



GOVERNMENT OF BERMUDA  
Ministry of Finance

# 2021-2022 BUDGET STATEMENT

IN SUPPORT OF THE ESTIMATES  
OF REVENUE AND EXPENDITURE

PRESENTED BY THE HON. CURTIS L. DICKINSON, JP, MP,  
MINISTER OF FINANCE

FRIDAY, 26<sup>TH</sup> FEBRUARY 2021



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THE HON. CURTIS L. DICKINSON, JP, MP,  
MINISTER OF FINANCE  
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## INTRODUCTION

Mr. Speaker – the International Monetary Fund has described 2020 “*as a year like no other*” – and a truer statement has never been made.

On 24 March, this Government passed regulations so that we could get immediate cash to our working population who had to sacrifice their own ability to earn a living for the greater good. With very little warning, one in three income-earning adults were unable to work for the good of the many. One in three.

Only 10 months ago, our island home was, for the first time in modern history, shut down. No flights. No restaurants. No shops. No school. No sports. Curfews. Quarantines. Grocery shopping by last name. And for so many of us, no earnings. To all of those individuals and businesses who have lost so much, I say thank you. More importantly, your pain and sacrifice will not be forgotten – *you will work in our economy, and our economy will work for you.*

Mr. Speaker, once the decision was made to shut down our island economy, we had less than one week to get money to our people who were sacrificing so much. It is no exaggeration to say that we had to *break it to make it*. Bureaucratic machinery is not made for quick pivots. However, we achieved our objective – to provide timely and much-needed help to our people in an unprecedented crisis. We did not execute perfectly – and for this, I make no apology. As Voltaire said, “*The perfect is the enemy of the good.*”

Approximately 2,000 people received \$1.8 million by the end of that week. We learned, we built, we grew, and we ultimately delivered \$56.0 million to over 10,000 workers. This Government extended the original 12 weeks of benefits to 18 weeks, and then added a further safety net of supplemental unemployment benefits that will continue until June 2021. Additionally, the Government extended benefits to employees of bars, members clubs and nightclubs when their activities were restricted due to the uptick in COVID-19 cases in November.

Mr. Speaker, we know that the public health emergency meant that the steps we took to protect public health had a devastating impact on our economy. Our local and international businesses, our hospitality and tourism sector, our schools, and our people’s lives and livelihoods have been put on hold or restricted in ways we could not have imagined 12 months ago.

I am enormously proud of our community which has, with humanity and discipline, risen to the occasion and responded to all the public health measures requested with grace and fortitude. As challenging as this time has been, we have navigated this pandemic well and avoided some of the devastation and confusion that have plagued so many of our international neighbours, large and small.

Nonetheless, this has been an incredibly difficult year for this country and our people. In the past year we have worked with our union partners, the Chamber of Commerce, the BTA, banks and financial institutions, our international business community, and others to respond to the significant challenges our businesses and our people have faced. We have reacted to the economic shock by creating infrastructure and capability, sometimes from scratch, to answer the urgent needs of our people and our business community, while ensuring the stability of our public finances. Through all of this, we have been looking forward strategically and thoughtfully planning for our economic recovery. *We worked together to work for the people of Bermuda.*

Mr. Speaker, we must continue to meet the moment – bringing that spirit of collaboration, developing the new skills to build better infrastructure and fanning that innovative spark, to not only bring our economy back, but bring it back stronger and better than before.

Mr. Speaker, let us be clear. We are not looking backwards seeking to rebuild our economy to its pre-pandemic state. That is not close to good enough. We must do better than that – and we will. We must harness the intellectual capital, the spirit of collaboration, the backbone and grit of our resilient island community which knows how to work together, and most importantly, *wants to get back to work.*

Mr. Speaker, the Estimates of Revenue and Expenditure for the Fiscal Year 2021/22 are designed to support Bermuda's economic recovery. Our shared success as a community in dealing with the pandemic uniquely positions the island for a renewal that can build a strengthened foundation for existing businesses and launch the innovation and growth that will be the next wave of economic activity. We stand on the cusp of a clear path to recovery, and the Government will provide the leadership demanded in these times to set the right course for the country.

*For all of you who invest in our economy, our economy will work for you.*



## THE GLOBAL CONTEXT

Mr. Speaker, I have already noted that the IMF describes 2020 as “a year like no other”. The pandemic has had a severe and worldwide impact on health and global economic activity. The IMF expects the world economy to contract by approximately 4.5% over 2020,<sup>1</sup> an outcome worse than after the Global Financial Crisis and unprecedented in modern peacetime.

All countries have had to implement the same tools as best they can to protect the health of their populations. The economic impact, like the virus, has not respected national boundaries:

- Extensive lockdowns and social distancing measures have caused large contractions and unemployment in sectors such as hospitality, entertainment, travel and tourism; and
- Economic uncertainty has impacted consumer sentiment, with overall spending lower and focused on essential purchases, while rising cases and workplace closures have reduced labour productivity and disrupted supply chains.

Given the severity of the economic dislocation caused by the pandemic, governments around the world have unleashed a massive fiscal response. Interventions are estimated to total upwards of approximately \$14 trillion (approximately 14% of global GDP),<sup>2</sup> well above levels seen in peacetime economic crises.

The bulk of the support has been targeted at healthcare systems and vulnerable households and businesses, through a mix of additional spending or foregone revenue (including temporary tax cuts), financing support (e.g., loans, guarantees) and public sector equity injections.

The fiscal response has largely been funded by increased government borrowing. Globally, fiscal deficits have reached approximately 12% of GDP for 2020 (from 3.8% in 2019), and government debt has risen to 98% of GDP (from 83.5% in 2019).<sup>3</sup>

For 2021, the IMF currently forecasts a rebound in global economic growth of approximately 5.5% as economies bounce back from the ravages of 2020.<sup>4</sup> It acknowledges that this forecast is subject to considerable uncertainty linked to the pace and efficacy of vaccine roll-out worldwide. With a view to debt affordability, it is expecting countries to reduce deficits from their current levels, and to concentrate resources to fund policy actions that will stimulate economic recovery and employment. The IMF calls for a particular focus on policies that raise potential output (e.g., infrastructure investments), ensure participatory growth for all and accelerate the transition to lower carbon dependence.

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1 IMF, World Economic Outlook Update, January 2021

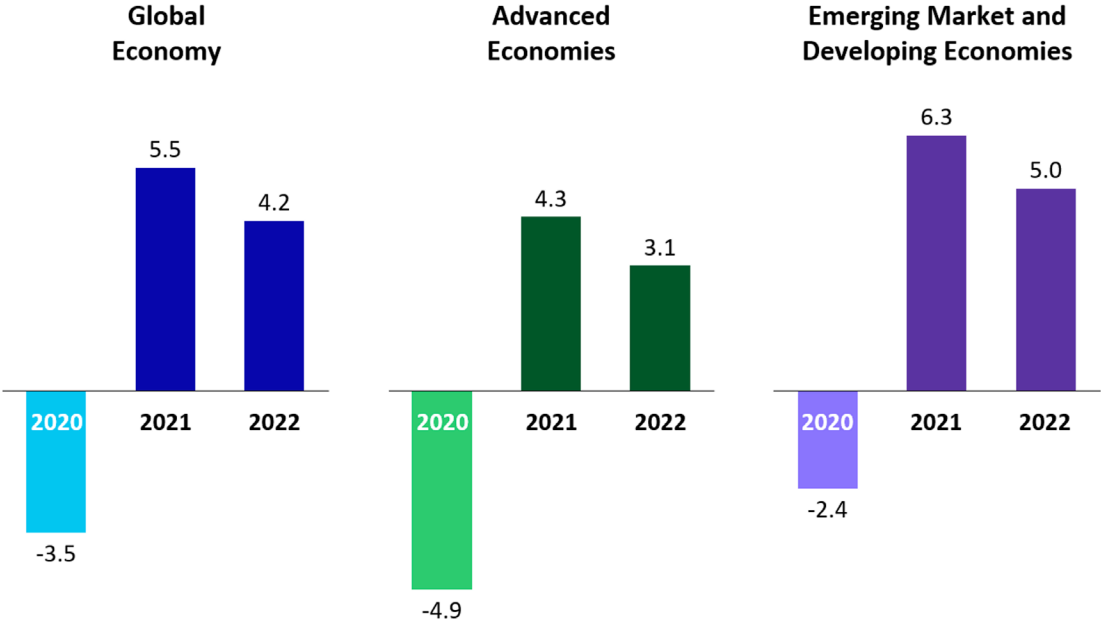
2 IMF, Fiscal Monitor Update, January 2021

3 IMF, Fiscal Monitor Update, January 2021

4 IMF, World Economic Outlook Update, January 2021

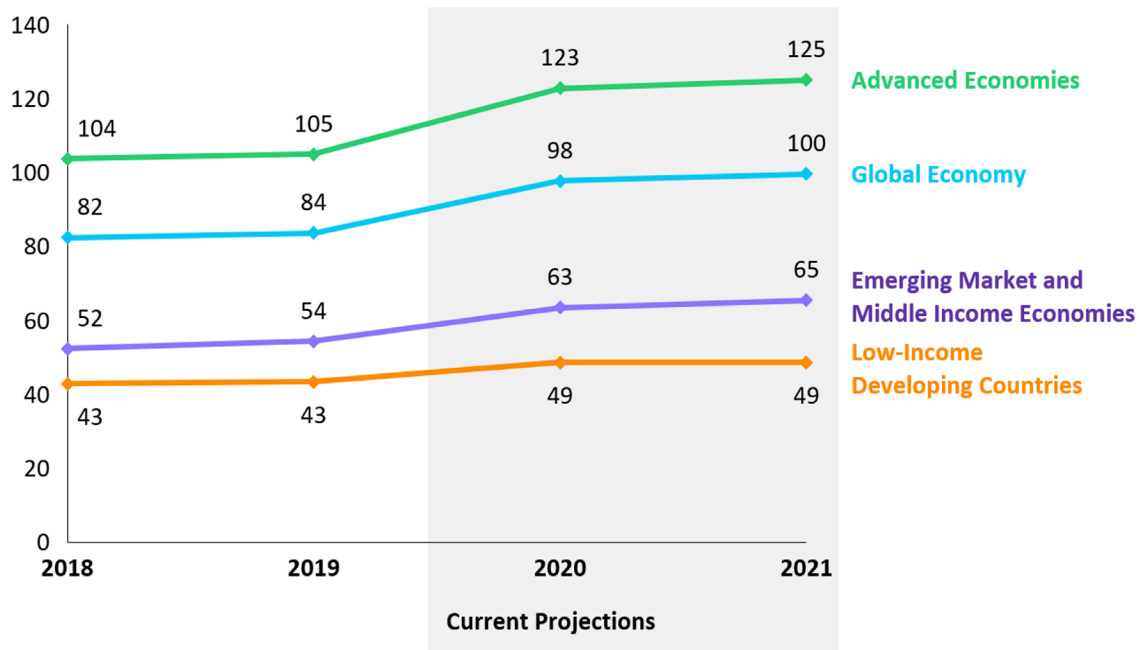
The IMF's forecasts for GDP and the evolution of government debt are shown below.

**Figure 1: World Economic Outlook, % change in real GDP<sup>5</sup>**



<sup>5</sup> IMF, World Economic Outlook Update, January 2021

**Figure 2: Gross government debt, % of GDP<sup>6</sup>**



As the world economy recovers, lenders and international institutional investors will increasingly compare Bermuda to countries that have a similar sovereign credit rating as us. Over the past year, our peers have followed a comparable path to the global economy and increased their debt levels to fund fiscal stimulus. By the end of 2020, their gross debt/GDP will be approximately 58% (approximately 46% in 2019) and gross debt/government revenue will be approximately 180% (approximately 140% in 2019).<sup>7</sup>

Mr. Speaker, as daunting as this sounds, many countries, including ours, are viewing the pandemic as a once-in-a-generation opportunity to address diversity and inclusion, improve access to and participation in the economy, enact fiscal reform, and focus on climate change. We must focus and invest in key infrastructure projects intended to stimulate growth, enhance climate resilience and equip our economy for the future of working in an accelerated digital economy. History shows that, following pandemics, human societies rebound with accelerated innovation and development. Out of past pandemics came the Renaissance, public sanitation, and huge advances in healthcare, changing those societies permanently for the better.

Bermuda’s economy, like that of all small countries, is vulnerable to external events. We have limited levers to address economic shocks and disruption. This requires us to be both realistic and strategic. Thoughtful and innovative. Disciplined and creative. Agile and adept.

<sup>6</sup> IMF, Fiscal Monitor Update, January 2021

<sup>7</sup> Ministry of Finance analysis of World Bank Development Indicators, 2020

Global pandemics aside, we are still contending with the familiar challenges to our international business sector and economic growth. There has never been a better time for us to face these challenges head on, courageously, and with an open mind, consciously using the tools and knowledge we have built over decades and honed during the crisis of the last several months.

Mr. Speaker, the most pressing threat to Bermuda's international business sector, and therefore Bermuda's economy, remains the Organisation for Economic Co-operation and Development's ("OECD") focus on Base Erosion and Profit Shifting ("BEPS"), and the European Union's ("EU") list of non-cooperative tax jurisdictions. Brexit, too, is creating challenges and uncertainty, particularly in our reinsurance market, where there is a new competitive landscape emerging for global reinsurance business – a market we must protect.



## THE LOCAL CONTEXT

Mr. Speaker, approximately 6,000 jobs left our shores following the Global Financial Crisis of 2009. Bermuda had since been growing at a modest 0.8% and diversifying its economy, but not with sufficient pace or time to fully recover before the pandemic.

With the onset of the pandemic, Bermuda's economy suffered a huge shock which increased local unemployment. The Government responded by creating for the first time in its history an emergency unemployment benefit to make sure that people who had lost income due to public health measures could still function and survive.

The impact on our hospitality, restaurants and retail sectors may be easy to quantify in economic terms, but impossible to measure in its human cost. New start-ups using technology to enable restaurant kitchens and retail to continue to deliver food and goods are the perfect example of innovation and community working together. Our community must continue to do all it can to support these sectors – there is nothing more essential to our economy than buying local.

The hospitality industry received a shock like no other. Despite the devastating impact of the pandemic to their bottom line, some of our hospitality partners turned their kitchens to producing food for seniors unable to get out and others in need. They also collaborated with the Government to keep their employees working, notwithstanding the difficult operating environment, and extended a helping hand in other mutually beneficial ways.

Still, other hoteliers found that their operating revenue had been so badly hit that they could not make timely redundancy payments to their staff. Mr. Speaker, it was not acceptable that our people should bear the burden of poor planning by one of the country's largest hospitality employers. We stepped in, ensuring that our people would not be left without in the midst of an economic and public health crisis. Mr. Speaker, it is now public record that these sums have been repaid to the Government, with costs. This was not a matter of good luck, but the result of a prudent and well-advised plan, thoughtfully executed, meeting our people's needs while protecting the public purse.

Mr. Speaker, in terms that speak to the need to stimulate economic activity and promote economic growth, I would invite Honourable Members to take note of some additional stark realities:

- GDP fell by an average of 8.1% in real terms in the first three quarters of the calendar year 2020, a decline fuelled primarily by significantly reduced expenditure on goods and services in the tourism sector;
- Total visitor air and cruise arrivals fell by historic proportions in the calendar year 2020 (84.4% and 98.3% respectively), and spending was only \$69.8 million (-86.6%); and

- The total value of new construction projects started during the first three quarter of the calendar year 2020 fell by 45.4%, from \$88.9 million to \$48.5 million, and the estimated value of construction work put in place fell by 42.2% from \$182.3 million to \$105.9 million.

In contrast, the international business sector – in particular, the insurance sector – has remained resilient during 2020. In 2020, the international business sector provided 4,199 jobs in the economy, reflecting a growth of 4.5 % year over year, or an increase of 179 posts. During 2020, 733 new international companies and partnerships were registered in Bermuda, representing a 7.6 % increase compared with 681 registrations in 2019. The total number of international companies and partnerships stood at 11,874 at the end of 2020, representing growth of 0.5 %. Over the first nine months of 2020, the foreign exchange earnings of the international companies increased by \$16.7 million to \$1.58 billion, representing growth of 1.1 %.

Mr. Speaker, we responded aggressively to counter the healthcare and economic crisis:

- 1) We implemented a phased and adaptive approach involving remote working, shelter in place, border closures, and curfew. A robust programme of testing and contact tracing was also implemented. As highlighted previously, these measures have been largely successful to minimise the impact on human lives, but other measures were necessary to address the economic impact;
- 2) We built, from scratch, a 12-week unemployment benefit programme to assist individuals who lost their jobs and those whose income earnings were impacted significantly due to restrictions imposed as a result of the pandemic. This programme was extended for an additional six weeks and paid over 10,000 people for total payments of approximately \$56.8 million;
- 3) We provided payroll tax relief to the restaurant and bar sector, taxi drivers and the hotel sector in addition to extending the deadline for all relevant entities for filling payroll and corporate services tax while waiving penalties and late fees;
- 4) We provided \$12.0 million of additional funding for the Bermuda Economic Development Corporation (“BEDC”) to provide support for small and medium-sized enterprises; and
- 5) We introduced the “Work from Bermuda” Certificate to allow individuals to come to Bermuda to work or study remotely from the island.

Mr. Speaker, in May 2020, we formed an Economic Advisory Committee (“EAC”) who gave their time to provide insight and expert advice aimed at protecting and growing jobs and stimulating economic activity during and after the pandemic. Since its formation, the committee has played an important role in providing the Government with their expertise, knowledge and advice to support our economic recovery.

Work to address our economic future is ongoing, but there are serious challenges. Today, we have significant financial commitments, including approximately \$3.0 billion in net public debt, financial guarantees for the new airport and Acute Care Wing and the block grant which covers health services. There are also significant actuarial funding gaps in the Public Sector Superannuation Fund, the Government Employees Health Insurance Fund and Bermuda's Contributory Pension Fund. As I will outline shortly, increased spending resulting from the pandemic and funding economic recovery is driving further near-term deficits and increased pressure on public finances.

Mr. Speaker, we were trending in the right direction, although at a slow pace, and the pandemic has forced us to urgently recalibrate. We must act now. Otherwise, as so powerfully put by the young poet laureate Amanda Gorman on the steps of the US Capitol just over a month ago, "we know our inaction and inertia will be the inheritance of the next generation".

## RISKS ON THE HORIZON

Mr. Speaker, in addition to the financial fragility I have set out, Bermuda faces some broader risks over the coming years. The most imminent threats in the next 12 to 24 months include:

- Economic fragility – Consistent with many other countries worldwide, our recovery will be negatively impacted if global growth rates do not recover and if countries find themselves in a continuing round of aggressive pandemic outbreak responses. The same is to be said regarding tourism, which is inextricably linked to the performance of other countries in the public health sphere and economically.
- Geopolitical risks – In the name of achieving a “level playing field”, between sectors in Bermuda and elsewhere, other countries, standard-setting bodies and/or trading blocs, have insisted on commitments that could create a competitive disadvantage to Bermudian businesses. Nonetheless, our key trade partners, together with relevant international organisations, have demonstrated their willingness to engage on these matters. In this regard, we continue to actively engage with the UK Government, the OECD, the Financial Action Task Force (“FATF”), and the EU, together with other countries, to make the case in support of Bermuda’s commitments as a responsible global citizen.
- The future of work – More people may need to transition to new jobs in the post COVID-19 environment as companies review strategies to accelerate automation, increase their technology use and reduce their physical footprint. This government has passed legislation to attract more businesses and workers to the island but we must also remain cognizant of the ability of companies to quickly move resources anywhere in the world, as we have witnessed the widespread adoption of video conferencing technologies when normal business travel was interrupted.
- Climate risk – The existential threat of climate change wrought by global warming is having an impact on countries around the world and Bermuda is no exception. Because of our isolation, Bermuda cannot afford to ignore the threats to our delicate ecosystem. As a result, we continue to enforce a robust planning and environmental protection framework. In addition, we have formed a partnership with the Waitt Foundation and the Bermuda Institute of Ocean Sciences named the Bermuda Ocean Prosperity Programme to introduce a sustainable vibrant blue economy while protecting 20% of our Exclusive Economic Zone (EEZ). We are also working with the UK Government to highlight Bermuda’s strategies for progressing its measures to mitigate and address the impact of climate change pursuant to the 2020 Joint Ministerial Conference.

## **CAROLINE BAY**

Mr. Speaker, in my last Budget Statement I provided an update on the Government's actions in response to demands made on guarantees by the lenders of the Caroline Bay development. At that time, the Government had completed purchases of the loans to satisfy its obligations. Additionally, we had purchased claims from the main contractor, dck Bermuda, Ltd. ("dck"), in order to facilitate payment to many Bermudian subcontractors who had remained unpaid for an extended period of time, in many cases for more than a year.

Mr. Speaker, the Government was supportive of the developers continuing to seek financing to repay the Government and restart the project. However, it became crystal clear that it was not feasible without the people of Bermuda bearing substantial increased financial risk, which I was not prepared to accept. Furthermore, after such a massive financial outlay of public funds, it was imperative that we both ascertain what happened with the financial management of the project and seek a return of as much value as possible.

Mr. Speaker, in March 2020 the Government successfully petitioned the Supreme Court of Bermuda to appoint Joint Provisional Liquidators ("JPLs") over the project companies. Over the course of the last year, the JPLs have ensured that emergency remediation work has been carried out at the site, which has employed several local contractors. Additionally, the JPLs have been engaged in the necessary work to prepare for transfer of the assets to a government-controlled entity. The Government expects this process to be completed in the coming months, at which time a decision will be made on the best way forward.

To date, the financial impact of the Government's guarantee for this failed project has been severe. Close to \$200.0 million of public funds has been unnecessarily tied up and at risk. Not only is there an ongoing interest cost, but this has also significantly reduced the Government's capacity to fund productive investments that could be critical to Bermuda's economic recovery. However, the Government met its commitment under the guarantees as it must, and we are equally committed to using all means necessary to return as much value as we can to the people of Bermuda.

## **THE WAY FORWARD**

Mr. Speaker, the urgency of the economic situation demands action. But with the need to respond to the direct impact of the COVID-19 pandemic comes an opportunity to eliminate the obstacles that have blocked Bermuda's growth for years. We can address the fiscal challenges and reinvent our jobs economy – Bermuda can not only recover but also have a renaissance.

Mr. Speaker, the way forward is an ambitious but achievable plan for economic recovery. The plan combines fiscal responsibility with a clear path to growth, employment and greater economic equity. Derived from the Government's 2020 Platform and November's Throne Speech, informed by leading practices from similar economies and the latest insights taken from successful COVID-19 recovery strategies internationally, our plan will deliver an economy that will work for all.

### **The Economic Recovery Plan**

The development of the Economic Recovery Plan has been a whole-of-government effort and has incorporated detailed input from across the various Ministries. Over the past six months, key stakeholders have been consulted as part of the plan's development, and there has been extensive input from around the Cabinet table. The EAC has also provided detailed and valuable advice throughout the process and input from the Financial Policy Council and the Fiscal Responsibility Panel has also been sought. I want to thank all these stakeholders for their constructive engagement and challenge during this period.

Our economic recovery plan is underpinned by a set of guard rails, key financial metrics and ratios that are closely monitored by rating agencies and global creditors. The plan creates a way forward that enables this government to stay within these guard rails through a disciplined approach to spending on targeted initiatives with the highest expected economic impact, highest probability of successful execution and lowest relative cost.

The Plan will address the impact of the pandemic together with the structural and systemic issues that have been constraining growth. It is intended to expand the existing pillars of our economy while also diversifying into other potential growth sectors. Matters related to reform in the areas of immigration, health, pension and education are already underway, and there is appropriate phasing of the plans to allow for effective implementation.

Mr. Speaker, the development of the plan has been guided by six key principles, which echo the commitments this Government has made to the people of Bermuda and, when executed, will further demonstrate both our determination and ability to deliver on our promises. These principles are as follows:

- 1) **Combatting COVID-19 as a priority** – A continued focus on public health is paramount, without which we jeopardise our ability to move our economy forward – testing and



vaccination, monitoring progress and mitigation efforts are integral components of our economic recovery.

- 2) **Reducing the cost of living** – Reform initiatives will be targeted at reducing the cost of living for all Bermudians.
- 3) **Fairness and equity** – Stimulus and economic policies will ensure access to economic growth and opportunity is enjoyed across all segments of our society, including those most in need.
- 4) **Financial viability** – Funding to support our small and medium-sized businesses will be directed to those that show strong prospects viable long-term success.
- 5) **Fiscal prudence** – Fiscal discipline will continue to be exercised in managing the Government’s finances mindful of existing borrowing levels.
- 6) **Timeliness** – The time is now. Where possible, we will accelerate the implementation of the highest priority initiatives to quickly improve Bermuda’s economic situation.

We will execute this plan mindful of the two key commitments that we made to the country earlier this year. Firstly, that Bermuda will return to a balanced budget in three fiscal years once tourism has fully recovered from the pandemic. Secondly, that Bermuda will maintain the current ceiling on total government debt.

Mr. Speaker, as part of this plan, we developed a long list of initiatives and policy changes to accelerate medium-term economic growth. In making tough choices, we have prioritised those initiatives that focus investment and resources in areas that will have the most significant impact on Bermuda’s medium-term economic growth and employment. With extensive input from across Government, we narrowed down almost 80 policy proposals to 30.

Mr. Speaker, the priority initiatives cut across a number of themes including:

- 1) **Economic diversification** – Diversifying Bermuda’s economy by encouraging growth of new industries.
- 2) **Financial markets** – We will focus on increasing affordable access to capital for businesses and consumers including through measures supporting greater competition within the banking sector. The BEDC will continue to provide support to small and medium-sized businesses that demonstrate strong business plans and long-term viability in the post-pandemic economy.
- 3) **Infrastructure investment** – Building critical new infrastructure and enhancing existing systems. This provides direct and immediate stimulus for our economy, and we have

identified projects including the construction of a shoreside fishing facility, necessary upgrades in the development of a new waste and water management facility and investing in the necessary recharging infrastructure for electric vehicles.

- 4) **Expanding the resident population** – More people means more economic activity, more know-how, more diverse businesses, more for everyone. Every retail business, restaurant, landlord, contractor, landscaper, telecom provider and school wants more customers. More customers means more business, leading to more competition and lower prices.
- 5) **Labour market reforms and social development initiatives** – These will be achieved through the execution of Bermuda’s national jobs strategy and youth employment strategy, education reform, re-establishing national unemployment insurance, and implementing minimum wage legislation and a living wage framework. Simply put, we will ensure that our youth have a way forward to future employment, our people have a safety net for the unexpected, and everyone can expect to be paid at least a minimum wage.
- 6) **Healthcare** – The introduction of affordable universal healthcare and the Bermuda Health Plan will lead to the much-needed reform of healthcare delivery in Bermuda.
- 7) **Regulatory framework** – We will, through legislation and regulation, create an environment that encourages innovation, entrepreneurs, businesses, and start-ups. Examples range from an energy regulatory sandbox that will allow Bermuda to benefit from innovative technology in the energy sector, a marine development zone, and exploring options to encourage FinTech and digital players to innovate on the island.

The importance of environmental sustainability and the economic opportunities afforded by green growth cuts across many of these initiatives. Further work will be undertaken over the coming months to build on the Government’s existing commitments in this area in a way that also leverages Bermuda’s world-class expertise in insurance and international business to establish Bermuda as a world leader in climate risk management.

Mr. Speaker, the Government knows that a good plan poorly executed can be worse than no plan at all. We will have a dedicated project management team, independent from the day-to-day operations of the Government, staffed with people with the right experience, mindset and knowledge so that we can progress these initiatives as quickly as possible to put the economy back on the path to growth. We will appropriately manage and mitigate the risks to ensure that our reputation and environment for quality business are not compromised.

Mr. Speaker, Honourable Members will recall that I recently renewed the remit of the Tax Reform Commission. Their conclusions will also form a critical part of the economic recovery and be integrated into these economic and social policies for the future.

Mr. Speaker, we still have some consultation to conduct. There remain valued partners in other areas of society who must also be invited to share their views on what is recommended.

Mr. Speaker, it is important to note that the Economic Recovery Plan will complement and support the mainstays of our economy: tourism and international business. While the latter has weathered the storm of global conditions and now the impact of the pandemic, the former has been battered by those same storms.

Mr. Speaker, tourism will need every ounce of good fortune and skill to carve out its share of the inevitable pent-up demand that will be released when we finally get to the new normal. Leisure travel will return, and conferences will again be in person. I have every confidence that Bermuda will build on its reputation as a safe place to stay, and our visitors will again enjoy all that we have to offer. This is a tall order, but with the welcome news of the opening of the St. Regis on 22 May and the commitment to redevelop the Fairmont Southampton – incorporating expanded event capabilities to minimise seasonality – tourism renewal can be accomplished.

Mr. Speaker, another example of target stimulus is the planned development of a branded tourism property ideally located on Bermuda's South Shore at the site of the former Grand Atlantic. This economic activity will put Bermudians to work in construction and spark the hiring of Bermudians to run the hotel. Having satisfied myself of the tourism need as well as the proposed plans for the remainder of the development, I am pleased to advise this Honourable House that I have executed a \$10.0 million guarantee to support funding necessary for the completion of the next phase of works. The scope of work has been the subject of an open tender, and pending the award of a contract, work will start early in March with a view to completion in late summer.

## **THE PUBLIC SERVICE**

Mr. Speaker, the machinery of the Public Service often operates invisibly in the background, quietly delivering services to the people of Bermuda, day in and day out. These past 12 months have seen many of the men and women of our public service reinvent themselves, developing skills and services they had neither trained nor planned for. The Public Service has been front and centre this past year. They have been the front line of our public health emergency, processing our friends and family safely through the airport, delivering COVID-19 tests, and protecting public health. Those are a few examples, but there are so many more. Without the hard work and selfless dedication of so many of our public officers, Bermuda would not have been able to effectively meet the challenges of COVID-19.

Notably, in less than a year, we have developed core competencies and expertise that simply did not exist before. We should have confidence that our public servants will continue to meet the challenges of this time for the benefit of all.

Mr. Speaker, I would like to take this opportunity to acknowledge the significant contribution of Mr. Anthony Manders, the former Financial Secretary in the Ministry of Finance whom we unexpectedly and tragically lost last month. The void he has left has been keenly felt as we have worked through this budget process for the first time without him. We have lost a colleague and a friend who possessed unparalleled knowledge about the workings of the government and who will be missed by all who knew him. Everyone who has worked with FS Manders knows that he was dedicated, hard-working and selfless. Anthony was one of my most senior and trusted advisers. He played a key role in advising the Cabinet during the pandemic, helping us navigate the unprecedented economic crisis. I will miss him. We continue to keep his wife Teresa and his sons Jekon, Jaiden and Jamori in our thoughts as they come to terms with such a profound loss in their lives and for the country.

## **2020/21 FISCAL PERFORMANCE**

Mr. Speaker, before commenting further in detail on the estimates for the fiscal year 2021/22 Budget, it is important that I provide an update on the Government's financial performance and the forecast for the current financial period, which has been dramatically impacted by the COVID-19 pandemic.

Mr. Speaker, the Government is forecast to earn \$960.6 million in revenue in 2020/21. This is \$161.6 million (14.4%) less than the \$1.1 billion in the original estimate and is due mainly to the impact of the COVID-19 pandemic on just about all of the Government's revenue sources, the primary impacts being lower payroll tax, customs duty, and the loss of most tourism-related taxes and levies. However, this is an improvement of \$46.5 million over the original revision of \$914.1 million contained in the Pre-Budget Report.

Mr. Speaker, the projected 2020/21 normal operating expenses of the Government are \$880.0 million, or \$55.6 million (5.9%) lower than the original budget of \$935.6 million.

This was accomplished by a number of Government cost-saving initiatives, including:

- A freeze on the funding of vacant posts not required to address COVID-19 or to protect Bermuda's national interests;
- A ban on non-essential government travel;
- Reductions in discretionary spending, including grants, consultancy, training, materials and supplies, clothing and uniforms, etc.; and
- Temporary payroll or government employee overhead savings as a result of negotiations with the unions and including the decision to temporarily suspend matching contributions into the pension funds. We thank those public service unions who participated in the cost savings initiatives for fiscal 2020/21 and advise that, at the conclusion of each individual agreement, there is no intention to extend these initiatives.

However, the Government is estimated to have spent \$127.2 million in unbudgeted COVID-19-related expenses, including:

- Payment of unemployment benefits;
- Purchase of PPE;
- Provision of COVID-19 testing, quarantine facilities and vaccination services;
- Embodying of the Royal Bermuda Regiment;

- Entering into enhanced cleaning contracts;
- Providing grant funding for the BEDC Business Sustainability & Continuity Funding Programme; and
- Funding the Bermuda Airport Authority to honour the airport minimum revenue guarantee with Skyport.

Including these expenses related to COVID-19, the current account expenditure for 2020/21 is projected to be \$1.0 billion, or \$71.6 million (7.7%) higher than budgeted.

The original capital expenditure budget for 2020/21 was \$85.0 million. Following the onset of the COVID-19 pandemic, it was increased to \$93.0 million to help fund essential and other certain capital projects to support economic recovery, provide employment for Bermudians, and improve our quality of life. However, due to delays relating to COVID-19, capital expenditure for 2020/21 is expected to be \$70.1 million, lower than the original budget by \$14.9 million (17.5%).

In the 2020/21 Budget Statement, I advised that the Ministry of Finance intended to take advantage of relatively low interest rates to refinance the loan agreement arranged to satisfy the Caroline Bay obligations and other existing more expensive government debt.

Mr. Speaker, in August 2020 the Government accessed international capital markets to execute on this strategy and also to fund the unbudgeted and ongoing COVID-19 expenses and re-forecasted budget deficits. Due to Bermuda's credit profile, the offering was in high demand by global institutional investors. Not only did we achieve record low spreads to Treasuries, but demand was such to allow Bermuda to upsize the issuance to refinance more debt than initially planned at much lower interest rates. Additionally, we issued Bermuda's first ever 30-year public bond.

Overall, the Government achieved a 0.58% reduction in average interest rates and an 8.4-year extension of Bermuda's debt maturity profile.

Mr. Speaker, this is a validation of the strength of our international reputation and this Government's stewardship of the country and its finances in the most perilous times in a generation.

However, while we reduced the Government's average borrowing costs, total borrowing has increased in order to fund the re-forecasted deficits, as I just mentioned, which offset the interest savings on the existing debt. As a result, debt service costs for 2020/21 are forecast to be \$128.8 million, or \$7.4 million (6.1%) above the original estimate.



Mr. Speaker, given the projections outlined above, the revised estimate of the overall deficit for 2020/21 is \$245.5 million, or \$225.7 million more than the \$19.8 million deficit that was originally projected. As of 31 March 2021, net debt will stand at \$3.0 billion. The Sinking Fund balance will be approximately \$348.8 million, which will be used to help fund future deficits.

## **EXECUTING ON THE AGENDA**

Mr. Speaker, I have alluded several times in these remarks to the fiscal challenges that have been caused by the pandemic. This will be a particularly challenging year for us; however, it will be one in which the public will be able to marry our fiscal allocations directly to the promises we have made and hold us accountable for their delivery.

The jobs and economic benefits of the Economic Recovery Plan are expected beyond this fiscal year, but we must invest now for our future. Our room for manoeuvre is very limited, and we must make difficult choices now to avoid even harder choices in the future.

In line with international growth expectations, we expect economic growth to experience a modest bounce back this year. With significant expert input from the EAC and others, our central projection is for conservative economic growth of approximately 3.5% with a modest rebound across all our major domestic and international business sectors, but with a conservative view of the recovery of tourism and air travel.

Mr. Speaker, a targeted approach has been taken to analysing the Government's current outlays and identifying potential areas where efficiencies could be made. Areas of most substantial efficiencies have been identified, and these align well with broader programmes of reform that are underway to identify more efficient and effective delivery models.

Mr. Speaker, Ministry budget ceilings have been achieved through an arduous and introspective process led by Ministers, Permanent Secretaries, Heads of Department and Controllers. For the avoidance of doubt, this Budget:

- Does NOT reduce any scholarship allocation across Ministries;
- Does NOT require any redundancies or further reductions in staffing; and
- Does NOT reduce or eliminate critical programmes like the child day-care allowance, the summer student employment programme, or support to seniors in rest home care.

Mr. Speaker, as the estimates of expenditure will reveal, the largest Ministry allocations are in Health, Education, National Security and Labour. The largest increase year over year is within the Ministry of Social Development and Seniors.

## 2021/22 BUDGET ESTIMATES

Mr. Speaker, the 2021/22 National Budget allocates \$1.1 billion in total spending. This level of spending represents an \$18.6 million or 1.6% decrease over the 2020/21 original estimates and an \$82.7 million or 6.9% decrease over the 2020/21 revised estimate. Given the sustained impact of the COVID-19 pandemic, revenues are forecast to decrease by 11.0% or \$123.3 million. Before interest on debt and capital expenditure, the current account balance is budgeted to be a surplus of \$95.9 million.

The current account balance, after interest, is budgeted at a deficit in the amount of \$31.8 million. This represents a decrease in the current account surplus of \$97.1 million when compared with the 2020/21 Budget, but a \$143.5 million improvement over the revised budget estimate for 2020/21.

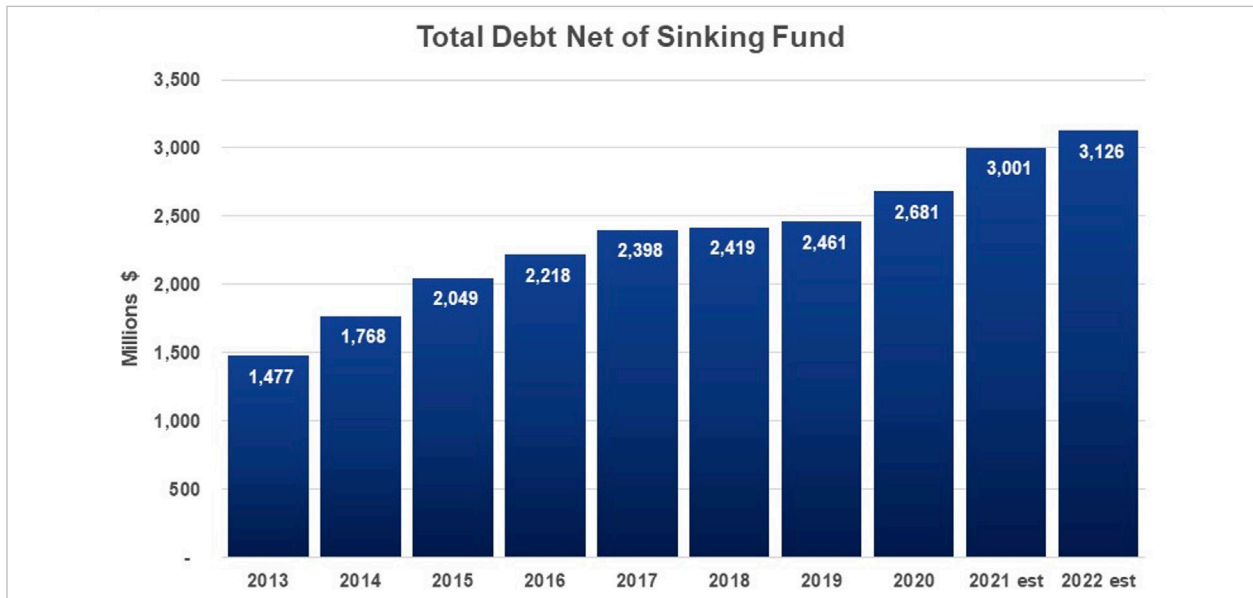
Given the above, Mr. Speaker, the Government plans to run a budget deficit of \$124.5 million in 2021/22, which is \$120.8 million less than the revised estimate of a \$245.5 million deficit for 2020/21.

	ESTIMATE 2020/21 \$000	REVISED ESTIMATE 2020/21 \$000	ESTIMATE 2021/22 \$000
<b>Revenue and Expenditure Estimates</b>			
Revenue	1,122,171	960,575	998,865
Current Account Expenditure(excl.debt service)	(935,566)	(880,000)	(888,000)
COVID-19 Contingency	0	(127,231)	(15,000)
Current Account Balance(excl.debt service)	186,605	(46,656)	95,865
Interest on Debt	(121,400)	(128,750)	(127,750)
Surplus (Deficit) Available for Capital Expenditure	65,205	(175,406)	(31,885)
Capital Expenditure	(85,008)	(70,070)	(92,864)
Budget Surplus (Deficit)	(19,803)	(245,476)	(124,749)

Mr. Speaker, the projected current account balance (excluding debt service) indicates whether revenues can support the day-to-day cost of running the government, excluding interest on debt and capital expenditure. This year's Budget, with a current account surplus of \$95.9 million, has sufficient revenue to cover the day-to-day running of government.

Mr. Speaker, as already mentioned before, the Government has no plans to borrow in order to finance this fiscal year's deficit of \$124.7 million. The deficit will be financed by using a portion of the funds that currently sit in the Sinking Fund.

Mr. Speaker, as at 31 March 2022, it is estimated that gross public debt will remain at the same level as 31 March 2021, at \$3.35 billion, and debt, net of the Sinking Fund, will be \$3.1 billion, \$370.0 million below the debt ceiling.



## Revenues

Mr. Speaker, as I signalled in the Pre-Budget Report, some revenue-raising measures were under consideration. I am pleased to advise this Honourable House of the following:

- Payroll tax relief to troubled sectors will be continued through 31 March 2022;
- The “Tax Incentives to Grow Jobs” programme will be continued through 31 March 2022;
- The Retail Shops (Temporary Customs Duty Relief) Act 2008, which provides a zero rate of customs duty on imported capital goods intended for renovation and refurbishment of retail shops, will be extended for a further five years through 31 March 2026;
- The 2015 land valuation list will remain in force for a further 10 years, and as such, there will be no increases to land tax, and the bands will remain as is;
- To further strengthen the regulatory oversight undertaken by the Registrar of

Companies (“ROC”) and to support the digitisation of the functions of the ROC to meet changing international obligations and increase efficiency, there will be increases within the fee structure of the ROC which will take effect in the coming fiscal year. Bermuda cannot fail to compete with other jurisdictions recognising the bedrock of our revenue generation is the very sector supervised by the ROC.

Mr. Speaker, there are no other meaningful increases to the cost of government services or other fees and taxes. There is a fragility to local finances that cannot be further strained by increased taxes.

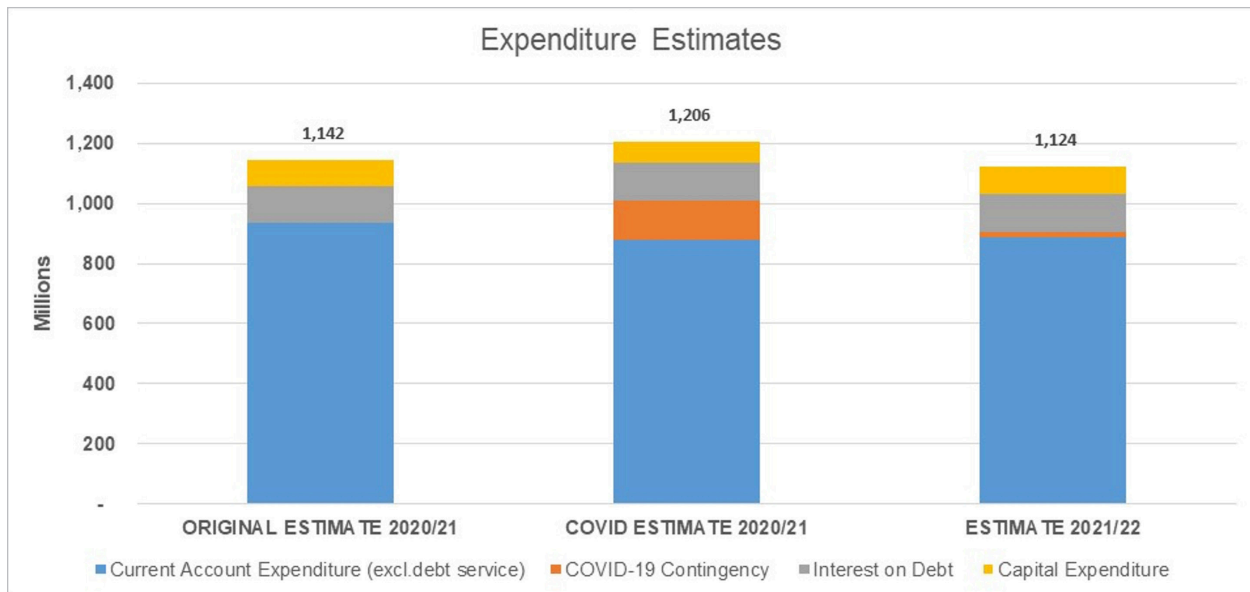
Mr. Speaker, the revenue estimate for 2021/22 is \$998.9 million, \$123.3 million or 11.0% lower than the original estimate for the previous year and \$38.3 million or 4.0% higher than the revised budget for 2020/21. The most significant decreases will be in relation to the continued impact of the COVID-19 pandemic on the global economy through the lack of cruise and air travel (forecast to be down \$20.7 million versus the 2020/21 original budget) as well as customs duty and payroll tax (forecast to be down \$34.4 million and \$19.3 million, respectively).

## **Expenditure**

Mr. Speaker, total expenditure including debt service of \$127.8 million and capital investment of \$92.9 million is estimated at \$1.1 billion, \$18.4 million or 1.6% lower than the original estimate for 2020/21. The primary reason for this decrease relates to the Government’s proactive approach to cutting expenditure across all Ministries by an average of 5.1% and a lower spend on COVID-19 related expenses as the COVID-19 vaccine is more widely distributed locally and globally.

Mr. Speaker, this level of spending will enable the Government to execute on its priorities of improving the quality of education for our children, improving the healthcare system and providing adequate support to our citizens who are less fortunate and more vulnerable. It will also allow us to provide targeted investments to grow and diversify the Bermuda economy and to recover from the impact of the COVID-19 pandemic in as fiscally prudent a manner as is possible.

Operating expenditure in 2021/22 is forecast to be \$888.0 million. This amount represents a decrease of \$47.6 million or 5.1% when compared to the 2020/21 original estimate of \$935.6 million.



Mr. Speaker, to properly manage and allocate public finances in support of the Government’s mandate, the Public Service must be the right mix of human resources, programmes and prudent spending. Achieving this is no easy task, but in this coming fiscal year, we will renew the effort. Therefore, in fiscal year 2021/22 I have determined to defund any vacant post unless the funding for it has been allocated in support of delivering a service or active recruitment for the post is underway. This results in estimated savings to the public purse of approximately \$20.0 million.

This will mean that the Public Service will trim its sails to meet the actual tasks required, managing public expectations accordingly, and the funding that remains will be put to better use achieving greater value for money. Budget processes will require policy prioritisation at the start to facilitate a better alignment of the allocation of limited resources with the Government’s overall policy initiatives and objectives.

### Debt Service

Mr. Speaker, debt service costs for the fiscal year 2021/22 are projected at \$127.8 million. Approximately \$5.4 million of this is due to the debt related to the Caroline Bay project.

As I mentioned earlier, in August 2020 the Government borrowed additional funds to refinance and pre-fund unexpected expenses and deficits due to the impacts of COVID-19. Had we not had to do so, debt service for 2021/22 would be forecast at \$111.2 million, meaning the capital markets transaction would have resulted in a savings of approximately \$16.6 million next year, and \$17.6 lower than interest expense for 2020/21.

Mr. Speaker, in April 2020, in anticipation of the negative impacts of the COVID-19 pandemic, the Government raised the debt ceiling by \$150 million to \$2.9 billion to ensure



it could raise the necessary liquidity to fund a variety of public health and emergency financial measures to support Bermuda's people and economy. In July, in anticipation of accessing the capital markets as I mentioned earlier, the Government further raised the ceiling by \$600 million to \$3.5 billion.

Mr. Speaker, while we accept that increased debt was necessary due to COVID-19 and the Caroline Bay obligations, the current debt ceiling is set as an important guard rail in our economic recovery plan that we do not expect to breach. In fact, we expect that a surplus budget beginning in 2023/24 will allow Bermuda to continue with our pre-pandemic debt management strategy, which included 1) balanced budgets, 2) no further increases in the debt ceiling, and 3) applying surpluses to reduce debt.

### **Capital Expenditure**

Mr. Speaker, the Government's capital expenditure plan is a collection of maintenance, remediation and new works intended to preserve the integrity of the government estate, encourage infrastructure improvement and to provide a measured economic stimulus in times like these.

The capital plan for fiscal year 2021/22 is set at \$92.9 million and will achieve these broad intentions playing a vital role in economic recovery. The highlights of the plan include:

- The development of a shore side facility to support a new fishing cooperative;
- Renewed grants to community clubs and community organisations;
- Desperately needed upgrades to the physical plant of the Mid-Atlantic Wellness Institute, consistent with this Government's approach to the importance of mental health;
- Long-awaited upgrades to the Marine & Ports workshop and the Department of Public Transport's HQ, both of which address longstanding concerns around worker safety and working conditions.

## CONCLUSION

Mr. Speaker, there is an understandable fatigue in our society. Compliance with rules and guidelines that dictate our actions down to the very distance we must keep from one another have shredded our nerves and taxed our patience. We have all weathered a year of unforeseen changes brought on by this pandemic; everyone's lives have been disrupted. Whether working from home or being forced to wear a mask around people we consider friends or even our families, we are tired.

But, Mr. Speaker, we cannot lose heart now. In fact, as we witness the unprecedented challenges being experienced by other countries, Bermuda should be proud. The energy to push that extra mile should be found in the fact that we are in the top five in the world for testing and have a vaccination programme that is an envy of other countries. Our unity of purpose, followed by action, has enabled us to persist and reopen this economy. This Government's leadership, combined with much-needed programmes by churches, the third sector, and the private sector, have reached far into society to provide the support and relief required for our people to soldier on.

Mr. Speaker, I am the son of parents who worked hard and sacrificed so that I could have opportunities they did not have. I had a strong and dedicated mother who made sure that, after graduating from the Berkeley Institute, I went off to college. I worked hard, really hard, and now, thankfully, I hope that I am able to give back to my country what I have learned in my years working both internationally and locally.

Mr. Speaker, I am also a husband and a father of three wonderful children, one of whom is now a young adult. I want my children's future in Bermuda to be one of opportunity and full of possibility. I want for them what all parents want – a future where they will each enjoy the dignity of work, and the ambition to pursue their passion, raise their family and live a life of meaning.

So, I know what it is like to have a parent who sacrifices for my education, and I also understand how to make sure that we manage our debt, balance a budget, and do not spend money today that our children will have to repay tomorrow.

Mr. Speaker, yes, we are still in a pandemic, but we are focused now on building the economy with a view to the future – all its many and unknowable possibilities. Part of that is continuing our world-class COVID-19 testing platform and delivering vaccines. Protecting the public health is an essential and necessary part of our economic recovery.

And our new economy cannot look like our economy of the past. It must be better.

It must not only be diversified but must actively engage diversity.

It must not only be stable but must cultivate innovation.

If there are obstacles to growth, we must remove them, quickly.

This future economy requires all of us to dig deep, collaborate, listen, and most of all not fear change. If you do fear change, face that fear ... have courage and press on. This is not a time to be timid.

These are the ingredients it will take to successfully execute our Economic Recovery Plan and build an economy that all can participate in – *an economy that works for all of us*.

During this pandemic we have welcomed close to 400 new people to our shores with the one-year residential certificate, and we must welcome more. We must welcome newcomers not only to buy our groceries and use our services, but also to bring us new skills, knowledge and capital. That so many have come in the midst of a pandemic is the ultimate compliment to our island nation. Their arrival strengthens us, and diversifies our community and our economy to the benefit of all.

Yes, the new way forward requires us to be open to change, but have confidence that these changes will have the welfare of our people and our future generations embedded in all that we do.

Have confidence that we have the right leadership, the right mindset, culture, and work ethic to turn adversity into opportunity as our forefathers did. If we bring the same confidence, discipline, skill and resilience to resetting our economy as we have to tackling this pandemic, our future will be very bright.

So, take the opportunities that we will work to create. Seize them. Work hard. Play your part in the renewal of Bermuda's promise so that you are not just surviving but thriving.

Mr. Speaker, I humbly present for the consideration of this Honourable House, the Estimates of Revenue and Expenditure for the Fiscal Year 2021/22.

Thank you.

Table 1

**GOVERNMENT  
OF  
BERMUDA**

**SUMMARY OF  
CONSOLIDATED FUND  
ESTIMATES FOR 2021/22 TO 2023/24**

<b>ACTUAL 2019/20 \$000</b>		<b>ORIGINAL ESTIMATE 2020/21 \$000</b>	<b>REVISED ESTIMATE 2020/21 \$000</b>	<b>ESTIMATE 2021/22 \$000</b>	<b>ESTIMATE 2022/23 \$000</b>	<b>ESTIMATE 2023/24 \$000</b>
<b>Revenue and Expenditure Estimates</b>						
1,086,351	1	1,122,171	960,575	998,865	1,048,808	1,101,249
930,606	2	935,566	880,000	888,000	896,880	905,849
716	3	0	127,231	15,000	0	0
155,029	3	186,605	(46,656)	95,865	151,928	195,400
120,482	4	121,400	128,750	127,750	127,750	127,750
34,547		65,205	(175,406)	(31,885)	24,178	67,650
0	5	0	0	0	0	0
34,547	6	65,205	(175,406)	(31,885)	24,178	67,650
67,069	7	85,008	70,070	92,864	65,000	65,000
(32,522)	8	(19,803)	(245,476)	(124,749)	(40,822)	2,650
<b>Sources of Financing</b>						
32,522	9	0	0	0	0	0
0	10	19,803	245,476	124,749	40,822	(2,650)
32,522	11	19,803	245,476	124,749	40,822	(2,650)
<b>Capital Appropriations</b>						
64,715	12	85,008	70,070	92,864	65,000	65,000
0	13	0	0	0	0	0
64,715	14	85,008	70,070	92,864	65,000	65,000
0	15	0	0	0	0	0
(6,249)	16	0	0	0	0	0
58,466	17	85,008	70,070	92,864	65,000	65,000
8,603	18	0	0	0	0	0
67,069	19	85,008	70,070	92,864	65,000	65,000
67,069	20	85,008	70,070	92,864	65,000	65,000
0	21	0	0	0	0	0
<b>Consolidated Fund Balance (March 31)</b>						
1,000	22	1,000	1,000	1,000	1,000	1,000
0	23	0	0	0	0	0
(3,160,586)	24	(3,128,412)	(3,406,062)	(3,530,811)	(3,571,633)	(3,568,983)
<b>(3,159,586)</b>	25	<b>(3,127,412)</b>	<b>(3,405,062)</b>	<b>(3,529,811)</b>	<b>(3,570,633)</b>	<b>(3,567,983)</b>

<b>TYPE</b>	<b>DESCRIPTIONS</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
Revenue	Growth, Tax Reform and Rate Increases	(11.6)%	(11)%	5.0%	5.0%
Expenditure	Spending Reductions/Increases	(5.4)%	(5.1)%	1.0%	1.0%
Debt Repayment	Senior Notes Due				
Budget Surplus	Debt Re-purchases and/or Sinking Fund Contributions				up to 75%
<b>GROSS DEBT</b>	Position as at end of year	<b>3,350,000</b>	<b>3,350,000</b>	<b>3,350,000</b>	<b>3,347,750</b>

Table II

## ANALYSIS OF CURRENT ACCOUNT REVENUE

HEAD (1)	REVENUE DESCRIPTION (2)	2019/20	2020/21	2020/21	2021/22	DIFFERENCE	
		ACTUAL (\$000) (3)	ORIGINAL (\$000) (4)	REVISED (\$000) (5)	ESTIMATE (\$000) (6)	2020/21 vs 2021/22 (\$000) (7)	% (8)
<b>TAXES &amp; DUTIES</b>							
12	CUSTOMS DUTY	221,897	235,000	195,000	200,610	(34,390)	(15)
27	SALE OF LAND TO NON-BERMUDIANS	3,149	5,500	5,700	5,500	0	0
29	TIMESHARING TAX	80	0	0	0	0	0
38	PASSENGER TAXES	31,907	25,200	0	4,500	(20,700)	(82)
38	STAMP DUTIES	19,580	24,567	20,746	22,127	(2,440)	(10)
38	BETTING TAX	80	150	67	71	(79)	(53)
38	LAND TAX	84,498	85,500	71,675	78,842	(6,658)	(8)
38	FOREIGN CURRENCY PURCHASE TAX	25,696	26,250	21,782	23,416	(2,834)	(11)
38	PAYROLL TAX	465,018	467,000	441,300	447,700	(19,300)	(4)
38	HOTEL OCCUPANCY	8,961	10,000	1,000	2,000	(8,000)	(80)
38	CORPORATE SERVICE TAX	5,439	5,300	5,813	6,104	804	15
38	FINANCIAL SERVICES TAX	12,369	12,000	11,228	11,790	(210)	(2)
38	TRANSPORT INFRASTRUCTURE TAX	0	11,100	0	2,000	(9,100)	(82)
<b>FEES, PERMITS &amp; LICENCES</b>							
03	LIQUOR LICENCES	673	534	534	534	0	0
12	OTHER CUSTOMS FEES & CHARGES	2,085	2,500	1,624	1,624	(876)	(35)
12	WHARFAGE	853	900	749	749	(151)	(17)
13	POST OFFICE	3,439	4,131	4,123	4,006	(125)	(3)
27	IMMIGRATION RECEIPTS	16,294	18,367	18,375	12,237	(6,130)	(33)
29	TRADE & SERVICE MARK	1,618	1,504	1,199	1,402	(102)	(7)
30	FERRY SERVICES	1,055	1,242	206	1,143	(99)	(8)
30	SERVICES TO SEABORNE SHIPPING	3,150	3,456	799	3,300	(156)	(5)
32	PLANNING FEES AND SEARCHES	1,158	1,170	795	1,077	(93)	(8)
34	VEHICLE LICENCES AND REGISTRATION	29,784	31,060	29,527	29,035	(2,025)	(7)
35	BUS REVENUES	5,479	7,350	1,095	2,849	(4,501)	(61)
36	SOLID WASTE	5,004	5,568	3,953	5,410	(158)	(3)
36	WATER	3,002	5,198	5,540	4,999	(199)	(4)
36	RENTALS	1,918	2,042	2,208	1,981	(61)	(3)
39	COMPANIES - INTERNATIONAL	65,155	66,490	66,490	69,397	2,907	4
39	COMPANIES LOCAL	2,279	2,750	2,750	2,737	(13)	(0)
39	COMPANIES LICENCES	765	1,000	995	959	(41)	(4)
48	CIVIL AVIATION RECEIPTS	21,147	17,300	5,750	10,000	(7,300)	(42)
79	PLANT PRODUCTION & MARKETING CTRE	208	204	159	168	(36)	(18)
89	TELECOMMUNICATIONS RECEIPTS	17,527	17,876	14,351	15,558	(2,318)	(13)
<b>OTHER RECEIPTS</b>							
03	FINES AND FORFEITURES	3,153	3,315	3,329	3,235	(80)	(2)
11	INTEREST ON DEPOSITS	2,479	2,067	2,067	2,000	(67)	(3)
	OTHER REVENUE	19,452	18,580	19,647	19,805	1,225	7
		<b>1,086,351</b>	<b>1,122,171</b>	<b>960,576</b>	<b>998,865</b>	<b>(123,306)</b>	<b>(11)</b>

Table III

**SUMMARY BY DEPARTMENT OF CURRENT ACCOUNT EXPENDITURE**

HEAD (1)	DESCRIPTION (2)	2019/20	2020/21	2020/21	2021/22	DIFFERENCE	
		ACTUAL (\$000) (3)	ORIGINAL (\$000) (4)	REVISED (\$000) (5)	ESTIMATE (\$000) (6)	2020/21 vs 2021/22 (\$000) (7)	% (8)
<b>NON-MINISTRY DEPARTMENTS</b>							
01	GOVERNOR & STAFF	1,329	1,395	1,340	1,279	(116)	(8)
02	LEGISLATURE	5,290	5,766	5,766	5,289	(477)	(8)
05	OFFICE OF THE AUDITOR	3,527	4,205	3,838	3,988	(217)	(5)
56	HUMAN RIGHTS COMMISSION	1,142	1,269	1,219	1,200	(69)	(5)
63	PARLIAMENTARY REGISTRAR	798	1,571	1,571	1,346	(225)	(14)
85	OMBUDSMAN'S OFFICE	1,061	1,079	1,079	990	(89)	(8)
92	INTERNAL AUDIT	1,312	1,434	1,351	1,356	(78)	(5)
98	INFORMATION COMMISSIONER'S OFFICE	992	1,061	1,013	990	(71)	(7)
101	PRIVACY COMMISSIONER'S OFFICE	96	567	567	582	15	3
		<b>15,547</b>	<b>18,347</b>	<b>17,744</b>	<b>17,020</b>	<b>(1,327)</b>	<b>(7)</b>
<b>CABINET OFFICE DEPARTMENTS</b>							
09	CABINET OFFICE	15,439	17,331	30,955	39,022	21,691	125
13	POST OFFICE	9,905	10,502	9,781	9,194	(1,308)	(12)
14	DEPT. OF STATISTICS	2,122	2,493	2,360	2,234	(259)	(10)
26	DEPT. OF HUMAN RESOURCES	3,385	3,813	3,649	0	(3,813)	(100)
43	DEPT. OF INFORMATION & DIGITAL TECH.	6,385	7,013	7,116	7,932	919	13
51	DEPT. OF COMMUNICATIONS	3,126	2,764	2,527	2,890	126	5
61	DEPT. OF EMP & ORG. DEVELOPMENT	1,575	1,672	1,603	6,897	5,225	313
67	DEPT. OF INFORMATION & COMM. TECH.	949	0	0	0	0	0
80	PROJECT MANAGEMENT & PROCUREMENT	759	930	826	682	(248)	(27)
94	DEPT. OF ECONOMIC DEVELOPMENT	0	1,727	1,652	2,130	403	23
		<b>43,645</b>	<b>48,245</b>	<b>60,469</b>	<b>70,981</b>	<b>22,736</b>	<b>47</b>
<b>MINISTRY OF LEGAL AFFAIRS &amp; CONSTITUTIONAL REFORM</b>							
87	MIN. OF LEGAL AFF. & CONSTIT. REF. HQ	5,692	6,735	6,735	5,802	(933)	(14)
03	JUDICIAL DEPARTMENT	8,088	8,943	8,243	8,808	(135)	(2)
04	ATTORNEY GENERAL'S CHAMBERS	4,945	5,428	5,836	5,437	9	0
74	DEPT. OF COURT SERVICES	4,114	4,727	4,471	4,656	(71)	(2)
75	DEPT. OF PUBLIC PROSECUTIONS	3,151	3,444	3,242	2,961	(483)	(14)
88	NATIONAL DRUG CONTROL	4,373	4,418	4,262	4,292	(126)	(3)
		<b>30,363</b>	<b>33,695</b>	<b>32,789</b>	<b>31,956</b>	<b>(1,739)</b>	<b>(5)</b>
<b>MINISTRY OF FINANCE</b>							
10	MIN. OF FINANCE HQ	5,565	6,044	5,451	16,889	10,845	179
11	ACCOUNTANT GENERAL	86,244	85,850	59,203	72,261	(13,589)	(16)
28	SOCIAL INSURANCE	4,492	4,975	4,967	4,611	(364)	(7)
38	OFFICE OF THE TAX COMMISSIONER	3,508	3,836	3,656	3,685	(151)	(4)
39	REGISTRAR OF COMPANIES	3,251	4,387	3,879	4,817	430	10
58	DEBT & LOAN GUARANTEES	120,482	121,400	128,750	127,750	6,350	5
		<b>223,542</b>	<b>226,492</b>	<b>205,906</b>	<b>230,013</b>	<b>3,521</b>	<b>2</b>
<b>MINISTRY OF EDUCATION</b>							
16	MIN. OF EDUCATION HQ	3,002	4,523	4,482	4,160	(363)	(8)
17	DEPT. OF EDUCATION	115,028	113,781	108,232	105,592	(8,189)	(7)
18	LIBRARIES & ARCHIVES	2,932	3,252	3,117	2,975	(277)	(9)
41	BERMUDA COLLEGE	15,906	15,906	15,906	15,383	(523)	(3)
		<b>136,868</b>	<b>137,462</b>	<b>131,737</b>	<b>128,110</b>	<b>(9,352)</b>	<b>(7)</b>



Table III

**SUMMARY BY DEPARTMENT OF CURRENT ACCOUNT EXPENDITURE**

- continued

HEAD (1)	DESCRIPTION (2)	2019/20	2020/21	2020/21	2021/22	DIFFERENCE	
		ACTUAL (\$000) (3)	ORIGINAL (\$000) (4)	REVISED (\$000) (5)	ESTIMATE (\$000) (6)	2020/21 vs 2021/22 (\$000) (7)	% (8)
<b>MINISTRY OF HEALTH</b>							
21	MIN. OF HEALTH HQ	14,648	12,505	25,946	9,408	(3,097)	(25)
22	DEPT. OF HEALTH	27,468	28,817	28,077	27,912	(905)	(3)
24	HOSPITALS	153,513	147,251	147,251	147,251	0	0
91	HEALTH INSURANCE	3,585	3,755	3,349	2,669	(1,086)	(29)
		<b>199,214</b>	<b>192,328</b>	<b>204,623</b>	<b>187,240</b>	<b>(5,088)</b>	<b>(3)</b>
<b>MINISTRY OF LABOUR</b>							
44	MIN. OF LABOUR HQ	0	0	0	1,458	1,458	0
27	IMMIGRATION	4,265	5,504	5,256	5,234	(270)	(5)
55	FINANCIAL ASSISTANCE	50,677	50,944	53,402	51,406	462	1
60	WORKFORCE DEVELOPMENT	3,918	4,295	64,172	3,602	(693)	(16)
		<b>58,860</b>	<b>60,743</b>	<b>122,830</b>	<b>61,700</b>	<b>957</b>	<b>2</b>
<b>MINISTRY OF TRANSPORT</b>							
48	MIN. OF TRANSPORT HQ	43,049	38,828	59,531	15,504	(23,324)	(60)
30	MARINE & PORTS	19,512	21,662	18,044	19,572	(2,090)	(10)
34	TRANSPORT CONTROL DEPARTMENT	4,630	5,451	4,456	4,496	(955)	(18)
35	PUBLIC TRANSPORTATION	21,053	22,368	19,775	19,532	(2,836)	(13)
		<b>88,244</b>	<b>88,309</b>	<b>101,806</b>	<b>59,104</b>	<b>(29,205)</b>	<b>(33)</b>
<b>MINISTRY OF PUBLIC WORKS</b>							
36	MIN. OF PUBLIC WORKS HQ	8,080	6,205	12,462	5,612	(593)	(10)
53	BERMUDA HOUSING CORP	6,050	6,050	6,050	6,050	0	0
68	PARKS	8,753	9,289	7,110	8,762	(527)	(6)
81	PUBLIC LANDS & BUILDINGS	19,549	19,919	18,220	19,610	(309)	(2)
82	WORKS & ENGINEERING	32,959	29,299	28,141	26,976	(2,323)	(8)
		<b>75,391</b>	<b>70,762</b>	<b>71,983</b>	<b>67,010</b>	<b>(3,752)</b>	<b>(5)</b>
<b>MINISTRY OF YOUTH, CULTURE &amp; SPORTS</b>							
71	MIN. OF YOUTH, CULTURE & SPORTS HQ	1,666	2,191	2,191	1,369	(822)	(38)
20	YOUTH, SPORT & RECREATION	9,556	10,109	9,976	9,591	(518)	(5)
52	DEPARTMENT OF CULTURE	1,754	2,083	2,035	1,973	(110)	(5)
		<b>12,976</b>	<b>14,383</b>	<b>14,202</b>	<b>12,933</b>	<b>(1,450)</b>	<b>(10)</b>
<b>MINISTRY OF NATIONAL SECURITY</b>							
83	MIN. OF NATIONAL SECURITY HQ	2,389	2,372	3,933	1,995	(377)	(16)
06	DEFENCE	7,498	7,959	14,250	7,282	(677)	(9)
07	POLICE	64,220	61,802	61,443	61,298	(504)	(1)
12	CUSTOMS	17,846	17,195	16,210	16,086	(1,109)	(6)
25	DEPT. OF CORRECTIONS	27,568	25,582	25,420	22,829	(2,753)	(11)
45	FIRE SERVICES	13,987	14,377	14,560	13,137	(1,240)	(9)
		<b>133,508</b>	<b>129,287</b>	<b>135,816</b>	<b>122,627</b>	<b>(6,660)</b>	<b>(5)</b>

Table III

**SUMMARY BY DEPARTMENT OF CURRENT ACCOUNT EXPENDITURE**  
**- continued**

HEAD (1)	DESCRIPTION (2)	2019/20	2020/21	2020/21	2021/22	DIFFERENCE	
		ACTUAL (\$000) (3)	ORIGINAL (\$000) (4)	REVISED (\$000) (5)	ESTIMATE (\$000) (6)	2020/21 vs 2021/22 (\$000) (7)	% (8)
<b>MINISTRY OF SOCIAL DEVELOPMENT &amp; SENIORS</b>							
86	MIN. OF SOCIAL DEVELOP. & SENIORS HQ	0	0	0	6,084	6,084	0
23	CHILD & FAMILY SERVICES	16,373	16,441	16,451	17,649	1,208	7
		<b>16,373</b>	<b>16,441</b>	<b>16,451</b>	<b>23,733</b>	<b>7,292</b>	<b>44</b>
<b>MINISTRY OF HOME AFFAIRS</b>							
93	MIN. OF HOME AFFAIRS HQ	1,979	3,575	3,479	2,676	(899)	(25)
29	REGISTRY GENERAL	1,607	1,820	1,720	1,047	(773)	(42)
32	DEPT. OF PLANNING	2,982	3,348	3,197	3,390	42	1
49	LAND VALUATION	937	1,034	998	994	(40)	(4)
79	ENVIRONMENT AND NATURAL RESOURCES	7,910	8,352	7,919	8,038	(314)	(4)
89	ENERGY	641	880	849	790	(90)	(10)
97	LAND TITLE & REGISTRATION	1,217	1,463	1,463	1,388	(75)	(5)
		<b>17,273</b>	<b>20,472</b>	<b>19,625</b>	<b>18,323</b>	<b>(2,149)</b>	<b>(10)</b>
		<b>1,051,804</b>	<b>1,056,966</b>	<b>1,135,981</b>	<b>1,030,750</b>	<b>(26,216)</b>	<b>(2)</b>

Table IV

## ANALYSIS OF CURRENT ACCOUNT EXPENDITURE BY OBJECT ACCOUNT

EXPENDITURE						DIFFERENCE	
OBJECT CODE DESCRIPTION	2019/20	2020/21	2020/21	2021/22	2020/21 vs 2021/22		
	ACTUAL	ORIGINAL	REVISED	ESTIMATE	(\$000)	%	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
SALARIES	312,532	336,705	319,210	319,157	(17,548)	(5)	
WAGES	78,904	69,407	69,208	65,343	(4,064)	(6)	
EMPLOYER OVERHEAD	81,371	79,012	52,903	66,306	(12,706)	(16)	
OTHER PERSONNEL COSTS	5,284	5,458	5,377	5,201	(257)	(5)	
TRAINING	2,316	3,752	2,756	2,851	(901)	(24)	
TRANSPORT	2,372	3,571	2,292	2,093	(1,478)	(41)	
TRAVEL	2,982	3,416	2,456	2,612	(804)	(24)	
COMMUNICATIONS	6,421	7,218	7,010	7,560	342	5	
ADVERTISING & PROMOTION	1,253	1,991	2,033	2,566	575	29	
PROFESSIONAL SERVICES	41,731	49,369	66,073	51,186	1,817	4	
RENTALS	10,731	11,973	12,890	12,340	367	3	
REPAIR & MAINTENANCE	16,184	19,757	19,284	18,688	(1,069)	(5)	
INSURANCE	7,403	9,063	9,693	9,116	53	1	
ENERGY	13,803	16,611	13,998	15,923	(688)	(4)	
CLOTHING & UNIFORMS	913	1,163	1,106	1,107	(56)	(5)	
MATERIALS & SUPPLIES	16,585	23,316	25,657	33,561	10,245	44	
EQUIPMENT	575	547	2,166	1,480	933	171	
OTHER EXPENSES	20,804	3,387	4,128	3,387	0	0	
RECEIPTS CREDITED TO PROG	0	(23,149)	(25,383)	(21,852)	1,297	(6)	
GRANTS & CONTRIBUTIONS	323,966	312,904	414,279	304,280	(8,624)	(3)	
PUBLIC DEBT CHARGES	105,674	121,495	128,845	127,845	6,350	5	
	<b>1,051,804</b>	<b>1,056,966</b>	<b>1,135,981</b>	<b>1,030,750</b>	<b>(26,216)</b>	<b>(2)</b>	

Table V

**GOVERNMENT DEBT TRANSACTIONS & AMOUNTS  
OUTSTANDING 2010/11 TO 2023/24**

YEAR	GROSS BORROWING	REPAYMENTS	NET BORROWING (REPAYMENTS)	GROSS DEBT OUTSTANDING	MEMORANDA INTEREST ON DEBT
(1)	(\$000) (2)	(\$000) (3)	(\$000) (4)	(\$000) (5)	(\$000) (6)
2010/11	264,080	0	0	1,087,490	56,300
2011/12	263,230	0	0	1,350,720	70,000
2012/13	223,280	0	0	1,574,000	81,576
2013/14	800,000	69,000	731,000	2,305,000	(i) 109,245
2014/15	0	120,000	(120,000)	2,185,000	113,223
2015/16	150,000	0	150,000	2,335,000	116,217
2016/17	212,169	63,234	148,935	2,483,935	121,500
2017/18	85,000	0	85,000	2,568,935	119,500
2018/19	620,000	508,935	111,065	2,680,000	124,031
2019/20 (iii)	187,361	180,000	7,361	2,687,361	(iii) 120,482
2020/21 (Rev)	662,639	0	662,639	3,350,000	128,750
2021/22 (Est)	124,749	124,749	0	3,350,000	127,750
2022/23 (Est)	40,822	40,822	0	3,350,000	127,750
2023/24 (Est)(ii)	(2,650)		(2,650)	3,347,350	127,750

(i) In 2013/14 - \$51M of Interest on Debt was funded from the Sinking Fund

(ii) Budget Surplus up to 75% towards Debt re-purchase and/or Sinking Fund Contributions

(iii) In 2019/20 Gross Debt includes \$182.4M borrowing in relation to Morgan's Points/Caroline Bay Loan Guarantee commitments, along with \$3.8M interest incurred on this borrowing

Table VI  
**BERMUDA GOVERNMENT  
DEBT AND LOAN GUARANTEES**

**UTILISATION OF STATUTORY BORROWING POWERS**

ACTUAL 2019/20 (\$000)	DETAILS	REVISED ESTIMATE 2020/21 (\$000)	ESTIMATE 2021/22 (\$000)
	DEBT & LOAN GUARANTEES OUTSTANDING AS OF MARCH 31		
2,687,361	BORROWINGS UNDER LOAN FACILITIES (GOVT)	3,350,000	3,350,000
2,687,361	TOTAL DEBT OUTSTANDING (GOVT)	3,350,000	3,350,000
41,331	Less: SINKING FUND CONTRIBUTIONS (i)	306,473	181,724
2,646,030	NET CUMULATIVE GOVERNMENT DEBT & GUARANTEES OUTSTANDING (ii)	3,043,527	3,168,276

- (i) Government introduced a Sinking Fund with effect 31st March, 1993. The intent being to set aside a sum equivalent to 2.5% of the public debt outstanding at the end of the preceding year, in order to repay the principal sum borrowed after approximately 20 years.
- In 2013 the Government Loans Act 1978 was amended to allow excess funds borrowed to be deposited and extracted from the Sinking Fund to fund future year deficits.
- With effect from August, 2020, the statutory debt limit was increased to \$3.5 billion.
- (ii) The Government has the following guarantees:  
Bermuda Housing Corporation - \$29.3M;  
West End Development Corporation - \$71.8M;  
Bda Economic Development Corporation - \$1.5M;  
Bermuda Hospitals Board - \$276.8M;  
Morgan's Point - \$165M;  
Bermuda Tourism Authority - \$10M;  
Bermuda Casino Gaming Commission - \$2.7M and  
Hotel Bermuda Holdings Ltd.- \$25M.
- With effect 1st April, 2011 these guarantees are no longer charged against the statutory debt ceiling unless the guarantee obligation becomes due and payable by the Government, pursuant to the amended Gov't Loans Act 1978. The total amount of utilised Loan Facilities are restricted by the Government Loans Act 1978, as amended.

Table VII

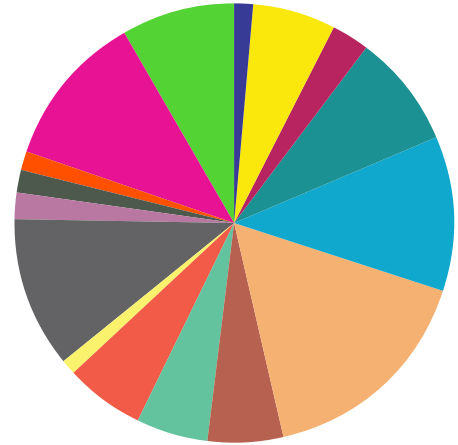
## PROFESSIONAL SERVICES

ACCOUNT DESCRIPTION		ACTUAL	ORIGINAL	REVISED	ESTIMATE
(1)	(2)	2019/20	ESTIMATE	ESTIMATE	ESTIMATE
		(\$000)	2020/21	2020/21	2021/22
		(3)	(\$000)	(\$000)	(\$000)
			(4)	(5)	(6)
	5260 Local Consultants	9,567	14,017	24,619	14,352
	5265 Overseas Consultants	6,280	6,937	6,956	8,272
	5270 Contractors	10,932	12,453	16,003	14,415
	5275 Medical	4,289	5,295	5,537	4,674
	5280 Optical Services	17	34	34	22
	5285 Educational Services	64	194	179	177
	5290 Chiropodist Services	2	6	3	6
	5295 Psychological Services	34	20	20	20
	5300 Dental Services	51	71	71	66
	5305 War Pension Award	1,425	1,596	1,596	1,499
	5310 Counselling Services	267	361	361	371
	5315 Child Care Services	173	190	190	190
	5320 Recreational Services	247	276	267	285
	5325 Legal Services	5,335	3,342	4,404	2,231
	5330 Liquidation Fees	22	50	50	50
	5340 Membership Fees - Govt.	263	427	404	381
	5345 Forensic/Lab Services	310	564	474	550
	5350 Forensic/lab accounting	44	157	127	127
	5355 Security Services	1,061	1,351	2,851	1,503
	5360 Conservation Services	0	32	7	32
	5365 Animal Control Services	27	28	28	28
	5370 Board & Comm. Fees	781	1,208	1,136	1,219
	5375 ID Parade - Police	0	20	20	20
	5380 Jury & Witness Fees	48	115	95	110
	5385 Court Costs	60	106	61	81
	5390 Audit Fees	0	55	55	55
	5395 Examination Fees	258	450	439	450
	5415 Research Related Expenses	174	14	87	0
		<b>41,731</b>	<b>49,369</b>	<b>66,074</b>	<b>51,186</b>

Table VIII

## Estimated Expenditure 2021/22 in BD\$ Millions

■ Non-Ministry.....	17.0
■ Cabinet Office Departments.....	69.0
■ Legal Affairs & Constitutional Reform.....	32.0
■ Finance.....	92.3
■ Education .....	128.1
■ Health .....	184.2
■ Labour.....	61.7
■ Transport .....	59.1
■ Public Works .....	67.0
■ Youth, Culture & Sports .....	12.9
■ National Security.....	122.6
■ Social Development & Seniors.....	23.7
■ Home Affairs .....	18.3
■ Covid-19 .....	15.0
■ Interest .....	127.8
■ Capital Estimate.....	92.9



### Categories of expenditure expressed as a percentage of total estimated expenditure for 2021/22 of \$1,123.6 million



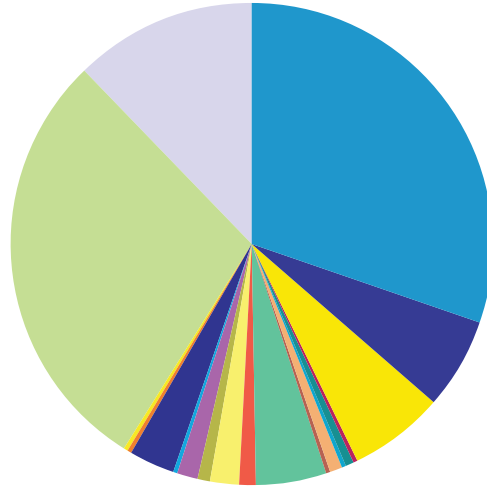
— Non-Ministry.....	1.5
— Cabinet Office Departments.....	6.1
— Legal Affairs & Constitutional Reform.....	2.8
— Finance.....	8.2
— Education .....	11.4
— Health .....	16.4
— Labour.....	5.5
— Transport .....	5.3
— Public Works .....	6.0
— Youth, Culture & Sports .....	1.2
— National Security.....	10.9
— Social Development & Seniors.....	2.1
— Home Affairs .....	1.6
— Covid-19 .....	1.3
— Interest .....	11.4
— Capital Estimate.....	8.3



Table IX

## Estimated Expenditure 2021/22 in BD\$ Millions

Total Current Account Expenditure \$1,030.7, excluding Capital Expenditure

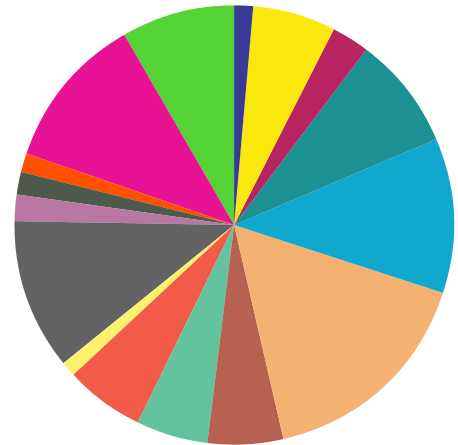


Salaries.....	319.2
Wages.....	65.3
Employer Overhead.....	66.3
Other Personnel Costs.....	5.2
Training.....	2.9
Transport.....	2.1
Travel.....	2.6
Communications.....	7.6
Advertising & Promotion.....	2.6
Professional Services.....	51.2
Rentals.....	12.3
Repair and Maintenance.....	18.7
Insurance.....	9.1
Energy.....	15.9
Clothing, Uniforms, Laundry.....	1.1
Materials & Supplies.....	33.6
Equipment Pruchases.....	1.5
Other Expenses.....	3.4
Receipts to Credited to Program.....	-21.9
Govt. Grants & Contributions.....	304.3
Debt Charges.....	127.8

Table X

## Estimated Expenditure 2021/22 in BD\$ Millions

■ Non-Ministry.....	17.0
■ Cabinet Office Departments.....	69.0
■ Legal Affairs & Constitutional Reform.....	32.0
■ Finance.....	92.3
■ Education .....	128.1
■ Health .....	184.2
■ Labour.....	61.7
■ Transport .....	59.1
■ Public Works .....	67.0
■ Youth, Culture & Sports .....	12.9
■ National Security.....	122.6
■ Social Development & Seniors.....	23.7
■ Home Affairs .....	18.3
■ Covid-19 .....	15.0
■ Interest .....	127.8
■ Capital Estimate.....	92.9



### Categories of expenditure expressed as a percentage of total estimated expenditure for 2021/22 of \$1,123.6 million



— Non-Ministry.....	1.5
— Cabinet Office Departments.....	6.1
— Legal Affairs & Constitutional Reform.....	2.8
— Finance.....	8.2
— Education .....	11.4
— Health .....	16.4
— Labour.....	5.5
— Transport .....	5.3
— Public Works .....	6.0
— Youth, Culture & Sports .....	1.2
— National Security.....	10.9
— Social Development & Seniors.....	2.1
— Home Affairs .....	1.6
— Covid-19 .....	1.3
— Interest .....	11.4
— Capital Estimate.....	8.3

