

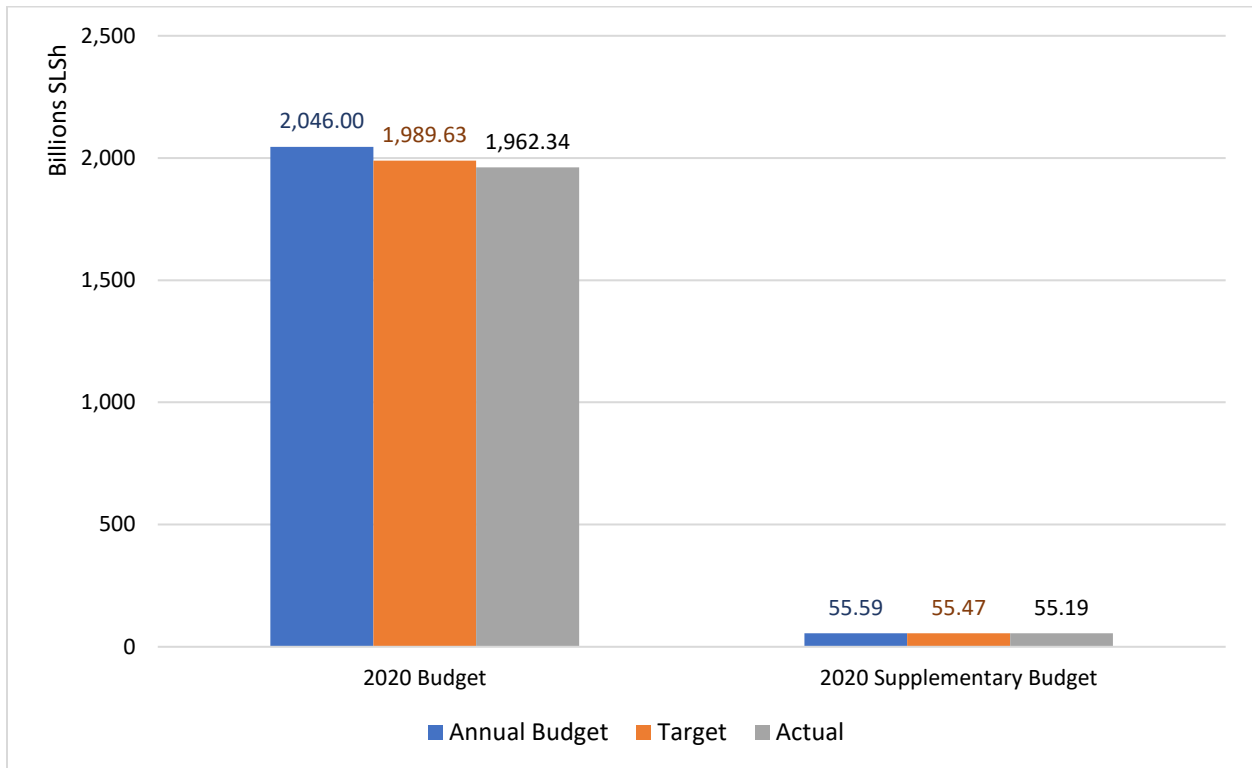
1. 2020 Spending Recap

In fiscal year 2020, the government spent 1.962 trillion SLSh, representing 95.9% of the 2.046 trillion SLSh Parliament approved Budget. However, 56.4 billion SLSh or 2.8% of the approved budget was restricted during the year. This was a precautionary measure by the Ministry of Finance to safeguard the fiscal health of the government in the event of unexpected expenses that might arise as a result of the COVID-19 pandemic.

As a result of this, only 1.990 trillion SLSh was allocated for spending during the year—with the government underspending against this allocation by 1.4% (or 27.3 billion SLSh). This underspend was a result of several factors that include the late recruitment of new employees given that most of the MDAs were operating at less than full capacity in the second quarter of the year. This resulted in lower spending on compensation of employees and Use of Goods & Services. With respect to the restricted amounts, some of it has been rolled over to 2021 for realization. This includes the wages and salaries of 300 new employees whose recruitment was postponed until 2021.

In FY2020, a 55.6 billion SLSh supplementary budget was approved by the Parliament to support, among other things, the government's response to the COVID-19 pandemic. The fiscal balance from previous years was used for the supplementary budget. The government allocated and spent 21.5 billion SLSh from the national reserve (contingency fund). Moreover, the government spent 29.6 billion SLSh to repay domestic loans, 1.2 billion SLSh as a budget subsidy and 2.8 billion SLSh to re-nationalize assets. These expenditures represent 99.3% of the supplementary Budget. The remaining balance on the supplementary budget is 394.1 million SLSh.

Figure 1: 2020 Fiscal Summary, billions SLSh



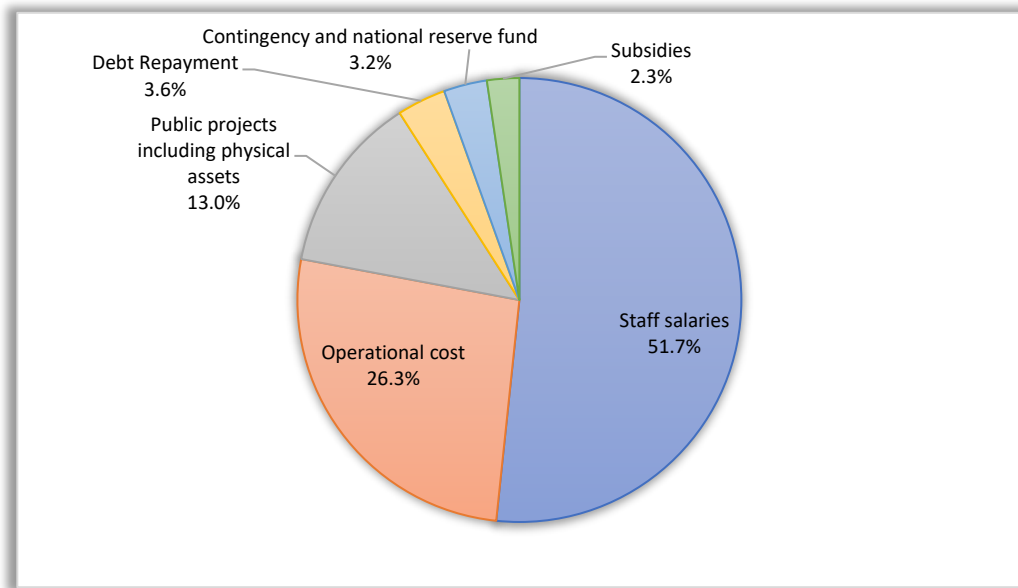
2. 2021 National Budget—Expenditure plans

2.1. Budget Allocation by Economic Classification

The Government aims to spend 2.101 trillion SLSh in 2021 (excluding donor grants and LGs), an increase of 55.5 billion SLSh or 2.7% from the 2020 Parliament approved budget (excl. supplementary budget). The allocation of these funds reflect short-term priorities such as the on-going response to the COVID-19 and the government’s medium and long-term goals as specified in the National development Plan 2 and Vision 2030.

Figure 2 below shows the distribution of the 2021 budget by economic classification. As can be see, 51.7% of the budget is allocated to staff salaries—which includes wages and contributions to social security and health insurance schemes. The remainder of the budget is allocated to operation costs (26.3%), Public Projects including physical assets (13%), Debt Repayment 3.6%), Contingency and national reserve fund (3.2%) and to Subsidies (2.3%).

Figure 2: Budget allocation by economic classification as % of total Budget



2.2. Budget Allocation by Sector

At the sector level, about 54.7% of the 2021 Budget is allocated to the Security and Government sectors—slightly higher than the 53.8% in 2020. The Economic, Education and Health sectors together received 30.1% of the 2021 Budget compared to the 31.2% in 2020. The remaining sectors received the remainder of the allocation as shown in figure 3 below.

Figure 3: Budget allocation by sector in 2021 and 2020 (SLSh), percentages represent the share as % of total annual budget

