

COST IMPLICATIONS OF A PROJECT APPRAISAL GONE AWRY: A CASE STUDY OF SEROWE SERVICE STADIUM IN BOTSWANA

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ABSTRACT

Due to stringent demands of Performance-Based Budgeting, coupled with chronic fiscal stresses that have been lately exacerbated by the ongoing global financial crisis in Botswana, there is an increasing pressure for high levels of accountability in the use of public funds. This, therefore, means that project appraisal is one of the critical stages in the project cycle to ensure the prudent husbandry of public finances. This paper, employing the case study method, uses the Serowe stadium to showcase project appraisal gone awry. Much against expert advice, the stadium was constructed on black cotton soil and is now being relocated at huge costs to the tax-payers. Importantly, the Serowe stadium debacle affirms the obvious; when rational analysis and politics collide, the latter, often, indeed almost always, wins. Despite this grim reality, to the extent possible, there is a need to curtail political interference from areas that are technical and, therefore, afford experts some degree of autonomy. Should this situation obtain, this will lead to rational and cost-effective decisions being taken in the public sector.

Keywords; Serowe Service Stadium; Project Appraisal; Case Study and Botswana

INTRODUCTION

The government of Botswana conceived the idea of building sports facilities in big villages, Serowe being one such big village, in the late 1980s. This decision resulted in the creation of Integrated Sports Facilities during National Development Plan 7 (1991-1997). According to then Assistant Director of the Department of Buildings and Engineering Services (DABS), the initial approach was for the districts to develop their own sporting facilities and the local authorities were to be responsible for their use and maintenance. There was a concern by the government; however, that the decentralised approach may compromise the standard and quality of facilities, hence, the idea was abandoned in 1993 in favour of a centralised approach.

The government; therefore, came up with a proto-type integrated sport facility designed to international standards in 1997. Thus, the construction of the stadia was then included in the National Development Plan 8 (1997/1998-2002/2003). In October 1997, the Presidential Directive; CAB 29/97 gave instruction to the effect that proposed stadia in Maun, Masunga, Serowe and Molepolole be built immediately. Thus, although the stadia were built in Maun, Masunga, Serowe and Molepolole, the Serowe stadium warrants discussion because it was a manifestation of the Murphy's Law; anything that can go wrong, will go wrong. Hence, much against

technical advice, the stadium was built on black cotton soil. The project commenced in 1999 and was handed over to the client, Department of Sports and Recreation, in 2003. The stadium, due to poor soil conditions on site, developed cracks as soon as it was handed over to the client and this led to its abandonment in 2007. This study is aimed at discussing the events surrounding the construction of Serowe stadium.

Since the stadium debacle is refracted through the prism of project appraisal, it is important to define this key variable. Project appraisal is an assessment of economic, environmental, financial, social, technical etc aspects of a proposed project to determine if it will meet its intended objectives. Thus, 'alternative project plans are appraised in terms of likely costs, benefits and risks' and 'the best project is then selected and, if approved, is implemented' (Turner & Hulme, 2007).

Similarly, and from a private sector perspective, investment appraisal is concerned with a manager's decision about capital expenditure and it is about 'whether, when and how to spend money on capital projects (Mott, 1997)'. In the public sector, the situation is the same; particularly, in the age of New Public Management (Osborne & Plastrik, 2000 and Osborne & Gaebler, 1992) where government must be run like a business (Gore, 1993). Therefore, public managers must behave like *homo economicus* (rational economic beings) and maximise total social surplus (Boardman, Greenberg, Vining, & Weimer, 2001). This is so because capital expenditures involve huge sums of money that are committed in irreversible decisions that are premised on uncertain knowledge of future benefits Mott (1997). Therefore, the public managers must appraise projects like the Serowe stadium before public monies are sunk into same.

Notably, project appraisal is part of the conventional project cycle as next demonstrated; (i) identification; (ii) data collection; (iii) data analysis and project presentation; (iv) project appraisal and selection; and (v) implementation and evaluation (Turner & Hulme, 2007). Appraisal of projects, as per Boardman et al. (2001), can be conducted over the different phases of the project; *ex ante* (before commencement), *in medias res* (middle of the project) and *ex post* (after completion). However, this paper is concerned with *ex ante* project appraisal for it is best to have information before spending public money.

Case Study

This case study seeks to establish whether proper data collection, analysis and identification and appraisal were carried out before the Serowe stadium was built at its location. The stadium, whose costs shot from P27 million to P30 million (Moesi, 2000) was built on an expansive black cotton soil of the thickness varying from 8-12 metres and some one kilometre wide and two kilometres in length (BOPA, 2007). Specifically, this paper contends that political pressure, especially from high places, and expediency without due regard for technical advice led to the construction of the stadium that is presently collapsing even before the use of the facility (Mojaki, 2008). The stadium's construction; therefore, put to waste millions of tax payers' money. This is to say that the paper intends to establish from the onset why the

stadium was constructed, the problems that were inherent and the lessons learnt. For logical coherence, this section will discuss project identification, project appraisal and what actually happened (the nuts and the bolts) at the Serowe stadium.

Project Identification

Public projects signal government's commitment to promote socio-economic development; hence, project identification, the first stage in the project cycle (Turner & Hulme, 2007), is a critical aspect for it is the genesis of the project. This, therefore, means that improper project identification could spell doom for the overall project objectives and government intentions. To this end, it is important that development projects like stadia be conceptualised, formulated and, afterward, implemented with a comprehensive understanding of the needs of the intended beneficiaries. Thus, it is the contention of this paper that the identification phase should be advised by reason and stakeholders' input.

According to the 1991 Housing and Population census, there were 475, 443 young people between 12 and 29 years (CSO, 2001).

The government recognised that its population is characterised by youths and, therefore, made a commitment through the National Youth Policy of 1996 to infuse strong personal, moral and ethical values amongst young people in Botswana who represent 60% of the total population below the age of 30 years. Indications are that 17% of young people are not engaged in any form of formal education. They are, therefore, at risk in terms of unemployment, health problems and participation in criminal activities as this group experiences a wide range of special characteristics, problems, needs and interests. The 17% of the youth who are missing out in formal training and education are a cause for concern for the government (Ministry of Labour and Home Affairs, 1996).

Therefore, one of the strategies meant to utilise the youth's idle energy was the establishment of the Department of Sports and Recreation in April 1997. The Department is charged with the responsibility of ensuring equal opportunities for all citizens to participate in sports and recreational activities as an alternative means of addressing some youth problems such as unemployment (MFDP, 1997). Notably, this is a serious charter that is in accord with the objectives of multi-lateral organisations of which Botswana is a signatory. To this end, the UNESCO's International Chapter of Physical Education and Sport provides strong support for the need to promote sports and related services when it says;

Every human being has a fundamental right of access to physical education and sport, which are essential for the full development of his personality. The freedom to develop physical, intellectual and moral powers through physical education and sport must be guaranteed both within the educational system and in other aspects of social life (UNESCO, 1978; Article 1).

In pursuit of the foregoing, the Department of Sports and Recreation developed the National Sports and Recreation Policy to provide guidance for harnessing human

resources to ensure that sports contribute to the attainment of Vision 2016 (Botswana Vision 2016 Council, 2004 for Vision Pillars). The strategy was to utilise sports as a means to reach out to a great number of citizens; especially the youths, who represent the future of the country. Accordingly, during the National Development Plan 8 period, the Department developed the theme 'Sport for National Development' as a strategy to engender the spirit of nation-building, social harmony and responsibility amongst the youth. To achieve this objective, the government undertook to invest in the development of sports facilities by constructing stadia in Molepolole, Serowe (the case study), Tsabong, Maun and Masunga in 1999.

Project Appraisal

Given the universal problem of resource scarcity; demand typically outweighs available resources, it is very imperative that scarce public resources be utilised in the most effective manner by prudently (and comprehensively) assessing project options regarding costs, benefits, sustainability and suitability. Hence, doing so would be in accordance with the ideal of homo economicus (rational economic beings). In this connection, project appraisal enables the public project manager to be fiscally-prudent and objective in recommending the adoption of public projects. For instance, after undertaking cost benefit analysis, the manager will be very favourably circumstanced in the sense that he/she will use the results to form an investment recommendation that he/she will forward to the decision-maker (politician, Board of Directors, Minister etc). The latter will make a decision as to whether to adopt the proposed project; the Serowe stadium in this case. Therefore, in regard to the Serowe stadium, project appraisal had to take into account the following key analyses:

Economic and Social Analysis: Then Ministry of Labour and Home Affairs did the socio-economic benefit analysis and concluded that the stadia intervention was viable. Instructively, concern has been mounting about the lack of adequate sports facilities in Botswana. This has been cited as one of the chief factors contributing to the poor performance of the country in international sporting events according to the 2000 Seepapitso Commission Report (BOPA, 2001). Notably, sporting activities are regarded not only as a form of entertainment, but they are seen as an important alternative form of employment creation. One of the greatest challenges facing the government today is to create an environment that will allow for involvement of all citizens in sports and physical activity as well as finding ways of diversifying the economy. In this particular case, the challenges relate to how sports and recreation could be considered as alternative means of employment creation and as well as a way of attaining sustainable development. Even at high levels, involvement in sports is regarded as a means for the attainment of some public goods. For instance, then Vice President and Minister for Presidential Affairs and Public Administration, Ian Khama, while officially launching the National Programme to Develop the Nation Through Sport in mid August 1999, stated that he had 'great faith in the ability of sport to develop, motivate, instill self discipline, raise productivity and promote good health in both young and old (BOPA, 1999).

Technical Analysis: The technical study was undertaken to investigate the technical and physical dimensions which are essential for the assessment of the proposed project. Prior to the construction of the stadium, site investigations were carried out by, amongst others, Newtown McDonald and Associates and three independent experts (Regonamanye, 2010). The geotechnical surveys undertaken revealed that the Rakonyana area, the proposed site for the stadium, had black cotton soil which is not suitable for carrying big structures such as stadia. On account of the preceding, they, naturally, emerged a consensus position; that an alternative site be sought and, thereafter, build the envisaged stadium. In a related vein, it is unfortunate that an environmental impact assessment was not conducted because the Environmental Impact Assessment Act (2005) only came into effect on 27 May 2005 (Chwaane, 2006) and this fortified the witches' brew of factors that doomed the stadium.

What actually happened at the Serowe Integrated Sports Stadium?

To answer the foregoing, one must of necessity start from a premise that projects require some form of planning to attain their stated objectives (Turner & Hulme, 1997). Thus, all stadia were planned with the chief objective of curbing problems of youth unemployment in Botswana. The detailed plans by specialist planners and appraisal in terms of cost benefit and risk analysis to estimate the social return on the projects was presented to the Ministry of Finance and Development Planning for approval. The Ministry was satisfied and it approved funding and, in addition, it was hoped that the stadia would address concerns that the lack of adequate sports facilities, especially in rural areas, contributed to the poor performance of the country in international sporting activities.

Thus, the provision of modern sports facilities in towns and villages has, therefore, been regarded as an answer to the country's poor international performance in sports. It is on the basis of the foregoing that during the National Development Plan 8 period (1997/1998-2002/2003), Serowe was also identified as an ideal place to construct the integrated sports facility considering the size of the village and the number of schools in its catchment areas which stood at twenty-nine. A technical study was undertaken by the Department of Building and Engineering Services to establish the design criteria and to determine physical and technological alternatives to meet the budget and socio-political requirements. The other preliminary task was to undertake an environmental study to establish the suitability of the soil for the success of the project by taking into account the drainage system.

On the basis of the study, civil and structural engineers expressed concerns regarding problems associated with the soils and the founding conditions of the site. Consequently, they, without variation, proposed that an alternative site be sought as the present one would not be viable. Despite the above concern, the Department of Sports and Recreation instructed the contractor to proceed with the project on the site which had been found to be inarguably unsuitable and, therefore, unacceptable. Unmistakably, from any and every perspective, the decision to insist on constructing the facility after the consultant's recommendation for a change of site was

wrongheaded. In the final analysis, this development beggars belief and appropriately begs the question; 'why continue with a bad option and incur more expenses when other more feasible alternatives were available?' The experts, as already stated, had warned of the unsuitability of the soil and made recommendations to the effect that the stadium be moved to an alternative site. In addition, sustainability, deliverability and involvement of local people as integral parts of proper project planning were sidelined. Hence, the project was inevitably bound to experience teething problems as evidenced by additional amounts of money that were being requested for soil rehabilitation. Revealing the then Director of Sports and Recreation, who had no technical background on the project, issued an instruction that the project be undertaken despite expert advice. On the basis of the foregoing, it can be safely deduced that for the Director to take such a far-reaching decision, he was following orders from then Minister of Labour and Home Affairs, a political figure.

The Serowe facility, consisting of a football pitch, athletics running tracks, netball, volleyball, softball and tennis courts, was constructed in 1999 and commissioned in 2003. The facility is already out of use because of huge cracks on the playing courts and office buildings. As soon as it became apparent that the facility was faced with structural defects, there was expressed a view by a majority of stakeholders that it be relocated. To this end, then Sports Coordinator at the Department of Sports and Recreation, Dickson Gabanakgosi, told the District Development Committee (DDC) members in Serowe on 11 September 2007 that intense consultation was on-going regarding the possible relocation of the facility (Pilane, 2007). He explained that relocation was the best option because a technical committee appointed to investigate the feasibility of rehabilitation had concluded that it will cost the government about P17 million on the first rehabilitation exercise and that this intervention did not 'give any guarantee that the cracks will not re-occur (Pilane, 2007).

In the subsequent, the relocation option was formally adopted and then Minister of Youth, Sports and Culture, Moeng Pheto, informed the Central District Council, at a full council meeting held on 4 December 2007 that a decision had been taken not to rehabilitate the integrated sport facility in Serowe but to relocate it to another place (Mongwa, 2007). In response, the Councillors unanimously called for an in-depth study and consultation to ascertain the suitability of the place earmarked for the stadium and it was stated that the 'move will help to avoid a repeat of a scenario where government funds were poured down the drain....' (Mongwa, 2007). In addition, then Matsitama Councillor, Phillip Makale, implored the government, through the district council, to ensure that companies that would be contracted to build the stadium had the relevant expertise and experience.

To reiterate an early submission, issuing instructions to proceed with the stadium with the conscious knowledge that the experts had advised otherwise means that political rationality relegated rational analysis to the backburner. Thus, the stadium was constructed in a totally unsuitable area for reasons best known to the politicians.

Importantly, project appraisal provides a means of enumerating and quantifying benefits and costs and using the information to guide decision-making but the Serowe stadium followed the unconventional method. The technical appraisal clearly demonstrated that the huge social costs involved in the execution of the stadium project did not justify it. However, an inefficient resource allocation decision was taken; therefore, confirming that 'what characterizes the public decision process is political bargaining, not an exercise in rational consideration by non-political administrators' (Mikesell, 2003). In addition, to effectively execute the stadium project, a multi-sectoral approach is pertinent. Unfortunately, the local community did not have an input except to be told that the stadium was going to be built in its village.

LESSONS LEARNT FROM THE SEROWE STADIUM DEBACLE

- I. There is a need, as a matter of utmost importance, to curtail political interference in areas that are technical and, therefore, afford experts some degree of autonomy. Should this situation obtain, this will lead to rational decisions being taken in the public sector.
- II. It is also imperative that before any public project is implemented, the interests and aspirations of the intended beneficiaries are taken on board to engender a sense of ownership and commitment. People hardly support any project that they were never part of in its design or implementation (Hughes, 1995; Turner & Hulme, 1997).
- III. Sustainability of a proposed project is vital in the sense that resources are scarce and, therefore, need to be utilised in the most efficient manner to avoid waste.
- IV. A proper project appraisal gives the public the confidence that politicians are not using public resources for self-advertisement as it is the allegation with the Serowe stadium. Notably, the public is increasingly becoming skeptical of politicians; thus, with a proper cost benefit analysis, the skepticism, founded or ill-founded, is assuaged. In addition, pre-project appraisal is exceptionally imperative under a regime of Performance Budgeting where emphasis is placed on the budget as a tool to deliver tangible results such as stadia.
- V. There is also a need for monitoring and evaluation of projects at every stage to ensure that they achieve what they set out to do. This minimises costs because a project can be stopped before completion if it is apparent that it will not achieve its stated objectives.
- VI. The tax payers' money was needlessly wasted; a project which had an initial cost of P27 million was ultimately completed in 2003 at a total cost of P42 million. To exemplify, when commenting on the enormous wastage, then Minister of Youth, Sports and Culture, Gladys Kokorwe, unforgettably said, 'the Serowe issue is hurting me because a lot of money was wasted and now we have to build another stadium' (Molwane, 2008); and

VII. There was no proper supervision of the project to the extent that the weather conditions had to be blamed, or appropriately put, scapegoated for the botched project.

CONCLUSION AND RECOMMENDATIONS

It is apparent from the case study that, unlike a chessboard, public decision-making is not characterised by black and white squares. Rather, there are many gray hair areas and, therefore, there is a lot of bargaining that may not necessarily comport with the basic tenets of rational analysis. To this end, it is apparent from the Serowe stadium debacle that public decision-making is a politically-laden exercise. Ruinously, politicians and administrative staff have a vertical relationship and, thus, this favourably circumstances the former to substitute rational analysis for political rationality at times and this may result in conflicts.

Thus, the politicians-versus-public managers' conflict is, quintessentially, Goliath versus David but unlike the Biblical David, the temporal David is often vanquished. Thus, given the inviolable fact that politicians exert a lot of influence in the allocation of public resources, this sometimes results in serious financial losses as sufficiently exemplified by the Serowe stadium debacle. Thus, a project which commenced in 1999 and had an initial cost of P27 million was ultimately completed in 2003 at a total cost of P42 million. Discouragingly, the Minister of Sports and Recreation, Shaw Kgathi, stated in March 2010 that nobody would be held accountable because 'we could not find evidence of deliberate negligence or lack of due diligence on anyone's part (Regonamnaye, 2010:4).' However, evidence on the ground is unambiguous; culpable parties are easily identifiable and should be punished accordingly. Chiefly, disregard of project appraisal results and the cost implications. Thus, it contends that while engineers advised that an alternative site be sought, politics intervened and the stadium was constructed on poor soils.

Notably, the Serowe stadium is not the first project to be botched; there is Mphuthe Community Junior Secondary School in Letlhakeng which had to be relocated because the soil was not suitable (Shapi, 2000; Baitlotli, 2004). These failed projects have huge financial implications for the taxpayers and, therefore, culpable persons must be punished. To this end, financial penalties must be visited upon erring public servants and politicians as per the existing surcharge laws. This call is justified because there are many instances whereby some public servants and politicians behave in a fiscally-irresponsible manner and, thus, deserve punishment. A case in point is the Central District Council (CDC) employee who misled the CDC into authorising payment for a council project, worth P260 000, that was not complete. This act exasperated then Assistant Minister of Local Government, Oliphant Mfa, and, therefore, prompting him to summarily 'fire' the employee (The Botswana Gazette, 2008). To this end, the sentiments expressed by then Director of the Department of Architecture and Buildings Services in a Botswana Television interview (March 2008) that nobody can held liable for the Serowe debacle cannot be countenanced and defy logic. Clearly, there are guilty persons who must be punished as per relevant surcharge laws for wasting public resources.

Besides visiting penalties on culpable persons, it is apparent that some projects fail not because they were not properly conceived. Rather, they fail because some stakeholders' contribution is not taken on board. The local community, the end-users, needs to be consulted, but not told what the government thinks what is best for it as happened in Serowe. To this end, community participation will lead to community buy-in, equally important; there should be a close consultation between the various departmental professional disciplines at the planning phase. Where there is lack of capacity to deal with certain issues, the government should consider involving outside parties with the necessary experience in the field; more especially, if the enterprise involves huge projects.

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