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Memorandum of alterations made by Treasurer in the Appendices to the estimates, in consequence of alterations in estimates made by the Legislative Council and of further information concerning the estimates now available.

Appendix B

Assets.

Remainder expenditure on estimates increased from £41585 to £42386.

Total increased from £1,087,364 to £1,088,464.

Liabilities

Wire fencing of £16000 ~~deleted~~ and following substituted:

"Measures to be taken for combating diseases of stock (vide C.O. despatch No. 439 of 20th November 1907) £16500."

Estimated surplus of assets increased from £152812 to £153112.

Total increased from £1,087,664 to £1,088,464.

Appendix C.

"Sanctioned expenditure, 1906-09 and totals reduced from £755,365 to £747,228.

Remainder expenditure increased from £41585 to £42386.

Portion of balances on 31st March 1906 reduced from £27,331 to £13,404

Appendix D

Estimated balance on 31st March 1906 and totals increased from £1,52,812 to £1,53,112.

(Required in aid etc., decreased from £27,331 to £13,404.

Remainder expenditure on estimates is:

£41,594 to £42,365.

Balance still available increased from
to £25,825.

Appendix H.

I. Expenditure on estimates.

The following added: -

• Houses for Survey Department 21900 - 800

- 800 and the totals altered as follows

57,700 - 4,190 - 15,315 - 48,385.

Budget Statement of Treasurer in Legislative
Council - December 1907.

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Your Excellency,

It is rising to move the first reading of the Appropriation Ordinance, 1908. I should like in the first place to express the great satisfaction which it gives me to be able to discuss publicly the subject of the finances of the Protectorate and the details of our Estimates.

In past years there has been the greatest secrecy attending the Estimates and the divulgence of any of the details thereof has been treated as a grave breach of trust. The result has been, that contorted and misleading statements have frequently become circulated by the leakage, through some unauthorised source, of information bearing, in some instances, but the slightest resemblance to the facts it purports to represent.

The formation of this Honourable Council has, however, remedied this state of affairs and it is now open to the Public by means of the unofficial members to raise any question on any item of expenditure appearing in our estimates, and, as no expenditure of any nature can be incurred without being voted in Council, the Public have now for the first time a voice in the expenditure of Public monies to which they subscribe, both directly and indirectly, to a very appreciable extent.

This,

This, I am sure the Council will agree with me, is a very satisfactory position to have arrived at; for it is not unnaturally most repugnant to anyone to be forced to contribute to any fund however small the contributions may be - without having some say in the disposal of the same or at least the right of discussing and criticizing the manner in which it is being expended.

Before entering into any explanations on the estimates, copies of which have already been circulated to Honourable Members, it is necessary for me to explain the system under which this Protectorate is financed and to review briefly some of the facts of previous years.

The expenditure of the Protectorate is, in common with that of all the Crown Colonies, controlled by the Colonial Office. But, as we are unfortunately, dependent on a grant-in-aid from Imperial funds to supplement our Revenue before a budget can be prepared, a further check and control is exercised by His Majesty's Treasury. That is to say, expenditure, which may be voted by this Council and approved by the Colonial Office, may eventually be vetoed by the Treasury. As a general rule, however, it may be assumed that the Treasury does not interfere with details. It sanctions the total of the annual grant, it provides funds for any special work or services not included in the annual Estimates,

such (for example) as the £40000 grant for the abolition of slavery and it controls the expenditure of any accumulated balances due to unnecessarily high grants in previous years.

The Appropriation Ordinance cannot therefore become law until the estimates have been passed by the Colonial Office and Treasury.

The Protectorate was taken over from the Imperial British East Africa Company on July 1st 1895 and a grant-in-aid of £50975 was voted for the remaining 9 months of the financial year.

Since that period the following grants have been voted:-

1896-1897	4 101700
1897-1898	110000
1898-1899	144000
1899-1900	110000
1900-1901	227000
1901-1902	162600
1902-1903	244000
1903-1904	256000
1904-1905	251133
1905-1906	214000
1906-1907	164000
1907-1908	153000

The total sum granted from Imperial funds during the 12^½ years of Government administration is therefore £2,183,408.

In addition a free gift has been made to the Protectorate of the Uganda Railway. For the purpose of its construction loans were raised aggregating £5,502,582. Securities were created by annuities which at present amount to £31,911,9.6 and the last payment of which will be made on November 15th 1925.

These annuities are a charge on the British taxpayer and they do not appear in the Protectorate Estimates.

On the other hand any profit on working the Railway is treated as ordinary Protectorate Revenue available for general expenditure.

The Compensation, amounting to £200,000, which was paid by the Imperial Government to the shareholders of the late Imperial British East Africa Company when the administration of the territories was transferred to the former from the latter, does not appear as a capital charge against the Protectorate. The matter was adjusted by transferring to the Protectorate the liability for interest at the rate of 3% on a sum of £200,000 paid by the German Government to the Sultan of Zanzibar as the purchase price of the German East Africa territories and invested in Consols. The interest, £6,000 per annum, accordingly figures as a recurrent charge in Division of the Protectorate Estimates.

In the earlier days, i.e. under Foreign Office Administration, there does not appear to have been

any fixed rule under which the annual grants-in-aid from Imperial funds were computed.

The annual estimates were submitted to the Foreign Office by the Commissioner and, after being scrutinized at home, (and almost invariably reduced and otherwise amended,) the deficit on the budget formed the basis of the grant-in-aid.

The years in which the grants-in-aid were largest were:-

1902-03 £ 244000

1903-04 256000

1904-05 251000.

The deficit on the budget for the year 1905-06 was £240000, but, owing to the assumption of unexpended balances and unestimated revenues, of £214000 only was taken.

For 1906-07 the Estimates were the first to be submitted to the Colonial Office.

The deficit on the budget so passed was £226000 but the Protectorate was allowed to take, in diminution of its grant-in-aid, accumulated balances to the extent of £62000, the imperial grant being fixed at £164000. Later in the year a further expenditure of £10000 was allowed from further accumulated balances.

In correspondence with the Treasury in connection with the 1906-07 Estimates the "half-and-half" principle was agreed to by the Colonial Office (vide paragraph 4 of Colonial Office despatch No. 173

of 30th March 1906). By this principle the annual expenditure of the Protectorate is restricted to that of the previous year plus one half of the estimated increase of Revenue, plus any expenditure appearing in the estimates which had already been voted for the previous year but which could not be expended therein.

When the 1907-08 estimates came up for consideration it was at once seen that this "half-and-half" principle could not be adhered to in its entirety. The arrangements ultimately approved by the Treasury were as follows:- The "half-and-half" principle was applied and a further sum amounting to £81177, representing additional Railway profit on a revised estimate for 1906-07, was allowed to be spent from accumulated Protectorate balances.

This further sum was not earmarked for any specific purpose but was taken in aid of the general expenditure in the same way as the annual parliamentary grant-in-aid.

The total expenditure figuring in the 1907-08 estimates was therefore arrived at as follows:-

Expenditure sanctioned for 1906-07.	£ 616904
Half increase of estimated 1907-08 Revenue over estimated 1906-07 Revenue.	83373
Further estimated Railway surplus on 1906-07.	81177
	<hr style="width: 100px; margin-left: auto; margin-right: 0;"/> £ 781554

Against

Against which were set the following amounts:-

Estimated Revenue	£ 547392
Surplus Railway earnings	81177
	<hr/>
	£ 628569.

These figures left a deficit of £152975 for which a grant was asked. The grant actually voted was £153000 or £25 more which brought the authorized expenditure on the estimates up to £781569.

But, in addition to the expenditure sanctioned on the estimates, the Treasury sanctioned certain further items of special extraordinary expenditure aggregating £53500 for the following services:-

1. The commencement of the Nairobi Sanitation scheme.
2. The removal of the Treasury and Audit Offices to Nairobi.
3. Surveys for branch Railway lines.

The funds for these services were forthcoming from balances which had accumulated in past years due to savings on voted expenditure and unexpected increases of Revenue.

In order not to obscure the "half-and-half" principle already alluded to, the Treasury directed that these special services should not be shown together with the other sanctioned expenditure of the year but should be excluded from the body of the estimates altogether and shown instead in a separate appendix thereto.

The surplus of assets over liabilities on 31st March 1907 was, when the estimates for 1907-08 were prepared, estimated at £204731 so that, after withdrawing to the extent of the specially sanctioned items of £81177 and £53500, there remained an estimated balance of £70054.

When the accounts for the year were closed it was, however, found that this figure was slightly underestimated and the actual available unallocated balance on hand at the commencement of the year was seen to be £75764.

We thus commenced the current year with funds provided for sanctioned expenditure to the extent of £781569 plus £53500 = £835069 and in addition a reserve fund of £75764.

The value of such a reserve fund is exemplified by the fact that it was owing to its existence that the Government was recently able to order out £10000 worth of wire, for which no provision had been made in the estimates, in order to carry out the provisions of the Diseases of animals (fencing) Ordinance, 1907, which was read a third time at the last meeting of the Council.

But I regret to be obliged to announce that it will in all probability be necessary to draw on the reserve fund for a less attractive purpose. The Railway profit is not assuming the proportions

estimated

estimated when the current year's estimates were prepared. We shall still be able to show a net excess of earnings over working expenses of probably £65000, but I am warned by the Honourable the Manager of the Railway that we must be prepared to face a deficit on the estimates of £26000. This failure to realise the originally estimated profit is due to the partial failure of crops on Lake Victoria. This has affected the downward traffic from the lake, which forms so large a proportion of the total traffic and has also reflected on the upward traffic to the Lake, as the natives, having smaller crops to dispose of, have less money wherewith to purchase imported goods.

I must explain that although the Railway profits for the current year will fall short of those for 1906-07, when they exceeded £70000, the actual tonnage of freight has up to date exceeded that of the corresponding period of last year. The decrease in earnings is due to the reason given above and also to the reductions that have been made in freights on the less profitable traffic such as building materials and all Government stores (East Africa and Uganda).

Since 1st April last all Government stores have been carried at Intermediate class rates i.e. 1.66 anna per ton per mile as against the previous 1st class i.e. 2.22 anna per ton per mile. There has been a great increase in quantity of Government stores carried.

It must also be remembered that it is extremely difficult to foretell the totals of Revenue for the year when only one half year's accounts have been compiled and it is possible that some improvement in the conditions may occur during the remaining portion of the financial year, but it is necessary to prepare for the worst.

As a partial set off against this Railway deficit I now anticipate an increase of more than £10000 over the estimated Revenue, other than Railway earnings, for the year, and a saving of at least £3000 will be effected on the sanctioned Expenditure.

Of the £10000 surplus Revenue £5250 represents a sum recovered from the Zanzibar Government for a garrison supplied during the last financial year, £3000 is the proceeds of the sale of confiscated ivory and the balance is made up on the ordinary heads of Revenue after allowing for deficits on certain heads.

As I have just shown it will be necessary to draw on the accumulated balances to the extent of say £13000 to make up the net deficit on the current year's estimates.

I have already referred to the £10000 worth of wire which has been ordered from home. To this has to be added freight charges and the cost of erecting and supervising the fencing. To meet the whole cost of the measures to be adopted during the current year for the eradication of cattle diseases, including the cost of the wire, £16000 has been

earmarked.

The Government has further decided to import breeding stock, the progeny of which will be sold to settlers, and for this purpose £2000 has been provisionally sanctioned.

These three items aggregating £31000 reduce the reserve fund to £44000, and, as I shall presently show, it is proposed to apply for Colonial Office and Treasury sanction to withdraw £27000 of this sum to supplement the grant-in-aid for the year 1906-09. If sanction is granted there would thus be a reserve fund of £17000 only on 31st March 1909.

With regard to the savings on Expenditure which I have quoted as £3000 I must add that I have allowed for the cost of paying off and transporting back to British Central Africa during the current financial year the 1st Battalion King's African Rifles, a step which is at present under consideration by the Government.

If the departure of the battalion is postponed there will be additional savings on the current year's estimates of £5000 which sum will, however, be required next year for the rearmament of the Police force provision for which has not been included in the draft estimates.

If on the other hand the immediate disbandment of the battalion is decided upon, the provision which has been included in next year's estimates for its

cost

cost up to the date on which it would in the ordinary course of events be disbanded can be reallocated to Police rearmament. The questions of the reduction of the Military forces and of the rearmament of the Police, depending as they do the one on the other and the uncertainty in respect of the former proposal, have rendered it impossible to frame accurate and final estimates but the position may be summed up as follows. The estimates and balance sheets now before the Council provide sufficient funds for both the cost of the 1st Battalion King's African Rifles down to the date of the completion of their term of service in East Africa and for Police rearmament. But, the sooner the Military forces are reduced the more money will there be available for rearming the Police.

I will now refer to the "half-and-half" principle of limiting expenditure and endeavour to explain how its application to the East Africa Protectorate makes it difficult to prepare a budget.

In the first place it must be understood that although agreed to it has not been adhered to. We have been allowed to utilise accumulated balances for the purpose of increasing our expenditure over the limit which would fix it under the principle referred to. We propose to do so again for 1908-09 and as I have already explained we shall then be left with a balance of £17000 only. This will in turn require to be drawn on for future years' budgets and it appears

very

very doubtful whether it will even be sufficient to supplement the grant-in-aid for 1909-10. We shall then be in the position of being governed by a hard and fast principle regulating our expenditure without any fund on which to draw in the event of emergency.

The expenditure of the Protectorate may be roughly divided into 3 sections, viz.:-

1. Departments maintained for the governing of the country, the administration of justice, the maintaining of law and order, the collection of, and accounting for Revenue, the upkeep of Government buildings, roads and communications and general administrative work.
2. Departments maintained for developing the resources of the country.
3. Capital Works and extraordinary expenditure.

I have roughly divided the 1908-09 expenditure estimate into these divisions and after deducting expenditure which has already been sanctioned, but which will not have been incurred by the end of the current year and for which funds are therefore already provided, the figures appear as follows:-

Class	I.	£ 563302
"	II.	78941
"	III.	71527
	Total	£ 713770

The revoted expenditure (which affects Class III only) amounts to £41585 which brings the total up to £755355 as shown on page 16 of the Estimates.

The method I have adopted in making this classification is as follows:-

Class II includes the expenditure on account of the Departments of Agriculture (including the Veterinary Division), Forestry, Land and Survey.

Class III includes Public Works Extraordinary, Railway Works extraordinary, Telegraph Construction, Police rearmament.

All the other Expenditure is included in Class I.

A portion of the expenditure for general supervision included in Class I, could doubtless be fairly allocated to Classes II and III, but, as a set off against this, and for purposes of simplicity, I have not credited any Revenue to Class II though a small amount of direct revenue such as survey fees accrues from the expenditure incurred.

It is to Class I that we must look for a direct return in the form of Revenue. The total estimated Revenue for the year is £533439 and by crediting this figure to the total of Class I we are confronted with a deficit of £29863.

This deficit is not very formidable and by applying the "half-and-half" principle to the expenditure included in the Class it can be regarded with confidence that in a year or two the Revenue

and Expenditure will not only balance but the former will exceed the latter.

Turning now to Class II the position is as follows:-

When the "half-and-half" principle was accepted the expenditure on the Departments included in this class was very much smaller than at present. The Departments had not been finally organized nor had any fixed policy been adopted regarding them. Since that time, however, specially selected and qualified Heads have been placed in charge of these in the persons of the holders of the Offices of Land Commissioner, Director of Agriculture and Chief Conservator of Forests.

These Heads of Departments, in each case, have reported that more money is required to place their respective Departments on a proper and efficient footing. But, to obtain more money under the "half-and-half" principle, double the amount so required has to be found from increased Revenue and as I have already explained any increased Revenue is for the present required to balance Class I.

If the organization of these Departments had been completed, and a fixed policy with regard to them limiting their expenditure had been determined on before the "half-and-half" principle was agreed to matters would have been easier, but to prepare a budget under existing conditions for Classes I and II combined is almost impossible.

The expenditure which I have classified under Head III is again necessarily subject to different treatment. Public Works can be divided into the two classes of major and minor works. In the former I would include any large schemes such as the Mombasa water supply, Nairobi sanitation scheme, erection of large Government Offices, construction of Railways, roads and canals and in fact any works involving large capital outlay. Minor works would include all the smaller works which it is necessary to undertake from time to time such as staff quarters, station buildings &c.

A solution of the difficulty which at present attends the preparation of the Estimates would be for a fixed annual sum, the amount of which could be revised every few years, to be allowed for minor works, and for major works to be specially considered each year. Accumulated balances could be taken in aid of major works the balance being met by a special imperial grant, or by loans the annuities for the repayment of which could be a charge on East Africa funds.

To sum up my proposals - firstly, Class I would be governed by the "half-and-half" principle.

Secondly, - A fixed annual sum would be allowed as a maximum for Class II and for Minor Works.

Thirdly,

Thirdly,- Major Werks would each be considered separately on its merits and funds provided either by special grants and loans or from accumulated balances.

As soon as the Revenue exceeds the expenditure in Class I, any surplus could be taken in aid of the expenditure in Classes II and III and when the Revenue has so increased as to provide the necessary funds for this expenditure any further surplus could be made the security for loans for carrying out major Public Works and the Protectorate would have become self-supporting.

I have dwelt at some length on the subject of the "half-and-half" principle and a proposed modification thereof, for the reason that it has been found impossible to prepare a satisfactory budget in accordance with the principle and yet there is no definite authority to depart from it. The difficulties attending the application of the "half-and-half" principle were laid before the Under Secretary of States on the occasion of his recent visit to East Africa and it is to be hoped that the Colonial Office and Treasury will see their way to reconsider the question.

Having now endeavoured to explain our financial position I will ask Honourable members kindly to refer to the draft estimates now before them.

The form in which they are prepared and the divisions of Revenue and Expenditure are as

prescribed by Colonial Office Regulations.

Section I of the bill before the Council charges the Public Revenue for the year 1908-09 and other funds of the East Africa Protectorate with a sum of £821855 towards the service of the year.

This £821855 is made up as follows:-

Estimated Revenue	£ 535,000.
Grant-in-aid to be asked for	153,000.
Unspent voted sums from 1907-08	108,085.
Portion of accumulated balances	27,331.
Total	£ 821,855.

The grant-in-aid is put at the same figure as for the current year, viz: £153,000, owing to there being no increased Revenue half of which would under the "half-and-half" principle be available for a reduction of the grant.

Details of the unspent voted sums for 1907-08, amounting to £108,085, are given in Appendix H. to the draft Estimates. As all votes lapse at the close of the financial year, it is necessary to revoke any unspent balances of votes. It is obviously extremely difficult to say, so far ahead, what will or will not be spent by the 31st of March next on such a service as say Slavery Compensation, but an attempt has to be made to do so.

The £27,331 which I have referred to as a portion of accumulated balances is required to make up the deficit between the Estimated Revenue and Expenditure.

In spite of the most careful scrutiny it has been impossible to reduce the Estimates of Expenditure to a figure which would obviate the necessity of drawing on the accumulated balances. Appendix D shows the proposed disposal of the estimated balance on hand on 31st March 1908 and Appendix B shows how the estimate of that balance is arrived at.

The estimated Revenue for the year 2533439 is summarised on page 2nd and details are given on pages 3-14.

It will be seen that a decrease of nearly £14000 on the current year's estimates is expected, but as I have already stated a revised estimate of the current year's Revenue shows a large Railway shortage.

The figure inserted for Railway earnings next year, though not so large as that originally estimated 1907-08, is larger than the revised estimate.

Omitting the Railway Department there is an increase on the current year's Revenue Estimates of £24432, viz: £266024 against £240592 or about 10%. The only Head of Revenue which shows a decrease is that of Land Sales and this is due to most of the best land which the Government has been prepared to sell freehold having already been taken up.

Customs Revenue shows an increase of £10000, about 12%. Owing to the fact that the whole question of Customs duties has recently come before the Council in connection with the New Customs Ordinance,

it is not necessary for me to dwell at length on this schedule. As the Council is aware, the duties which we are allowed to charge are limited by Treaty and this fact together with the necessity for raising Revenue is not conducive to a satisfactory Customs Tariff. This estimate is framed on the existing Customs tariff; the effect of the amendments to the New Customs Ordinance which have been passed by the Council will not appreciably affect the total, though the details of the Import Duties, as shown on page 3, will be liable to be changed somewhat, import duties on liquor being increased and the other sub-heads decreased in view of the larger drawback it is proposed to grant on re-exported goods.

Schedule 2, Port Dues &c., is about the same as in 1907-08. Here again, owing to the Treaty rights of certain of the Powers, we are unable to levy Port Dues to the full extent. At present the Steamship lines calling at our ports pay a voluntary and limited contribution to our Revenue in the form of light dues.

Revenue schedule 3, Licences &c., shows an estimated increase of 27000. A falling off in the amount from Game Licences is to be feared as, with its increased settlement, the country holds out fewer attractions to the big game sportsmen than formerly. Hut tax shows an increase of 28600, principally in the Ukamba, Kenya and Kisumu Provinces, where the natives in the more remote Districts are being

brought into closer touch with the Administration.

Head 4, Fees of Court and Office, reimbursements &c., is increased by £3000. The increase calls for no special comment.

As regards the item of £3000 for earnings of the S.S. "Juba" I wish to state that the value of work done by the vessel for the Government is not included in this figure. This is estimated at another £1500 per annum.

Post Office and Telegraph Revenue Schedule 5, shows an increase of £1500 net, mostly for money-order commission and telegraph receipts.

There is a very small increase in schedule 7, Rents of Government Property. An adjustment has been made between Rents from Forest Areas and other Rents, with the result that the former is increased at the expense of the latter. Although the estimated increase on this schedule appears as £100 only, the Revenue for next year is expected to be appreciably greater than the actual Revenue for the current year, as there is but little likelihood of the 1907-08 estimate being realized.

The remaining heads of Revenue call for no special comment except Head 6 - Government Railways.

It is necessary to consider Railway estimates as a whole and not the receipts and earnings separately and I will therefore ask Honourable

members

members to refer to Appendix E. where they are set forth in full detail.

From the abstract at the commencement it will be seen that there is a decrease in both receipts and payments as compared with the current year but unfortunately the decrease in the former is greater than in the latter the net result being an estimated profit of £76015 as compared with £91816 for the current year - a decrease of £16501. But, as I have already stated, a Revised Estimate for the current year puts the profit at £65000 so that an actual increased profit of £10000 is expected. The expenditure of an open Line of Railway can be divided into two classes, firstly the expenditure which remains at a more or less fixed total irrespective of increased or decreased traffic, and secondly expenditure which varies in proportion to the amount of traffic carried. A decrease in earnings therefore only affects the 2nd class of expenditure and the 1st class, having to be divided over a smaller quantity brings a larger share of expenses to bear and decreases the profit proportionately.

The Accounts of the Railway Department have always been treated differently from those of other Departments, both as regards financial control and arrangement of detail. A very small proportion of the staff - only the Europeans on the higher grade - is pensionable and is treated under the general regulations as regards terms of service affecting

other Departments.

The Manager's accounts are submitted in detail to the Audit Authorities but they are not subject to any audit in the Treasury Department, the totals only under the main heads of Receipts and Expenditure being posted in the Treasury books and accounts. In the same way the Estimates are prepared by the Manager in consultation with the Heads of his Sub-Departments. I must therefore refer Honourable members to the Honourable the General Manager of the Railway for any information they may desire concerning the details of his Estimates.

Section 2 of the Draft Ordinance applies the money appropriated in the 1st Section to the purposes and services expressed in the schedule attached thereto.

As I have already explained certain of the sanctioned expenditure does not appear in the body of the Estimates but is shown separately in an Appendix.

The total shown on the Estimates themselves is £755355 and items 2nd and 3rd in Appendix H. bring this figure at to £821855. Of this the whole of the expenditure on Appendix H. amounting to £108085 has already been sanctioned for the current year, but under the Colonial Office Regulations all balances of votes unspent at the close of the financial year lapse and have to be revoked.

Before

Before discussing the details of the Expenditure Estimates, there are one or two general points which require reference.

One or two questions affecting the conditions of service in the East Africa Protectorate are at present under consideration by the Colonial Office. The most important of these questions are travelling allowances and conditions of service of the clerical staff. Pending a decision on these points the Estimates have been prepared on existing conditions.

A suggestion has been made that the system of granting travelling allowances be replaced by one of consolidated pay and if this alternative is decided upon it will be necessary, later, to make certain adjusting entries in the Estimates by decreasing the provision for "Travelling Allowances" and increasing the provision for "Salaries".

One of the suggestions in connection with the question of conditions of service of the clerical staff is that the staff be graded and placed on an incremental scale. In the meantime small increases have been included for specially deserving clerks.

One or two items which had been inserted in anticipation of Colonial Office sanction have not been approved and will have to be deleted or altered. I shall move the necessary amendments when the Council is in Committee.

In the Estimates which will actually be

submitted

submitted to the Colonial Office a certain amount of detail in the unpensionable staff of the various Departments will be disposed with.

There are a few misprints in the Estimates which will be amended in the final copies and a number of references have yet to be filled in.

I do not now propose to take the various divisions of the Estimates verbatim and discuss them in detail, but I will refer only to the more important increases asked for in 1908-09. I am of course prepared to answer any questions concerning any item therein which any Honourable Member may wish to raise.

The first point to which I wish to draw attention is the increase proposed in the Administrative Staff on page 22 of the Draft Estimates.

2 District Commissioners and 7 Assistant District Commissioners are asked for. 3 of the latter are for special duty with the Secretary for Native Affairs in addition to the 3 already detailed for these duties. The remainder are to supplement the, at present, inadequate District Staff. It is expected that these additional appointments will more than pay for themselves by increased Revenue.

The Sub-Head "Native Affairs", shown in the current year as a separate division of schedule B, "Provincial Administration", has, for convenience of classification, been abolished and the expenditure appearing thereunder (with the exception of the Secretary for Native Affairs) has been divided among

the remaining sub-heads of the schedule referred to; special allowances at the rate of £50 per annum being provided for the 5 Administrative Officers employed under the Secretary for Native Affairs. This Officer is now himself shown under Heading 4, with the Secretariat Staff.

On page 34, increased provision to the extent of £4000 is inserted for the effective occupation of the Abyssinian Boundary. It has not been possible to insert details of this sum as it has not yet been decided exactly what form the occupation of the Boundary will take.

Schedule 12 (page 50), Police, shows an increase of nearly £3000. This is due mainly to:- (1) Increase of 7 Assistant District Superintendents, (2) the establishment of a pay and quartermaster's Office, (3) An increase of about 150 men of all ranks &c., and (4) expenses of training Police Officers in Dublin.

As I have previously stated it will be necessary to rearm the Police, funds being found either from savings on the current year's Military vote or by reallocation of Military funds provided for next year.

In schedule 16 (page 59a) Education, provision is made for the staff and maintenance of a New European School. Provision is included in the current year's Estimates for the school Buildings.

It is further proposed to obtain from Cairo the services of a teacher for a Mohamedan School in Mombasa.

A considerable decrease in Military Expenditure is proposed, and will be effected provided the Reserve Battalion of the King's African Rifles is abolished.

The abolition of this Battalion has been recommended by His Excellency but the Colonial Office wish to receive the report of the new Inspector General, King's African Rifles, before giving a decision on the matter.

If it is decided not to abolish the Battalion the following adjustments of the Draft Estimates will be necessary.

A total of £8511 will require to be added to schedule 18 to meet the cost of the 2nd Battalion King's African Rifles for the year, less the Zanzibar contribution of £10000 and a total of £3736 will require to be substituted for the item of £7403 in schedule 18a to cover (1) the cost of relieving the 1st Battalion by the 2nd Battalion and (2) certain minor extraordinary expenditure due to the returning 1st Battalion being of greater strength than the relieving 2nd Battalion the arrangement being that and the East Africa Protectorate the Nyasaland Protectorate, shall pay for the 1st and 2nd Battalions respectively from 1st April 1908 both Battalions being reduced to 400 rank and file.

The increased cost of retaining the reserve Battalion would therefore be £8511 recurring expenditure and £1333 extraordinary expenditure.

(27) 318

A considerable decrease in Military Expenditure is proposed, and will be effected provided the Reserve Battalion of the King's African Rifles is abolished.

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The increased cost of retaining the reserve Battalion would therefore be £8511 recurring expenditure and £1333 extraordinary expenditure.

Schedule E1, Post Office and Telegraphs is increased by £3665.

A larger European Staff is provided for and it is also necessary to make provision for £1650 instead of £550 for sea-borne mails owing to the periodical international revision of charges and the large increase in the bulk of the East Africa mails since the last revision.

The telegraph construction vote, schedule 21a, has been considerably reduced from the figure first submitted by the Superintendent of Telegraphs, the following proposed lines having been struck out from lack of funds:-

Reconstruction Londiani-Ravine	£ 250
New Telephone Line Nandi-Nandi Boma	420
New Telegraph Line Kazeras-Rabai	110
" " " Londiani-Lumbwa	100
" " " Kapiti-Mashakos	100
" " " Mombasa-Shimoni	1000
" " " Voi-Uwatate	400
" " " Kericho-Kisii-Karungu	3000
" " " Dagoretti-Kimbu	70
" " " Nairobi-Jinja	450
" " " Fort Hall-Rahu	650
Total	<u>£ 6550.</u>

Only the most urgent works have been left in for next year.

In the Estimates for 1908-09 the Veterinary

Department

Department, which was formerly shown in a separate Schedule, appears as a sub-division of the Agricultural Department and is placed directly under the Director of Agriculture.

The increase in the ordinary expenditure of the combined Departments is £1332 and provision is also made for £5000 extraordinary expenditure in connection with the measures to be taken for stamping out cattle diseases. I have already referred to the £16000 which is being spent this year for fencing, and the £5000 is for continuing the scheme and to cover the cost of a staff of Live stock inspectors, special Veterinary Police &c.

The total expenditure - £27205 - may appear large, but it must be remembered that we owe a duty not only to the European settlers but also to the natives of the country who own an enormous wealth of cattle and who have in some cases been removed from their former grazing grounds to make room for European Colonists.

Schedule 24, Forestry and Scientific Departments, has been increased by £8635. The Forestry Estimate has been prepared on the minimum scale recommended by the recently appointed Chief Conservator of Forests. £1750 is inserted in a special Schedule for cottages for foresters. It is proposed to bring out married men from England who will live in the forests and not be entitled to the leave ordinarily granted to the European Staff.

Provision appears, for the first time, for a small Mining Department.

Additional Provision is made under the Head "Survey" and the Department now includes for the first time a small staff for topographical surveys.

Land Office expenditure is increased from £5327 to £10047. The increased Staff providing for 3 Inspectors of farms, the principal of whose duties will be to see that leasees fulfil the conditions of their leases. £1500 is also inserted for the expenses of a scheme of rapid settlement of land by fixing boundaries roughly by beacons and landmarks and in order that temporary titles may be issued before the final accurate surveys take place.

The Public Works Department Staff is increased by £2382, a few new appointments being strongly recommended by the Commissioner of Works.

Public Works Recurrent is increased by £1404 due to increased provision for maintenance and repairs of roads and bridges.

Schedule 31, Public Works Extraordinary, figures at £56059 - a very large decrease on 1907-08 when the vote amounted to £104824. Furthermore £5000 of the £56059 is revoted from the current year, so that the new Expenditure asked for is less than $\frac{1}{2}$ of what was sanctioned for 1907-08. The sub-head New Works and Buildings totals £28343 as against £32555 for this year. It will be seen that no new provision is made either at Mombasa or at Nairobi for houses for officials. This is because the Government has

decided

decided either to rent the houses for the staff or to grant rent allowances, instead of incurring the capital expenditure involved by building houses. Apart from the fact that this change sets free a certain amount of capital, which can be expended on more productive works, it is hoped that it will prove a stimulus to the building and other trades in the two towns.

The more important of the New Works and Buildings for next year include:-

£2000 for a pier at Malindi.

£3000 for installing electric light in the Town of Nairobi.

£1000 for a reformatory for juvenile offenders.

£1000 for the commencement of a water supply for Nakuru.

Under the subhead "Miscellaneous" £5000 is inserted for a monorail.

This form of transport has proved of the greatest economic value elsewhere and it is proposed to try the experiment in East Africa.

£9844 is included for Roads and Bridges as against £4625 in 1907-08.

As already explained the expenditure on Appendix H. has all been voted for the current year and no fresh special expenditure is asked for.

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E.A.P

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~~W. G. ...~~
In ar

DRAFT.

The Sec. to the
Treasury

MINUTE.

- Mr. Ellis 11/1
- Mr. Read 13
- Mr. Just.
- Mr. Antrobus.
- Mr. Coz.
- Mr. Lucas.
- Sir F. Hopwood.
- Mr. Churchill.
- The Earl of Elgin.

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for com

copy for Comptroller 17/11

141
 Sir
 W. G. to the letter
 from this dept. of the
 6th inst. I am
 directed by the Earl
 of Elgin to inform
 you that he has now
 received copies of
 the draft Estimates
 of the E. A. P. & of the
 Treasurer's Budget
 statement and he
 that he is now in a
 position to explain
 the figures communicated
 in the letter referred
 to.

2. The gross expense for 1908-9 is estimated at £813,728 of which £747,228 are approved in the body of the Estimates, while the remaining £66,500 is reserved expense already authorized to be met from special funds.

£ 747,228
 £ 34,000
 £ 32,500

 £ 813,728

right
 Slavery compensation £34,000 from the Slavery grant, & Ministry improvements, reward of Treasury & Audit Office & railway surveys £32,500 from the surplus committed for those purposes last year.

3. This expense is proposed

to be met as follows:
 Approved Revenue, 532,439

By money authorized to be spent in 1906-7 on Anderson Park Works, New Goal & General Post Office Works but not estimated to be expended within the year, 42,385

From special funds as voted in the previous year, 66,500

From balances on hand on 31st March 1908, 18,414

Making a total 660,728

and leaving to be provided by Grants in Aid 153,000
 Total 813,728

4 These Estimates will
of course require careful
scrutiny in this Dept.
but while reductions
will probably be made on
some items, there are
other services for which
inadequate provision
appears to have been made,
I had their accounts
referred to the Comptroller
and T. L. to agree at
least provisionally to a
grant in aid of \$152,000
as against \$163,000
suggested in the
letter from this Dept
of the 11th Dec.

L
Rae