

EAST AFR. PROT.

C O
5044
1912



5044

Treasury

Draft Estimates 1912-13

Date
1912

17 Feb.

Previous Paper

479

Reviews financial position & considers the large amount of non-recurrent expense unsatisfactory. Refers to the modification of half & half principle as applies to Railway - also to the fact of 25% being paid from Balances but not increase of ordinary expense must be reduced by 1/2000 which from budget may be devoted to non-recurrent expense. Allocation left to be applied to other items in certain details proposed in Billimack's Budget account to Working Balances and then 1912-13 25% of proposed non-recurrent items to be met from Balances, future & special funds.

Mr. Buller

The above matter has discussed this with the Council.

Off. for London on the lines of what I have mentioned verbally

R. J.

The off. is a bill & we should have toned it down.

U. J. J.

Why cannot we 15 cons 24 Feb. 1912

Subsequent Paper

404

In the reply to this Letter the following
Number should be quoted.

1446
12



RELEASED BY CHAMBERS

17th February 1912.

Sir,

I have laid before the Lords Commissioners of His Majesty's Treasury Sir G. Fiddes's letters of the 18th ultimo (40862/11 and 1703/12) and the accompanying Colonial Office Memorandum and copy of a despatch from the Governor of the East African Protectorate, with its enclosures, covering the draft Estimates of the revenue and expenditure of the Protectorate for the financial year 1912-13.

On the revised figures, as explained in the letters under reply, the financial position of the Protectorate (excluding the special Magadi expenditure and grant-in-aid) compares as follows with that for the year 1911-12:-

	1911-12	1912-13	Difference
Estimated gross expenditure	£ 762,246	£ 889,399	+£ 127,153
Deduct remanet expenditure	<u>10,000</u>	<u>1,010</u>	<u>- 8,990</u>
Estimated non-remanet expenditure	752,246	888,389	+136,143
Estimated revenue			
Excess of non-remanet expenditure over revenue ..	131,967	107,705	- 24,262
Estimated surplus balances (after meeting remanet expenditure)	<u>47,614</u>	<u>177,618</u>	<u>+130,004</u>
Net deficit or surplus	-84,353	+70,113	+154,466
Grant-in-Aid	<u>115,000</u>	<u>-</u>	<u>-115,000</u>
Balances remaining in hand	<u>30,647</u>	<u>70,113</u>	<u>+ 39,466</u>

Estimated - 11/29/20 x
Under Secretary of State,
Colonial Office.

So far, therefore, the position is a great improvement on that of 1911-12, in that the revenue of the Protectorate has increased by £160,405 and the ordinary grant-in-aid (excluding the Magadi grant) disappears altogether.

But when attention is turned to the expenditure side of the account, it is clear that the satisfactory appearance of the figures at first sight is very largely illusory and that only the very exceptional amount of the balance in hand (a feature which presumably cannot be expected to recur next year) has saved the Protectorate from the necessity of demanding a large grant-in-aid despite the very unusual increase of revenue. There is therefore no guarantee of the continued ability of the Protectorate to dispense with a grant-in-aid in 1913-14, and My Lords would accordingly have expected to find that every care had been taken this year to confine claims to the most pressing items (and so far as possible to items of non-recurrent expenditure) in order that, if possible, the necessity of making any further demands on the Exchequer might be avoided. So far, however, is this from being the case that considerable increases of expenditure (amounting in all to £1,366,143) have been included for nearly every Department in the Protectorate; and the total increase of non-remnant expenditure amounts to £136,143, - a sum which very nearly swallows up the whole increase of revenue, and a large portion of which appears to be of a recurrent nature. Even if the directly productive Railway expenditure be excluded from

this

this total, there still remains a total net increase of some £70,000, as against an increase of only £50,000 in non-railway revenue; and the various estimates of ordinary non-railway expenditure this year account between them for a total net increase of over £37,000 (including the cost of the new salary scheme), which appears to be mainly expenditure of a recurrent nature, and which of itself amounts to nearly 75% of the increase of non-railway revenue. No mention is made of this most important aspect of the position in the Colonial Office memorandum on the Estimates, and My Lords feel sure that Mr. Harcourt will fully agree with Them that so large an amount of new recurrent expenditure is most unsatisfactory.

Under the half-and-half principle, as at present interpreted, the total expenditure (excluding remanet expenditure) which can be incurred in 1912-13, on the basis of the revised figures of revenue, is £832,448, which falls short by £55,941 of the revised total of non-remanet expenditure (£888,389). This fact in itself shews to what an extent the increase of expenditure proposed is in excess of the normal.

The Secretary of State, however, on the assumption that all the expenditure now contemplated is required and cannot be deferred, suggests two ways of providing for the excess of £55,941, viz: (1) by altering the system under which the half-and-half-principle is applied to railway expenditure, and (2) by expending £23,155 - the net excess of expenditure that remains even under the

altered

altered system of applying the half-and-half-principle in respect of railway expenditure - from balances available on 31st March 1912.

As regards the first of these proposals, My Lords have felt very great reluctance in assenting to any material modification of the half-and-half principle, which has worked on the whole so well and which has been of such great assistance both to this Board and to the Secretary of State in the task of improving the finances of the various Protectorates. They are prepared, however, in deference to Mr. Harcourt's views, to assent to some modification of the principle as applied to the expenditure of the Uganda Railway and They suggest that the precise form of the change should be a matter for semi-official discussion. If the alteration finally agreed upon admits a smaller total of new expenditure in 1912-13 than would be justified by the alteration actually proposed, My Lords will, in the special circumstances, allow the difference to be met from balances outside the half-and-half principle as amended.

There remains for consideration the second proposal that the sum of £23,155 should be met from balances outside the half-and-half principle. This course involves so great a breach of ordinary practice that My Lords would feel bound as a rule to refuse to assent to its adoption. But in the present case two special considerations have weighed with them, viz: (1) the extreme urgency of the need for the new steamboats and new Government Offices at Nairobi - as to which They are in entire agreement with the Secretary of State - and

(2) the hope that, with the extra assistance now asked for, the Protectorate will be able to meet its expenditure in future without any grant-in-aid at all. In view of these considerations, and on the understanding that every effort will be made to secure the fulfilment of this hope, They are prepared, as an altogether exceptional measure, to allow the sum mentioned to be met from balances, but only on condition that the half-and-half principle is applied in its integrity to the new ordinary (recurrent) expenditure, so as to reduce the net increase of that expenditure to half the increase of ordinary (non-railway) revenue. Every new recurrent item will of course add to the difficulty of making ends meet in future years without a grant-in-aid, and I am accordingly to request that the Secretary of State will meet Their Lordships' wishes in this matter by cutting down the net increase of ordinary expenditure in 1913-15 (amounting, as stated above, to over £37,000) to the extent of at least £12,000. My Lords will then be prepared on Their part to allow the sum so saved to be spent instead on Public Works Extraordinary, should the Secretary of State see fit, thus retaining the total expenditure of the Protectorate at the amount submitted.

Any amount expended from balances, outside the half-and-half principle, is excluded from the expenditure of the year in arriving at the amount of expenditure allowable in 1913-14 under the half-and-half principle.

My Lords will be glad to learn in due course which items of recurrent expenditure Mr. Harcourt proposes to exercise and what non-recurrent items are to be substituted for them. Subject to the receipt of further information on this point, and to the observations below on

the detailed proposals in the estimates, to which My Lords now turn, They leave the question of reallocation of the hands.

ASSETS AND LIABILITIES.

The actual surplus on the 31st March 1911 was £147,010, as against the estimated surplus of £57,614 on which the Estimate for 1911-12 were based. No information is given to account for this very large discrepancy, and My Lords will be obliged if the Secretary of State will cause specific enquiries to be made on the point. If a large working balance is given to a Protectorate, as was the case with the East Africa Protectorate in 1911-12, it is essential that the Estimates should be calculated as accurately as possible, so that there may not be in addition a hidden working balance of unknown quantity. In the present instance the results show that it was unnecessary to provide a working balance at all.

SECRETARIAT.

The Secretary of State will now be in receipt of Their Lordships' decision on the subject of the proposed addition to the staff of European Clerks.

OFFICIAL PRINTERS AND PRINTERS.

The cost of the printing staff, as augmented under the proposals now submitted, will be so much in excess of that of the similar staff in Uganda that My Lords have felt some hesitation in assenting to the proposed increase, especially

especially in view of the possibility that the pressure of work referred to may be only temporary. They leave it, however, to the Secretary of State to satisfy himself on this point, and They assent provisionally to the proposals as submitted, except as regards the salary of the Assistant, the maximum of which They consider should be £200, as in the case of Uganda.

PROVINCIAL ADMINISTRATION.

The estimated cost of this Vote shows an increase of £9,050, exclusive of the cost of the new scheme of salaries; and only £4,000 of this increase is accounted for by the extension of the system of salaries in lieu of hut tax commission (which is counterbalanced by increased receipts). The remainder appears to be due to a general policy of expanding the administrative influence of the Protectorate. My Lords feel bound to call attention to the large extent to which the cost of this policy (which accounts also for the increase under the head of Police) contributes to the excess of expenditure over the amount allowable this year under the half-and-half principle. In view of this excess, They would ask the Secretary of State to consider whether it would not be possible to retard the policy of expansion to some extent, without endangering the collection of the hut tax. And they desire me to point out that they only assented to the increases of administrative staff last October on condition that the expenditure of the Protectorate was kept within the limits of the half-and-half principle.

I am further to point out that the cost of the Provincial Administration was specially increased by £1,500 last year in view of the reduction of the Police Force, and that no corresponding reduction appears to be contemplated now that it is proposed once more to increase the cost of the Police. Further enquiry appears to be necessary on this point.

As regards the Tropical African services scheme, My Lords reserve Their decision - both as regards this Department and in all cases in which increases of salaries on the basis of that scheme are proposed - pending the receipt of the calculation of cost for which They have asked in connection with the Nyasaland Estimates. And in the meantime They prefer not to deal with the various other personal adjustments proposed in the District Administration.

I am to enquire on what grounds it is proposed to increase the number of Provincial Commissioners by two, and whether any increase of cost is involved, or will hereafter be involved, beyond the actual increase of salary in the case of future holders of the posts.

POLICE.

I am to ask for further information in relation to the proposal to increase the cost of this force by £3,452. The Governor stated last year that "further considerable reductions" could probably be effected in the future, but so far is this from being the case that in fact the cost of the force (including Tribal Police) appears now to be higher than it was before the reorganisation then effected. It was solely on the strength of the saving

saving expected to result from the reorganisation that My Lords agreed to the various increases then proposed in personal emoluments, and They pointed out at the time that They might find it necessary to revert to the question of the revised scales in the event of future increases in the cost of the Force. They will feel bound to raise this point on the present occasion if the proposals for increased expenditure on the force are pressed; but They trust that the Governor will be prepared, on reconsideration, to withdraw his demands, especially if the extension of the administrative area, which is stated by the Treasurer to be the cause of the proposals for extra Police, is retarded as suggested above.

EDUCATION

Apart from the several points on which the Governor is being asked to supply further information, and on which My Lords will in the meantime reserve their decision, They do not understand why a new Assistant is required for Nairobi Division "A" School or why it is proposed to spend £500 on encouraging Missions to undertake primary education among the natives. Both these proposals go beyond the recent recommendations of the Education Board, and as regards the second proposal it will be remembered that the Board definitely disapproved any expenditure for the present on the literary education of the natives beyond that specifically recommended by them.

POST OFFICE AND TELEGRAPHS.

As regards the proposed wireless station at Mombasa, Mr. Harcourt will now be aware that the last report of the Cables Landing Rights Committee, dated the 24th

24th ult. suggests the possibility of the erection of a high-power station at Nairobi in connection with the Imperial Wireless scheme. If this possibility is realised, a station at Mombasa will presumably be unnecessary, and I am to request that no steps may be taken to proceed with the latter scheme until the general Imperial scheme is finally settled.

AGRICULTURAL

The increase under this head amounts to the large sum of £2,391 and My Lords trust that, as a result of the further enquiries which the Secretary of State proposes to make on the subject, he will be able to effect considerable reductions in the expenditure proposed.

COAST LAND SETTLEMENT.

While My Lords must accept Mr. Harcourt's opinion that the abandonment of this work would be disastrous, They cannot, on present information, allow provision to be made in the Estimates for an increased cost of £4,542 as proposed, and They will feel bound to require the fullest justification for any increase at all for the present, especially in view of the general financial position. Although They have acquiesced in the Department's being continued on the staff, They have always made it clear that They expected it to pay its way before long, and They therefore very strongly deprecate any increase that can possibly be avoided in expenditure on staff.

The Secretary of State alludes to various other points in the Estimates on which he is asking for fuller information, and My Lords will be glad to learn the

results

results of his enquiries before giving Their assent to the proposals in question. They give Their covering sanction to the appointment of two additional Female Postal Clerks and Telegraphists in the Post Office and Telegraphs Department. As regards the Medical Department, They desire me to point out that the emoluments of the District Surgeons should be shown as £100 salary and £50 house allowance, instead of £150 salary.

There remains for consideration the question of the grant-in-aid to be provided in 1912-13.

The Secretary of State proposes that no grant-in-aid should be given in respect of ordinary expenditure but that a special grant-in-aid of £60,500 should be provided to meet the second instalment of expenditure on the equipment of the Uganda Railway to deal with the soda traffic from Lake Magadi. On the basis of the figures submitted in the letter under reply, this would leave in the hands of the Protectorate on 31st March 1912, a balance of £70,113.

My Lords regret that They can see no justification for leaving so large a working balance in the hands of the Protectorate, and They cannot consent to allow a balance in excess of £45,000. They accordingly propose that the Magadi grant should be met from balances to the extent of £45,000 and a grant-in-aid provided to meet the remainder of £23,500. Unless the original estimate of the balances in hand was framed on a much more accurate basis than last year, even the reduced working balance now proposed will be considerably in excess of actual

actual needs, and if that proves to be the case Their Lordships will feel bound to insist on a material reduction of its amount next year.

My Lords think it right in this connection to make it clear that They do not regard the liability assumed by His Majesty's Government on behalf of the Protectorate Government, in respect of the Magadi traffic, as a liability independent of the general financial position of the Protectorate or as differing in any way from the ordinary grants-in-aid, which are voted annually to meet the necessary expenditure of the Protectorate. So long, therefore, as the liability for payments in respect of the Magadi traffic continues, it will be necessary for the Estimates to be submitted for the approval of this Board as heretofore, and the payments from the Exchequer will of course continue to be limited to the amount by which the revenue and balances together fall short of the sum required to meet the approved expenditure of each year.

In conclusion I am to request that four copies of the Estimates as finally approved may be forwarded to this Board in due course.

Your obedient Servant,

Edwin Chalmer

O.D.
8 MAR
9

Treas/5044/E.A.



[Handwritten signature]

5044

DRAFT
SECRETARY TO
THE TREASURY.

Downing Street,

// March, 1912.

Amend 886

MINUTE.

- Mr. Butler 6th Mch
- Mr. *Read* 7
- Mr. *Fiddes* 7
- Sir H. Just.
- X Sir J. Anderson. 7
- Lord Emmoth
- + Mr. Harcourt. 7

Sir,

I am directed by Mr Secretary Harcourt to acknowledge the receipt of your letter No. 1443/12 of the 17th February relating to the draft Estimates of the East Africa Protectorate for the financial year 1912-13.

2. Mr Harcourt points out in satisfaction that the Lords Commissioners of the Treasury approve of the total expenditure proposed, namely, £889,399, although this involves an excess of £23,158 over the amount permissible under the half and half principle

7-8-12

for insert

new 5044 made on 5/11/12

5044

Estimates - 11/30 - 20

on the equipment of the Railway for
 the soda traffic. Mr Harcourt ^{deems it} regrets that
~~he is unable to accept their~~ ^{to submit that this assumption} ~~view~~
~~on this point which does not appear to seem to~~ ^{have}
~~be quite consistent with~~
 any support from the correspondence and
 negotiations relating to the conclusion of
 the Magadi soda contract, ~~and it appears to~~
~~be inconsistent with the wording of~~
 paragraph 2 of Treasury letter ~~number~~ ^{of}
 of the 23rd December, 1910. He is willing,
 however, to accept the proposed arrangement
 for the year 1912-13, in view of the excep-
 tional nature of the Estimates for that
 year, but he does so ^{on the distinct under-}
~~standing~~ ^{understood} that he does not thereby abandon
 the view that the funds required ^{for} ~~to~~ equip-
 ping the railway to deal with the soda
 traffic, ~~should be properly be provided~~
 from Imperial funds irrespective of the
 amount of the balance from ordinary Grants-
 in-Aid remaining in the hands of the
 Protectorate Government.

~~Treas~~
 39194/10

his view as to the relief

underlook in connection
 with the provision of

7
 No 39194

4. The Lords Commissioners call attention

DRAFT.

of restricting expenditure for a period

of years ^{1. As in -} below the amount required in the

^{ultimate} best interests of the Protectorate, or from

the necessity of extending administration

for political reasons which cannot be con-

trolled, a disproportionate increase in

recurrent expenditure ^{in a particular year} becomes inevitable.

It appears to Mr Harcourt that such a moment

has arrived in the history of the East

Africa Protectorate, ^{and the considerable} he does not consider

that it could legitimately be assumed that

^{such} ~~such~~ rate of increase of recurrent expendi-

ture ^{shown in the Estimates must not be regarded as} has become a permanent feature of the

Protectorate Estimates, ~~and he is glad to~~

find that ^{nonnull} apart from the exceptional circum-

stances of an important nature already refer-

red to, the Protectorate could easily con-

^{meet} ~~fine~~ the increased rate of recurrent expen-

diture ^{in 1912-13} within the limit imposed by the half

and half principle as modified in the

manner which he considers equitable and

necessary.

He notes in this connection that the "half and half" principle has received a new application in your letter under reply. It is there ^{sought} ~~held~~ to apply the principle to recurrent expenditure on the one hand and to ordinary revenue, that is revenue other than that derived from the Railway, on the other hand. ~~There has never hitherto been any distinction between recurrent expenditure and expenditure on Public Works Extraordinary or services of a similar nature for the purpose of the "half and half" principle, and~~ ^{departures through the recognition of such a distinction as usually restricting that position to admit that such a distinction} ~~Mr Harcourt regrets that he is not in a position to admit that such a distinction~~ ^{of the administration which it was} ~~could safely be adopted as a permanent guide~~ ^{the object of the principle to secure}

7. With regard to specific points of detail raised in your letter under reply Mr Harcourt desires to offer the following observations:-

Assets and Liabilities.

The Officer Administering the Government

To avoid further
controversy. The Pres.
wishes this to come
out and should
appear.

of £9050 shown under this head £4000 is accounted for by what is in effect a book

transaction. Of the remainder, £2000 approx-

imately is due to the salaries of two new

District ~~and the~~ Assistant District Commis-

sioners. ^(Not accounted) The necessity for which has already

^{accepted in principle} been admitted by their Lordships. A fur-

ther sum of £1000 is due to an increase in

the clerical subordinate staff necessarily

resulting from the increase in the number

of district officers, and another sum of

£1000 is needed for the more complete admin-

istration of the Northern Frontier District.

As their Lordships are aware, the expansion

of administration in the northern and north-

western parts of the Protectorate has prac-

tically been forced upon the government by

political exigencies, and ^{considerable} exigencies of the

same kind have recently necessitated some

extension of political control in the

north-western ^{part of the Protectorate} district. In addition, the

extended employment of labour in the

Protectorate

DRAFT.

[Marginal note: a W. Margueret protocol]

that they see no objection in principle to the proposals which have been made. It is only necessary to observe in the present letter that it is even more important that the scheme should be introduced in the East Africa Protectorate than in Uganda and Nyasaland, because it was in connection with the salaries of Assistant District Commissioners in the East Africa Protectorate that the demand for increased emoluments was first made. This is especially true of the fact that the Assistant District Commissioners in the East Africa Protectorate have fixed salaries of £250 a year, whereas in Nyasaland and Uganda officers of corresponding rank rise by annual increments of £10.

With regard to the increase in the number of Provincial Commissioners, it was explained in the memorandum enclosed in the letter from this Office of the 18th

~~strength because the anticipated conditions~~
~~under which the reduction was made have not~~
~~been fulfilled, but rather of raising addi-~~

DRAFT.

tional men to deal with the new duties demanded by the expansion of administrative influence to which reference has been made above. Their Lordships will no doubt agree that there is a substantial difference between the two groups of increases, and that, as it is impossible for the reasons already given to curtail the area within which administration must be made effective, it is not practicable to insist upon a reduction of the Police Force below the strength which the Governor considers to be essential.

Education.

nor as to the necessity for a new Assistant for the Nairobi Division "A" School. At present Mr Harcourt is not in a position to add anything to what has already been said in presenting the Estimates.

is a definite and limited operation, so that the greater the expenditure on this service in any particular year the less the amount which remains to be expended in future years.

In view of this fact and of the urgent importance of completing the work as ^{early} as possible, Mr Harcourt ~~regrets that he~~ ^{trusts that these} ~~proposals~~ ^{will not stand on} would not be justified in agreeing to any diminution of the proposals made in this connection in the Estimates for 1912-13.

Medical Practitioners.

The actual proposals for the employment of District Surgeons, as stated in paragraph 3 of the Governor's despatch No. 189 of the 20th April last a copy of which was sent to the Treasury in the letter from this ^H ~~office~~ ^{of the 20th of May last} ~~was~~ that

the District Surgeons should receive a salary of £100 per annum plus ^{£50} ~~£100~~ in lieu of allowance, house rent, etc.,

Mr Harcourt interprets this to mean that the District Surgeons ^{will} ~~shall~~ actually receive a salary of £150 per annum, but ^{will} ~~shall~~ not be

(~~for~~ 15553/11)

§ No 15355 " No

P