



BUSINESSBOTSWANA

**BUSINESS BOTSWANA TASK FORCE
REPORT ON BCL**

FINAL

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Executive Summary

- A. On 10th October 2016 the Government of Botswana announced its decision to place the BCL and Tati Nickel Mining Company (TNMC) and related entities under provisional liquidation and appointed Mr Nigel Dixon-Warren as the provisional liquidator. According to the government communique, the decision was ostensibly made to minimise losses to the shareholder as the mine was fast spiraling towards a state of bankruptcy. The decision, according to Government, was necessitated by the fact that BCL had become uneconomic to operate mainly due to the decline of copper and nickel prices. The Business Botswana (BB) Council was astounded by the development, as was the case with many other stakeholders in both the public and the private sectors. The reaction was not only because Business Botswana has many corporate members of good standing in the region, including BCL, but mainly because of the likely socio-economic implications of the terminal exit from Selibe Phikwe of the region's sole prime economic anchor, being the BCL mine. In response to the development, the BB Council found it necessary to constitute a Task Team comprising six (6) persons and the Business Botswana Secretariat to investigate the implications of the decision; identify possible options that could be evoked in order to save the mine and otherwise, to outline possible strategies to revitalise the economy of Selibe Phikwe and the sub-region.
- B. The Task Team embarked on the assignment with the full knowledge that its mandate was neither an audit on the business performance of BCL nor a commission of inquiry into the mine's activities. Consequently, in its investigations, the Team avoided dwelling on the merits for or against liquidation. Given that the temporary closure of the BCL and Tati Mining Company mines are of national concern calling for dynamic and concerted responses from government as the shareholder and other stakeholders, it has to be acknowledged that the Task Team was dealing with a moving target of continually unfolding events and responses which made the information much more difficult to manage. The Team however, did its best to incorporate all emerging information and decisions into their analysis and proposed solutions.
- C. The Task Team interviewed most of the stakeholders within the short period of time that they were engaged. The major findings from the analysis are that the BCL mine could

possibly still be profitable with some restructuring and or change of ownership and management. The closure of the mines has very large social and economic consequences that need to be properly assessed. The BCL in particular was a nerve center of the Selibe Phikwe town and region and has started to affect businesses in the area negatively. While other initiatives such as the ongoing SPEDU and horticulture plant activities could provide some new life for Selibe Phikwe, the town is not as yet ready to operate without BCL as the anchor, therefore making the issue of total closure of the mine non-viable. The Task Team also established that the situation could have been managed better if socio economic impact and environmental impact studies were done to guide the process.

- D. The Task Team is fully aware that BCL had acquired Tati Nickel Mines and therefore the assessment of the challenges encountered and the possible solutions are in essence directed towards the BCL Group of Mines. Implications on the revival or lack thereof in terms of operating the BCL Group of Mines have been considered similar, though perhaps less pronounced in the case of Francistown and its immediate environs. This is due to the fact that Francistown has other more robust economic activities in comparison to Selibe Phikwe.
- E. Based on these findings, the Task Team felt that the liquidation of BCL ought to be treated as a national crisis warranting the establishment of a multi-disciplinary, multi-stakeholder committee under the coordination of the newly appointed Coordinator for the Economic Revitalisation Programme for Selibe Phikwe to chart an economic revival strategy for BCL and/or Selibe Phikwe. As government had already realized this and appointed a coordinator, the Task Team deemed it necessary to expand the number of stakeholders involved. In line with its Terms of Reference (ToR), the Task Team has presented for the attention of the Business Botswana Council, a suite of recommendations. These include the treatment of the BCL mine crisis as a matter of urgency, the need to undertake a full socio-economic impact study, the results of which will guide the policy and tactical choices to be made by government as it deals with the consequential effects of BCL liquidation. One of the outcomes of such a study should be the quantification of the immediate and long-term financial and economic costs of the closure as against reviving and sustaining BCL. The Task Team is adamant that there exists an imperative to pursue an options analysis for the best course of action whilst an environmental impact assessment also needs

to be carried out to determine ways and means to deal with environmental rehabilitation and water resource contamination issues.

- F. It was apparent to the Task Team that for a variety of reasons, SPEDU played a suboptimal role in discharging the mandate of developing a Marshall Plan for the economic survival of the Selibe Phikwe region using a broad-based diversification approach. If the institution is to achieve its objectives, it would be necessary for SPEDU to be remodeled and properly capacitated, with an effective multi-sectoral monitoring process put in place. The state of crisis which Selibe Phikwe is experiencing also calls for the concurrent implementation of short-term measures to revitalize the town in order to avoid fast implosion. The devolution and relocation of certain government and parastatal services such as the provision of agricultural or agro-based services together with mining services to Selibe Phikwe should be considered. This would provide a critical mass and create demand that would support a certain level of economic activity. The strategic location of certain industries to Selibe Phikwe, such as rail and road transport would also be beneficial.
- G. *Although the task team has done a substantial amount of work so far as captured in this report, however, the report gives a high-level assessment and view of the situation thus presenting a need for further work to be carried out to give finer details of activities to be practically undertaken and realized. As a result, Business Botswana with the support of ILO is undertaking a rapid but more intensive assessment of the possibilities open to the private sector to play a role in reviving the economic situation in Selebi-Phikwe. The purpose of the assessment is to give input and guidance to government on how to support employment creation in Selebi-Phikwe and the region and how to revitalise the socio-economic environment following the recent mine closure. Terms of reference for the engaged consultants are attached in Annexure 1.*

1. Introduction

- 1.1 This Report presents the results of extensive work done by a Business Botswana Task Team which was appointed by Business Botswana (BB) Council in response to the decision made by the Government of Botswana to place BCL and Tati Nickel mines under provisional liquidation. The Government of Botswana as the sole shareholder of BCL Limited (BCL) decided to place the company and its subsidiaries under provisional liquidation. The decision according to government was necessitated by the fact that BCL Limited had become uneconomic to operate for some time mainly due to the decline of copper/nickel prices in the market and the high costs of operations. The shareholder had for some time implemented a number of interventions to rescue BCL including financial restructuring and Government felt constrained to inject more funds into the company due to budgetary challenges.
- 1.2 In order to reach informed conclusions, the Task Team embarked on the collection of appropriate information that would inform Business Botswana in its engagements with the government of Botswana through established channels. It is hoped that such engagements between Business Botswana, Government and other stakeholders will lead to suggestions and recommendations towards breathing new life into Selibe Phikwe and the region, post BCL and Tati Nickel Mining Company (TNMC). The purpose of this Report is to provide the broad level findings of the Task Team including suggested interventions and recommendations drawn from the discussions with various stakeholders and other sources of information.

2. Background

- 2.1 The BCL Mine together with TNMC have been significant contributors to the economy of Botswana and specifically, that of Selibe Phikwe. The combined labour force of the mines was estimated at about 6000 workers. Furthermore, various enterprises were major suppliers of goods and services to the mine. Economic entities affected include parastatals such as Botswana Power Corporation (BPC), Botswana Railways (BR), Botswana Telecommunications Corporations Limited (BTCL) and Water Utilities Corporations (WUC). Furthermore, BCL served as the single largest market for coal produced by Morupule Colliery. There are also various significant private sector companies that provided goods and services to BCL together with previous employees of the mines.
- 2.2 The temporary closure of the mines comes against a background of an economy that has been having challenges in terms of employment creation. Unemployment for the whole economy of Botswana as of 2013 was estimated at 19.8 percent, most of which was skewed towards the youth. In terms of Selibe Phikwe and Francistown, which are the towns affected by this closure directly, the unemployment rates were already high, estimated at 19.2 and 18 percent for Selibe Phikwe and Francistown respectively (Statistics Botswana, 2013). The towns also have challenges with poverty, estimated at 14.2 and 7.9 percent for Selibe Phikwe and Francistown respectively. Closure of the mines has therefore left the economy of Selibe Phikwe and that of Francistown in a worse off situation than the already suboptimal and undesirable positions that have many negative socio economic consequences.
- 2.3 Besides the direct loss of employment in the mines themselves, there are several other indirect downstream consequences which may cause many businesses to lose out, thereby leading to their eventual closure. These include those entities providing services such as private schools and private health clinics, retailing and commercial sectors, SMMEs, light industrial sectors to name but a few that are highly affected by this huge loss of the labour force. What makes matters worse is that there are no new economic opportunities emerging in the region to absorb those who lost their jobs especially in an economy that also has challenges with employment creation. While the report provides analysis and solutions to the Selibe Phikwe situation, it should also be understood to concern itself with the

Francistown situation due to the closure of Tati Nickel Mine. But since the core business of BCL is in Selibe Phikwe and employment impacts are also larger for Selibe Phikwe the focus is therefore on Selibe Phikwe.

- 2.4 The proper context of the staggering effects of the potential closure of BCL and Tati Nickel mines requires looking beyond the displaced persons who were directly employed by the mines. To appreciate the true impact of the loss of a company which was at the central core the economic dependency spiral, it is necessary to broadly assess the employment figures for the entire region. Official Labour Force Survey (2005/06) place employment at 8,922 for Selibe Phikwe and 24,808 for the catchment area (Bobonong, Mmadinare and Sefhophe) (most of these jobs for the catchment area are in the public and parastatal sectors). Given the fact that all Government and private sector services are contingent upon the mine's existence to the extent that they either service the mine or its employees, the Task Team finds it reasonable to assume that 85 percent of such services would not survive without BCL. Similarly, with economic and commercial developments and services around the Selibe Phikwe hinterland being the direct result of spillover effects from the mine, it may be reasonable to ascribe around 50 percent of employment to BCL. Viewed against the foregoing considerations, total concomitant regional unemployment is likely to reach more than 50 percent, out of an economically active labour force estimated at 39,089 in 2006. Additionally, the closure of BCL will result in considerable layoffs in associated companies in Francistown and Palapye, further adding to the unemployment effects¹.

¹ Disaggregated statistics on labour market is very old given that the most detailed report being the Labour Force Survey was last produced in 2005/06.

3. Purpose of the Report

- 3.1 The purpose of this report is to offer to Business Botswana Council some high level insights into the post BCL liquidation, its negative effects upon the geo-socioeconomic and other consequences, with the view to finding future potential solutions.
- 3.2 There are many questions which remain unanswered, which among others, include whether it was appropriate to have closed the mine in the manner it was done; and whether a gradual and pre-determined closure process could have been designed beforehand and implemented in such a way that would attenuate the adverse impact or give room for the execution of alternative options. In the absence of detailed information on how the transaction evolved, the Task Team wished to establish if and what other options were considered before closure and to what extent. Bearing in mind Government's acute knowledge of the impending closure of the mine, which led to the establishment of the Selibe Phikwe Development Unit (SPEDU), a natural question arose as to whether a rescue strategy had been developed by SPEDU and if such had been considered by Government prior to the liquidation decision to avoid its abrupt closure.
- 3.3 Despite the above questions and many more that the Task Team was faced with, a decision was made not to dwell in the past, or to commit excessive time investigating the causal factors that led to the closure of the mine. Neither did the Task Team wish to apportion blame for the consequences of the closure but to delve into the actual and likely impact and to propose possible remedies. This focus was also apparent from the Team's mandate as reflected in the Terms of Reference drawn by the Business Botswana Council.

4. Terms of Reference

The Terms of Reference of the Task Team were outlined as follows:

- a. To look into the BCL and Tati Nickel Mines provisional liquidation and provide an alternative solution that can salvage the mines.
- b. Highlight the impact of the liquidation decision and notably provide both immediate and long-term solutions to revive and diversify the Selibe Phikwe region from total dependence on BCL.
- c. Determine the initiatives and incentives thereof that can attract major industries and investors to Selibe Phikwe.
- d. Suggest how loss of jobs can best be handled to lessen the impact on the affected people.
- e. Address any other related matters that in opinion of the Task Force may be necessary to consider.
- f. Prepare and submit a report to the Business Botswana Council.

5. Sources of Information

5.1 Presentation from BCL and Related Stakeholders

The Task Team had the opportunity to receive a presentation that was prepared by BCL to discuss a proposed Aggressive Reorganization Plan for the mine going forward. The presentation highlighted salient features of how and what resources were required to keep the mine running. It also communicated what actions needed to be implemented in order for the mine to operate profitably for a number of years. Moreover, other alternative solutions were highlighted post the mine closure, and such included the amount of slag which can be converted into iron and ultimately retain Selibe Phikwe as a mining hub whilst diversifying the region. It was also highlighted that the BCL Group of Mines could possibly sustain operations into the next two decades given the current state of commodity prices that are prone to fluctuations.

5.2 Interviews with Main Stakeholders

To gather the necessary data for the Task Team’s assignment, interviews were conducted at various times and locations in Gaborone and Selibe Phikwe with different stakeholders. In Gaborone stakeholders such as the Mineral Development Company of Board Chairperson and the CEO and BCL Board Chairman were interviewed. Consultative meetings were held with the Ministry of Investment, Trade & Industry (MITI), the Provisional Liquidator, HATCH Associates (an international consulting company in mining). Some members of the Task Team interviewed the management of BCL in Selibe Phikwe at BCL offices as well as SPEDU management. This was followed by an interview/engagement with a select number of representatives of the Selibe Phikwe business community who provided their understanding of how the issue affects them as well as how it could be mitigated. In addition to their oral presentation, the representatives of the Selibe Phikwe business community also handed in written submissions which outlined ideas, strategies and suggestions on what needs to be done to save Selibe Phikwe from becoming a “Ghost Town.” These are attached to this report as Annex 1 & 2 in the appendix. The Team also held a consultative meeting with His Worship the Mayor of Selibe Phikwe Town Council and the council’s management team. It should be noted that the list was by no means exhaustive given that the Task Team had to complete its job within a reasonable time and could not possibly talk to or interview all stakeholders within the limited time and resources. For this reason and also in recognition of the work done by the liquidator and various government agencies, including cabinet Ministers, the Team deliberately excluded key stakeholders such as labour unions and creditors of BCL. The information acquired by the Task Team is however quite informative in terms of the key elements of the BCL and Tati Nickel mines closure, the consequences of that closure and possible solutions to mitigate the consequence of this decision.

6. Report of the Findings

This section presents findings from the information and analysis of these finding and is arranged in terms of the five key terms of references provided to the Task Team to guide its work. These are numbered 6.1 to 6.5.

6.1 To look into the BCL and Tati Nickel Mines provisional liquidation and provide an alternative solution that can salvage the mines

- a. As Tati Nickel mine is a subsidiary of BCL, the Team's focus on BCL should be presumed to include all its subsidiaries. The Government of Botswana appointed a provisional liquidator, Mr Nigel Dixon-Warren, to prepare the BCL mine for possible final liquidation, a process which is expected to take up to 4 months up to the first quarter of 2017. Upon conclusion of the provisional liquidation, a decision will be taken on whether to proceed to final liquidation, or an outright sale of BCL and its subsidiaries.
- b. The Task Team established as a matter of fact, that Norilsk Nickel and BCL had entered into an agreement where Norilsk was to sell its 50 percent stake in the South Africa-based Nkomati Nickel and Chrome mine to BCL for an amount of USD337 million (P3 billion). This would have allowed for the treatment of both Tati Nickel and Nkomati concentrates at BCL's smelter, optimising and increasing social and economic benefits of the BCL smelter. The implementation of the agreement was however, compromised by the fall in prices of nickel in the international market which was also affecting the value of the shares in Nkomati. Some of the intricacies of this agreement are currently legal matters not subject to free public discussion as they are sub judice in terms of the law.
- c. Throughout its engagements with various stakeholders, most of whom had direct relations with BCL, there was a strong and consistent prevailing opinion that the closure of the BCL and TNMC could have been conducted in a better way than what has happened. Even with the seal of urgency by which Government evoked its decision, the overwhelming strength of such opinions, most of which were supported by logical and reasonable facts, should serve as a learning point to Government in

terms of the need for rigorous stakeholder engagement on such matters bordering on national crisis.

- d. While a business case for the continuation of BCL under current market conditions at the time could have been compromised by the decline in copper and nickel prices, it is worth noting that commodity prices are usually very volatile in the international market and have been so for many years in the past. Future prices may change as a response to changes in demand that could not have been foreseen in the current period. For instance, current projections from a diversified mining and marketing company, Glencore, project a global supply shortage in nickel during the period leading to the year 2020, arising from increased demand for electric vehicle production (Creamer, 2016, Media Mining weekly, December 2016). If that projection is correct, it may mean the future profitability of nickel is very promising. While projections and forecasts are an essential part of any business, they are also subject to margins of error which often lead to wrong choices and decisions. Nonetheless, the Task Team fully understands that forecasts which are based on expert analysis and business intelligence have a lower margin of error. A point to note in this respect is that the Glencore projection is consistent with a projection which was made earlier by expert consultants who were engaged by BCL management to draw the Polaris II strategy.
- e. Stakeholders had differing opinions regarding the situation leading to provisional liquidation. Some of these are that there was some mismanagement at BCL on part of the management team prior to the decision which could have been avoided if there was good management. Yet some believed that BCL was a victim of unfortunate turn of events which could not have been foreseen even by a very diligent management especially regarding unfavourable prices of ore. Despite some of these differences, consensus was around the fact that BCL had always been a problem due to its financial performance and declining commodity prices as well as high production costs. Strategies such as Polaris II and additional strategic initiatives by SPEDU were in place and being pursued in anticipation of the future non-economic viability of BCL in its current form. This was considered important given that BCL was not only a commercial entity but was also key to the livelihood and sustainability of the town of Selibe Phikwe and surrounding villages.

- f. Other stakeholders believe that BCL has the potential to operate profitably during its remaining economic useful life under a restructured arrangement. This arguably represents a viable alternative to look at in deciding the future of BCL.
- g. Suggestions have also been made that in the interest of sustaining the operation of the mine, production efficiencies could be enhanced through the processing of additional concentrates sourced from elsewhere (both domestically and externally) and by deliberately putting in place a copper circuit at the Selibe Phikwe BCL smelter.
- h. Observations have been made by some suppliers in the industry that a deliberate preference for sourcing materials and services produced by locally based companies and artisans could further reduce procurement and operating costs, as it had been observed that BCL preferred service supplies and services from South Africa at the expense of developing local capacity.

6.2 Highlight the impact of the liquidation decision and notably suggest both immediate and long-term solutions to revive and diversify the Selibe Phikwe region from total dependence on BCL

The closure of the mines will no doubt affect the economy of Selibe Phikwe, government finances (sources of revenue), as well the country's economy negatively and it will not be too long before the multiplier or ripple effects are felt.

- a. From the interviews conducted, particularly with the business community, there was clear evidence that most of those enterprises owed by BCL will suffer a similar fate of going under. BCL and its subsidiaries are indebted to a lot of suppliers of goods and services in Selibe Phikwe. This has in many ways affected businesses operations which are currently under severe strain.
 - (i) The immediate laying off of the mine's employees has sterilised demand for goods and services in the region, affecting transport and communications, trade and commerce, business and financial services, educational services, as well as government services. The cumulative effects of the BCL closure across all industries will, most likely, dampen GDP overall growth.

- (ii) Financial commitments of former employees of BCL and its associated and trading companies, which were recorded as assets in the books of financing institutions, have suddenly turned into non-performing assets which can only be written off with very little prospects of recovery. This has also not been helped by the central government's unfulfilled rescue promises in the form of letters issued that had no real financial effect.
 - (iii) In spite of the specific triggers that led to the employees' inability to service their debts, the write-offs of debts will undoubtedly tarnish their credit profiles, which will dent their future prospects for obtaining funding from financial institutions.

- b. While part of the liquidation could have been to avoid costs associated with running the BCL and Tati Nickel mines as well as paying other finances required due to other contractual obligations, there are now currently emerging costs that are quite significant after the temporary closure. For example, Government of Botswana has committed P700 million to meet the cost of terminal benefits of employees as well as P3 million per month to take care of the operational costs of the skeletal staff at BCL mine. Payment of school fees for children of former BCL mine employees estimated at P11 million, medical expenses for former employees estimated at P15 million and the costs of running the smelter estimated at P20 million a month. A decision was however taken later to close the smelter as it did not make economic sense to keep it running. Considering these costs and other unknown expenses, in the medium term, they could turn out to be significant compared to the initial bail out money that was required to keep BCL afloat.

- c. Stakeholders were concerned that a Socio Economic Impact Study was not carried out. Ideally, this should have been conducted before the decision to close the operations was made. The study would have provided clear information on the likely impact of the closure of BCL on the economy and societies of Selibe Phikwe and Francistown as well as providing guidance on alternative solutions that are viable. The extent could

not be known with precision given that no socio economic impact study was done before the provisional liquidation. Nonetheless, all is not lost because it may still be worthwhile to urgently conduct the study before deciding on whether to finally liquidate BCL or not.

- d. In addition, an Environmental Impact Assessment of a fossilised mine should also have been conducted. There are contractual and other obligations concerning the environmental rehabilitation of the mine, all of which are unavoidable and come at a significant cost. Even if the eventual decision is a full liquidation, the shareholder remains obligated to meet the rehabilitation costs. A position has to be taken as to how and when this would be done. In the event that Government is to consider the sale of BCL as the preferred option, a full understanding of the quantum of obligations and costs will enable Government to make an informed decision on the sale price and any conditionalities that may be necessary (one example is a discounted price accompanied by a contractually binding commitment to rehabilitate the mine dump and restore its environmental well-being).
- e. There is a need for a technical steering committee that could be led by the newly appointed Coordinator of the Economic Revitalisation of Selibe Phikwe and the region. The committee, which should comprise all critical stakeholders, should have the mandate to conceive strategic revitalisation choices and options and rationalise the available options in a prioritised fashion. It should then recommend the best way to proceed into the future after weighing all the outcomes and their potential overall impact. It is to be expected that regular updates will be made to Business Botswana as one critical stakeholder.
- f. Although some stakeholders doubted the technical, financial and forecasting adequacy of the Polaris II strategy for the revival of BCL, the Task Team is persuaded towards a general consensus that the strategy was accurate in its detection and prioritisation of operational recovery imperatives for BCL. However, the strategy was also deemed to be medium to long-term and narrowly focused on BCL.
- g. There is need to device short-term “NOW” strategies intended to have an immediate cushioning effect on the Selibe Phikwe economy while further work is done on refining

and implementing complementary medium to long-term strategies. The “NOW” strategies identified include:-

- (i) Relocate some government functions to Selibe Phikwe, particularly those that are likely to add immediate value to the domestic economy (e.g. Agriculture and Transport).
- (ii) Relocate sections of some tertiary educational institutions to Selibe Phikwe to boost the economy, especially those related to mining, metallurgy and related fields.
- (iii) Invest in the production of iron from the existing mine dump to feed directly into Pula Steel.

6.3 Determine the initiatives and incentives thereof that can attract major industries and investors to Selibe Phikwe

- a. The Task Team acknowledges the Government’s proposed investment incentives which have been considered in Selibe Phikwe region, particularly for attraction of foreign investors. The Task Team however, believes that there should be a holistic environmental scan/research carried out with the sole purpose of reforming a package of incentives aimed at creating a business friendly environment that would support the start, sustenance and growth of enterprises. The recommended research study should, amongst other things, indicate socio-economic merits and associated costs of incentives and other changes that have to be made to attract investors into the SPEDU region. The research should be able to guide on sector specific interventions that are required as part of the overall business environment reform. The business environment reform study / research can be done side by side with the socio-economic impact study.
- b. The revised business environment should be able to support the functioning of a special economic zone and other activities that would be able to change the fortunes of Selibe-Phikwe and its hinterland. The exercise should necessarily involve reviewing all laws, policies and regulations that relate to the operation of business enterprises and making it conducive for businesses to setup. The

Task Team takes the view that Government should aim to incentivize both foreign and domestic companies, with a deliberate focus on SMEs. This is based on the Team's view that SMEs are more likely to be resilient to economic and systemic shocks as their ability to adjust is not overshadowed by massive capital investments as well as monolithic and inflexible structures.

- c. Some investment incentives that should be considered for companies locating in Selibe Phikwe according the SPEDU revitalization strategy are:
 - i. Tax holidays, tax rebates, preferential utility rates
 - ii. Government guaranteed market
 - iii. Facilitation of timely land allocation
 - iv. Accelerated Environmental Impact Assessment approvals, explicit waivers or deferrals
 - v. Accelerated approvals of design plans
 - vi. Accelerated funding and re-focused CEDA funding for the region
 - vii. Accelerated work and residence permits approvals
 - viii. Availability of factory/warehouse space at subsidized rates.
- SPEDU (undated). SPEDU Revitalization Strategy, SPEDU Projects Update).
- d. Some of the specific sectors that can be targeted by the incentives and their specific initiatives are as follows:
 - i. Minerals, Energy – Development of Copper circuit at BCL smelter to enable feeding of copper concentrate from the Ngamiland, Copperbelt; Iron extraction from BCL Dumps and creating linkages with other iron Ore deposits across the Country; Mining and Metallurgical School.
 - ii. Minerals, Energy - Heavy Engineering; Steel Fabrication; etc.
 - iii. Environment, Wildlife and Tourism - Tourism industry developed around the dams in the region; Environmentally friendly businesses; Soil Cultivation for wood trees; solar power station to feed into the grid.

- iv. Agriculture (*Arable and Horticultural Farming*) - development of agricultural industries with agro-processing centre. Fodder production.
- v. Transport and Communications - Transport Hub (*Rail hub-wagon maintenance and manufacturing*).
- vi. Transport and Communications – Infrastructure such as rail transportation
- vii. Develop Selibe Phikwe into a beneficiation Hub for coal to liquid biofuel etc. Business Botswana can engage government to fast track this project as it has potential to create many jobs in Selibe Phikwe.

6.4 Suggest how loss of jobs can best be handled to lessen the impact on the affected people

- a. The combined workforce of BCL Mine and Tati Nickel Mine is about 6, 000 employees of which close to 800 were employees of Tati Nickel Mine.
- b. The government has committed to continue paying school fees for children of former BCL employees for one year, and has taken over the medical expenses which were borne by BCL.
- c. BCL had developed what was referred to as an Aggressive Re-Organisation Plan which proposed a refinancing of the mine to extend its life span up to at least 2022. This plan suggested a phased closure of unprofitable shafts which would eventually result in retrenchment of close to 2,000 workers while continuing the operations of the mines and developing other resources elsewhere.
- d. BCL may have had a chance to consider developing other mines as proposed in the diversification strategy (Polaris II) which showed that BCL had other interests in a Diamond Mining Project, Iron Ore and Manganese Mining initiatives.
- e. In an effort to accelerate diversification and attract Foreign Direct Investment (FDI), the Botswana Investment Trade Centre (BITC) already has an officer at the level of Director deployed in Selibe Phikwe to lure and attract investors into Selibe Phikwe. His/her services can be enhanced to implement the sectorial priorities identified in 6.3
- f. There is an interest from companies within the ICT and Manufacturing space which are willing to relocate and/or set up their plants in Selibe Phikwe. Consultations with

interested parties are ongoing. There is need to encourage and offer tangible incentives to such companies to attract them to Selibe Phikwe.

- g. Moreover, SPEDU in collaboration with Ministry of Investment, Trade and Industry has developed a revitalized strategic plan which should serve as a baseline for achieving their mandate. The strategy includes projects categorised into agriculture production and processing, tourism and related services, as well as manufacturing estimated at P1.8 billion and expected to create 6,856 jobs over 2 years. Some of the SPEDU investment focus areas are:

- i. **Tourism**

In their quest to diversify Phikwe region SPEDU will invest in water based tourism considering the availability of three big dams being Dikgatlhong, Thune and Letsibogo. This is work in progress as a consultant has already been engaged.

- ii. **Horticulture**

400 hectares has already been secured to make sure the SPEDU region provides sufficient food production. This is also work in progress as some of the area is at the tilting stage for maize ploughing. There is also agricultural processing and packaging that has been started in Selibe Phikwe to support development of horticulture in the region.

6.5 Address any other related matters that in the opinion of the task team may be necessary to consider

Business Botswana needs to look at how the interest of the private sector can be protected from liquidation. Whereas businesses have the option to go it alone in submitting their claims to the liquidator, it might prove to be beneficial for Business Botswana to take the role of protecting especially SMMEs against any possibility of them suffering a total loss to their businesses. This is because SMMEs are usually not well resourced to protect themselves. Nonetheless, Business Botswana should consider supporting big businesses on a need basis.

- a. **Stabilization of Financial Services Providers:** Whilst the provision of financial services is a business undertaking in its own right, in the short term there is need for government to play the role of ensuring that banks continue to function as close as possible to normal and there is some assistance with underwriting the risks during this trying period. Currently, although there are no public statements made, banks seem to be extremely cautious in extending facilities to entities in the town, given the uncertain economic environment. It is important that banking services continue “as usual” to support entities that are currently adversely affected by the mine closure.
- b. **Marshall Plan for Selibe Phikwe businesses:** If the Selibe Phikwe businesses are to continue operating and sustaining the much needed jobs, there is need for some sort of Marshall Plan that would aid this. This would be a special set of financial and other incentives to attract investors into the Selibe Phikwe region. It could include wage subsidies, speedy allocation of land, low interest on business financing, etc. This should be worked out with technical input on the details of the plan. As already mentioned above, this exercise can be championed by the Coordinator for Selibe Phikwe’s revitalization Programme.
- c. **Entrepreneurship Development:** The current circumstances could be an opportunity to promote entrepreneurship amongst the affected groups of former BCL employees and explore opportunities that might become available considering the various assets that BCL owns. Preferential recognition could be accorded to potential businesses owned by former BCL employees.
- d. **Corridor Development:** The future in regional development should be pursued vigorously for the obvious changes it could bring to cases such as the one in SPEDU currently.

7. The BCL Conundrum

- a. There is a big issue about whether to reopen the mine or to allow it to collapse and focus more on the diversification strategy for the region. The issue of total

closure of the mine does not seem to be an easy one given that there are costs associated with total closure. The option of closure seems to be more costly. Two other options in the short term are:

- i. Government could hand over mine to an investor to re-start.
- ii. The mine could continue to operate under care maintenance (C&M) up to sell off (increased cost of disposal).

8. Economic Diversification Opportunities

- a. Selibe Phikwe has been identified at national policy level as a Special Economic Zone (SEZ) and an engine for economic growth offering lucrative incentives. The strategy is currently being put together in order to achieve the objective specified above point.
- b. Currently, the mine has 35 million tonnes of slag which has a potential to kick start the iron (steel) manufacturing, and it is estimated that this slag has expectancy in excess of 50 years.
- c. There is land that has been allocated for a pharmaceutical plant and talks with companies in South Africa are ongoing. This project is expected to create 1 000 jobs for the region.
- d. Phikwe as Metallurgical Hub; Copper circuit and Iron ore processing.
- e. Phikwe as a beneficiation Hub; coal to liquid; biofuel etc.

9. Recommendations

The following are recommendations on the way forward for the Selibe Phikwe and its region:

- a. Government, in collaboration with Business Botswana, should conduct a Socio-Economic Impact Assessment.
- b. Instead of shutting the mine, it should be sold to an investor with financial muscle to run and make sure the mine is profitable in an effort to have an economic value for the region.
- c. To conduct an Environmental Impact Analysis to establish the significance of shutting the mine on the environment. As water was one of the primary resources in the running of the mine, there is also need to establish the impact of the contamination of the water on the environment.
- d. Develop a Rehabilitation strategy for the mine and affected areas (land, water etc).

- e. There is a need to establish a steering team inclusive of the entire group of critical stakeholders such as Government Ministries; Business Botswana; the Selibe Phikwe Multi-Stakeholder Coordination Committee (SPMSCC). This will be coordinated by the newly appointed Coordinator of the Revitalization Programme. There should be a vehicle overseeing the implementation of any economic regeneration efforts and this should be representative of all the stakeholders including business, academia, CBOs, BB, etc.
- f. Relocate some institutions in Selibe Phikwe such as some faculties of Government tertiary education institutions of Agriculture and / or relocate some major institutions in Selibe Phikwe, an example of which is BOMU. The SPEDU region has massive amounts of water and fertile soils and would therefore be a natural place for setting up agricultural research facilities rather than have them in Sebele as is currently the case. The area is also prone to Foot and Mouth Disease (FMD) and the researchers could be engaged more effectively on addressing real life issues on the ground as opposed to the current situation where they are all situated in Gaborone, “away from the action”.
- g. Using the already existing relationships with mining companies, tertiary schools could set up a school of mines and metallurgy as well as related activities in Selibe Phikwe. Apart from providing an avenue for teaching and research it will provide some economic value in terms of small but useful consumer demand for goods and services from the students and teaching community.
- h. Setting up Selibe Phikwe as an Engineering, Transport and Manufacturing Hub: the infrastructure is already in place for undertaking major engineering projects and the companies have already invested in the necessary plant and equipment plus there is an elaborate railway network that could be used to ferry heavy materials from these factories to projects all over the country including the power generation expansions in Palapye.
- i. Once activities have been agreed upon there should be a development of a clear result-oriented action plan and a Monitoring and Evaluation framework to clarify the roles and track the agreed projects and make sure they are delivered on time and on cost. It is essential that the recommendations proposed should be regarded as elements of a

‘project’ capable of being monitored and whose performance will be evaluated periodically.

- j. An establishment of a Legal framework for setting up Mine Closure Rehabilitation Fund needs to be done as a matter of urgency.

10. Lessons Learnt

The abrupt closure of the mine did not put into consideration the following important procedures to follow when closing an organization:

- a. **Stakeholder consultative strategy:** Stakeholders as an important economic development pillar should have been consulted in order to ensure that their needs, concerns and aspirations for the region are taken into consideration when planning for closure.
- b. **Mine Closure Rehabilitation Plan:** to strategise on how the mines will be successfully closed and within what frame. Moreover, develop a diversification strategy for the region post closure.
- c. **Communications Plan:** Coordinated communications plan is important so that all stakeholders articulate common and accurate information and government plan. Timely decision making is vital. For instance, delayed response by government to BCL financing request made BCL to promise creditors on the basis of letters of comfort issued by government agencies.

11. Conclusion

- a. The Business Botswana Task Team on BCL carried out its assignment as per the terms of reference provided. The Team interviewed several stakeholders with a view to finding as much information as possible. Its findings are that there could have been other more

important steps taken to avoid the abrupt closure and such approach would have been much more informative and would have minimized the socio economic and an environmental implication around the closure from the provisional liquidation. An important aspect of this would have been the conduct of a socio economic impact study and environmental impact assessment study of the closure of BCL. The impact of the closure is unfolding over time and government is mitigating some of the negative effects of the closure.

- b. The Task Team has come up with suggestions informed by the various stakeholders and their own technical expertise and experience in terms of how to sustain Selibe Phikwe. A major recommendation is that the mine should not be completely shut down as it still has a potential to be mined profitably with some restructuring and change of ownership. Secondly, a socio economic impact study of the closure of BCL should be done as a matter of urgency. To manage the situation better, it is recommended that a steering team inclusive of the entire critical stakeholder including Business Botswana be set up. Other initiatives to complement those already in the pipeline from the SPEDU initiatives should be considered. Selibe Phikwe could be set up as a special hub for certain key sectors including Mineral Processing, Engineering, Tourism, Transport and Manufacturing. Given the region's richness in agriculture, it is recommended to attract tertiary training institutions such as the newly established Botswana University of Agriculture and Natural Resources (BUAN) to establish a major campus in Selibe Phikwe. This will make the activities of this university more relevant in terms of problem solving research as well as ease out the space requirements for its expansion as it transforms to a fully-fledged university with all the faculties established.

12. References

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13 Appendix

