

1933

1933

3226

KENYA

3226

CO 533/437

Colonial Loan.

Previous

18189/32

Subsequent

Set  
1818/34  
(see)

23091/34 (low interest)

23030/34

Ly 259

2/6

from 209

57

Mr. Freestone

"

Mr. Hand

25.2

Sir C. B. ...

24.2

Mr. Hand

1

29.8

27/2

29.7

3226

Acting Governor Moore 74 Conf (Am. Conf) — 10<sup>th</sup> June 33.

States Expenditure Advisory Committee has recommended that Central Office should be built as soon as funds can be released for construction. Furnishes opinions on this recommendation & seeks advice as to the raising of the sum necessary for completing constructional programme under the 1930 Loan.

I. R. R. & a separate minute  
C. J. G. 10/33  
5/7/33

The building of new Government Offices at a cost of £154,882 forms part of the public building programme provided for in the schedule to the 1928-1930 loans.

See page 14  
Colonial Loans  
Statement  
1918/1/32

In 1931 Government decided not to proceed with certain loan works, including the Central Offices and the K.A.R. lines, in view of the fact that the deficit for 1931 would probably reduce the Colony's surplus balance to a figure insufficient to cover existing appropriations. The unexpended balance from loan funds, amounting to £266,708, was held in reserve to meet possible emergencies.

See page 3  
Report of Select  
Committee on  
Draft Estimates  
1932

In February, 1932, the Secretary of State agreed to temporary borrowings from reserve loan funds to meet cash shortages provided that (a) interest on sums borrowed was credited to loan funds, and (b) proper arrangements <sup>local</sup> ~~be~~ made to ensure that the loan funds borrowed should be immediately available for their <sup>normal</sup> former purpose whenever required.

No 8/17302/31  
D

The recommencement of further loan works was authorised by the Governor in March, 1932, and a sum of £100,360 was released from the balance of the loan funds, leaving an unexpended balance of £166,348, of which I assume the £67,300 referred to in paragraph 6 of the Governor's despatch is part.

No 11/17502/31  
D

Further expenditure from loan funds beyond the sum of £67,300 will necessitate the raising of additional funds.

The estimated cost of the abridged scheme for the new Central Offices as shown in No. 5 on 16100/30 was £154,000, which was to include £5,000 and £25,000 for road approaches. The proposed

for financing

building

building did not include accommodation for the Departments of Agriculture, Forests, and Public Works.

The O.A.G. now refers to a scheme to cost £129,000, which will omit the greater portion of the rooms connected with the Legislature.

There is also the question of the construction of the K.A.R. lines, for which £80,454 appears in the loan schedule. The Governor says that if it were decided to proceed with the construction both of the K.A.R. barracks and the Central Offices, it would be necessary to raise the sum of £61,682 not yet borrowed under the authority of the specific Loan Ordinance, 1932. Otherwise that necessity does not arise.

Having regard to the obscurity of the Colony's cash position, it would not appear desirable <sup>at present</sup> to deplete the balance of the loan fund. I think, too, that we <sup>should</sup> agree with the Governor as to the undesirability of building the Central Offices piecemeal, and that loan funds should not be used for acquiring or renting some existing building.

C.F. [Signature] 17/7/33

This deficit is one of the Secretariat's (or the Treasurer's) less creditable efforts.

No explanation is given of the figure (£67,500) raised but not spent. As Mr. Guinness states, we should have expected the figure to be £166,348; the discrepancy cannot be reconciled on the

See 27/13/33 KAL

See page 4  
Loan Statement

information available here. Unless there is some hidden implication which escapes me, the statement at N/1 in para. 8 is incredibly naive. If the converse were true, a Col. Foot could finance itself by borrowing largely from the market and re-lending - at a higher rate of interest! - to C.F. or the banks.

So it could: that is how banks make money!

The only possible justification, in times of financial stringency, for raising loans to pay for unproductive public works, is the relief of unemployment. Such a motive does not exist in Kenya, & the only possible answer to this despatch must be that S.O.S. cannot agree to further loan works (whether from fresh money or from money already raised, but held in reserve against a coal deficiency) until the economic outlook has cleared and the budget has been satisfactorily balanced.

[Signature] 4/7

I have delayed this because it didn't pass (the two didn't intend to do anything till the end of the year) and so we have the estimates would work out. In communication, Sir J. Byrnes thought that he would go ahead if he had the money. The Select Committee on the Estimates might that the question be considered in view of (a) low building costs & (b) increased employment and circulation of cash. I said it should be referred to the S. of S. when convenient.

Para 7 is not much really. All that was said was that the new K.A.R. lines must be placed in the forefront of the building programme. This is not an order to say that if they build anything they must build the K.A.R. barracks also. It all depends on the money.

As to that I am at a loss. On 14 November says this should be £166,348 "raised but not spent" if the figure of £120,360 for the Law Courts & Offices (see 1922 on 17322/14) was reached. It may be a bit more or a bit less - he built them, and it doesn't matter very much. What we also built them is how much of them has been drawn upon for current needs under the authority given in February 1932 (1418 on 17322/11). If this amounted to £120,000 it would mean rather more than accounted for the difference between £166,348 and £67,300 mentioned in para 6 of the despatch - and £120,000 was the figure of the Departmental Advances.

In his despatch of 26 Dec. 1931 (1508 on 17301/11) the Governor stated that at that time surplus balances reached £619,800 of which £200,000 was Departmental Advances & £417,000 Treasury Reserve. In the present (1934) Estimates the surplus (to which) Treasury & the Departmental Advances figures are "inserted" which they are. The balance of surplus and liabilities is put at £166,000 on 14 Nov but of course they have not actually got that amount. While it would therefore be natural to expect that all the £166,348 would be in use, but on the Estimates despatch, the "other interest" is reduced from £2,000 to £2,600 & the explanation given is that the amount to

have quite a lot of the money available. Also when £300,000 was raised last autumn £260,000 was for the Land Bank and £15,000 odd for municipalities. So there should be a further £24,000 odd available. Add this to the £67,300 and it gives £91,000 odd. With this sum they should be able to start work.

But it would be wrong to let them raise any more loan money till things are better especially for a thing like a building and for a Secretariat at that. It may be desirable - it is - but it must be deferred. Kenya admits there is no economy in view, on the contrary there will be extra charges of about £2000 a year all told. So I do not think the scheme should be approved and after what the S. of S. said they will see they cannot borrow. If Kenya does ever borrow again it will have to be done (a) very definitely for some remunerative enterprise & (b) for one which will immediately give gain to the settler or the native or both.

As this was likely to be raised in Kenya we must wait till the S. of S. returns; but if I had to answer now I would suggest asking where the money is and desiring to agree to raising any more loan capital for buildings.

W.S. Flood  
23.2.34

W.S. Flood

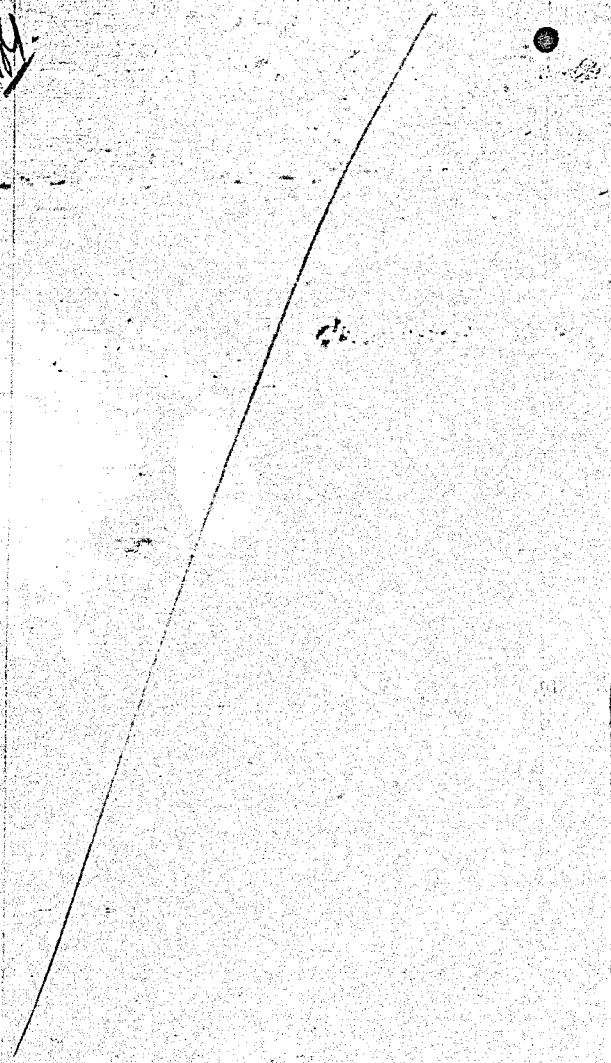
Can't he do this now? If we could send an S.O. letter by post would not that be better for a reply of in time for it to be considered when the paper goes to the S. of S. And the information will be useful to the decision on the particular point.

W.S. Flood  
24.2.34

by air mail 2 To H. H. Moore c/o Cons. 27/2/44

W.M.

8/2



as is first  
para (3), see  
now 23/3/44

A

Sir C. Bristowley

With reference to the attached report in the "Times" I think it is advisable to call attention to the extreme undesirability of increasing Kenya debt at the present time. We know from the Treasury that any increase in Kenya's debt would be looked on askance by financial circles in the city, and with things as they <sup>are</sup> at present it would be quite impossible for Kenya to pay interest on any loan, whether called Development Loan or any other fancy name.

In view of the fact that this report may get some currency it is, I think, desirable to consider whether some pronouncement should not be made to the effect that with Kenya's finances as they are at present no further loan commitments can possibly be considered, and, indeed, that Kenya has got all the debt which it can conveniently carry.

Secretary, State  
Sir J. Duffin

SECRET

We have, of course, stacks of letters about Kenya loans, but all that is irrelevant for this purpose is in Sir Hart's minutes at A.

As long as we are "development" money, taking over existing investments and converting them to a lower rate of interest - or something equally bad - besides for the Government.

I would not make any pronouncement. Let us leave it, but the S. G. should make clear that they are waiting for him to

I do not say that  
that the first  
word support  
American idea:  
to avoid cost.

Kenya. We have a list  
of subjects, which this  
should be added.

W.S.

8/2/33

I agree  
John  
11/11

No announcement.

I saw the Times telegram.  
But there will be plenty  
of time for me to talk  
finance with the Governor

P.V.S.

11/12

W.S.

20/7

3

Times, 8<sup>th</sup> Dec. 1933.

**KENYA DEVELOPMENT PLANS**

FROM OUR CORRESPONDENT

**NAIROBI, Dec. 7.**

During the debate on the Budget the elected members urged, now the Budget had been balanced, that a policy of economic development should be formulated. The Government announced its willingness to appoint a representative ad hoc committee for the purpose of advising on the means by which the reconstruction and economic development of the Colony could best be achieved. The committee would also be empowered to consider methods for providing the necessary funds.

The announcement has created much satisfaction, and the Governor, Sir Joseph Byrne, has received great praise for his leadership in this connection. It is now thought that the Government's action may lead to the ultimate framing of a development plan.

See memo ←  
23131/34 K.

Who thinks it?  
J.

C. O.

Mr. Flood 26/2/34.

Mr.

Mr.

Mr. Parkinson.

Mr. Tomlinson.

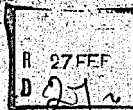
Sir C. Bottomley.

Sir J. Shuckburgh.

Permt. U.S. of S.

Parly. U.S. of S.

Secretary of State.



27 February, 1934.

Dear Moore,

Please refer to your Confidential despatch No. 74 of the 10th of June on the subject of the *suggestion* recommendation for building central offices. In para. 1 of that despatch you said that the Governor contemplated deferring any action for a further six months, and when he was on leave we mentioned it to him, and he said he thought that he might be allowed to go ahead. However, we thought it advisable to defer matters until the Estimates *could be* came along, and when it was seen more clearly what the financial position of Kenya was.

As regards the seventh para.

of

**FURTHER ACTION.**



of that despatch, I do not think it would be necessary to start with the new K.A.R. barracks, since the despatch about the barracks only said that it was to be put in the forefront of building scheme and did not necessarily mean that if anything was started the barracks must be at the same time. ~~It is possible that~~

We are rather puzzled about where the money is and what it is. In 1931 it was decided not to proceed with certain loan works, including the Central Offices and the K.A.R. lines. At that time there was an unexpended balance of loan funds amounting to £146,708 (see page 3 of the Report of the Select Committee on the Draft Estimates for 1932).

In his Confidential despatch, No. 109 of the 24th of December, 1931, the Governor gave the same figure of £146,708 which it had been decided to hold in reserve by postponing certain building construction, and in his telegram No. 36 of the 16th February, 1932, the

B. of B.

C. O.

Mr.

Mr.

Mr.

Mr. Parkinson.

Mr. Tomkinson.

Sir C. Bottomley.

Sir J. Shackburgh.

Parad. U.S. of S.

Party, U.S. of S.

Secretary of State.

DRAFT.

FURTHER ACTION.

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In his telegram No. 52, Confidential, of the 23rd of March, 1932, the Governor said that he had authorised the recommencement of work in the Law Courts and certain Administrative offices which would involve the release of a further £100,360. This leaves an unexpended balance of £146,348. In your despatch of the 10th June, 1933, no mention is made of this sum, and the sum that has been raised and not

spent

spent is put at 267,300 in para. 6.

What we are wondering at is where the rest has gone to. Has it been swallowed up by Agricultural advances or what?

In his despatch of the 24th of December, 1931, the Governor showed that surplus balances then amounted to £419,500, of which £100,000 was Agricultural Advances (now up to £113,000), maize and grain industry subsidies £117,000, unallocated stores £80,000, and cash for working requirements £100,000. In the current Estimates the balance of assets over liabilities was £166,000 at the end of 1933, including the Agricultural advances, the maize subsidy, etc. It is therefore natural to expect that the whole of the £166,348 is being fully occupied, but you say in your despatch that there is 267,300 available.

In the Estimates the item for 'Interest' has been reduced from £3,500 to £500 (Head II), and the explanation given is that it is expected that there will be less borrowing for cash requirements. That looks as if some of the

loan

C. O.

Mr.

Mr.

Mr.

Mr. Parkinson.

Mr. Tomlinson.

Sir C. Bottomley.

Sir J. Shackelburgh.

Perms. U.S. of S.

Parly. U.S. of S.

Secretary of State.

DRAFT.

FURTHER ACTION.

loan balances are expected to be available.

Further, when you raised the £300,000 loan last autumn, only £260,000 was meant for the Land Bank, and £15,000 odd for Municipalities, so that there should be a further £24,000 odd available. If you add this to the 267,300, it gives £31,000 odd.

As you say, there is still outstanding borrowing power under the Loan Ordinance of 1930, amounting to £61,623. You have, however, decided against this course, and after what the S. of S. said I do not think that it would be advisable to do so, nor from a political point of view would it be advisable to expend loan money

of that despatch, I do not think it would be necessary to start with the new K.A.R. barracks, since the despatch about the barracks only said that it was to be put in the forefront of building schemes and did not necessarily mean that if anything was started the barracks must be at the same time. *As the plan was your invention you can tell it that*

We are rather puzzled about where the money is and what it is. In 1931 it was decided not to proceed with certain loan works, including the Central Offices and the K.A.R. lines. At that time there was an unexpended balance of loan funds amounting to £266,708 (see page 3 of the Report of the Select Committee on the Draft Estimates for 1932).

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8-111  
270

C. O.

Mr. Flood 26/2/34. *of*

Mr.

Mr.

Mr. Parkinson:

Mr. Tomlinson:

Sir C. Bottomley:

Sir J. Shuckburgh:

Permt. U.S. of S.

Parly. U.S. of S.

Secretary of State.



21 February, 1934,

Dear Moore,

Please refer to your

Confidential despatch No.74 of the 10th of June on the subject of the *suggestion* recommendation for building central offices. In para.1 of that despatch you said that the Governor contemplated deferring any action for a further six months, and when he was on leave we mentioned it to him, and he said he thought that he might be allowed to go ahead.

However, we thought it advisable to defer matters until the Estimates *could be* came along, and when it was seen more clearly what the financial position of Kenya was.

As regards the seventh para.

of

**DRAFT.**

H. M. M. MOORE, ESQ., C.M.G.

**FURTHER ACTION.**

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C. O.

- Mr.
- Mr.
- Mr.
- Mr. Parkinson.
- Mr. Tomlinson.
- Sir C. Bottomley.
- Sir J. Shuckburgh.
- Permt. U.S. of S.
- Parly. U.S. of S.
- Secretary of State.

DRAFT.

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In the Estimates the item for 'Interest' has been reduced from £8,500 to £500 (Head 11), and the explanation given is that it is expected that there will be less borrowing for cash requirements. That looks as if some of the

loan

C. O.

Mr.

Mr.

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Mr. Parkinson.

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Party. U.S. of S.

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DRAFT.

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As you say, there is still outstanding borrowing power under the Loan Ordinance of 1930, amounting to £61,682. You have, however, decided against <sup>raising it</sup> this course, and after what the S. of S. said I do not think that it would be advisable to do so, nor from a political point of view would it be advisable to expend loan money

and start fresh borrowing for the purpose of building new Government offices in Nairobi. As far as I can see, the next time Kenya borrows it will have to be done very definitely for some remunerative enterprise and for one which will immediately show some advantage to the settler, or the native, or both.

I note from the report of the (on the 1936 Estimates) Select Committee that they intended to raise the point of the new buildings with the S. of S. so that we cannot do anything until he returns, but if you could let me know as soon as possible what the exact position is and what money you have available out of the £266,708, or £166,348, as the case may be, it would be of great help to us.

(or £x)

Yours sincerely,

Signed J. E. W. FLOOD

AIR MAIL

KENYA

No. 74

CONFIDENTIAL.



GOVERNMENT HOUSE  
NAIROBI  
KENYA

RECEIVED  
20 JUN 1933  
O. O. REGY

JUNE, 1933.

No 5  
16100/30

Sir,

With reference to correspondence terminating with Sir Edward Grigg's Confidential despatch No. 72 of the 20th May, 1930, on the subject of the provision of Central Offices for this Government, I have the honour to refer to Paragraph 109 of the Report of the Expenditure Advisory Committee, in which the recommendation is made that the Central Offices, or at least one or more of the blocks of these offices, should be built as soon as it is possible to release the funds which have been provided for their construction. Sir Joseph Byrne considered this recommendation immediately before his departure and contemplated postponing the use of Loan Funds for the purpose for at least a further six months. He desired however that your advice should be sought in the matter and on the general question of the use of Loan Funds for other projected buildings in respect of which your sanction has already been obtained.

2. A decision on this matter depends largely, in my opinion, on the cash position of the Colony as to which the outlook is obscure. The returns of Revenue for the first three months of this year are more favourable than were those for the corresponding period of 1932 and there has simultaneously been a reduction/

THE RIGHT HONOURABLE  
MAJOR SIR PHILIP CUNLIFFE-LISTER, P.C., G.B.E., M.C., M.P.,  
SECRETARY OF STATE FOR THE COLONIES,  
DOWNING STREET,  
LONDON S.W.1.



reduction in the Expenditure incurred in the first quarter of the year. But, with the prospect of drought and famine owing to the apparent failure of the long rains, it is necessary to bear in mind the possibility of a serious fall in the receipts from Native Hut and Poll Tax in 1933, and of a reduction in the value of the Colony's exports which may react adversely on the financial position of the Colony in 1934. Present indications are, therefore, that a heavy strain may be put upon the Colony's cash resources during the next eighteen months.

3. Between the end of June, 1931, and the end of February, 1933, the free cash position of the Colony deteriorated by approximately £190,000. Consequently the arguments which led to a suspension of the Loan programme in 1931, of which you were advised at the time, still hold good.

4. So far as Kenya is concerned, financial stability is largely dependent on an increase in the value of primary products. Although there has been some tendency lately towards higher prices for such products, the future appears to me too obscure to warrant worsening the cash position at this juncture.

5. I attach a Summary, prepared in the Treasury, of arguments in favour of immediately proceeding with the work and certain comments on these arguments. That Statement seems to me to express, in a suitable manner, the arguments for  
and/

and against immediate construction. I am also fully aware of the increased efficiency and practical economy which may be expected if all the major Departments of Government are housed within one building. Any decision to build the Central Offices piecemeal might possibly involve reconsideration of the existing plans with consequent extra expense which might not be justifiable. I am doubtful therefore as to the wisdom of beginning to build by instalments the offices mentioned in the abridged scheme set forth in paragraph 3 of Sir Edward Grigg's despatch under reference. It is proposed in any case to omit from the scheme the greater portion of the rooms connected with the Legislature, but it would not appear that the main purpose of efficiency and economy would be served unless the major departments of Government can be accommodated simultaneously in new offices.

No 5 16,100/30

6. As regards the effect on the annual expenditure of the Colony by building Central Offices, I am advised that:-

If we build the offices we should lose the interest now earned on the £67,300 raised but not spent, say £67,300 at 2½%..£1,682.10.0.

If the building costs £129,000, we should also have to obtain an advance pending the raising of a loan of not more than £61,700 which, at 3½% would mean.....£2,160. 0.0.  
£3,842.10.0.

Against this may be set a saving of £1,841 on rent paid at present for the offices occupied by the Treasury, Audit and Education Departments, leaving a net excess expenditure of about £2,000. This calculation, however, takes no account of the economy of time to be expected and of the reduction in the present expenditure on messengers, stationery and travelling which should be possible if the Central Offices are built.

14  
7. A further consideration which must be taken into account is that if work on the Central Offices commences it will be necessary, in view of paragraph 2 of your King's African Rifles Confidential despatch of the 27th February, 1933, to rebuild the King's African Rifles Nairobi Barracks at the same time.

2 on 2733/552/AR  
8. If it were decided to proceed with the construction both of the King's African Rifles Barracks and the Central Offices, it would be necessary to raise the sum of £61,682 not yet borrowed under the authority of the specific Loan Ordinance 1930 (No. XLIII of 1930). Otherwise that necessity does not arise. The question has, however, been raised as to whether present conditions in the money market are considered so favourable as to warrant the raising at the present time of that sum in anticipation of its use for completing the constructional programme under the 1930 Loan when that course is decided upon. I am advised that, according to the latest information available, if this sum of £61,682 were raised now, the recurrent cost to the Colony in interest would exceed the interest received on the money. I incline to the view that it is not justifiable to raise this money and incur additional recurrent costs at the present time unless it is considered that the present favourable conditions in the London money market are unlikely to continue. I should however appreciate your advice on this matter.

A

I have the honour to be,

Sir,

Your most obedient, humble servant,

*Wm. McKinnon*  
ACTING GOVERNOR.

CENTRAL OFFICES

Answers for  
Building

(i) Building costs are extraordinarily low

(i) Agreed; but in view of the uncertainty of the world's economic position and the probable absence of any marked building development in Kenya until a state of greater stability has been reached, local building costs seem unlikely to rise for some time to come.

(ii) Several valuable sites would be released, which would be available for sale.

(ii) Sites tentatively reserved for Central Offices in the past became available for sale when the site for the new Central Offices was definitely decided upon. Sites now occupied by Government Offices which would become released are very few in number and unimportant.

(iii) There would be considerable savings on account of rent of offices.

(iii) Rents totalling £2,599 are now paid to the Railway. Other rents paid include :-

	£.
Agricultural Dept.	807
Income Tax Dept.	174
Native Registration	1,000
	<u>£1,981</u>
Supreme Court (not affected by Central Offices)	£1,200

The Central Offices would not house the Native Registration. Taking into account the loss to the Railway, this factor is of secondary importance. (More details are lacking of the Departments to be housed in the modified Central Offices)

(iv) Considerable savings in time and money and more efficient and economical working generally.

(iv) Agreed. This is, of course, a very important point.

(v) The circulation of a considerable sum of money locally would have a heartening effect and some of it at all least would be returned in the shape of revenue.

(v) This is so, and some people think that these arguments carry great weight in themselves; others hold that the temporary benefits referred to are legitimately to be taken advantage of only when the project proves economically sound without the use of this argument.

*Yes, ...*

(vi) The comparatively satisfactory financial result of the year 1932 and the probability that in view thereof the results for 1933 will be better particularly if considerable in connection with locusts, and locust damage, is small.

(vi) The deficit on the working of 1932 was approximately £110,000. The Colony was nearly £100,000 worse off at the end than at the beginning of 1932. The fact that there were at one time indications that the deficit might be £220,000 does not mean that the Colony can now lay its hands on the £110,000 it might have spent. The Budget for 1933 shows an estimated deficit of £176,000. It is estimated, therefore, that the position will be worse at the end than it was at the beginning of 1933. As the Colony's available cash (taking the cash required for current Treasury needs at £100,000) has been insufficient to meet current requirements since October, 1931 - the cash deficiency at the close of 1932 was about £158,000 - the Budget must be balanced with a tendency to restore surplus before the cash position can be regarded as eased. Prospects have recently deteriorated owing to the apparent failure of the long rains.

(vii) The probable effect of the recommendations of the Expenditure Advisory Committee in 1934 and onwards.

(vii) The effect cannot well be judged until the revenue position for 1934 is clearer.

(viii) The apparent willingness of a large majority of the non-native population to submit to further taxation in one form or another.

(viii) Here again it seems premature to place reliance on the additional revenue to be obtained. It by no means follows that estimates of the new revenue will be realized or that the reaction on other forms of revenue will not be considerable particularly if, as seems probable, present drought conditions affect both current sources of revenue both in 1933 and 1934.

(ix) The more healthy position of the Colony as regards the balance of trade.

(ix) 1932 Balance of Trade figures must not be given undue importance. The Colony relied on loan funds borrowed in 1930 to meet London commitments and the Budget did not balance. Both these factors affect the Balance of Trade position.

(ix) contd.

(x) The willingness of the local Banks to finance a considerable overdraft if this should be necessary.

If the Colony had had to meet its current overseas obligations out of current revenues in 1959 - as it will have to in 1960 and subsequent years unless further borrowing takes place in London - the Colony's exports (both visible and invisible) could not have supported so high a value of imports.

(x) The overdraft would presumably be on a temporary basis. If not, it constitutes a method of long term borrowing which is open to grave objections. If so, the arrangement must presuppose repayment in the near future and this means that the Colony's finances are operating on a surplus not on a deficit. The whole question hinges on budgetary stability.