

Financial.

Has noted the statement of understandings on which the Treasury wd. be prepared to allow borrowing, and states that in view of the improvement in the financial position it is unlikely that borrowing will be necessary during the next two years.

A satisfactory despatch.

It will be as well to send a copy to Treasury when we write about the Estimate for 1937. But we should explain that from other information received from the OAG it would appear that a figure of £147,000 would more accurately represent the surplus for 1936.

See 20032/2137

(H. W. ...)
12/12/37

J. J. ...
12/12

It appears from this despatch that Kenya does not expect to have recourse to borrowing during the year 1937. It also appears that they do not even expect to disburse all their loan balances during the year, which goes to show that they do not expect to have to assist struggling farmers to any great extent.

Paragraph 3 of the despatch is rather cryptic until one looks at the report of the Standing Finance Committee in regard to revenue. The relevant section is paragraphs 19 - 20. The Select Committee had been going gaily through the estimates

of revenue with the Commissioner of Customs and the Director of Agriculture and had pushed up the estimate of Kenya's exports during 1937 from £3,307,000 to £3,600,000. The original estimate by the Agricultural Department had been £3,140,000. On these figures the Commissioner of Customs had stated that having regard to the relation which existed between revenue and exports he, after allowing for everything, had put his revenue from Customs at £240,000. After discussion with the Committee, and in view of the increased estimate by the Agricultural Department, he said it could go up to £810,000, an increase of £570,000. The Committee, of course, agreed, it being to their interests to inflate revenue estimates in order to make out that there is no case for taxing any Europeans.

At this point the Treasurer took a hand at the game, and pointed out that it was dangerous to over-estimate revenue. He said that in the past expenditure had been restricted and many proper objects had been deferred on the ground that there was no money. If, then, they proceeded to budget for a large revenue, the tendency would be to devote it to these worthy though deferred objects, with the result that there would be no margin left for unforeseen expenditure. Normally, if the revenue is cautiously estimated, it might exceed the estimate and there would be a balance available to meet contingencies, but if everything possible is allowed for there would be no such balance

balance and therefore no money. The Committee brushed this aside, saying that the Treasurer was bound to be cautious in view of his office, and that there should be a rigid scrutiny of all special warrants during 1937.

I agree that we should send a copy of this to the Treasury, but I think it may also be acknowledged as per draft herewith.

J.R.O. Hunt

25.2.1937

AIR MAIL
4/3/37

2 S. Kenya 216 (1/1000) - 11 MAR 1937

~~3 to Treasury (for funds as per spec). also 12 2 37.~~

3 S. Kenya, ws. 112 13.3.37. (Draft on 3000/36K.)

111

C. O.

36273/2/37.

2

AIR MAIL

Mr. Flood, 282.

Mr.

Mr.

Sir C. Parkinson.

Sir G. Tomlinson.

Sir C. Bottomley.

Sir J. Shuckburgh.

Permt. U.S. of S.

Parly. U.S. of S.

Secretary of State.

DOWNING STREET.

11 MAR 1937

February, 1937.

Sir,

I have etc. to acknowledge the receipt of your despatch No. 67 of the 28th of January, from which I learn with much satisfaction that the surplus of Revenue over Expenditure for 1936 is now estimated at about £175,000, so that in your opinion it will be unnecessary to take advantage, during the current year, of the authority given for borrowing to meet budget deficiencies. I also note that you do not expect to spend the whole of ^{the} your loan balances during 1937, and that there will be available sufficiently ~~to~~ ^{good} assets to meet any reasonable contingencies.

DRAFT AIR MAIL

KENYA

NO. 216

C.A.G.

copy. Sum. Vol. on 20-1-37

FURTHER ACTION.

copy to Treas?

^{also}
I note with ~~great~~ pleasure your assurance that the permission to borrow will not be allowed to affect the prudent control of Kenya's finances. I have always assumed that this would be the case, and the adoption of the proposal to borrow in order to meet deficits could only be regarded as a last resort, and was indeed so viewed by Sir Alan Pim. It is a matter for much satisfaction that it now appears improbable that recourse will be had to this hazardous expedient.

I have, etc.

(Signed) W. ORMSBY GORE.

AIR MAIL

KENYA
No. 67



GOVERNMENT HOUSE
NAIROBI
KENYA

RECEIVED
C. O. REGY

28 January, 1937.

Sir,

I have the honour to refer to your despatch No.972 of the 7th December, 1936 on the subject of the borrowing by this Territory annually of a sum not exceeding £100,000 in order to help the budget to balance and to provide, if possible, some reserve. I have noted the statement of understandings on which the Lords Commissioners of the Treasury would be prepared to allow Kenya to borrow sums of limited amount should the necessity arise.

2. Their Lordship's helpful attitude is much appreciated. I am advised, however, in view of the greatly improved financial position of the Colony, in which connection an announcement was made by the Treasurer in the Legislative Council on the 5th January, that he anticipated a surplus for the year 1936 amounting to approximately £175,000, that it is unlikely that it will prove necessary to take advantage of their authority to borrow to meet deficits during the next two years. If expenditure...

(38) on 38/1/37

Advised (2)

Copy from Nairobi on 28/1/37

THE RIGHT HONOURABLE
W. ORMSBY GORE, F.C., F.P.,
SECRETARY OF STATE FOR THE COLONIES,
DOWNING STREET,
LONDON, S.W.1.

expenditure does not greatly exceed revenue in 1937 there will be no need to borrow, and unless the whole of the unexpended loan balances are disbursed during 1937, a contingency which at present appears remote, a moderate deficit will still be avoided. A diminution in liquid assets is to necessitate further borrowing.

3. It is fully appreciated that recourse to borrowing in order to meet recurrent expenditure should be regarded as a last resort. This Government is alive to the necessity of a most careful scrutiny of all expenditure during 1937 and succeeding years, and, in consequence of the acceptance by the Legislative Council of a recommendation made by the Standing Finance Committee in their Report on the Revenue side of the Estimates for 1937, it is proposed at an early date to circularise all Departments of Government with a warning that Special Warrants submitted during the year for expenditure in excess of that sanctioned in the Estimates must be subjected to a no less rigid test of necessity than has been imposed during the last few years. The offer of temporary borrowing powers will not, in fact, be allowed to affect in the slightest degree the prudent control of the finances of the Colony.

I have the honour to be,

Sir,

Your most obedient humble servant,

Adm. Wade
ACTING GOVERNOR.