

1932.

Kenya

No. 18137

SUBJECT

C0.533/424

Land and Agricultural Bank.

Previous

17030/31.

Subsequent

Land Bank (Amendment)
Ordinance, 1932

3078/33.

1 Gov. Kenya.....Conf.59.....16/4/32.

5 copies to Library.

Tramits copies of the Report of the Land Bank Board for 1931. Reports on the financial position and policy of the Land Bank and enquires as to the terms on which a loan of £260,000 could be raised in London. Asks for reply by Air Mail.

The enclosed Report on the year's working, 1931, is not of much value seeing that, while it shows a total of issued loans of £32,500, the Governor reports (para. 3 of 1) that actual and probable issues now total £225,200 out of the total fund of £240,000.

G.D. and Mr. Stockdale should see in due course. As regards the proposal to raise another £260,000 for the purposes of the Land Bank the financial history of the case is given in Mr. Ailen's memorandum at 6 in 16000/30 K. from which it will be seen that the original allocation proposed for loan funds was £750,000: that with the consent of Treasury £240,000 was provided in Colony Loan Schedules and that Treasury consent would be necessary to any provision

(in excess of this sum (see also paragraph 7 of the despatch at 8/16000/30 and para. 5 of 1 in 17030/31).)

It seems clear that further funds must if possible be provided. ? As Sir J. Campbell is absent at Geneva the Crown Agents may in the first instance be requested to advise as to the prospects of raising a loan from private sources on the lines suggested in paragraph 8.

H.E. Priestman.
28/4/31.

P.S. I am doubtful if the proposed loan can be given priority of claim over the Government loan in respect of the securities held by the Bank but section 22 of the ordinance permits overdrafts to be charged against the Banks assets.

H.T.A.
28.4.

H.E.P.
28/4.

1a Memo on Kenya Loan

x Flagged G.G. X
X No. 11 of 16000/30 is also very relevant. There the O.A.G. said "I propose further to make it clear that no further funds can be expected unless case is made out for a further loan provision which will convince yourself and the Treasury.... The reply (No. 12) emphasised that the S. of S. did not wish any prospect of increased capital being approved to be held out.

It is to be noted that this despatch is not a request for authority to increase the capital of the Land Bank. It is merely an enquiry as to the terms on which such additional capital could be obtained privately in London. The reply to this enquiry may very well show that an increase of capital from such a source would be definitely uneconomic.

The present margin between the interest paid to Government by the Land Bank (4.7 per cent.) and the interest charged by the Bank to borrowers (0.5 per cent.) is barely sufficient to cover the operating expenses of the Bank. It is

hardly possible that any private institution in London would lend for 20 to 30 years at under five per cent., to which would have to be added 1 1/2 per cent. for sinking fund. The cost to the Kenya farmer would therefore be over 8 per cent. in addition he would be required to pay 1.12 per cent. annually by way of repayment of capital.

First write to Crown Agents as in the draft herewith, and then recirculate to consider, with the advice of Sir John Campbell and Mr. Stockdale, if available, whether the policy of doubling the Bank's capital is justifiable on general grounds.

Stockdale
4/5

It certainly does not seem proper to increase the capital only so as to meet running expenses.

Logan
6.5.32

Suggest that the proposal should be left to the Govt. but show

The Minister agrees that further enquiry can be made regarding the
4/5

added a paragraph referring to the Govt. maintain of the "Colonial Loan" alternative. No doubt this position as to the so called embargo has changed: but there remains the difficulty as to the Colony undertaking the latter loan liabilities involved in proceeding with the approved schedule, which has been entirely postponed. This applies above to the Government administration of the schedule
W. Allen 7/5/32

I don't think the "embargo" is still operative. The Bank would not mind Kenya borrowing - the city would want to lend her money. But I shall be interested to see the President's terms of a loan to the Land Bank without a guarantee.

W. V. Vernon

Let me see again then 9.5.32

W. Allen 9.5.32

Account
W. Allen
W. B.

2 J. CA. - w/c 1 + Govt. cc. - cons. 12 MAY 1932

3. — Onon Agents — 27. S. 22.
Desirable advice as to the raising of loan in
London for head bank.

4. — Gov. Kenya. Tel. No. 92 Conf — 29. 8. 32.
Requests telegraphic reply to 10-1.

5-4.

CAs have not considered the
question of the Bank Bank itself
raising a loan with or without
a full guarantee as they hold
that the Colony could not in any
case repudiate liability for
the Bank's loans. They suggest
that the 1920 loan stock might
be increased by the amount required
by sale to the market.

In the Gov's opinion Mr.
Yennon's minute of 9/5/32 a
reply to it may now be by
telegram informing the former that
it is considered that the raising of
a loan on behalf of the Bank with
or without a guarantee would
considerably more onerous than the
increase of loan stock and supplying
the latter.

H. P. Davis
20/8/32

Mr. Allen.

I attach a note which may serve as a basis
for discussion with Sir John Campbell.

P. Allen
11/6/32

Had I a note note after some discussion
with Mr. McGregor, Mr. Paul & Messrs. Thomas
a member of the Board until he came a leave
11/6/32

MR. ALLEN.

From our conversations, I gather that my
opinion is required on the question raised in
Mr. Freeston's note as to the ultimate future of
European agriculture in Kenya and whether it is
sufficiently assured to justify further Government
assistance to enable it to carry on.

Under any conditions it is unwise to
express opinions as to the future, but under
existing conditions it is extremely difficult.
The position, however, as I see it at present is
as follows:-

Maize: is the crop grown on 30% of the
cultivated area in Kenya. Present prices for
maize are low and, except on lands where relatively
high average yields are secured as the result of
either favourable soil conditions or good farming,
returns either result in a loss or only a bare
subsistence for existence. During the past years
maize farmers have suffered considerable losses
of crops from locusts (20 to 40%), and the

migratory locust is breeding in the Colony. There is also no doubt that much of the maize land has been bought at inflated values and that mortgages have been secured on it with ease. A writing down of capital values is required, and this is definitely alluded to in the Report on the first year's working of the Land and Agricultural Bank. With a writing down of capital values and with good farming - and the absence of too frequent serious losses from locusts - the maize farmer in Kenya should be able to compete in the world's markets. This, of course, anticipates a general rise in commodity prices in the future, and contemplates some contraction of the present acreage under maize to those lands which are suitable for its cultivation. I would not anticipate an ultimate acreage in excess of 200,000 acres under maize, and, whilst reasonable livings might be expected to be secured from good maize cultivation, there will be no fortunes made and little margin for any luxuries or extravagances.

Sisal covers 20% of the cultivated area and it is very difficult to express any opinion on the sisal position. There are those who contend that Tanganyika Territory, with its sisal on the coastal areas, will always have an advantage over Kenya-grown sisal with its long haulage to the coast and with its slightly more rapid growth, but the Kenya advocates feel that production there will always hold its own against Tanganyika Territory. Personally, I

do

do not think there is much to choose between the two territories, but the immediate future of sisal is difficult to assess.

Coffee now covers nearly 10% of the total cultivated area and is prospering. Crops are reasonably good and prices have been maintained. There should be little doubt as to the future of this industry except, perhaps, on the question of shade. This problem has not yet been settled, but unshaded coffee has a most disturbing habit of going out as the result of exhaustion after high cropping. Much of the coffee in Kenya is unshaded, and I would not be surprised if some of this crop did die out from this cause at some time or other. Furthermore, there are considerable areas of coffee which have been planted on unsuitable lands, and these areas cannot be expected to be permanent or to produce remunerative returns. For the immediate future, however, the prospects of Kenya coffee appear to be bright. It is doubtful if there is much more first class coffee land available for ^{European} development, but I do anticipate that, with present prices, we may look to further limited expansion of planting.

Wheat cannot be relied upon. It is doubtful if Kenya will be able to produce the requirements of East Africa owing to pests and diseases. Its cultivation is being driven more and more to the highest cultivable lands by diseases, and the area is being more and more restricted. It will never be able to compete in Kenya with world's prices for wheat, and it is only under a highly protective duty that it can be made remunerative.

Sugar. This has done well in certain places, but Kenya has not the natural facilities of Uganda for the production of this crop. It will only be remunerative in a highly protected market and could not be so at world's prices or even at the prices prevailing in this country at the present time.

Cocoanuts on the coast show some promise, but they are not as good as the cocoanuts in Ceylon or the West Indies, and can be expected to produce for the next few years (judging from the present condition of the edible-oil trade) very small profits, if any profits at all, to European management.

Live stock. If live stock are utilized in mixed farming and markets can be established for live stock products, there should be a future before this enterprise. In fact, this mixed farming enterprise offers the best hope for the future in the European areas in Kenya and might be made of material assistance to the maize growers. Personally, I am doubtful as to the possibilities before the European stock raiser on grazing lands except as the source of supplies for the mixed farmer, but I know that this view is not shared by Mr. Montgomery. I can only hope that my view of the situation may be a wrong one, but, at present, I am inclined to adhere to the view above expressed, especially as it has recently been confirmed by Mr. Milligan in his detailed examination of a somewhat similar problem in Northern Rhodesia.

6

The above analysis is somewhat lengthy and inconclusive, but I am afraid that it can hardly be otherwise in the present state of world affairs. I do believe, however, that there will always be European agricultural enterprise in the highlands of Kenya, and from the experience of the South African Land Bank, it is certain that a capital of £250,000 will be insufficient for the needs of Kenya. Whether there is sufficient security at the present time to authorize further increases of capital is difficult to assess. Loans to coffee growers should certainly be safe, but these are not the farmers most in need of assistance. It is the maize grower and the stock farmer who requires help. With certain provisos I believe in ^{both maize & stock} these crops for Kenya, but large profits from the undertakings cannot be expected and ^{they} these are both somewhat at the mercy of locusts at the present time. *The locust position is, however, I understand, steadily improving.*

F. A. Shikdela

10.6.32.

I have suggested a few very minor modifications. I'd leave out para: 9, and the end of para: 8, for the reasons briefly indicated on the draft. I agree that we should take the responsibility of this decision ourselves--and not merely pass the thing on to the Treasury, leaving it to them to take the onus of refusing.

2. The two main reasons, of general importance, against accepting this implied suggestion to increase the Bank capital are:--

(a) we do not know that "European" cultivation

12 copies of the Annual Report sent to Mr. C. S. G. 23/6/32
To my private secretary

has in fact any very assured future before it in Kenya, except as regards a few special products. We may--it is often said we have for years been--barking up the wrong tree.

Mr. Stockdale's minute is not very encouraging, for instance. The risk is quite a big one; and the general financial position of Kenya (and particularly their debt position) is not such that we'd be justified in taking further serious risks at present.

(ii) The thing has an obvious--and important--political aspect. This money, if raised, will in fact go to Europeans, and not Africans. One need not enlarge on the connotations. With the Coyne report about to be published, the Govt. will have to walk warily in such matters.

3. I do not suggest that these considerations should find any place in the official despatch. That may well be undesirable. But it might be worth while considering whether we should not explain to the Govt.--s.o. for instance-- that they had been in our minds while examining this question. They seem of major importance, and one hardly likes to omit all mention of them. No 21-0-52.

Handwritten signature
21/6/52

Handwritten note:
The drafts are at the bottom of the page

The drafts to which Sir John Campbell refers are those I sent to him (without a minute) as a basis for discussion. I have now had them fair copied with his suggested amendments, with which I quite agree. Mr. Stockdale has also agreed them, with a few alterations. The Government of Kenya is fully aware that we shall have to get Treasury concurrence for any further loan for the land bank.

The further points raised in Sir John Campbell's minute were not absent from my mind when I originally drafted, but I endeavoured to make the despatch as sympathetic and as little provocative as possible. I now add a semi-official draft to the Governor which perhaps Sir D. Mason would be willing to sign.

Handwritten signature

27/6/52

Sir S. Wilson

You would see these (three drafts)

They have the concurrence of Sir J. Campbell & Mr. Stockdale (The subject is so sensitive that I do not offer any comment)

Handwritten signature

27/6/52

Sec of State
(Through Sir S. Mason)
I think the drafts meet

the case.

B.H.C.

28.6.32

W.H.

30.6.32

The Secy has approved the draft which

is now to W.H.C.

2/1
abuse

21.6.32 - 2/9/32

To Gov. Conf (W/600 2+3)
(1+4 amended)

5 JUL 1932

To Sir J. Byrnes — 5-7-32

Byrnes' mail
28 6/7/32

8
9

10

Mr H.H. Rushton
Secretary

2/6

24/6/32

Says that Mr E.B. Gill, a member of the
Land Bank Board is now in England &
it might be of interest to ask him to call.

? As regards the notes on the draft of
8 it will be ^{necessary} to send to
Treasury, ~~with the copy of 8~~

with the copy of 8 with enclos, a
copy of 1 under a short note
referring to Treasury approval of
the insertion of £240,000 for the Land
Bank in the 1930 loan saying that
the S of S considers it unnecessary
to trouble them with copies of the previous
correspondence but that it will be
obtained from para 7 of 8/2/32
he does not propose to approve
the withdrawal of further funds for this
service without prior consultation
with Treasury.

1/15526/29

W.H.

W.H.

? As regards CA's a copy of ^{of what was} ~~of~~ ^{reference}
3 will suffice.

As regards 10 there does not seem
to be any points or particulars on which
Mr Gill's views are required (Mr
Mansfield was available recently vide
Mr Allen's minute of 2/6) - unless
Mr Stockdale would like to see him.

Review
minutes

W.H.
27/7/32

W.H.
27/7/32

11 To Treasury - (1/10/14/18/20) - 11.7.32

12 To C.A. 7c. 8 (without sub) 14/11. 1932

13 Gov. Kenya - ^{119. Conf} ~~119. Conf~~ - 9/7/32
"Should be glad of permission to communicate to Leg. Cmt terms of my telegram of 2nd July No 137 in my opening address 26 July on general financial position of the Colony."

Sir C. B. Stansbury

(Opp. has returned from circ: only this morning)

It may strengthen the Governor's hand on July 26th if he is authorized to use the Conf: disp. of 5th July as well as the let.

(8)
(7)

Draft let: himself for cover

[Signature]
12/7

15/12/32

14 Sec. to Kenya 10/11/32 (13/11/32) - 12/7/32

15 To C.A. - (1/10/13/14) - D. 10. - 18.7.32

Revised by me to all my points
H. P. [Signature]

There may be an occasion for consulting the
Lytell later on, but we need hardly trouble
him at present.

See my letter
with the letter
has written to the
you in case he is still
has 10/10/32

12/9/32
[Signature]

[Signature]
18/12/32

DESTROYED UNDER STATUTE 1787/12

16 To Secy. - 2/8/32
Notifies an amendment to Conf: disp 10/7/32

17 Gov. Kenya - Conf: 10/4 - 12/8/32
In reply to No 8, submits views on the
the present financial position of the Land
Bank & future activities. Encloses Copy
of Report by the Secretary to the Bank
for 6 months ending 30 June.

A possible ground for objection to the
administration by the Land Bank of the Agricultural
Advances Scheme is that the former has the
sympathetic support of the Secretary of State,
whereas the latter is unsound and the Secretary
of State would be only too glad to see it closed
down. The Governor indicates, however, that the
arrangement proposed is solely on grounds of
economy and not in order to bolster up the advances
scheme.

The report enclosed shows that from June 1931
when the Land Bank first began to operate advances
totaling

totalling £177,750 have been made and that further advances of £48,450 have been approved - total £226,200. Arrears of interest amount to £801 in respect of 3 cases only 1 of which is anticipated to be difficult to collect. The interest actually received amounted to £1,774 and, allowing for full collection of arrears and accrued interest, shows a net loss of about £200 on 13 months working, i.e. a loss of £1,005 up to the 31st of December 1931 less a profit of £800 for the 6 months ended the 30th of June. It may be desired to enter a caveat against the proposed transfer of the work of the Agricultural Advances Board to the Bank.

otherwise no action seems necessary.

*J.S. Poincaré
9/9/32*

It will be seen from paras. 5 and 6 of the report that the Land Bank and the Agricultural Advances Board shared accommodation, and that there is already some overlap of staff free of expense to the Land Bank.

7 Reply that as at present advised the S. of S. sees no objection in principle to the proposal that the Land Bank should have power to act as agents for the Government in the administration of advances to farmers and others under an indemnity by Government, provided that such activities would in no way be confused with those of the Bank as such, and that it is made clear that the arrangement is made solely in the interest of economy and leaves entirely unaffected the purely temporary nature of the Agricultural Advances Scheme, and add that it is

continued

assumed that it would be possible to keep the accounts of the expenditure of the administration of the two branches of the work quite distinct.

M. Allen

14/9/32

I agree with action on the lines proposed above by Mr Allen.

J. S. Poincaré

14/9/32

*Agents with an indemnity liability
them may be expensive, and the
had better make the approval
subject to the assumption that the
Govt is satisfied that the
interests of the Govt will be safeguarded
by agents independent of administration
after work by the Land Bank*

W. L. 15.9.32

18 To Govt Conf. (17 Annual) 21 SEP 1932

19. Form on decision regarding further capital for the
Land Bank & a note of local suggestions.

19^A Extract from Notes of Deputation to S. & S.
17th November 32.

Secretary of State,

20
Sir Joseph Dymally letter of 10th Dec 1932

A copy has been made for the C. Assembly
to read tomorrow in view of the Government
request to be advised if you have any
"Special instructions or information" to give him
on the Land Bank question

He cannot call to the House which
will read the Government on 14th January. but
- if necessary - we can send him a full
"private & confidential" telegram

I will let you have the C. Assembly
view tomorrow, & you could perhaps
telegram home on Thursday evening

E. H. Lloyd

27 Nov 32

Sir C. B. B. B.

The original of this arrived this morning; the Air mail by which the Governor suggests a reply leaves this afternoon.

The Board is sending on the original to S. G. today. I have sent a note by airmail to the Governor's P.S. saying that any "special instructions" will be communicated by telegram.

Pp. below. You may wish to discuss.

[Signature]
27/11/32.

Draft telegram submitted, after discussion.

[Signature]
28/11.

Secretary of State,

I send to you yesterday Sir J. Symonds letter, now attach the draft of the 'bribe and favour' telegram in reply.

The Director has suggested that you might care to read the Standard's minute (in full here) of 10th June last on the proposals for European Agreements in Kenya.

As the Governor did not require a reply before 14th January was we are now going to telegraph (instead of writing by air mail), there is no necessity for you to take me a telegram tomorrow; but if you will return the answer by day tomorrow I will submit the same to the Governor.

I have read the objections
to the Chair of the Exchequer,
who opposes them.

It is strange the former wd.
now wish to have more the
prospect he is strongly opposed.

PVA

31/12/32

21. To Governor Tel (P.P) _____ 2 January 32

(6)

18137
1900/1/Kenya.

C.D.
R 10 JAN 1933
D 10

1
10/11/33
5:35

C. O.

Mr. Freeston 28/12

Mr.

Mr.

Mr. Parkinson.

Mr. Tomlinson.

Sir C. Bottomley 28/12

Sir J. Shuckburgh

Permt. U.S. of S.

Parly. U.S. of S.

+ Secretary of State.

PRIVATE & PERSONAL.

~~W. J. M. M.~~ Your confidential letter of the

20 17th December I entirely agree that

it would be mistaken policy to

assist by means of additional capital

for land work either on private farms

or on estates whose prospects of

success are slight. *LA*

It is, however, a

great pity that the Government should

not be doing more to occupy available

land for production of crops with a

reasonably secure market. The security of

market depends largely on local factors

(e.g. cost of production in relation

to world prices) which you are in best

position to assess. It is therefore to

you to judge when moment is opportune

for forward movement. When you can

assure me that additional capital

facilities will give impetus to the

much needed increase in value of

Colony's

DRAFT. tel. (for use)

GOVERNOR

NAIROBI.

This was made clear in
delegation both in
departmental discussions
and by myself.

You had ~~found~~ strongly
advocated increase of
Land Bank capital in
Despatch of 16th April;
& I felt in its re-arrangement
that ~~advocated~~ it was
reasonable that you
should have at your
disposal some funds to
assist settlement of right
type on proper terms.

→
~~Colonial Agricultural Exports~~

I will use my utmost endeavours to co-
operate in the prompt provision of such
if capital were increased
~~facilities as~~ I shall be guided by
you
you in regard to such limitations of
their use as may seem prudent in
the light of economic conditions
then prevailing.

Secer.

I accordingly discussed
the matter informally
with Chancellor of
Exchequer, who was
sympathetic. I
also felt that
I could help you with
Income Tax Bill if
at the same time
you could show that
some help could
be given to sound &
thrift settlers -

could
I ~~should~~ ^{strongly} ~~would~~ ^{urge} you to
increase capital of Bank, if you
now think there is not opportunity - But
I wished to assure you that if you renewed
your proposal I should support it with the
best of my power to be able to give -
in connection

CONFIDENTIAL.
AIR MAIL.

Copy original one

18198/32

GOVERNMENT HOUSE,

KENYA,

EAST AFRICA.

10th December, 1932.

Dear Sir Philip,

Very many thanks for your letter of the 24th November. It was kind of you to give me such a full account of your interviews with the delegation. I must say you were very patient with Grogan who is an insufferable bore when he gets on the currency question: he never will leave it alone.

It was fortunate that you put me in possession of your views for this morning Lord Francis Scott and Captain Schwartze came to see me after having had a three hours interview with Captain Anderson. They said that they now understood you had promised to obtain for the Colony another £200,000 for the Land Bank. They wanted me to cable to you asking permission to make an announcement to this effect when I address Legislative Council on Wednesday. I informed them that my reading of the verbatim report did not confirm their information; it merely indicated that you were most sympathetic and intensely anxious to help and that you were seeing the Chancellor of the Exchequer on the subject. I agreed to having a meeting with them, Captain Anderson, and the three Superintendents of the Leading Banks on the understanding that it should be purely informal and non-committal. Owing to Legislative Council, Christmas and the New Year intervening I have fixed this meeting for the 5th January. If you have any special instructions or information to give me perhaps your Private Secretary would write to me by the Air Mail due to arrive at Nairobi on the afternoon

~~CONFIDENTIAL.~~
~~AIR MAIL.~~

*Copy original in
18198/32*

15
20

GOVERNMENT HOUSE,

KENYA,

EAST AFRICA.

10th December, 1932.

Dear Sir Philip,

Very many thanks for your letter of the 24th November. It was kind of you to give me such a full account of your interviews with the Delegation. I must say you were very patient with Brogan, who is an insufferable bore when he gets on the currency question: he never will leave it alone.

It was fortunate that you put me in possession of your views for this morning Lord Francis Scott and Captain Schwartze came to see me after having had a three hours interview with Captain Anderson. They said that they now understood you had promised to obtain for the Colony another £200,000 for the Land Bank. They wanted me to cable to you asking permission to make an announcement to this effect when I address Legislative Council on Wednesday. I informed them that my reading of the verbatim report did not confirm their information; it merely indicated that you were most sympathetic and intensely anxious to help and that you were seeing the Chancellor of the Exchequer on the subject. I agreed to having a meeting with them, Captain Anderson, and the three Superintendents of the Leading Banks on the understanding that it should be purely informal and non-committal. Owing to Legislative Council, Christmas and the New Year intervening I have fixed this meeting for the 6th January. If you have any special instructions or information to give me perhaps your Private Secretary could write to me by the Air Mail due to arrive at Nairobi on the afternoon of

of the 4th January.

If I might presume to do so I would suggest great caution over additional funds for the Land Bank and over the Government becoming involved in anyway in dealings with surplus or foreclosed land. We all want to help the Colony during these distressing times and there is no doubt whatever about encouraging the tourist traffic and the advent of Residential Settlers. It is a fine country for them and these pensioners and others with moderate means are a great asset. That I am terribly afraid of is an influx of any more maize and wheat farmers at least until the world prices become more stable. I anticipate that this agitation about sub-dividing or offloading land will be in respect of properties mainly suitable for such crops. I leave out Cattle farming, Dairying and Coffee planting which require capital and knowledge.

Now, I have had an immense amount of trouble with the maize and wheat farmers during the past few weeks. I recently had a deputation from the former when he thrashed the thing out. The upshot is that they threaten going out of production unless the Railway will carry all the maize offered and when offered at the flat rate of Sh.18/- a ton ("Z" rate). The Railway Council have advised me as High Commissioner that this cannot be done and that only a limited amount of this class of traffic can be carried at this losing rate. In agreement with Uganda the amount allotted was subdivided between cotton seed and maize, the latter getting a very fair share. All additional maize would be carried but only at a much higher and, I think, prohibitive rate. Uganda's argument is perfectly sound they say that if either Colony wishes to export...

industry by granting non-paying rates on the railway, this subsidy should come from the Government concerned and not from the Railway Administration which is a joint concern.

I then ascertained that the amount of this subsidy for 1933 (with a 70,000 ton crop) would be in neighbourhood of £42,000, and I had a meeting of Executive Council this morning when I laid the problem before them. The unanimous advice was that in the present state of the Colony's finances such a subsidy would not be justified.

The line Francis Scott and his followers are taking is that the unfortunate General Rhodes has some sinister motive and wishes to kill the Maize Industry. The reply that General Rhodes is merely doing his duty, that his costing figures have been carefully worked out by trained accountants and that the result has received the approval of Railway Council is of no avail. It is somewhat difficult to reason with these people but the nett result is that the Railway cannot go on carrying at a loss and that the Colony cannot subsidise, so it is difficult to see a solution except to let the industry find its own level which I believe they will eventually do as there is a certain amount of bluff behind it all.

The demand now is that I should approach you and that you will order the railway to carry all the maize at the cheap rate desired! I am calling a Railway Council meeting in January to discuss the problem but I am sure Uganda will be adamant.

Turning now to the wheat industry. For the second year in succession (chiefly due to loanists) they are unable to supply anything like enough to meet

4

18

meet East African requirements. Accordingly I have to approach you again (officially) asking permission to import foreign wheat duty free in order to maintain the few mills now operating and to keep in being the local markets: Do you wonder that I advocate caution over land or finance in any way connected with these crops? Please do not think I am opposed to additional funds being granted to the Land Bank. The granting, on good security, of long term credits to sound farmers is in every way desirable and it would be well spent money. But to utilise the money towards assistance to new farmers who cannot possibly make good under existing conditions would, in my judgment, be unsound.

I do hope therefore that if any further loan to finance the Land Bank receives your approval you will clearly limit its application.

I entirely agree about Armitage-Smith's report: It is excellent and it is proving very useful to us with our similar problems. I am rather anxious, however, about his recommendations regarding Customs Import Duties (Chapter II para. 3 (1)). The repercussions will be serious if the Customs Union is tampered with and if local industries are jeopardised. However, I am sure that these points will receive your consideration.

I enclose a copy of a speech I made at the Caledonian Dinner. There are only two portions which I have marked which may possibly interest you: those dealing with Kakamega and with Ottawa.

I shall now suspend writing and continue on Friday in time to catch Saturday's Air Mail. I shall then be able to send you a copy of the address I am making

making at the opening of Legislative Council on
Wednesday.

December, 15th.

I made my address in Council yesterday and
I enclose a copy of it, together with a copy of the
Leading Article in the "East Africa Standard". From
what I can make out this frank statement has been well
received.

The reference to Grogan was at the request of
Francis Scott and the Elected members.

You will notice that two of the Indian
non-co-operators have now taken their seats. This is
all to the good as I am most anxious to get the Indians
to help us, for they have very large interests in the
country.

May I, Sir, offer you and Lady Cunliffe-Lister
my best wishes for the New Year and may I thank you
cordially for the help and support you have invariably
given me since you became Secretary of State.

Yours sincerely,

(Sgd.) J. A. BYRNE.

The Right Honourable,
Major Sir P. Cunliffe-Lister, P. C., G. B. E., M. C.,
Secretary of State for the Colonies,
LONDON, E.C. 1.

Extract from Notes of Deputation to S of S
17 November 52

want to get the best possible terms I can for you, and this thing cannot be done by dictation, but one may be able to help a little and if the way the thing has been carried out does not in your opinion work in with the lines they said they were working on, let us take it up again.

MAJOR GROGAN. I do not think they can make any very material reduction, they have very heavy overheads, of course, and they have to cut very very heavy losses, and we have to pay for them.

SECRETARY OF STATE. They have launched out into branches.

MAJOR GROGAN. They are all working at a loss.

SECRETARY OF STATE. Well, then, you had some discussion with them about surplus mortgage lands, and land that had fallen in or was falling in, and that you are to take up with their representatives out there, that is the position is it not?

MAJOR GROGAN. All we asked was that they should send an encouraging note out there to their people. I did discuss it with their people out there before I came here, and one was quite sympathetic, but it all depends upon what sort of note of encouragement they get from this end?

SECRETARY OF STATE. We can follow that up with them and say "Have you sent that out?"

MAJOR GROGAN. We do lay a lot of stress on that, because it is a very weak position for a country to have a very large amount of land in the offing.

SECRETARY OF STATE. I quite agree, and I think it is a hopeless thing in any country to have a man in occupation of far more land than he can farm properly and that he has not capital for, and what one is always trying to do on one's own estate is to see the man has the working capital to farm and that

he does not have more than he need work in, and that rather led me to this, you had hardly discussed at all, and I rather hoped you would raise the question of the Land Bank. You hardly raised that in discussion, and yet on going into this and thinking more and more over it I cannot help feeling that there is a good deal in that. I want to see more people on the land there, I want the right kind of man. There are two classes of people, I think, to whom you can make an appeal at the present time, will you tell me if I am wrong. You get the retired man, with his pension, who does not necessarily need to make money, but says, "This is a jolly good place to go and live. I have got friends there, and it is the kind of country I am used to, and I like." He is an invaluable kind of person to get, he has got a certain amount of money, and he is an awfully sound type of man to have in a country, useful in public service and so on, and I have always felt that I would very much like to see that kind of man from our service or some other service encouraged to say "Well, would it not be as good fun to go and live in Kenya as to live at Cheltenham". He is the salt of the earth if you can get him, and that the kind of man you said talked to you and people like, a man who is going to be a good practical farmer. Now, it is not fair for either you or me to go out on a sort of advertising campaign and say "Go and settle in Kenya", as if one was advertising a cruise, do you see. We have to be frank with the man, tell him what the difficulties are, but while being fair and frank I want to get those people when things are going to pull round, there is always a chance and although there is always the difficulty of getting the capital for equipment, you may be able to get a mortgage on your land if you have land.

You cannot get from a bank ordinarily the sort of long-term loan that you want for this kind of equipment. The same sort of thing which happens here in industry I want to see done there, the kind of mid-term security, the mid-term advance, the medium-term advance, to the small man. I am perfectly certain that that is a need that ought to be met in English industrial life today. A man is too small to go and get an issue; the advance he wants is too long for any bank to give as ordinary banking business, and that was rather the job the Land Bank had, was it not, to advance money for equipment?

MAJOR GROGAN: Yes, Sir, to some extent.

SECRETARY OF STATE: Well, I do not want to go and have a great fight for this, to go and press the Treasury very hard on this matter, if it is not going to be worth while. The proposal did come forward to me of increasing the capital of that Bank which has a capital now of - it was £270,000, was it not?

CAPTAIN ANDERSON: It was £240,000.

SECRETARY OF STATE: Would it be of real assistance in bringing the right kind of settler in if I could get the Chancellor's authority to borrow say £200,000 in order to give the Land Bank further funds to operate with?

MAJOR GROGAN: That is a very difficult question to answer because, of course, there is an enormous demand for Land Bank help among the people out there today who are struggling against adversity. Whether it is going to be any good for them depends on what is going to happen to that territory, otherwise they are piling up their obligations and they might as well go down the drain now as go down the drain later.

SECRETARY OF STATE: Take this proposal - In one way I do not want to do this for naturally I do not want to incur a further debt - and looked at purely as an economic thing, and looking at your commitments and your Budget, the natural thing to say is we ought not to borrow any more money anywhere at the present time, but I am looking at this rather in connection with the kind of proposal you were putting up to the Banks. Here is surplus land which ought to pass into somebody else's ownership who can cultivate it, but supposing the man goes and buys the land, then he will not get the money for equipment - unless he is bringing out capital with which to equip the land - except through a Land Bank; at least so I should have thought, because it is too long-term for a Bank to give him. The Bank can only give him a short-term advance; they may go on renewing it, but that is not a satisfactory position to be in, to feel that the stock you put on the land, your live-stock or your farming equipment, are really all under a Bill of Sale to the Bank at the moment and the Bank may have to call the thing in. On the other hand, if he has got a medium advance and he is paying the thing off by steady instalments, that may be an encouragement. Of course, I do not want the terms to be too easy; I do not want it to relieve somebody else's over-draft - that is no good.

MAJOR GROGAN: One of the reasons why I have always been so keen on the Banks combining to put this land into a better condition, from a derelict state, to distribute it, is that it would enable that land to be disposed of on extended terms leaving them whatever capital they had free to operate. The terms of business should be terms of payment on the land, letting them operate with any free capital they have got, rather than to have it the other way round. The trouble we are up against is, of course, how we are going to keep the

SECRETARY OF STATE: Take this proposal - In one way I do not want to do this for naturally I do not want to incur a further debt - and looked at purely as an economic thing, and looking at your commitments and your Budget, the natural thing to say is we ought not to borrow any more money anywhere at the present time, but I am looking at this rather in connection with the kind of proposal you were putting up to the Banks. Here is surplus land which ought to pass into somebody else's ownership who can cultivate it, but supposing the man goes and buys the land, then he will not get the money for equipment - unless he is bringing out capital with which to equip the land - except through a Land Bank; at least so I should have thought, because it is too long-term for a Bank to give him. The Bank can only give him a short-term advance; they may go on renewing it, but that is not a satisfactory position to be in, to feel that the stock you put on the land, your live-stock or your farming equipment, are really all under a Bill of Sale to the Bank at the moment and the Bank may have to call the thing in. On the other hand, if he has got a medium advance and he is paying the thing off by steady instalments, that may be an encouragement. Of course, I do not want the terms to be too easy; I do not want it to relieve somebody else's over-draft - that is no good.

MAJOR GROGAN: One of the reasons why I have always been so keen on the Banks combining to put this land into a better condition, from a derelict state, to distribute it, is that it would enable that land to be disposed of on extended terms leaving them whatever capital they had free to operate. The terms of business should be terms of payment on the land, letting them operate with any free capital they have got, rather than to have it the other way round. The trouble we are up against is, of course, how we are going to keep the

people we have got there on the land very much longer, and that is the purpose for which the finance is so urgently required, because there is no getting away from the fact that if there is not a very material rise in the price in shillings in sterling prices.....

SECRETARY OF STATE: A rise in world prices, of course, that would make all the difference.

MAJOR GROGAN: No, Sir, we do not care twopence about the world prices; we care what sterling prices are because all our obligations are in sterling prices, and the world prices can go to blazes for all we are concerned.

SECRETARY OF STATE: Put it as the sterling price, but broad and large the world price is the sterling equivalent and if the world price is up it would be very hopeful. We have been facing this in meat here, and at last we have brought every country concerned to see that it really is bad business to go on selling at a loss; it is the most hopeful sign I think I have seen, the way we are getting all these countries in and saying to them "Now then, you people are selling at a loss today and the market has gone to pieces, and whether you are to have 60 per cent or 70 per cent of this market may be a matter for negotiation in a Treaty, but that is obviously your interest is, whatever your percentage, we must get prices up to a point at which you and we make money", and they have taken that, and I am rather hopeful of that as a sign that we are getting some sanity into the production of the world. Of course I mention these things because many other people have spoken to me on the matter. I think it was discussed, the Land Bank was discussed, in the Legislative Council....

MAJOR GROGAN: Yes, Sir, it has been discussed quite a lot there. Of course there is a general feeling that

25

additional funds to the Land Bank might keep a certain number of people in the saddle longer, but whether it is better for them to sit in the saddle any longer and have a bigger bump at the end is a matter of opinion. A great many of them have had, first of all, all the limited finance they could get from normal sources, and they have had additional finance from the Land Bank on top of that, and there is nothing in the world can get them out of their difficulties except a rise in the prices of the things they sell, and that is why it is essential to get that rise.

SECRETARY OF STATE: That is why it is essential, and that is why the whole of our policy is being directed to that. If you had come here two years ago you would have found everybody saying "The one thing we must avoid is any rise in prices", while today you have got us saying flatly throughout the country that men can't get to work until prices have risen on the farms. Whether we shall come through or not remains to be seen - I think we shall, on the right lines.

MAJOR GROGAN: But, if I may say so, where the fallacy lies is that apparently there is not a sufficiently clear comprehension in the country of the vast difference to the British people between world prices and sterling prices. Sterling price is the only thing we are concerned with, because sterling is the measure of our obligations.

SECRETARY OF STATE: You are not going to draw me into that again.

MAJOR GROGAN: I am not going to try to, but I do suggest it is the essence of the whole question, and it bears on everything we have discussed.

SECRETARY OF STATE: Well, on the subject of the Land Bank, if it is felt, and felt on reasonable consideration - perhaps even after these discussions with the Banks about

25

additional funds to the Land Bank might keep a certain number of people in the saddle longer, but whether it is better for them to sit in the saddle any longer and have a bigger bump at the end is a matter of opinion. A great many of them have had, first of all, all the limited finance they could get from normal sources, and they have had additional finance from the Land Bank on top of that, and there is nothing in the world can get them out of their difficulties except a rise in the prices of the things they sell, and that is why it is essential to get that rise.

SECRETARY OF STATE: That is why it is essential, and that is why the whole of our policy is being directed to that. If you had come here two years ago you would have found everybody saying "The one thing we must avoid is any rise in prices", while today you have got us saying flatly throughout the country that men can't get to work until prices have risen on the farms. Whether we shall come through or not remains to be seen - I think we shall, on the right lines.

MAJOR GROGAN: But, if I may say so, where the fallacy lies is that apparently there is not a sufficiently clear comprehension in the country of the vast difference to the British people between world prices and sterling prices. Sterling price is the only thing we are concerned with, because sterling is the measure of our obligations.

SECRETARY OF STATE: You are not going to draw me into that again.

MAJOR GROGAN: I am not going to try to, but I do suggest it is the essence of the whole question, and it bears on everything we have discussed.

SECRETARY OF STATE: Well, on the subject of the Land Bank, if it is felt, and felt on reasonable consideration - perhaps even after these discussions with the Banks about

dealing with the surplus lands have taken place - that some help there would be of material benefit, because I want to see the right kind of man going in, I would do my best to get this extra, say, £200,000 for that.

MAJOR GROGAN: To have that money definitely ear-marked for the assistance of new people?

SECRETARY OF STATE: To have it ear-marked for the Land Bank.

MAJOR GROGAN: For the introduction of new people on to land that is going derelict there, I think it might be fruitful, but of course our trouble is how are we going to save the people who are there....

SECRETARY OF STATE: Do you think you ought to confine it entirely to new people?

MAJOR GROGAN: No, but I thought that was your idea.

SECRETARY OF STATE: I think the whole object, the way the Land Bank functions, is not to act as an over-draft keeper but in order to find equipment.

MAJOR GROGAN: To cover the time period?

SECRETARY OF STATE: Yes, and for equipment, and I think if one found more money I do not think one ought necessarily to ear-mark that down and say no man who is in Kenya today ought to have the advantage of that, because, after all, you may have a man who is changing from one place to another and why should he not get a chance?

MAJOR GROGAN: Yes, but, of course, if you have for a sort of omnibus purpose there is a drop in the ocean.

SECRETARY OF STATE: Well, £200,000 means a good deal. I do not mean for an omnibus purpose, not at all, the object of the Land Bank is a very limited object, it is to assist people to equip land which they wish to develop.

MAJOR GROGAN: Of course, there have been two

phases of finance - one is the Land Bank finance, which is an ordinary clearly recognised principle of lending money on long-term payments at a reasonable rate of interest with good security, and there have been the other adventitious aids to help the people, and they have become confused and that is why I ask definitely whether it is a theory that it should be for an omnibus purpose.

SECRETARY OF STATE: I think the purpose of the Land bank should be for equipment. I think you must have that, otherwise it merely becomes a competitor with the Banks and degenerates really into a fourth Bank probably taking risks which the other Banks will not take. No, I did not mean it for that, it is not worth looking at on those terms.

MAJOR GROGAN: I do not think there are many people out there who have adequate security to put up for any additional loan, unless they are new people, and for the definite assistance of new people coming along to take up the rotten farms of the people who have been squeezed out, they bring new money into the country themselves and there is a margin of security, and therefore there is some perfectly sound finance to be obtained in that sphere. The trouble is what are you going to do for the mass of people there who are going to go down the drain unless something very wise and very general is done to protect them.

SECRETARY OF STATE: Well, I said a good deal to you last time about what I have been trying to do to find you more help, and I think I can say, as far as preference is a possibility, that I have got you the biggest measure of preference one can get for your own commodities. So far as the broad policy goes, it is the essence of our policy to get wholesale prices up, and we stand on that.

MAJOR GROGAN: But how?

F
19
28

LAND BANK KENYA.

** A copy of the dispatch
is with the Secretary of
State's file of memoranda*

The Secretary of State ^{*} ruled out further capital for the Land Bank on the ground that the Government must accept liability for any further loan and that he could not even approach the Treasury (whose consent would be necessary) until steps had been taken to ensure that the budget is balanced and the cash and surplus balance position restored to a reasonable degree. Also even in normal times it would be prudent to wait till experience of working of the bank had been gained and ^{of the} extent to which its debtors are meeting their commitments.

The Secretary of State has, however, expressed sympathy with the idea of increasing the Bank's activities as a means to development and generally is disposed to consider such a proposal when times are less difficult and a good case can be established.

The theory of a Land Bank is rather to promote development in good times than to combat a depression.

The Secretary of State might reiterate his sympathy with the proposal in principle and undertake to approach the Treasury as soon as he ^{is justified in doing so and that there would be} is satisfied that he ~~can do so~~ with any prospect of success.

A note of local suggestions is appended

for the ...

KENYA LAND BANK.

See No. 170
in 1868

At a meeting of the Convention of Associations in Nairobi on the 29th September, the following suggestions were put forward in obtaining fresh capital for the Land Bank.

- (1) "The Bank should be empowered to issue currency notes backed by the security of the land itself. These notes should rank as currency in the Colony".
This is undisguised inflation.
- (2) "The profits of the East African Currency Board might be used".
There are none available.
- (3) (Put forward by Major Grogan).
"The Bank should issue debentures".
Such debentures would necessarily ^{be} Government guarantee, the same objection applies as to the raising of a further loan by Government.
- (4) "The Bank should be empowered to accept fixed deposits which should be guaranteed by Government so as to come within the scope of the Trustees Acts. It would then be possible to invest in the Bank the sinking funds held by the Crown Agents against Kenya Government loans".

al.
This ~~action~~ implies an extension of Government's liabilities. The proposal to make deposits with the Bank Trustee Securities would

would not find favour with the Treasury, and the suggestion that Sinking Funds held against the Colonial loan should be invested in the Colony which issued the loan would hardly be palatable to the City.

- (5) "Money derived from land sales and rates should not go to general revenue but should be placed at the disposal of the Bank as additional revenue for the Bank's purposes". In other words Government should lend the farmer the money with which to pay his ^{rent} ~~land~~.

C. O.

18137/32 Kenya.

18 31

Mr. Priestman, 16/9/32.

Mr. Allen 18/9

Mr.

Mr. Parkinson

Mr. Tomkinson

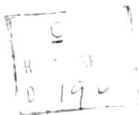
Sir C. Bottomley

Sir J. Shackleton

Parliament U.S. of S.

Party U.S. of S.

Secretary of State



21 September, 1932.

St

Sir,

DRAFT. *Condon*

KENYA.

CONFIDENTIAL.

GOVERNOR.

(17)

Copy to (12) on 30/9/32

I have etc. to ack. the receipt of your Confidential despatch, No.104 of the 12th of August regarding the proposed transfer of the work of the Agricultural Advances Board to the Land Bank.

2. I assume that you are satisfied that the interests of the Govt. will be sufficiently safeguarded against imprudent administration of this work by the Land Bank.

3. Subject to this assumption, as at present advised, I see no

objection

objection in principle to the proposal
that the Land Bank should have power to act
as agents for the Govt. in the administration
of advances to farmers and others under an
indemnity by Govt., provided that such activities
would in no way be confused with those of the
Bank, and that it is made clear that the
arrangement is made solely in the interest
of economy, and leaves entirely unaffected the
purely temporary nature of the Agricultural
Advances Scheme.

I also

4. ~~It is assumed~~ that it would be possible
to keep the accounts of the expenditure
of the administration of the two branches
of the work quite distinct.

I have, etc.,

(for the Secretary of State)
(Signed) R. W. HAMILTON.

objection in principle to the proposal
that the Land Bank should have power to act
as agents for the Govt. in the administration
of advances to farmers and others under an
indemnity by Govt., provided that such activities
would in no way be confused with those of the
Bank, and that it is made clear that the
arrangement is made solely in the interest
of economy, and leaves entirely unaffected the
purely temporary nature of the Agricultural
Advances Scheme.

I also

4. ~~It is assumed~~ that it would be possible
to keep the accounts of the expenditure
of the administration of the two branches
of the work quite distinct.

I have, etc.,

(for the Secretary of State)
(Signed) R. W. HAMILTON.

KENYA



GOVERNMENT HOUSE
NAIROBI
KENYA

No 104

CONFIDENTIAL

RECEIVED
- 5 SEP 1932
COL OFFICE

12th August, 1932.

Sir,

I have the honour to refer to your Confidential despatch of the 5th July, informing me of your decision that any increase in the capital of the Land Bank cannot be contemplated at the present time. I note, however, that you would be disposed to consider such an increase sympathetically, when times are less difficult, if on the position as it then stands a good case for such an increase could be established.

2. It is clear that the Bank cannot operate economically on a capital limited to £240,000, and it has been necessary to consider, as suggested in paragraph 2 of your despatch, whether in the circumstances the expenses of administration can be reduced. On this point, I am advised that the work in the office of the Bank cannot be materially reduced for several months, since the bulk of the office work follows approval by the Board of applications for loans. When this point is reached, it should be possible to effect economies by transferring the work of the Agricultural Advances Board to the Bank. To effect such a transfer it would be necessary to amend the Land and Agricultural Bank Ordinance, 1931, and the Agricultural Advances Ordinance, 1930, so as to empower the Bank to act as agents for the Government in the administration of advances to farmers and others under an indemnity to Government. Such activities would in no way be confused with those of the Bank as such, and it is not intended that the proposal, which is made

solely ---

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.

12

Received Conf 21 - 1932
No 104

104



KENYA.

GOVERNMENT HOUSE
NAIROBI
KENYA

No. 104

CONFIDENTIAL

RECEIVED
- 5 SEP 1932
COL OFFICE

12th August, 1932.

Sir,

I have the honour to refer to your Confidential despatch of the 5th July, informing me of your decision that any increase in the capital of the Land Bank cannot be contemplated at the present time. I note, however, that you would be disposed to consider such an increase sympathetically, when times are less difficult, if on the position as it then stands a good case for such an increase could be established.

It is clear that the Bank cannot operate economically on a capital limited to £240,000, and it has been necessary to consider, as suggested in paragraph 2 of your despatch, whether in the circumstances the expenses of administration can be reduced. On this point, I am advised that the work in the office of the Bank cannot be materially reduced for several months, since the bulk of the office work follows approval by the Board of applications for loans. When this point is reached, it should be possible to effect economies by transferring the work of the Agricultural Advances Board to the Bank. To effect such a transfer it would be necessary to amend the Land and Agricultural Bank Ordinance, 1931, and the Agricultural Advances Ordinance, 1930, so as to empower the Bank to act as agents for the Government in the administration of advances to farmers and others under an indemnity to Government. Such activities would in no way be confused with those of the Bank as such, and it is not intended that the proposal, which is made

solely ---

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.

Received 21-10-1932

(See No. 104)

solely in the interests of economy, should lend a colour of permanency to the Agricultural Advances scheme.

From the enclosed copy of the Report by the Secretary to the Bank for the six months ending the 30th June, it will be seen that a profit of 2806:16:70 has been made over this period, whereas a loss of 21,005 was incurred over the period ending the 31st December, 1931. The income of the Bank has been considerably augmented by the receipt of fees prescribed under the Ordinance, but, when the whole of the capital has been issued, these fees will cease to be received. The appointment of an inspector is a matter which I understand will come up for consideration by the Board in the near future.

5. As regards paragraph 8 of your despatch, you have no doubt now received my Confidential despatch No. 82 of June 8th, intimating the enactment of an Ordinance amending Sections 34 and 35 of the Land and Agricultural Bank Ordinance.

No. 1
18/37/1/21

I have the honour to be,

SIR,

Your most obedient, humble servant,

GOVERNMENT OF INDIA

INTERIM REPORT BY THE SECRETARY

FOR THE PERIOD

JANUARY 1ST., to JUNE 30TH., 1932.

35

THE LAND AND AGRICULTURAL BANK OF KENYA

INTERIM REPORT BY THE SECRETARY
FOR SIX MONTHS ENDING JUNE 30th. 1952

THE BOARD

1. In accordance with the result of the ballot conducted at the first meeting of the Board the Hon. D.A. Macgregor retired automatically from membership of the Board, but was re-appointed by His Excellency the Governor, vide Government Notice No. 30 dated January 6th. 1952, which further provided for Mr. E.H. Davies to act in his stead during Mr. Macgregor's absence on leave.
2. Six months leave of absence was granted Mr. E.B. Gill as from May 1st. and the appointment of Mr. P.H. Johnson to act in his stead during this period was recommended to His Excellency the Governor by the Board. Effect was given to this recommendation in Government Notice No. 288 of April 19th., 1952.
3. During the absence of the Chairman from May 16th. to 31st. Major C.M. Taylor was elected in terms of Sect. 6 (2) Land Bank Ordinance to act as Chairman.
4. The attendances of Members of the Board at meetings for the period under review are as under:-

Total number of meetings	20
The Hon. H.H. Rushton	18
E.J. Davies Esqre.	18
E.B. Gill Esqre.	14
P.H. Johnson Esqre	6
Major C.M. Taylor	20
J.H.A. Delryche Whitmore Esqre.	14

ACCOMMODATION

5. On April 1st. the offices of the Bank were removed from Sixth Avenue to Railway Administration Buildings where two rooms are shared with the Central Agricultural Advances Board. The accommodation is inadequate and provides no room for expansion. The increased distance from the Registrar's office, the Banks and Legal offices also constitutes a slight disadvantage.

STAFF

6. No alteration in, or additions to the staff have taken place since the last report, except that the part time services of Mr. Hately of the Central Agricultural Advances Board have been increasingly available free of expense to the Land Bank and he has now, as a matter of routine, assumed indispensable duties in connection with the preparation of mortgages, checking, entering registers, etc. The work of the bookkeeper Mr. Caldecott has in the nature of things increased materially and I should like to recommend an immediate increase of his salary.

LOCAL AGENTS

7. Valuable assistance continues to be rendered by Local Agents who were visited by the secretary in May chiefly for the purpose of explaining the routine adopted pending the establishment of a scheme of regular inspection.

LEGAL WORK

8. The Bank is especially indebted to the office of the Attorney General which has done an enormous amount of work in connection with the drawing of mortgages, deeds, etc. without any remuneration. It

was ...

ACCOMMODATION

5. On April 1st. the offices of the Bank were removed from Sixth Avenue to Railway Administration Buildings where two rooms are shared with the Central Agricultural Advances Board. The accommodation is inadequate and provides no room for expansion. The increased distance from the Registrar's office, the Banks and Legal offices also constitutes a slight disadvantage.

STAFF

6. No alteration in, or additions to the staff have taken place since the last report, except that the part time services of Mr. Hately of the Central Agricultural Advances Board have been increasingly available free of expense to the Land Bank and he has now, as a matter of routine, assumed indispensable duties in connection with the preparation of mortgages, checking, entering registers, etc. The work of the bookkeeper Mr. Caldecott has in the nature of things increased materially and I should like to recommend an immediate increase of his salary.

LOCAL AGENTS

7. Valuable assistance continues to be rendered by Local Agents who were visited by the secretary in May chiefly for the purpose of explaining the routine adopted pending the establishment of a scheme of regular inspection.

LEGAL WORK

8. The Bank is especially indebted to the office of the Attorney General which has done an enormous amount of work in connection with the drawing of mortgages, deeds, etc. without any remuneration. It was ...

LEGAL WORK CONTD.

was noted in the last report that the position would be reviewed in twelve months, but as the work in this department is ^{will soon be} coming off considerably and the immediate prospect of more funds is not definitely promising, the question of reviewing the position may not arise.

Thanks are also due to the Registrar of Titles for advice and assistance freely given.

INSPECTION OF FARMS.

9. The question of periodical inspection of properties mortgaged to the Bank has, on several occasions, been discussed by the Board. While the principle is approved it is felt that the expense attached to the appointment of one or more whole-time officials is not justified in the present state of the Bank's finances. Steps have, however, been taken to secure a half yearly "Review of the Position" from each participant in loans on a prescribed form which will in some measure exhibit the progress of development or otherwise, resulting from the six months work. The information is entered into a register in such a way as will facilitate comparison at a later date and a copy is sent to the Local Agent inviting his observations. The form provides for a statement of participant's programme for the forthcoming six months, with returns of standing crops, live stock on hand, estimated yields, etc.

FINANCIAL

10. On March 2nd, a statement of the financial position was placed before the Government in a minute addressed to the Hon. the Colonial Secretary which embodied a request for "information as early as possible" as to ...

Financial contd.

as to the Government's intention with regard to the provision of additional capital". On March 18th, the Hon. the Colonial Secretary transmitted to the Chairman a request for a further memorandum setting out a possible scheme for the raising of additional capital. The Chairman replied at some length on March 22nd, and a detailed statement was also prepared and copies placed in the hands of Members of the Executive Council. On April 16th, a Confidential Despatch was sent by Air Mail to the Secretary of State.

11. At a meeting of the Board on May 25th, it was resolved that public notice be given that consideration of fresh applications would be suspended as from June 14th, and that meanwhile enquiries be instituted with a view to raising a temporary loan which should enable the Board to deal with applications in hand at that date. His Excellency the Governor was unable to approve of the latter suggestion, but concurred in a public announcement that no further applications could be accepted as from June 2nd. Notice was accordingly given in the Government Gazette and the newspaper press.
12. Resolutions calling upon Government to increase the Bank's capital, noted in the press, have been passed by settler's associations in Elburgon, Kipkarren, Koru, Mau Summit, Mount Kenya, Nairobi, Nakuru, Nandi, Nanyuki, Soghar, Subukia, Thompsons Falls and Ulu.
13. At December 31st, 1931 the number of mortgage deeds actually registered was 98 securing advances aggregating £52,503. During the six months ending June 30th, 1932 107 mortgages were registered securing advances aggregating £145,480 making a total at June 30th, of 155 mortgages for £197,983.

14. Instalments fell due as under:-

	Principal	Interest	Total
March 31. 10 applicants	8155.82	8385.00	11540.82
June 30. 69 "	<u>15736.05</u>	<u>55737.50</u>	<u>71473.56</u>
	18891.88	64123.50	85014.58

All the March instalments were paid, and of the ^{July}September list three only are unpaid at this date (July 22nd.). With the exception of one of these, a deceased's estate, no difficulty is anticipated in collecting these outstandings before the end of the current month.

15. The purposes to which loans have been approximately allocated are shown in Table 5 annexed, which exhibits to some extent the diversity of the benefits to the community (and to the Government) derived from the circulation of Land Bank funds. The payment of existing mortgages has released funds for fresh enterprises; the Central Agricultural Advances Board has benefitted by the repayment of 24279 by the Land Bank on behalf of applicants; material saving in interest charges has accrued to the Agricultural community; merchants in various centres have reaped their share of increased business from which the Government also takes toll in transport, customs, etc., and a number of farmers have been able to place their affairs on a business footing free from the ever present worry which attends a private mortgage redeemable at short notice.

ACCOUNTS

16. Audit examination of accounts and securities has been completed up to May 31st. The attached statement of accounts has not been audited.

S. Thornton
SECRETARY.

NAIROBI

July, 22nd. 1932.

14. Instalments fell due as under:-

	Principal	Interest	Total
March 31. 10 applicants	8155.82	8385.00	11540.82
June 30. 69 "	<u>15736.06</u>	<u>55737.50</u>	<u>71473.56</u>
	18891.88	64122.50	83014.38

All the March instalments were paid, and of the September list three only are unpaid at this date (July 22nd.). With the exception of one of these, a deceased's estate, no difficulty is anticipated in collecting these outstandings before the end of the current month.

15. The purposes to which loans have been approximately allocated are shown in Table 5 annexed, which exhibits to some extent the diversity of the benefits to the community (and to the Government) derived from the circulation of Land Bank funds. The payment of existing mortgages has released funds for fresh enterprises; the Central Agricultural Advances Board has benefitted by the repayment of 24279 by the Land Bank on behalf of applicants; material saving in interest charges has accrued to the agricultural community; merchants in various centres have reaped their share of increased business from which the Government also takes toll in transport, customs, etc., and a number of farmers have been able to place their affairs on a business footing free from the ever present worry which attends a private mortgage redeemable at short notice.

ACCOUNTS

16. Audit examination of accounts and securities has been completed up to May 31st. The attached statement of accounts has not been audited.

B. Thornton
SECRETARY.

KAIROHI

July, 22nd. 1932.

TABLE No. 1.**APPLICATIONS RECEIVED**

1938	Number of Applications Received	Amount
January	25	£40,390
February	23	31,950
March	13	22,675
April	17	24,450
May	25	34,840
June (Notice in Press, June 2nd)	6	10,000
	115	£164,305

TABLE No. 1.**APPLICATIONS RECEIVED**

1938	Number of Applications Received	Amount
January	25	£40,390
February	26	31,950
March	18	22,375
April	17	24,450
May	26	34,840
June (Notice in Press, June 2nd)	6	10,000
	115	£164,805

TABLE No. 2

APPLICATIONS RECEIVED - SIZE OF LOANS.

For Loans of -	
£1. - £500	16
£501 - £1000	27
£1001 - £1500	32
£1501 - £2000	19
£2001 - £2500	15
£2501 - £3000	6
	<hr/>
	115

TABLE No. 2

APPLICATIONS RECEIVED - SIZE OF LOANS.

For Loans of -	
£1. - £500	16
£501 - £1000	27
£1001 - £1500	52
£1501 - £2000	19
£2001 - £2500	15
£2501 - £3000	6
	<hr/>
	115

TABLE No. 2

**ANALYSIS OF APPLICATIONS RECEIVED FOR
PERIOD ENDING 30th. JUNE, 1952.**

NUMBERS 257 to 371

No.	£		No.	£.
115	164,505	Applications Received		
52	88,610	Brought Forward (awaiting valuation at 31.12.51)		
		Considered by Board	111	160,120
		Withdrawn before consideration	18	55,555
		Awaiting Valuation etc.	58	57,440
167	252,915		167	252,915
61	84,050	Brought Forward (awaiting registration at 31.12.52)		
156	191,820	Considered by Board (including reconsideration of 25 applications)		
		Granted and Completed	107	145,450
		Granted : Awaiting completion	59	48,450
		Declined by Applicants	4	5,150
		Rejected	47	76,820
197	275,870		197	275,870

3	4000	5	2500	6	50150	7	50000	8	50000
---	------	---	------	---	-------	---	-------	---	-------

TABLE No. 4

PERIODS FOR REPAYMENT OF LOANS ISSUED.

L.R. 27 to L.R. 152, and L.R. 157, totalling £145,450.

10 Years		15 Years		20 Years		25 Years		30 Years	
No.	£	No.	£	No.	£	No.	£	No.	£
				1	300			1	100
						1	250		
1	500			1	500	1	500	1	550
		2	1800	1	600	1	600	6	3000
		1	700	2	1400			4	2400
								1	700
								5	2550
		2	1800	2	1800			1	800
		1	900					1	900
		1	1000	4	4000	2	2000	8	3000
				1	1100			1	1150
				1	1200			2	2400
								1	1250
1	1200			1	1200				
				5	4500			12	18000
								2	5200
				1	1700			1	1700
				2	5800				
								1	1800
								1	1850
								1	1900
1	2000			3	6000			5	10000
								1	2200
				1	2500			6	18000
								1	2800
		1	3000					6	18000
3	4000	3	3400	24	30150	5	2550	37	36550

TABLE No. 4

PERIODS FOR REPAYMENT OF LOANS ISSUED.

L.S. 27 to L.S. 152, and L.S. 157, totalling £145,460.

10 Years		15 Years		20 Years		25 Years		30 Years	
No.	£	No.	£	No.	£	No.	£	No.	£
								1	100
				1	300				
						1	250		
								1	350
1	500			1	500	1	500	6	3000
		2	1200	1	500	1	500	4	2400
		1	700	2	1400			1	700
								5	2250
		2	1600	2	1600			1	800
		1	900					1	900
		1	1000	4	4000	2	2000	8	8000
				1	1150			1	1150
				1	1200			2	2400
								1	1250
				1	1300				
1	1800			5	4500			12	18000
								2	5200
				1	1700			1	1700
				2	3600				
								1	1800
								1	1850
								1	1900
1	2000			3	6000			5	10000
								1	2200
				1	2500			6	15000
								1	2800
		1	3000					6	18000
5	4000	8	8400	24	50150	5	5550	67	99550

LIABILITIES

Cash as Voted - £240,000.

Cash Received

Sundry Creditors - Accounts payable

Fees held on account of Applicants

Application Fees	£30. 7. -
Valuators' Fees	89. 5. -
Valuators' Expenses	174. 8. 90
Deposits against Charges	<u>140. 19. 80</u>

Portions of Loans Unissued

Cash Overdrawn as per Cash Book

BALANCE SHEET AS AT 30TH. JUNE. 1932

£ 178,700 - -

9. 14. -

445. 11. 40

5,227. 1. 92

24. 18. 09

£176,406. 6. 01

ASSETS

£ s. cts.

174,750. - 71

Sundry Debtors

173906. 12. 5

Loans

801. 19. 06

Interest Charges

42. 8. 80

Interest Accrued not due

856. 5. 86

Movable Assets

181. 5. 45

Motor Car A/C

125. - 29

Deposit Accounts

57. 5. 80

Surveyor General
Postmaster

88. 18. -

7. 50

Salaries Advance A/C.

274. 19. 99

Cash on Hand

5. 6. 05

Profit & Loss A/C.

198. 4. 20

Deficit as at Jan. 1st.

1006. - 90

Deduct surplus June 30th.

806. 16. 70

£176,406. 6. 01

REVENUE AND EXPENDITURE ACCOUNT FOR THE PERIOD ENDING JUNE 30TH. 1932.

EXPENDITURE

To Interest on Capital Advances

" Preliminary Expenses

" Board Members' Fees

" Salaries & Wages

" Travelling Allowances

" Printing, Stationery & Advertising

" Rent

" Postages & Telegrams

" Staff Annuity Fund

" General Expenses

" Surplus transferred to Balance Sheet

2,942. 19. 05

34. 4. 18

518. 19. 98

882. 9. 28

75. 11. 30

88. 5. 05

27. 2. 50

16. 8. 57

49. 19. 96

1,112. 75

1,444. 15. 51

806. 16. 70

£4,494. 9. 26

REVENUE

By Interest Earned

3,451. 14. 06

Received

1774. 10. 84

Accrued outstanding at 30.6.32

801. 19. 06

Accrued not due at 30.6.32

856. 8. 86

1,032. 15. 20

" Sundry Fees

115. 10. -

Application Fees

5. 20

Bank Charges

797. 10. -

Mortgages Prepared

157. 10. -

Mortgages Discharged

2. 2. -

Sundry Fees

£4,494. 9. 26

UNAUDITED.

C. O.

18137/32

46

Mr. Friedman
Mr. J. L.
Mr. U
Tomlinson.

2/7

Kearny

14

- * Sir C Bottomley (L.) *ama*
- Sir J Shuckburgh
- Sir G Grindle
- Permt U.S. of S
- Parly U.S. of S
- Secretary of State

Coded sent 4:30 pm. 12/7/32

~~10~~

DRAFT. Tol.

Gov. Nandi

Copy 13 this
to C.A. LF ref. 12.

18732
B/c.

Conf. No. ~~119~~ You let
119 Conf. Rand Bank
No objection to communication
of my let 137 and of
substance of my dep. 5th
July Conf. You will
however recognize that your
to and enclosures are now
obsolete out of date.

1347

COOLIDGE

Telegram from the Governor of Kenya to the Secretary of State
for the Colonies

Dated 9 July 1932. Received 10.40 p.m. 9 July 1932.

No.119. Confidential. Land Bank Should be glad of permission
to communicate to Legislative Council terms of your telegram
of 2nd July No.137 in my opening address 26th July on general
financial position of the Colony.

107

107
1-11-32

C. O.

Mr. Priestman

Mr. *Jarvis*

Mr.

Mr. Parkinson.

Mr. Tomlinson.

Sir C. Bottomley.

Sir J. Shuckburgh.

Permt. U.S. of S.

Parly. U.S. of S.

Secretary of State.

16137/32 Kenya.

R F - JUL
D 11

11 July, 1932.

Sir,

I am etc. to refer to para.

DRAFT. *Common*

THE SECRETARY,
TREASURY.

(No. 11 in
15526/29)

12 of your letter No. S. 32902, of
the 26th March, 1929, ^{signifying the} ~~concerning the~~
~~consent~~ of the Lords Commissioners of
the Treasury ^{in the} to provision ^{of not more} ~~limited to~~
~~£240,000.~~ ~~being made in the schedule~~
~~of the Kenya 1926 Loan for the~~ ^{Kenya} ~~for the~~
purposes of the Land and Agricultural
Bank, on condition that the S. of S.
for the Colonies was satisfied with
the ultimate proposals.

(A)

(B) *sent copy, 5/11/32*

2. I am now to transmit to you
for the information of Their
Lordships, ~~the accompanying~~ copies of
correspondence with the Governor of
Kenya on the subject of ~~the~~ proposals

*Mr. A. G. ...
...
reference 3.*

1049

*I see this for this
first time today!
I have written to
Mr. Gill
11/11/32
12/9/32*



THE TREASURY,
NAIROBI,
KENYA.

24th June, 1932.

Dear Mr. Allan,

I think I have not had the pleasure of meeting you, but it occurred to me that, if you are interested in our Land Bank, you might wish to see Mr. E.B.Gill, who is now on leave in England. Mr. Gill is the senior partner in the premier firm of Chartered Accountants in East Africa. Upon the formation of the Board, he was appointed a member and his services have been invaluable. It might interest you to have a talk with Mr. Gill and learn what is thought of the working of the Land Bank, its prospects and its needs, by an unofficial member of the Board. I understand that Mr. Gill is likely to be in England for another two months and that his address is c/o the National Bank of India, Ltd. 26 Bishopsgate, E.C.2. Mr. Gill is a very retiring person and will not presume to call at the Colonial Office unless he is expressly invited to do so.

Yours sincerely,

H. T. Allon

*Called
14/6/32
11/11/32
12/9/32
written to Mr. Gill*

H.T.Allan, Esq.

East African Section,

COLONIAL OFFICE,

DOWNING STREET.

W

C. O.

18437/32. Kenya.

Mr. Allen 22.6.
Sir J. Campbell 22.6.
Mr. Stockdale 22.6.

Qto. for Sir S. Wilson's sig.

Mr. Parkinson.
Mr. Tomlinson.
Sir C. Bottomley.

Downing Street,
5 July, 1932.

Sir J. Spenceburgh. 24/6/32

Permt. U.S. of S. *28.6.32*

Party. U.S. of S. *30.6.32*

Secretary of State.

Sent & agrees his with the other drafts JWA

3 DRAFTS. conson
v. minutes.

My dear Byrne

I am sending you a line to supplement the Secretary of State's telegram and despatch about the question of further capital for the land and Agricultural bank. I am afraid you will be disappointed at the conclusion, but it seems to me quite inevitable in present circumstances. We fully appreciate the extent to which the Kenya farmer has been hit by the general trade depression, and also that he has had to suffer the additional handicap of locusts. The Secretary of State was driven to his conclusion by sheer force of circumstances and it is not due to any lack of sympathy with the Kenya farmer in his present plight, or with you in your own difficulties.

BRIGADIER GENERAL
SIR JOSEPH BYRNE,
K.C.M.G., K.B.E., O.B.

Three drafts

The risk is obviously quite substantial, and the general financial position of Kenya - in particular the debt position - is not such that the S. of S. would feel justified in agreeing to the raising of further capital for the Bank at present.

The points on which I wish to supplement

the S. of S.'s despatch are:-

(1) one cannot feel certain that "European" cultivation has, in fact, a very assured future before it in Kenya, except as regards a few special products. It may be - it is often said - that we have for years been barking up the wrong tree: Stockdale has, of course, been consulted and advises caution. While he believes there will always be European agricultural enterprise in the highlands of Kenya, and from the experience of the South African land bank he is certain that a capital of £200,000 will be insufficient for Kenya needs, he finds it difficult to assess whether there is sufficient security, as regards the future of "European" cultivation except in respect of coffee, ~~at the present time~~, to justify further increases in capital.

The risk is obviously quite substantial, and the general financial position of Kenya - in particular the debt position - is not such that the S. of S. would feel justified in agreeing to the raising of further capital for the Bank at present.

The points on which I wish to supplement

the S. of S.'s despatch are:-

(1) one cannot feel certain that "European"

cultivation has, in fact, a very assured future before it in Kenya, except as regards a few special products. It may be - it is often said -

that we have for years been barking up the wrong

tree : Stockdale has, of course, been consulted

and advises caution. While he believes there

will always be European agricultural enterprise in

the highlands of Kenya, and from the experience of

the South African land bank he is certain that a

capital of £200,000 will be insufficient for Kenya

needs, he finds it difficult to assess whether there

is sufficient security, as regards the future of

"European" cultivation except in respect of coffee,

~~at the present time,~~ to justify further increases in

capital.

7

capital. A loan to coffee growers should certainly be safe, but these are not the farmers most in need of assistance; it is the maize grower and the stock farmer who require help. With certain provisos, Stockdale believes in both maize and stock for Kenya, but large profits from the undertakings cannot be expected as price levels are likely to continue low and they are both somewhat at the mercy of the locust, although we hope that the locust position is steadily improving.

(2) The proposal has an obvious and important -political aspect. The money if raised would, in fact, go to Europeans almost entirely, and I need hardly enlarge on the sonnotations. In view of the Moyne Report, it is obvious that we shall have to walk warily in such matters.

The economic aspects of the matter

capital. A loan to coffee growers should certainly be safe, but these are not the farmers most in need of assistance; it is the maize grower and the stock farmer who require help. With certain provisos, Stockdale believes in both maize and stock for Kenya, but large profits from the undertakings cannot be expected as price levels are likely to continue low and they are both somewhat at the mercy of the locust, although we hope that the locust position is steadily improving.

(2) The proposal has an obvious and important -political aspect. The money if raised would, in fact, go to Europeans almost entirely, and I need hardly enlarge on the connotations. In view of the Moyne Report, it is obvious that we shall have to walk warily in such matters.

The economic aspects of the matter

matter are dealt with generally in the S. of S's
despatch, but it has been thought wiser not to
go into too much detail, nor, in fact, at this
stage to refer to the political aspect of the
matter at all. I think, however, it is as
well to let you know ^{that} the considerations to which
I refer - they are clearly of major importance -
have been very much in our minds while considering
this matter.

Yours sincerely

S. H. WILSON

matter are dealt with generally in the S. of S's
despatch, but it has been thought wiser not to
go into too much detail, nor, in fact, at this
stage to refer to the political aspect of the
matter at all. I think, however, it is as
well to let you know ^{that} the considerations to which
I refer - they are clearly of major importance -
have been very much in our minds while considering
this matter.

Yours sincerely

S. H. WILSON

G. O.

Mr. H.T. Allen. 18/6.
Sir J. Campbell. 20.6.32.
Mr. Stockdale 22.6.32

Mr.

Mr. Parkinson.

Mr. Tomlinson

Sir C. Bottomley

Sir J. Shackburgh 24/6/32

Air mail.

Downing Street

3 July 1932.

Sir,

I have etc. to refer to

your Conf. despatch, No.59 of the 16th April, and to your Conf. telegram No.92 of the 27th May, in which you asked for advice as to the terms on which it would be possible to raise in London an additional £200,000 for the purposes of the Land and Agricultural Bank.

2. I fully appreciate your anxiety to take all possible steps to encourage and promote greater production, not only with a view to the development of the Colony's resources, but also to meeting the heavy annual loan charges on the existing transport loans; and, in

normal

DRAFTS

CONSON. 7.
minutes.

Handwritten signature

K. F. Y. A.

CONFIDENTIAL.

GOV. BYRNE.

6 copies of desp.
& encl. to go.

Handwritten notes:
Copy to Treasury 1/31
Copy to C.A. 2/7/32

~~21. May 1932~~
~~21. May 1932~~

Make extra copies of desp.
for C.A. and Treas. and extra
copies of encl. for Treas.

Three Drafts

Recusate 97

normal times, I should be disposed to consider sympathetically a proposal to extend the Bank's activities as a reasonable contribution to this end, though I could not regard the argument that an increase in capital might, by reducing overhead charges, enable a profit to be made, and a reserve fund to be created, as in itself a sufficient justification for raising further funds. I assume that, if no further advances are being made, it should be possible to reduce the ~~existing~~ expenses of administration, and ^{possibly} secure some profit, even on the operations of the Bank on the present scale.

3. The determining consideration in my mind at the present time, as regards the procedure under which additional funds for the Bank might be raised, is the fact that, as the Bank is a Government institution, the Government must accept liability for the loan and loan charges, whether or not a definite guarantee to that effect is given.

4. As you ask for advice as to the terms on which a loan of £260,000 could be raised in London,

I

C. O.

Mr.

Mr.

Mr.

Mr. Parkinson.

Mr. Tomlinson.

Sir C. Bottomley.

Sir J. Shuckburgh.

Perm. U.S. of S.

Parly. U.S. of S.

Secretary of State.

DRAFT.

I caused the Crown Agents for the Colonies to be consulted. I enclose a copy of the correspondence with them, from which you will see that, in view of the considerations mentioned in the preceding paragraph, they advise - advice in which I am disposed to concur - that any such loan should be raised by the Colony on behalf of the Bank, and anticipate that it would be possible to raise the money by the sale of an amount of Kenya 4½ per cent. stock 1961/71, at a net price of at least 98 per cent., after allowing for expenses of issue, though they cannot be confident that these favourable conditions will continue for any considerable period. They are also of opinion that the terms on which the Bank could raise a loan would be decidedly more onerous.

*Had of
given to the
address 1977*

166

(This advice was given before the announcement of the decision of the Govt. to the Commission 2nd Feb 1961 (see above))

5.

5. In para. 6 of your despatch, you suggest that a further Colony loan would be the most economical method of getting the money; but you remark that this would raise the general question of the embargo on the early raising of such loans, an issue which you would prefer to avoid. I assume that you refer to the fact that, at the end of last year and during the early part of this year, conditions ^{here} ~~are~~ made it impossible to contemplate any public issues. The situation has, however, materially changed, and this objection no longer operates. Indeed, if this were the sole objection, there would be no reason why the Colony should not proceed to raise additional funds, not only for the Bank, but also ^{for} ~~the~~ approved loan services which have been postponed. I also realise that, if substantial additional loan monies were available in London, it would temporarily ease the financial situation in various directions. although, in the absence of a material improvement in the economic situation, the

additional

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.

additional loan charges, when they fall due, would tend to accentuate the difficulties of the situation.

6. It is necessary for me to consider, not only whether the present conditions are favourable for borrowing - there is no doubt that this is the case - but also (a) whether the general financial and economic position justifies the acceptance by the Government of further loan liabilities, and (b) whether the experience already required by the Bank is sufficient to warrant an immediate extension of its capital liabilities.

As regards (a) I would refer (1) to my latest information, which is to the effect that a deficit of nearly ~~£1,570,14~~ ^{£1,570,14} ~~£150,000~~ is forecast on the transactions of 1932, in which case a cash deficiency of ~~£201,000~~ ^{£193,771} would result after making provision

* Conf. despatch No 85 6
18 June '32.

provision for the £100,000 required for working capital; and (2) to the fact that the fortunes of the Colony, and consequently of the Bank, are almost wholly dependent upon the stability of agriculture, the productivity of which over ^{long} ~~last~~ periods determines the value of land on which the Bank's advances are secured. This value must necessarily remain uncertain during the ~~existing~~ abnormal economic depression, of ~~which there~~ ^{and} ~~there is no sign of the lifting which has, in fact, widened and deepened in recent months.~~

As to (b) I should, even in normal times, regard it as a prudent measure to refrain from increasing the capital of the Bank until adequate experience had been gained of its operations, and in particular as to the extent to which, and the promptitude with which, its debtors were meeting their commitments.

7. In all the circumstances, as I have informed you in my Conf. telegram of the 2nd July (acc. dft.) June, I do not feel that I could agree, or could obtain (see paragraph 6 of Lord Passfield's

C. O.

Mr.

Mr.

Mr.

Mr. Parkinson.

Mr. Tomlinson.

Sir C. Bottomley.

Sir J. Shuckburgh.

Perm. U.S. of S.

Party. U.S. of S.

Secretary of State.

DRAFT.

55
Conf. (2) despatch of the 18th Sept. 1930 and Mr. Moore's telegram No. 353 of the 20th Oct. 1930) the necessary Treasury consent, to the Colony accepting any additional liabilities, even indirectly, for loan charges during the existing depression, at any rate until steps have been taken which will ensure not only the balancing of the budget in the future, but also restoring to a reasonable degree the cash and surplus balance position.

8. I regret this decision, as I fully appreciate your difficulties, and am anxious to assist you in every way. I do not wish the fact that I am unable to contemplate any increase in the capital of the Bank at the present time to be regarded as indicating that I am opposed in principle to such an increase. On the contrary, as I have already indicated, I should be disposed

disposed to consider such an increase sympathetically,
when times are less difficult, if on the position
as it then ~~stood~~^{stands} a good case for such an
increase could be established. I should wish to
be satisfied, if such an application were made
later, that the effective demand for further
advances was such as to ensure that any
additional capital to be raised would
be utilised without excessive delay, and that
existing advances were being repaid punctually.
Further, I should think it necessary to make it a
condition that there should be no relaxation
of the conditions of the Ordinance, particularly
those relating to the purposes for which, and
the securities on which, advances may be
made. I note from paragraph 4 of your despatch
that the requirements under the Cattle Cleansing and
Fencing Ordinances are estimated at £100,000.
I assume that this estimate contemplates the
bringing into force of the compulsory provisions of
those Ordinances; but I would remind you that
no advances are to be made under sections 34 and 35

18737/32 Kenya

7

C. O.

Mr. Allen 18/6

Mr.

Sir J. Campbell 20 6.32.

Mr. Parkinson. 22.6.32

Mr. Tomlinson.

Sir C. Bottomley.

Sir J. Shackburgh. 24/6/32

Permt. U.S. of S. 24/6/32

Parly. U.S. of S. 30.6.32

Secretary of State.

D. D.
R 25 JUL
D 30

13

Code sent
1.30 pm 2/7/32

Handwritten signature/initials

DRAFT. Tel. conson.
v minute.

GOVERNOR

NAIROBI.

HO

No. 137 Confidential. Your

(1) confidential despatch No. 59 your

(4) telegram 92. As ultimate

liability for loans for Land Bank

must rest with Government I am

advised that any such loan should

be raised by Government but although

market conditions are at present

favourable I do not feel that,

apart from other reasons, I could

agree or could obtain (see para 8

8 & 11 of 16000/30.

of my despatch 18th Sept. 1930

Confidential (2) and your tel. of

20th Oct. 1930 No. 353) the necessary

Treasury consent to Colony

accepting

Handwritten initials

accepting any additional liability for
loan charges during present period of
depression at any rate until steps
have been taken which will ensure not only
balancing the budget in future but also
restoring to reasonable degree the cash
and surplus balance position. Despatch
follows by air mail.

accepting any additional liability for
loan charges during present period of
depression at any rate until steps
have been taken which will ensure not only
balancing the budget in future but also
restoring to reasonable degree the cash
and surplus balance position. Despatch
follows by air mail.

NOTE

It would seem necessary to be satisfied:

(1) That under the Ordinance, except Part 4, there is a demand for £260,000 so effective that the amount can be lent out without excessive delay on security comparable in every way with the security hitherto obtained by the Bank.

(2) That the Colony is justified in going into the money market for an additional sum of money for this purpose.

(3) That the demand for this money is not couled by Elected Members with a demand for relaxation of any of the essential safeguards under which the Bank now operates, and in particular:

(i) Existing mortgages must be onerous before being taken over:

(ii) Retain limit of advances to 50 per cent of fair agricultural value of land (cf. 75 per cent under Part 4 and 60 per cent for future settlers.):

(iii) Advances not to be solely for the purpose of planting annual crops; for example, if a maize farmer wished to borrow money to put, say, 100 acres under maize, the money should only be granted for ordinary farming operations, e.g. if the land is tilled or a maize shed built, but not on the security (except as collateral security) of the crop of maize. A value of maize might represent that there is a crop of maize worth say £10 an acre, but, of this, possibly only £1.10s. would represent the value of improvement through tilling, £8.10s. being the value of the annual crop. The £8.10s. should

be

60% 22nd

5/19 which
has been
Q

NOTE

It would seem necessary to be satisfied:

(1) That under the Ordinance, except Part 4, there is a demand for £260,000 so effective that the amount can be lent out without excessive delay on security comparable in every way with the security hitherto obtained by the Bank.

(2) That the Colony is justified in going into the money market for an additional sum of money for this purpose.

(3) That the demand for this money is not couled by Elected Members with a demand for relaxation of any of the essential safeguards under which the Bank now operates, and in particular:

(i) Existing mortgages must be onerous before being taken over;

(ii) Retain limit of advances to 50 per cent of fair agricultural value of land (cf. 75 per cent under Part 4 and 60 per cent for future settlers.):

(iii) Advances not to be solely for the purpose of planting annual crops; for example, if a maize farmer wished to borrow money to put, say, 100 acres under maize, the money should only be granted for ordinary farming operations, e.g. if the land is tilled or a maize shed built, but not on the security (except as collateral security) of the crop of maize. A value of maize might represent that there is a crop of maize worth say £10 an acre, but, of this, possibly only £1.10s. would represent the value of improvement through tilling, £8.10s. being the value of the annual crop. The £8.10s. should

60% 2x^{no}
d

5/19
5/19
5/19
5/19

be left out of the calculation (except, perhaps, as collateral security) since it may, for example owing to locust, never be reaped, and there is no guarantee that it would be planted in the following year.

(iv) Any extension of the operations of the Ordinance to cover Co-operative Societies must be distinctly limited to:

(a) Purely crop producing agricultural co-operative societies - not, for example, on the value of stock, except perhaps as collateral security - broadly speaking the life of the asset should be at least that of the term of the loan; and

(b) Joint and several security of each member of the society should be required.

Part 4 of the Ordinance seems necessarily inoperative as inconsistent with safe commercial practice unless there is a joint and several liability in respect of each land owner within the proclaimed area whether for fencing or dipping - otherwise the value of the security may be seriously diminished. If this condition were insisted on it would render unnecessary the exception in the case of Part 4 referred to in the beginning of this note.

If the above conditions are fulfilled it would seem good business to extend the operations of the Bank up to £500,000 as proposed because

(a) it would entail no increase in headquarter expenses; and

(b)

(b) the revenue of the Bank would be the interest etc., of £500,000 instead of £240,000, with the result (i) That it would become possible to start building up the reserve; and (ii) ultimately to reimburse Government in full - this latter could be made a requirement by restoring the provision of Clause 60 of the original Bill regarding the redemption account.

1/11/46
2/6/37

1. The present capital of the Kenya Land Bank is £240,000, lent to it by the Kenya Government from the proceeds of the 1930 Loan, which is redeemable by Government in 1961-71.

(para 5 of 12 - 17030A)

The Bank pays interest to Government at 4.7% which is the bare cost of the money to Government. It pays nothing, however, towards amortization.

Flag A
66

2. In one of the early drafts of the Land Bank Bill provision was made for a Loan Redemption Account, which was to provide for repaying the capital borrowed from Government. This clause was struck out at the instance of the select Committee of the Legislative Council on the bill, which commented:-

B

"The Committee recommend the deletion of clause 60 which provides for the opening by the Bank of a Loan Redemption Account. They feel that to require the present day borrower to place contributions to a sinking fund would, to a large extent, defeat one of the main objects of the Bank, i.e. to provide farmers with loans at as reasonable a charge as possible. Moreover provision of such a sinking fund would, in the opinion of the Committee, operate unfairly in that it would enable future borrowers to obtain loans at a lower rate of interest than would be possible prior to the redemption of the debt."

The ^{deletion} ~~abolition~~ of the clause was tacitly accepted by the Secretary of State, (see Mr. Vernon's minute of March 26th, 1930, on 16000/30, and Mr. Allen's pencilled note in the margin thereof).

C

Flag D.

The prospectus of the Kenya Government 1930 Loan provides for sinking fund contributions at 1% as from the 1st July 1934, but states that these contributions may be increased. When these payments start the Kenya Government will be contributing a veiled subsidy of £2400 per annum to the Bank.

3. The Bank now wishes to double its capital and suggests borrowing on its own security from private sources. The Crown Agents point out that, however private the transactions, Government could not, in fact, avoid liability, and they conclude that the cheapest method of borrowing would be by the issue of further stock by Government (4½% at 96), the proceedings to be relent to the Bank.
4. If such a transaction were approved by the Secretary of State on the lines of the original loan to the Bank, the veiled subsidy by Government through the Bank to the European planter would be increased to £5000 per annum. If, on the other hand, the new loan were made subject to redemption by the Bank, the additional 1% would necessarily be passed on to the planter who would thus be charged 7½%. (This is on the basis of a 1% sinking fund contribution; it may be noted, however, that to redeem a loan in 25 years, assuming a rate of compound interest at 4½%, calls for annual contributions of almost exactly 2%).
5. Having regard to (a) the gloomy financial outlook, and (b) the general tenor of Lord Moyne's Report, the Secretary of State could

hardly acquiesce in any further monetary assistance to the European planter in Kenya from the general revenues of the Colony. But if the charges to the individual borrower are to be so increased as to enable the Bank to liquidate its liability to Government, the advantage which he will derive from the Bank will be limited to a maximum of a half of 1%. I am assured on good authority that the rate charged by the Commercial Banks of Nairobi on a sound first mortgage is 8%.

6. The foregoing omits all reference to two other aspects of the question which, though in a sense more important, are perhaps less clearly capable of definition, namely, (a) Is the Secretary of State prepared to allow further borrowing by the Kenya Government at the present juncture for any purpose, having regard inter alia to the fact of such borrowing on the currency position? and (b) Is the ultimate future of European agriculture in Kenya sufficiently assured to justify further governmental assistance in enabling it to carry on in the hope of better times?

? Telegraph as in draft herewith.

is an ^{equal} control
by the bank

is a loan
not borrowed

(Archives Tables)

COPY FOR REGISTRATION

TELEGRAM from the Governor of Kenya to the
Secretary of State for the Colonies.

RECEIVED
28 MAY 1932
COL. OFFICE

Dated 27th. May.

(Received Colonial Office 4.13 p.m. 27th May 1932)

No. 92 Confidential.

My despatch of 16th. April Confidential
59 by air mail paragraph 5. Board reports
applications received or now under consideration
will approximately exhaust available funds and
notice is being issued in Gazette that until
further notice further applications cannot be
entertained. Should be glad therefore to receive
telegraphic reply as to possibility of raising
additional capital for Bank by any of the
methods suggested in my despatch.

Amud Tel. 2/1/32
Amud
Copy to Sec. Conf 5 JUL 1932

3
64



ALL COMMUNICATIONS
TO BE ADDRESSED TO THE
CROWN AGENTS FOR THE COLONIES
THE FOLLOWING REFERENCE AND THE
DATE OF THIS LETTER BEING QUOTED.

A/649.

TELEGRAMS "CROWN LONDON"
TELEPHONE 7730 VICTORIA

RECEIVED
20 MAY 1932
COL OFFICE

4. MILLBANK,
WESTMINSTER,
LONDON, S.W.1.

27th May, 1932. *gk*

Sir,

I have the honour to acknowledge the receipt of your letter No. 18137/32 of the 12th May, transmitting a copy of the despatch from the Governor of Kenya enquiring as to the terms on which a loan of £260,000 could be raised in London for the Land Bank of the Colony.

No. 2

6 JUL 1932
Copies to Gov. Conf.

2. With regard to the enquiry in paragraph 8 of the Governor's despatch, the loan could be raised (a) by the Bank with the guarantee of the Kenya Government, or (b) by the Bank without such guarantee, or (c) by the Colonial Government for loan to the Bank. The Bank is, as the Governor points out, entirely a Government institution, and it seems to us that the Colonial Government could not repudiate liability for the service of any loan which may be raised by the Bank, whether or not a specific statement of guarantee is made; and in the circumstances we submit that any loan which it may be decided to issue should be raised by the Colony on behalf of the Land Bank.

3. If the Secretary of State considers that a loan should be issued with a currency of 20 to 30 years as has been suggested, the money might be raised by the sale to the market of an amount of Kenya 4½ Stock 1961/71 which could be added to the existing line of £3,400,000 of that Stock. The Sinking Fund contributions in respect of this Stock will not begin until

The Under Secretary of State,
Colonial Office,
S. W. 1.

/the

the 1st July, 1934 and an addition to the existing loan could therefore be made without interfering with the rights of existing stockholders. At the present time the conditions for the sale of additional stock to the market are favourable and we should expect to be able to place the stock at a net price to the Colony after allowing for expenses of issue of at least 98 per cent. but we cannot be confident that these favourable conditions will continue for any considerable period.

4. We have not made any enquiries as regards the terms on which the Bank itself might be able to raise a loan in London, either with or without a guarantee by the Colonial Government, but we are confident that the terms would be decidedly more onerous than those for a Government loan.

5. In this connection it is interesting to note that the Government of Trinidad is now contemplating the raising of a loan for the purpose of reimbursing itself in respect of advances made to the Agricultural bank in that Colony.

I have the honour to be,

Sir,

Your obedient servant,



C. O.

Mr. Freeston. u/s

Mr. ~~Boyer~~ *Boyer* 6.5.32

Mr. ~~Miller~~ *Miller* 7/5

Mr. ~~Pennington~~ *Pennington* 9

Mr. Tomlinson.

~~Sir C. Bottomley~~ *q/p*

Sir J. Shuckburgh.

Perm. U.S. of S.

Parly. U.S. of S.

Secretary of State.

18137.

msd-3

2
10 MAY
10 11

Downing St.

12 May 1932.

DRAFT.

~~Fr. Gov. 10 Apl.~~
(1 on file)

CROWN AGENTS.

Gentlemen,

I am etc. to transmit to you a copy of a despatch from the Governor of Kenya enquiring as to the terms on which a loan of £260,000 could be raised

in London by the Agricultural Bank of the Colony. A copy of the Land and Agricultural Bank Ordinance ~~1931~~ is also enclosed.

~~Ordinance No. 1931~~

2. The S. of S. has not yet decided whether an extension of the Land Bank's present capital - from whatever source it may be provided - should be authorised. I am to request, however, that you will furnish him in the meantime with your advice as to the reply to be returned to Sir Joseph Byrne's enquiry in para. 8 of the despatch

*The no. is 34 1931 but
Library may have copy in
"Kenya Bill" from 1931*

5 JUL 1932

6 copies to Ex. Conf

Coman

← In regard to the last sentence
of that paragraph I am to point out that
the Ordinance provides for the establish-
ment of a Reserve Fund ^{from} within the profits
of the Bank, and that hitherto no such
Reserve Fund has been constituted.

~~is~~ etc.

3. You will observe that in
some of his reports Mr. Lyne
~~points out~~ ^{suggests} that the raising of
a public loan was the
best economical method of providing
provisional additional funds for the
Bank and points out that the
best since the bank's capital is
the capital in the capital raising
of such a loan, an issue which
at the present time is raised
by the Board of other practicable
methods such as

4. I am not sure that
that my way is intended to the
effect of the insurance

by H. T. ALLEN

KENYA LOAN POSITION.

The Kenya loans already issued total £16,900,000, which is allocated as follows:-

Colony	£3,648, 192
Transport	13,251, 808

2. In addition to the above approval has been given with the consent of Treasury for the expenditure from advances pending the issue of a further loan of:-

80/16102/30
Day 1

Colony	£1,262, 136
Transport	£ 513,010
Total	£1,775,146

3. The further requirements which are explained in Mr. Allen's minute at 6 in 17279/31 are as follows:-

Day 1

Balance for 1930 Ordinance	£61,682
Railway extensions	£331,050
Housing Schemes	£ 44,000
Which with the approved total in para. 2.	£1,775,146
leaves a grand total of	£2,211,878

to be met from a future loan.

4. The financial crisis caused the Government to suspend expenditure on certain works for loan funds in order that a sum of £266,708 could be held in reserve to meet possible emergencies (vide 1 in 17302/31 and paras. 11-13 of the Select Committee's Report on Estimates^{4th}).

Day 1

The accounts for the year 1931 showed however that the financial position was more favourable than had been anticipated. The Governor therefore released £100,300 of the loan funds held in reserve to enable

KENYA LOAN POSITION.

The Kenya loans already issued total £16,900,000, which is allocated as follows:-

Colony	£3,648, 192
Transport	13,251, 808

2. In addition to the above approval has been given with the consent of Treasury for the expenditure from advances pending the issue of a further loan of:-

Colony	£1,262, 136
Transport	£ 513,010
Total	£1,775,146

80/16102/30
2/29 I

3. The further requirements which are explained in Mr. Allen's minute at 6 in 17279/31 are as follows:-

Balance from 1930 Ordinance	£61,682
Railway extensions	£331,050
Housing Schemes	£ 44,000

2/29 J

Which with the approved total in para. 2. £1,775,146

leaves a grand total of £2,211,878

to be met from a future loan.

4. The financial crisis caused the Government to suspend expenditure on certain works for loan funds in order that a sum of £266,708 could be held in reserve to meet possible emergencies (vide 1 in 17302/31 and paras. 11-13 of the Select Committee's Report on Estimates).

2/29 J

The accounts for the year 1931 showed however that the financial position was more favourable than had been anticipated. The Governor therefore released £100,300 of the loan funds held in reserve to enable

enable work to proceed in the Law Courts and certain offices (vide ll in 17302/31) so that the loan funds in reserve now amount to £165,408. This can be made available by raising an overdraft.

5. It is evident from paras. 2 and 3 above that the question of raising a further Kenya loan has only been postponed. The Governor does not however wish to raise at present the general question of the embargo on the early raising of Colony loans laid down in Mr. Thomas's circular despatch of the 29th September, 1931, para.3.

The only alternative appears to be to investigate the possibility of proceeding as is suggested in paragraph 8.

copy attached

1-2 ?
3/6/31

CONFIDENTIAL.

KENYA

No. 59

BY AIR MAIL.



GOVERNMENT HOUSE
NAIROBI
KENYA

16th April, 1932.

Sir,

2

*No 7
a 17030/1131*

I have the honour to refer to Lord Passfield's Confidential (2) despatch of the 26th February, 1931, in which reports were desired on the working of the Land Bank Board, and to transmit for your information copies of the report prepared by the Board for the year 1931, and dated 20th February, 1932.

2. Since the beginning of the present year further issues of loans to applicants have been made, and on the 7th instant the Treasurer, who is, as you are aware, Chairman of the Board, intimated that the position of the Board's funds was :-

	No.	Amount.	Average.
Applications received	328	£ 520,535	£ 1537
Applications Approved	138	£ 186,200	£ 1349
Rejected	123	£ 203,305	£ 1653
" Withdrawn	14	£ 22,100	£ 1579
" Declined	5	£ 10,400	£ 2080
" Passed for Valuation.	17	£ 17,650	£ 1038
" for Consideration Approved, Reduced by	31	£ 55,715	£ 1797
	328	£ 520,535	

3. In interpretation of the foregoing statement it may be stated that "Rejected" means rejected by the Board, "Withdrawn" means withdrawn by the applicant, "Declined" means that the applicant declined the offer

made --

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.

*Copy to C.A.
Copy to Treasury
Copy to ...
1932*

made to the Board and "Approved, reduced by" means that the Board approved the applications but for a lower amount than that applied for.

The position may be re-stated :

Approved	£ 186,200
" Applications Passed for Valuation" that will probably be approved.	14,000
" Applications for Consideration" that will probably be approved	<u>25,000</u>
Balance available	£ 225,200
	<u>14,000</u>
	<u>£ 240,000</u>

4. Apart from ordinary loans, it has always been the intention of the Government that the requirements of the Cattle Cleansing and Fencing Ordinances and of the Closer Settlement Scheme should be financed from Land bank funds. The Director of Agriculture estimates the requirements under the Cattle Cleansing and fencing ordinances at approximately 200,000, spread over a few years, and although no final estimate can be made of the requirements of the Closer Settlement Scheme the sum of 220,000 had been provisionally earmarked from the present funds of the Board for this purpose. On the advice, however, of Executive Council this reservation has now been released.

5. A steady stream of individual applications continues to be received by the Board. These are now of a much better class than many of the early applications, and are being made by farmers with better security and better prospects of increasing production, so that a greater proportion is likely to be accepted and the Board considers that the total sum of £240,000 will have been issued very shortly. It has therefore

represented to Government the urgent desirability of increasing the funds at its disposal. The Board is of opinion that, while it will be possible to make ends meet when the whole sum of £240,000 is earning interest, it will not be possible to make profits or provide for the reserve fund as required by Section 49 of the Land and Agricultural Bank Ordinance on the present authorised capital. The present arrangement gives the bank a margin equal to 1.8% of its capital from which to meet expenses of administration: 1.8% of £240,000 equals £4320. A very approximate estimate of the expenses for the year 1932 is as under :

Salaries and Wages	£ 2,400
Board Members' Fees	600
Chairman's Allowance	50
Travelling Allowances.	300
Printing and Stationery	65
Postages	40
Depreciation	15
General Expenses	40
Contingencies	180
Rent etc.	60
	<hr/>
	£ 3,700
	<hr/>

to which must be added the deficit as at December 31st. of £1,005.

Hitherto no fees or allowances have been made to the Local Boards of the Agricultural Advances Board, who act as local agents of the Land bank, but the question has been raised and will undoubtedly be raised again. It is also anticipated that the Bank will have to appoint an inspector in the course of the next year.

On the basis of £500,000 capital, profits can be made and a reserve fund created, and in the view of the Board the provision of a further sum of £260,000 should receive early and favourable consideration.

6. The provision of further funds on approximately the same terms is essential to the attainment of the object of the Bank, and there appears to be little question but that the raising of a further Colony loan would be the most economical method. This would, however, raise the general question of the embargo on the early raising of further Colony loans, an issue which at the present time I should prefer to avoid if other methods can be found for obtaining additional funds for the Land Bank on practicable terms.

7. The Land Bank Board has been in communication with the South African Mutual Life Assurance Society (Capetown) and the Prudential Assurance Co. Ltd., (London) as to whether they would be prepared to lend the Land Bank the sum of £260,000 and, if so, on what terms. Replies have not yet been received and it may be that the terms, if a loan is offered, will be such as it will be impossible for the Land Bank profitably to accept.

8. It is, of course, the case that for loans from such Companies a Government guarantee might be demanded. Information of this character is more readily available to your advisers than here and I should be glad if you could acquaint me as early as possible as to the terms upon which your advisers consider a loan of £260,000 could be raised in London for the Land Bank (a) with a Kenya Government guarantee, (b) without a Kenya Government guarantee, the loan to have a currency of 20 to 30 years, preferably the latter. In the case of (b) the security would be the first mortgages held by the Board, which represent considerably less than 60% of valuations made by it and based upon data supplied by selected and approved valuers; a further security is, of course, the fact that the Land Bank is a Government

institution and that a reserve fund is required by the Ordinance.

9. The Sections of the Ordinance which deal with the raising of funds for the Bank are Nos. 20 to 23, inclusive.

10. On the general question of policy involved, I feel no hesitation in expressing the view that all possible steps must be taken to assist greater production in the Colony with a view not only to the development of the Colony's resources but also to meeting the heavy annual loan charges on the existing transport loans. One of the measures towards this end is the extension of the Land Bank's activities.

11. I should be grateful for a reply by Air Mail as soon as possible.

I have the honour to be,

Sir,

Your most obedient, humble servant,

W. H. Wood

GOVERNOR'S DEPUTY.



COLONY AND PROTECTORATE OF KENYA

ANNUAL REPORT OF THE
LAND AND AGRICULTURAL
BANK OF KENYA, 1931

Price: Ots. 50

NAIROBI
PRINTED BY THE GOVERNMENT PRINTER
1931

75

ANNUAL REPORT OF THE
LAND AND AGRICULTURAL
BANK OF KENYA, 1931

ANNUAL REPORT OF THE
LAND AND AGRICULTURAL
BANK OF KENYA, 1931

Report of the Board of the Land and Agricultural Bank of Kenya

For the Year ended 31st December, 1931

YOUR EXCELLENCY,

The following report of the Board of the Land and Agricultural Bank of Kenya for the year 1931 is submitted for Your Excellency's information.

The statements required by section 47 of the Ordinance have been prepared, and are submitted herewith, duly audited.

ESTABLISHMENT OF THE BANK.

1. Provision for the establishment and maintenance of the Land and Agricultural Bank of Kenya is made in the Land Bank Ordinance, 1930 (No. 3 of 1931), the Royal Assent to which was announced in a Proclamation by Your Excellency (No. 22), dated March 2nd, 1931. By Government Notice No. 119, dated March 3rd, 1931, Your Excellency directed that the Ordinance should come into operation on March 3rd, 1931.

THE BOARD.

2. The appointment of the undermentioned gentlemen by Your Excellency as members of the Board was announced in Government Notice No. 403 of June 25th, 1931 :—

- The Hon. H. H. Rushton (*Chairman*) ;
- The Hon. A. D. A. MacGregor, K.C. ;
- E. B. Gill, Esq. ;
- Major C. M. Taylor ;
- J. E. A. Wolryche Whitmore, Esq.

3. At a meeting held on July 13th a ballot to decide the order of retirement of members was held in terms of section 4 (2) of the Land Bank Ordinance, resulting as under :—

- The Hon. A. D. A. MacGregor, K.C., to retire first ;
- J. E. A. Wolryche Whitmore, Esq., to retire second ;
- Major C. M. Taylor to retire third ;
- E. B. Gill, Esq., to retire fourth.

4. On November 17th, 1931, the Hon. A. D. A. MacGregor, K.C., tendered his resignation owing to his appointment as Acting Colonial Secretary, and by Government Notice No. 768 of December 14th, 1931, Mr. E. J. Davies was appointed in his place. By a resolution at the Board Meeting held on December 22nd, 1931, the re-appointment of the Hon. A. D. A. MacGregor was recommended, with the further suggestion that Mr. E. J. Davies continue to act in Mr. MacGregor's absence. The resolution was submitted to the proper quarter, and the appointment was duly made on these terms.

5. The first Board Meeting was held on June 23rd, 1931. Twenty-eight meetings have been held up to December 31st, 1931, and although the rate at which applications have been coming in has diminished it would appear that the weekly meeting will be desirable for a few months to come.

6. The attendances of members of the Board at meetings for the period under review are as under:—

Total number of meetings	28
The Hon. H. H. Rushton	22
The Hon. A. D. A. MacGregor	20
B. B. Gill, Esq.	26
Major C. M. Taylor	28
J. E. A. Wolryche Whitmore, Esq.	22
E. J. Davies, Esq.	3

7. The above table is far from being indicative of the time devoted by Board members to the business of the Bank. Every registered application is copied and sent to the chairman and the members of the Board before it appears on the agenda of a meeting, and the work at the actual meeting is greatly facilitated by the fact that each application has been individually studied by each member prior to the meeting.

Almost daily reference to the chairman is also required in connexion with points which arise in the ordinary course of business and for the signing of cheques.

OFFICE AND ORGANIZATION.

8. At the invitation of the Government and by arrangement with the Government of Southern Rhodesia, Mr. S. Thornton, the accountant of the Land and Agricultural Bank of Southern Rhodesia, was invited to undertake the preliminary

work in connexion with the establishment of the Kenya Land Bank. He arrived in Nairobi on May 21st, 1931, and was subsequently appointed Secretary to the Land Bank Board.

9. The first three meetings of the Board were devoted entirely to the preliminary work connected with details of organization.

Publicity.

10. An advertisement stating that applications would be received was inserted in the Government Gazette and local newspapers all over the Colony early in July, and the form of application was drafted and printed. At the invitation of the East Africa Broadcasting Corporation, a wireless "talk" was drafted, explaining the aims and scope of the Land Bank, and was broadcasted by the Secretary. A leaflet dealing with the operations of the Land Bank was also prepared, printed and distributed.

Accommodation.

11. Office accommodation has been provided in the Treasury Buildings, consisting of two small rooms, and it is satisfactory to note that more spacious and suitable housing elsewhere is being negotiated.

Staff.

12. A shorthand writer and typist was appointed, and in November it was found necessary to employ a second stenographer on a temporary basis. Both have been, and are still, kept fully employed. Assistance in the bookkeeping work is afforded by an arrangement with the Central Agricultural Advances Board for sharing the services of the book-keeper in charge of the accountancy work of that Board. As the work of the office increases, this arrangement becomes less satisfactory and the provision of more adequate assistance in this Department will be necessary in the near future.

13. A native messenger completes the staff.

Local Agents.

14. Section 51 (3) of the Land Bank Ordinance requires every administrative officer, Government surveyor, police officer or other officer of the public service "to act generally as agent or inspector of the Bank when required to do so by the Board." A preliminary circular was accordingly addressed to Provincial and District Commissioners with the suggestion that where Local Agricultural Advances Boards already existed

(with which they were connected) such assistance as could be rendered by these Boards, without unduly disturbing the ordinary routine of their work, would be of the greatest value. The suggestion was acted upon and the reports upon applications which have been received have been greatly appreciated, the value of local knowledge and experience being fully recognized. Local agents are advised of all loans made and the purposes for which the money is advanced.

Legal Work.

15. The preparation of all legal documents in connexion with securing a mortgage or charge over the property of applicants was undertaken, free of expense to the Bank, by the Hon. the Attorney General, with the proviso that the position be reviewed at the end of twelve months.

Valuators.

16. Local agents were requested to nominate suitable persons as Land Bank valuers, and appointments have now been made covering practically the whole of the settled areas. A short statement entitled "Instructions to Valuers" has been printed for the guidance of valuers.

FINANCIAL.

17. The capital passed by the Government at the disposal of the Bank was £240,000, and arrangements were made with the Treasury to draw upon this amount as and when required. The advantage derived from this arrangement is passed on to the borrower where desired by permitting an advance to be drawn as actually required for disbursement, thus effecting a saving of interest charges. The rate of interest charged the Bank by the Government is 4.7 per centum per annum. The rate of interest charged the borrower by the Bank is 6.5 per centum per annum, and redemption, which is included in the regular half-yearly instalment, is calculated to secure repayment of the loan within the period over which it is granted. On a thirty-year loan the redemption and interest equal 7.62 per cent per annum.

18. Although the total amount of loans actually issued at December 31st is small, the rate at which mortgages have since been registered has rapidly increased, and, as will be seen from the statistical table attached hereto dealing with applications which have been before the Board, the question of the provision of further funds will arise in the not very distant future.

SECURITIES.

19. No loan is actually issued until a first charge or mortgage has been registered by the Registrar of Titles. The actual form of mortgage was prepared by the Attorney General and submitted and approved by the Board at its meeting on September 22nd, 1931. The form employed in the case of properties registered under the Crown Lands Ordinance has since been altered, but in the opinion of the officers of the Legal Department those registered before the altered form was adopted constitute a valid and sufficient security.

STAMP DUTY.

20. The original Land Bank Bill provided that no stamp duty should be payable on Land Bank mortgages (as in the case of the Union of South Africa and in Southern Rhodesia), and Schedule III at the end of the Bill sets out the fees payable in connexion with the preparation and registration of the mortgage. Before, however, the Bill was passed it was decided that Stamp Duty should not be waived, and this decision is incorporated in section 9 (1) of the Ordinance, but the Schedule remains unaltered. Consequently, the prospective applicant consulting the Ordinance to ascertain what the raising of a loan will cost may be misled by the absence of any advice that stamps to the value of Sh. 2/50 for every thousand shillings are required. It is proposed to meet the present position by notifying applicants of their liability for this charge on the application forms when next reprinted.

GENERAL.

21. At the commencement of its work the Board found itself called upon to frame a policy to meet the prevailing abnormal conditions. An unparalleled slump in all agricultural products had followed swiftly upon an era in which a justifiable optimism had led to much ill-timed enthusiasm and even recklessness in putting capital into the land. The natural result was an inflated value placed upon land, and the ease with which money has previously been borrowed on the security of land is the root cause of the large proportion of applications received now shown under the heading "Rejected."

22. The aim of the Board is to invest with safety and discrimination the public moneys entrusted to its charge, in such a way as will best serve the essential aim of the Ordinance, i.e. the benefit of agricultural pursuits. It is recognized that the major part of these funds should go to further

development of existing agricultural enterprises and the encouragement of new ventures. This policy, however, has of necessity to be moulded to meet the facts. The inevitable result of the depressed conditions has been that further development has been rigidly curtailed and new ventures are undertaken with extreme caution. The universal and immediate difficulty of all farmers and planters is to meet existing commitments and to find enough money merely to carry on. Of the applications received, only 56 could offer as security a property unencumbered by a mortgage or legal charge. The Board has accordingly been called upon in 78 per cent of the cases considered to deal with the applicant's claim that his existing mortgage can be considered to be onerous. It has been found impossible to reduce to a definite formula the conditions which shall be regarded as onerous, and each case has had to be considered on its individual merits.

23. While the proportion of the total money advanced or approved which goes to meet existing mortgages is larger than the Board had hoped, it should be noted that in many cases this money has gone to meet a loan made by another farmer, who in turn has been hit by the bad times and needs the money for expenses and development on his own farm. In other cases, negotiations with the existing mortgagee have resulted in a material reduction being offered the applicant for a cash settlement, which has resulted in the farmer obtaining not only more favourable terms as to interest and redemption but also a reduction in his capital liability.

24. Many deserving cases have been presented, in which the applicant, through causes beyond his control, has been reduced to a state which places him outside the category of the ordinary business risk with which the Board can deal. Such applications have to be rejected.

25. For valuable assistance in the preliminary work of establishing the Land Bank and dealing with applications, special thanks are due to the Legal Department, the Surveyor General's Department, the Agricultural Department, the Central and Local Agricultural Advances Boards, and the District and Provincial Commissioners.

H. H. RUSHTON,
Treasurer,
Chairman of the Board.

Nairobi,

20th February, 1932.

TABLE No. 1
APPLICATIONS RECEIVED

1931	Number of Applications Received	Amount
June	2	£ 3,000
July	69	126,150
August	56	91,074
September	42	62,240
October	35	62,151
November	26	36,020
December	26	36,665
	256	417,300

TABLE No. 2
APPLICATIONS RECEIVED—SIZE OF LOANS

FOR LOANS OF—	
£1-£500	26
£501-£1,000	62
£1,001-£1,500	52
£1,501-£2,000	47
£2,001-£2,500	26
£2,501-£3,000	41
Over £3,000	2
	256

TABLE No. 3
ANALYSIS OF APPLICATIONS RECEIVED FOR PERIOD
ENDING 31st DECEMBER, 1931
NUMBERS 1 TO 256

No.	£		No.	£
256	417,300	Applications Received.	193	312,540
		Considered by Board	11	16,150
		Withdrawn before Consideration	52	88,610
		Awaiting Valuation, etc		
256	417,300		256	417,300
193	£ 312,540	Considered by Board.		£
		Granted and Completed	26	32,300
		Granted—		
		Awaiting Completion	61	84,050
		Declined by Applicants	3	5,000
		Rejected	103	190,790
193	312,540		193	312,540

TABLE No. 4
PERIODS FOR REPAYMENT OF LOANS ISSUED
L.R. 1 To L.R. 26, TOTALLING £32,300

£	10 Years		15 Years		20 Years		30 Years	
	No.	£	No.	£	No.	£	No.	£
300	1	300						
450	1	450						
500	2	1,000	1	500	1	500	2	1,000
650						650		
800							1	800
900							1	900
1,000					4	4,000		
1,300							1	1,300
1,400	1	1,400						
1,500	1	1,500					1	1,500
1,800					1	1,800		
2,000							2	4,000
2,200							1	2,200
2,500							1	2,500
3,000							2	6,000
	6	4,650	1	500	7	6,950	12	20,300

TABLE No. 5
ANALYSIS OF APPLICATIONS
SHOWING APPROXIMATE ALLOCATION OF LOAN MONIES AS PER
DETAILS FURNISHED BY APPLICANTS
ADVANCES MADE FOR THE PERIOD ENDING
31ST DECEMBER, 1931.

Discharge of Existing Mortgages	£	14,724
Permanent Improvements		12,041
Buildings	£ 2,048	
Boreholes	200	
Fencing	778	
Dip Tanks	560	
Further Acreage—Coffee	914	
" " —Cereals	610	
Maintenance Existing Coffee	5,781	
of other Crops	150	
Purchase of Land		2,674
" Stock		2,233
" Implements and Machinery		628
	£	32,300

THE LAND AND AGRICULTURAL BANK OF KENYA
BALANCE SHEET AS AT 31ST DECEMBER, 1931

LIABILITIES		ASSETS	
£	s. dts.	£	s. dts.
Cash in Voted—£240,000		Sundry Debtors—	
Cash Received		Chairs	32,300 0 00
For Held on Account of Applicants		Interest Accrued not Due	27 11 86
For Disbursement to Valuers		Movable Assets—	136 14 39
Deposits Against Charges		At Cost	£ 5 35
Portions of Loans Uninsured		Less Depreciation	\$ 15 27
		Motor Car Account	£ 6 00
		Deposit Account	25 16 00
		Surveyor General	7 50
		Postmaster	
		Cash at Bank	26 3 50
		Cash on Hand	3,665 1 76
		Balance from Revenue and Expenditure Account	13 6 36
			1,005 0 90
			£ 37,450 2 73
			£ 37,450 2 73

REVENUE AND EXPENDITURE ACCOUNT FOR THE PERIOD ENDING 31ST DECEMBER, 1931

EXPENDITURE	£ s. cts.		REVENUE		£ s. cts.	
	£	s. cts.	£	s. cts.	£	s. cts.
To Interest on Capital Advances ..	106	4 09	162	9 57	By Interest Earned—	
" Preliminary Expenses ..	379	0 00			Received	180 4 99
" Board Members' Fees ..	578	17 87			Accrued / not Due	436 14 39
" Salaries and Wages ..	100	3 00			Sundry Fees	318 19 38
" Travelling Allowances ..					" Bank Charges	539 4 00
" Printing, Stationery and Advertising ..	156	1 64			" Balance being Excess of Expenditure over Revenue	1,005 0 90
" Rent ..	28	0 00				
" Postages and Telegrams ..	22	3 17				
" Depreciation ..	5	15 27				
" Staff Amenity Fund ..	8	6 66				
" General Expenses ..	14	5 57				
			1,698	17 21		
			1,861	6 78		

EXAMINED:

(Signed) W. H. SMITH,
Auditor.(Signed) S. THORNTON,
Secretary.(Signed) H. M. RUSHTON,
Chairman.

ERNEST B. GILL

Members of
the Board.

1952.

Kenya

1

No. 18138.

SUBJECT

C0533/424

Accounting arrangements.

Staff Economy Measures,

Treasury + Audit Depts.

Previous

See 17291/51

Subsequent

See 18422/52