This report is not to be published nor may it be quoted as representing the Bank's views.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

NOTE ON THE

BRITISH EAST AFRICAN GROUNDNUT SCHEME

April, 1951

Economic Department
Prepared by:
J. H. Collier
NOTE ON THE BRITISH EAST AFRICAN GROUNDNUT SCHEME

I

In December 1946, the British Government approved a scheme for the mechanised production of groundnuts in British East Africa. The report outlining the scheme envisaged the clearing and planting of 3.2 million acres of land and the production of 600,000 tons of groundnuts per year by 1951. The total capital expenditure was to be £23 million. But in fact, by early 1951 the original concept of the scheme had been wholly abandoned and in the Government's Revised Proposals, it appeared as "an experimental development project" to undertake research into methods of land clearing, crop rotation, etc. in tropical Africa. Only 81,000 acres are to be under crop by 1952/53. Some £36,000,000 of capital expenditure which had been incurred during the four years of the scheme's existence was to be completely written off. The actual quantity of groundnuts produced was apparently so small that it was not thought worthy of mention in the Revised Proposals.

Such a spectacular failure should surely provide some lessons in how not to tackle the problem of economic development.

II

The various factors which appear to be responsible for the extraordinary history of the scheme may usefully be divided into two sets:

a) Certain fundamental misconceptions which doomed the scheme from the beginning. With the advantage of hindsight it is clear enough what these were.

b) Certain more subtle factors which prevented remedial action being taken as soon as it might have been. These causes are organisational, psychological and even political and they go some way to account for the inordinate length of time which elapsed before the admission that the project was a failure could be made. Hence, they also partly explain the immense amount of money that was wasted. While they are extremely interesting in themselves, they do not have the same relevance to economic development as do the first set.
III

Firstly, the scheme was based on the idea that it would be possible to clear and farm large areas of Africa economically by "mechanisation". The motive for the scheme was to increase the world supply of vegetable oils and it was thought that this could be done in African conditions, by large-scale mechanised methods. This was an error. Even if the project had been embarked upon with the greatest caution, with much prior experimentation with clearing and farming machinery, the plan, in its original form, would not have been economically sound. Mechanisation is not necessarily cheap. Eventually, in 1950 the Corporation had to write that "fully mechanised land clearing is far too costly and could be reduced by substituting hand labour and .... the substitutions of hand labour required a longer cycle of operations."

That this error turned out to be so costly, however, was the consequence of the decision to go ahead with all speed without preliminary field tests. In actual fact, it seems that no conscious decision of this kind was ever taken. What really happened was that it was simply assumed that the original mission which had recommended the scheme, had established all that was necessary.

This mission consisted of two agriculturalists and a financial expert. They established the fact that groundnuts could be grown in the areas they had in mind. In this they were almost certainly right. But what they did not establish was that the land could be cleared and farmed economically on a colossal scale by the use of machinery. They obtained their estimates on the cost of clearing from a contractor in East Africa who had had some experience with heavy tractors in the clearing of land for air-strips. But he had operated on a relatively small scale and did not have to face the problem of de-rooting. Consequently, his estimates bore no relevance whatever to the clearing problem when it was magnified several thousand times.

When the scheme got under way it began to encounter all the unexpected difficulties inseparable from a novel undertaking in a novel environment. It became clear that the necessary machines for clearing and de-rooting the Tanganyika bush were not merely not available owing to the tight supply situation, but they had yet to be designed. It was not until the beginning of 1949 that the OFC hit upon the idea of dragging a 150 foot anchor chain between two tractors 45 feet apart. But in the meantime, millions of pounds had been spent in the use of other more expensive methods. This is just one example of the innumerable technical problems which the project had to face when it had already committed itself to a method of approach which the solution of these problems could and did prove to be impracticable.
The mission also enormously underestimated the cost of maintaining a complicated modern operation in the middle of the African bush. The heavy workshop facilities necessary to keep a large force of tractors and bulldozers in operation were far greater than was expected. The Corporation had to provide its own housing, its own water and electricity supplies, its own hospitals, schools and a cinema. After a time, it even had to organise its own police force. A single agricultural project could not be expected to carry such a weight of social overhead expenses.

There seem, then, to be three conclusions to be drawn from this experience.

1) That proposals for mechanising agriculture on any considerable scale, particularly in Africa where such methods are untried, must be regarded with great caution. Economists themselves have always tended to regard economies of size as being a phenomenon of industrial processes rather than of agriculture. A complicated agricultural machine is an expensive substitute for human labour and only becomes economic if human labour is correspondingly expensive.

2) That the unknown factors in African conditions are so numerous that it is impossible to tackle problems by means of solutions found workable in quite different conditions. Experiment is the only way of obtaining the necessary knowledge. From this point of view the experience gained by the groundnut scheme may be of great benefit to parts of Africa.

3) That in most of Africa new social and basic investment (in housing, utilities, education, health) is a heavy but necessary cost which must be allowed for if calculations as to the profitability of investment in productive processes are to be accurate.

None of these conclusions is very new. What is surprising is that they could be overlooked.

IV

Something may perhaps be said of the other set of causes mentioned on Page 1. Why was it that it took so long for the true situation to be appreciated? The answer to this question will probably be a matter of controversy for some time. The following comments should therefore be regarded as somewhat tentative.
1. The prevailing "pioneering" atmosphere tended to push merely economic considerations into the background.

One of the striking things at the outset of the scheme was the extraordinary enthusiasm with which the pioneers approached their task. This atmosphere affected not only young ex-officers who may have found fighting Africa a sufficiently exciting substitute for fighting Hitler, but also all the businessmen and normally shrewd advisors who came into contact with it. It is significant that Alan Wood, who was Public Relations Officer for the OFC, began his book on "The Groundnut Affair" with a chapter entitled "The Monster Malthus". The pioneers regarded themselves as striking a tremendous blow against world starvation. This heroic attitude is doubtless admirable but is a long way from that "finely calculated less or more" which is supposed to indicate which things are economic and which are not. Thus the scheme soon gathered a great deal of internal momentum.

2. The analogy of a "military operation" fostered the belief that all obstacles could be overcome by spending more money.

After one year's experience, it was obvious that the unknown difficulties were very great. But in April 1948, the newly formed Overseas Food Corporation took over from the original Managing Agency (the United Africa Company), and a fresh installment of drive and enthusiasm was injected into the operation at the precise moment when the opposite virtues were really required. However, the original program was so unrealistic that the new management prepared a revised scheme involving expenditure of £60 million which was rejected by the Treasury in January 1949. This scheme was still based on the erroneous notion that it was possible to conquer the time factor by spending vast sums of money. The idea that the scheme was so urgent that it had the tremendous priority of a military operation was responsible for much unnecessary expenditure. In fact, Alan Wood remarks justifiably, the scheme was not carried out like a military operation; "it was carried out in the way that businessmen and civil servants, with no military experience, imagine that military operations are carried out." That is, instead of two years planning with no action, there was much hasty action with no planning.

3. Even after those in the field had learned, the Board refused to accept the bitter fact of failure.

After the £60 million plan was rejected, there was a period of indecision stretching over several months when operations continued without a plan. There were many complaints from the executives in East Africa that they did not know what they were supposed to be doing. But
the Board of Directors in London still refused to take the advice of the executives. Instead, the old chief executives were replaced by new ones. It is not at all easy to account for the Board's prolonged failure to face the situation as it was seen by the people on the spot. Wood compares them to Mr. Chamberlain's Cabinet just before the war when it was clear that the appeasement policy was failing but the Cabinet had nothing to put in its place. They sat staring at the unpleasant facts, yet refusing to accept them.

The following remarks, illustrative if not literally true, give the general impression of confusion at this time.

"The Board sits aloft in solitary state making decisions without knowing the facts to go on; but fortunately, its decisions don't have any effect, because the Board treats them as so sacred and secret that nobody is ever told what they are."

"Compared to the OFC, the Army was a Co-Operative Society. I miss the friendly democratic atmosphere during the war, when you could always talk things over with your superior officers, and they would even sometimes ask you what you thought."

"They change their minds as often as they change their socks."

However, by the autumn of 1949 a new, very much reduced, plan was drawn up envisaging the clearing of 600,000 acres by 1954. But even this was impracticable and after the British general election of February 1950, Mr. Strachey was moved from the Ministry of Food, Sir Leslie Plummer, the Chairman of the Board, resigned, a Working Party went to East Africa and drew up the present "experimental development" program which is now to be under the Colonial Office rather than Ministry of Food.