strengthening regional integration 4) Strengthening UfM capacity for action

[1] The term "Other spending entities" identifies the entities, beyond the reporting one, which incurred part of the reported expenditure

1.2. Basic financial information of the Contract (at the time of the verification)

1.2.1 Expenditure

Budget Headings	Budgeted Expenditure EUR	Reported Expenditure EUR
1 Activities-Operational Expenditure	4.100.000	2.184.611
2 Human Resources	3.545.000	3.488.992
3 General Administration	755.000	630.436
Subtotal direct eligible costs	8.400.000	6.304.039
Contingency reserve	20.000	0
Grand total	8.420.000	6.304.039

1.2.2 Contributions

Sources of Contribution	Budgeted Contribution EUR	Actual Contribution EUR
EU contribution (as per Grant Contract)	4.210.000 €	2.520.000 €
UFM contribution	4.210.000 €	3.152.020 €
Total	8.420.000 €	5.672.020 €

1.2.3 Revenues

There are not any revenues.

1.3. Verified Financial Reports/Invoices

See annex 1.

2. Risk analysis

2.1. Outcome of risk analysis

We have obtaining a sufficient understanding of the engagement context to identify and assess the risks of material errors or misstatements in the expenditure stated in the Financial Report.

This work involved an assessment of the risks whether:

- the Financial Report of the Project is not reliable i.e. that it does not present, in all material respects, the actual expenditure incurred and the revenue received for the Project in conformity with applicable Contractual Conditions;
- the Project funds provided by the Commission have not, in all material respects, been used in conformity with applicable Contractual Conditions;
- fraud and irregularities can occur or have occurred which have an impact on Project expenditure and income and which are not detected and corrected in a timely manner;
- the relevant Contractual Conditions for the Project are not complied with.

Based on the risk analysis performed according to the Terms of Reference, we identified the following risks possibly affecting the verified report, regarding the action, the context in which the latter is implemented, the beneficiaries and the target group:

- Operating grant contract in which all operating expenses of the organisation can be included in the financial report.
- Organisation singularity. The Union for the Mediterranean is an intergovernmental institution bringing together 42 countries to promote dialogue and cooperation in the Euro-Mediterranean region.
- High number of contributions involved (UFM contribution).

We identified the following possible mitigating factors:

- The results of previous audits and verification works does not indicate any financial nor internal control relevant findings.
- Evidence of follow up by the contracting authority. As part of its active supervision of the contract, the contracting authority has commissioned expenditure verification reports and system audits of the previous agreements.
- Procurement procedures are based on PRAG
- No financial assistance has been provided to third parties (sub-granting)
- Transactions have been incurred in euros
- Predominance of bank payments (cash payments are kept at minimum).
- The organization has in place an Anti-fraud & anti-corruption policy.

2.2. Implications on the sampling

When designing and performing substantive tests, we applied audit sampling for testing. This involves the application of procedures of an audit nature to less than 100% of items within a population of audit relevance (e.g. a class of transactions or account balance) such that all sampling units have a chance of selection in order to provide a reasonable basis on which to draw conclusions about the entire population.

We adopted a statistical approach using a Random selection methodology (including Key items) according to the parameters established during the risk assessment (materiality level at 2% of the total amount of gross expenditure with a confidence level of 95%). According to these parameters, we selected the items to be tested in order to cover all the budget headings.

3. Transaction population and sample

3.1. Sampling Highlights/Overview

The sample size was determined based on a materiality threshold of 2% of the total amount of reported expenditure with a confidence level of 95% and considering the risk analysis presented above.

Report from 01/01/2020 to 31/12/2020		
	Population	Verified sample
Number of transactions	3.868	206
Value of transactions EUR	6.304.039,40	3.463.261,87

A complete list of the transactions included in the population is presented in Annex 3.

4. Substantive testing

4.1. Short description of the testing process

The procedures established in Annex 2 of the Terms of Reference for this engagement and attached to this report as Annex 2, were fully applied.

Any factual findings arising from these procedures are listed in section 5 and Annex 4 to this report.

The procedures were executed in accordance with the International Standard on Related Services (ISRS) 4400, "Engagements to Perform Agreed-upon Procedures Regarding Financial Information".

The verification took place at the verifier's premises.

The following representatives of the entity were collaborative during the verification:

Ms. Sonia Diaz - Financial Officer

Ms. Cecilia Espinoza - Accounting Analyst

Mr. Omar Rakib - Deputy Director of Legal and Administration

The supporting documentation was available in full and electronically.

5. Summary of findings

5.1. Summary of errors detected

No errors have been detected.

5.2. Classification of errors by compliance issue

Not applicable.

5.4. Verification Team

Ernst & Young, S.L.	
Ángel Luis Martinez Fuentes	Audit Partner
Ana Manso Grandio	Team Leader - Manager
Albert Climent Fores	Team Member - Senior
Elena Grobas Mariño	Team Member - Junior

ERNST & YOUNG, S.L.

50821385X ANGEL LUIS MARTINEZ (R: B78970506)

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Date: 2021.03.31 15:21:42 +02'00'

Ángel Luis Martinez Fuentes

March 31, 2021

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

THE UNION FOR MEDITERRANEAN SECRETARIAT
Special Purpose Financial Report of "UFM Regional Dialogue and Cooperation Programme" (SIDA contribution N° 10402) for the period from January 1, 2020 to December 31, 2020

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INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH INTERNATIONAL STANDARDS ON AUDITING ON SPECIAL PURPOSE FINANCIAL REPORT OF UFM REGIONAL DIALOGUE AND COOPERATION PROGRAMME (SIDA Contribution N°: 10402)

To the Union for Mediterranean Secretariat:

Opinion

We have audited the special purpose Financial Report of "UFM Regional Dialogue and Cooperation Programme" (the Financial Report) of The Union for Mediterranean Secretariat (the Entity), for the period from January 1, 2020 to December 31, 2020. The Financial Report comprises the financial statement, the list of expenditures, the list of contracts and the notes to the financial report. The Financial Report have been prepared by the Entity management based on the criteria established in the agreement dated January 23, 2017 between Swedish International Development Cooperation Agency (SIDA) and the Entity on support for the UFM Regional Dialogue and Cooperation Programme (the Agreement).

In our opinion, the accompanying Financial Report have been prepared, in all material respects, in accordance with the provisions established in the Agreement.

Basis for opinion

We conducted our audit in accordance with Sida's Standard Terms of Reference for Annual Audit of Project/Programme Support (ToR) for the period 01/01/2020-31/12/2020, that specify we should carry out our work in accordance with International Standards on Auditing (ISAs), including ISA 800/805. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Entity 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.

Emphasis of matter – Basis of accounting and restriction on distribution and use

We draw attention to Notes 2 and 3 to the Financial Report, which describes the basis of accounting. As explained in the aforementioned notes, the Financial Report have been prepared in accordance with the provisions set out in Agreement for giving a view of the use of funds provided by SIDA, and the cost of activities carried out has been duly recorded in the accountancy system and contained in the annual accounts which are prepared in accordance with the International Public Sector Accounting Standards (IPSAS). As a result, the Financial Report may not be suitable for another purpose. Our report is intended solely for the Entity and SIDA and should not be distributed to or used by parties other than the aforementioned addressees. Our opinion is not modified in respect of this matter.

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Responsibilities of management for the Financial Report

Management is responsible for the preparation of Financial Report in accordance with the criteria established in the Agreement, and for such internal control as they determine is necessary to enable the preparation of Financial Report that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Report, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the Financial Report 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 Report.

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 Report, 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 Entity's internal control.

- 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 Entity'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 Report 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 Entity to cease to continue as a going concern.

We communicate with management of the Entity 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.

Este informe se corresponde con el sello distintivo nº 04/21/01077 emitido por el Instituto de Censores Jurados de Cuentas de España

50821385X ÁNGEL LUIS MARTÍNEZ (R: B78970506)

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Date: 2021.07.01 17:43:18 +02'00'

Ángel Luis Martínez Fuentes

July 01, 2021