

# MINING REVIEW

ISSUE NO 24

April 2015

The Voice of Mineral Sector in Malawi

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## Buoyant gold mining prospects for Malawi

**INSIDE**

### ● Mota-Engil advances in exploration work



President Prof. Peter Mutharika has an open-door policy for investors



Rodrigues: Gold exploration producing encouraging results

**By Mining Reporter**

Prospects appear bright for Malawi to join the bandwagon of countries with large scale mining operations for gold and other high value minerals as Portuguese firm Mota-Engil, which dominates exploration licences for these minerals in the country, has reported encouraging results in its exploration work.

CEO for Mota-Engil Africa Gilberto Rodrigues, said in his presentation at this year's Mining Indaba in Cape Town, South Africa that Malawi, whose President His Excellency Professor Arthur Peter Mutharika has an open door policy for investors, is among the countries in which the company has strategic interest as far as exploration work for high value minerals is concerned.

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...FROM PAGE 1

He informed the audience that Mota-Engil Minerals & Mining's exploration division currently controls three exclusive prospecting licences (EPLs) in Malawi with a combined total area of 7681km<sup>2</sup> and with potential for gold, base metals and graphite, among others.

The company is also involved in two joint venture (JV) projects in Malawi namely the Tundulu Phosphate and the Lake Chilwa Heavy Mineral Sands Projects.

"Mota-Engil Minerals & Mining puts value on new resources and is investing in exploration projects, mining contracts and building partnerships with other mining companies in Malawi," said Rodrigues.

Tundulu has the potential for a phosphate and rare earth element (REE) resource grading 20% p<sub>2</sub>o<sub>5</sub> and 2.5% TREO respectively and results for a 6000m drilling programme completed in 2014 are pending.

The Lake Chilwa Heavy Mineral Sands Project has the potential for a 300mt resource at 3.5% ilmenite and a

working on which are Dwangwa, Kasungu, Malingunde, Lisungwe, Lake Chilwa, Tundulu and Mwanza Fault target.

He said the company's exploration work with its joint venture partner for the Dwangwa project, UK firm South East African Mining (SEAM), shows potential for alluvial placer deposit.

Mota-Engil and its joint venture partner are targeting historical gold occurrences in Dwangwa, and the JV is working to establish the quality and quantity of the resource.

In Kasungu, Rodrigues reported that the company has identified three target areas where it has completed a 1540m drilling exercise unearthing gold with a peak value of 1.6g/tonne.

In Malingunde in the District of Lilongwe, Mota-Engil is working on a 5km x 30km target zone and a geophysical survey is underway at the site.

The firm already completed a ground electromagnetic survey and 2200m drilling while a 4000m drilling programme is planned for May 2015.

In Lisungwe, Rodrigues said Mota-Engil is targeting gold, copper, nickel, graphite, among other minerals, in its exploration work in its licence areas which include Likudzi (Ni), Phalula (Au and Cu) and Mateme (Gr).

The firm has conducted geophysical surveys at the



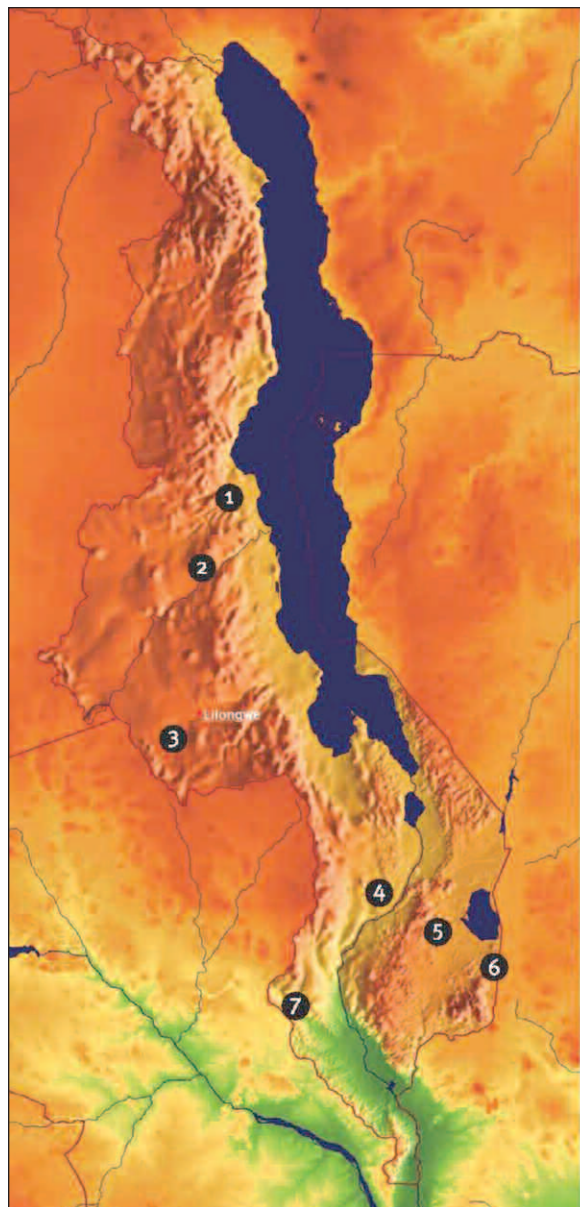
Commissioner of Mines Mr. Kaphwiyo led the Malawi delegation to Cape Town International Mining Indaba

Besides, the group is currently contracted to manage four Lake Malawi ports for a period of 35 years and was also contracted by Brazilian mining giant, Vale, to construct the railway line that cuts through Malawi from Vale's Moatize Coalfield to Nacala Port in Mozambique.

Mota-Engil has also operations in other Southern Africa Development Community (Sade) countries including Angola, Mozambique, Zambia, South Africa and Zimbabwe.

President Mutharika's administration is promoting the exploration and exploitation of minerals in Malawi to ensure economic diversification for the country which heavily relies on agriculture with tobacco as the engine for growth.

At the Cape Town Mining Indaba, the Malawi Government delegation was led by Commissioner for



Malawi map showing sites of Mota-Engil mining licenses and JV projects



Mota-Engil was one of a few companies active in Malawi that exhibited at the Cape Town International Mining Indaba

scoping study is currently underway.

"The Chilwa Project is further favoured by the upgrading of the Nacala Corridor railway which will offer low-cost transport to the port of Nacala and for which Malawi has been allocated 5mt per annum," said Rodrigues.

He also gave brief details of seven Malawian exploration projects that the Portuguese multinational is

site including a magnetic survey and a 3595m drilling programme.

"More regional exploration programmes are planned for 2015," said Rodrigues.

Mota-Engil is also the mining contractor for Australia's Paladin Energy's Kayelekera Uranium Mine, which is Malawi's largest investment in the mining sector.

Mines, Mr. Charles Kaphwiyo, who presented details of Malawi's mineral potential to visitors at the Malawi stand.

Canada-listed Mkango Resources, which is conducting a definitive feasibility study for rare earth mining at its Songwe Hill licence area in Phalombe also made a presentation at this year's indaba in which it highlighted the progress that the project is making.

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# Malawians engage experts human rights round table ...as panellists clear misconception over

By Chiku Jere

A cross section of the Malawi community had a rare opportunity to engage mining experts on topical issues rocking the growing minerals sector during a live public discussion on Zodiak Broadcasting Station that was held on March 20, 2015 at Crossroads Hotel in Lilongwe.

The event was organised by non-governmental organisations that included ActionAid Malawi, Citizens for Justice (CFJ) and Centre for Environmental Policy and Advocacy with funding from Tilitonse Fund.

The panellists included a member of the civil society (Mr. Emmanuel Mlaka from LandNet), a government official (Mr. Jaff Salima from Geological Survey Department), traditional leaders (Inkosi Mabulabo from Mzimba and Group Village Headwoman Namalima of Phalombe) and an independent mineral sector consultant (Mr. James Chatupa).

In the live programme, the panellists answered questions from members of the audience and also listeners of the popular radio station who sent the questions to the moderator of the discussions, Veteran Broadcaster Owen Lupesya through text messages.

Hot on the issues was the export of mineral samples by exploration firms as members of the general public questioned how secure is the process of exporting mineral samples for processing outside the country doubting that some unscrupulous mineral explorers can take advantage of the process to smuggle the country's precious minerals.

The questions at the public discussion held at Crossroads Hotel in Lilongwe, therefore, focused much on the quantity of mineral samples that are legally acceptable for analysis as well as the experiences and expectations of the general public relating to mineral exploration activities.

The experts who included representatives of the Ministry of Natural Resources, Energy and Mining, nonetheless, cleared misconceptions surrounding how mineral samples are collected and exported for analysis.

Explaining to the audience, Commissioner for Mines Mr. Charles Kaphwiyo said that it would be difficult for government to come up with a quantified tonnage of samples that an investor should take for analysis, because



Panellists from left: Mr. Salima, Mr. Chatupa, Inkosi Mabulabo, GVH Namalima and Mr. Mlaka

“different minerals require different uptake of samples.”

“For instance, coal is found in one large rock and requires a small amount of sample for analysis while in the case of niobium, huge amount of samples are required because from, for example, 40 tons of sampled soil, only 0.05 percentage could turn out to be valuable,” said Mr. Kaphwiyo.

Kaphwiyo took time to enlighten the audience on the rigorous checking that government make on samples that an exploration firm takes outside the country for analysis.

He explained that samples have to go through vetting by three government institutions which include Geological Survey and Mines Department as well as Malawi Revenue Authority (MRA).

Director of Geological Survey Department Jalf Salima commented that firms take samples outside the country for analysis as part of their exploration work because Malawi

does not have a certified laboratory where analysis for mineral samples can be done.

“As you might be aware, mining in Malawi is at an infancy stage hence we lack capacity to do the analysis right here, as a result investors have to do the sampling outside the country,” said Mr. Salima.

Furthermore, the Geological Survey Department director explained that the investors' purpose of doing the analysis is to determine whether their investment can be recovered.

“When it comes to the samples that are taken for analysis outside this country, their value is not monetary, the value only remains in the data obtained as it helps in designing the pending mining process and determining the viability of the investment,” Mr. Salima said.

Also joining the discussion was Former Minister of Natural Resources, Energy and Environment, Honourable



Part of the audience that attended the round table discussion



Elvin Nkhonjera Chawinga of ActionAid joining the discussion



An expert in m



# Issues in mining and Public discussion on mineral sample exports

Grain Malunga, who is an expert in mining and environmental management. He explained that mineral sampling can even take seven to ten years before actual mining is commenced and the members of public need not to be suspicious of any underhand dealing on the part of investors.

“This is because it is through such a process where the potential of that particular mineral is determined to guarantee the profitability of the investment,” Hon. Malunga said.

The two traditional leaders present, Inkosi Mabulabo and GVH Namalima also aired their concerns, among which, was lack of proper information from government as regards the mining activities that are taking place in their respective jurisdiction.

The other issue raised at the meeting was the alleged tendency by some mining investors of disregarding proper procedures when entering into areas to commence mineral exploration.

“We are really baffled with the breach of our traditional procedures of acquiring land. We need to be consulted prior to the commencement of any work by these investors so that we should inform our subjects about the issue to avoid the misconception and the air of suspicious that comes when people in the area, let alone us, us leaders, are not made aware of the impending mining process,” said the emotionally charged Mabulabo, with Namalima, who sat next to him nodding in total agreement.

Noting the chief’s concerns, Executive Director for LandNet, Mr. Mlaka, an expert in land issues acknowledged the existence of the problem, but was quick to blame it on the delay to the tabling and passing of the amended land bill, which he said could help address all these issues, since it clearly stipulates appropriate procedures if an investor wants to use traditional land.

The event attracted a multitude of questions which could be an indication that more and more people are getting interested in mining issues in this traditionally agricultural country.

This could auger well with the objective of the of the event, which was to discuss the governance elements and practices that needs to be strengthened, revised or adopted into the current governance system in order to enhance responsiveness, inclusiveness, transparency, accountability and respect for human rights in the mining sector.



...ing, Hon. Malunga with the microphone clarifying issues



Mr. Salima represented government’s Geological Survey Department



Mr. Chatupa is an independent consultant who gave his views as an academia



Mr. Mlaka represented the Civil Society as an expert as regards land issues

EYE ON MALAWI'S

EITI

Extractive Industries Transparency Initiative



Examining Malawi’s journey towards EITI compliance

## Malawi’s Multi-Stakeholder Group Meets for the First Time

On 18 March 2015, Malawi’s Extractive Industries Transparency Initiative (EITI) Multi-Stakeholder Group met for the first time. This is a “very important milestone” as the Chief Economist in the Ministry of Finance and Economic Planning and Development, George Harawa, announced while chairing the first meeting. The Government’s commitment to EITI reflects the move to more informed public debate on the way the nation’s resources and associated revenues are used.

Representatives from government, the mining industry and civil society, selected over the last few months by each constituency, sat around a table to discuss the EITI implementation. The Ministry of Finance and Economic Planning and Development, the Ministry of Natural Resources, Energy and Mining, the Reserve Bank of Malawi, the National Audit Office, Bwanje Cement, Globe Metals & Mining, Paladin, ActionAid Malawi, the Catholic Commission for Justice and Peace, Citizens for Justice, and the Foundation for Community Support Services were all present. Only Mkango Resources sent their apologies.

Through this initiative, the government will publish what it receives in taxes and other payments from the industry and companies will publish what they pay government. This should stimulate discussion on how commodity wealth is being translated into socio-economic development for the country. The annual report will also include contextual information, a description of the legal framework and fiscal regime that govern the extractive industries, an overview of exploration activities, production data and a register of licences.

It is yet to be seen if Malawi will also apply the EITI Standard’s voluntary provisions on beneficial ownership and contract transparency. A register of beneficial ownership will reveal more about who owns extractive companies and who will ultimately benefit from a company’s activities. According to EITI, the identity of “real” or beneficial owners is “often hidden behind a chain of corporate entities. This opacity can contribute to corruption, money laundering and tax evasion in the extractive sector”.

Disclosure of contracts and licences that include terms is also recommended by EITI. Publicly accessible contracts can provide stability for companies and ensure that a country’s “wealth is maximised and invested into projects that yield development”, remarked Tanzania Member of Parliament Hon. Zitto Kabwe during EITI consultations on contract transparency.

Malawi plans to submit its application to the EITI during the next quarter. The Multi-Stakeholder Group will guide this process and is responsible for developing a fully costed work plan and its own terms of reference which are prerequisites for signing-up. The financial resources and time invested must reflect the current size of Malawi’s mining sector, which the Government hopes will grow to become a significant contributor to the country’s economy.





# TECHNICAL FILE

Project Profile by Grain Wyson Phillip Malunga FIMMM  
Mining and Environmental Management Expert

## STRATEGIC ENVIRONMENTAL ASSESSMENT IN MINING

### ABSTRACT

Strategic Environmental Assessment (SEA) aims at bringing sustainable development and promoting smart partnership with communities around mining areas. It is a process that tries to be all inclusive in issues of sustainable development for the benefit of all stakeholders. The emergence of Civil Society Organisations (CSOs), as representative of the local communities, has brought challenges where “gold seekers” and fake activists pry a trade of “give me and I will be silent” undermining the very essence of their existence. This group can be disruptive and therefore needs to be included in the whole SEA process from scoping to monitoring and evaluation during project implementation.

### 1. INTRODUCTION

SEA in mining is a process of assessing wider environmental, social and economic impacts of alternative proposals at the beginning of a mining project. The process starts with policy review, scoping, planning and program implementation. It is also called Strategic Impact assessment (SIA). This process is now widely preferred as compared with Environmental Impact Assessment (EIA) because it covers social, economic and environmental impact assessment of projects. EIA only covers specific environmental impacts at project level. SEA involves participation of all stakeholders.

### 2. THE PROCESS OF UNDERTAKING SEA

#### POLICY REVIEW

Policy review or screening is a time when policies, laws and regulations affecting the mineral sector are reviewed. Other laws and policies governing administration of environment such as air, water and land are included in the review.

#### SCOPING

Scoping is the process of identifying significant strategic issues, stakeholders in the project area and understanding the current state of the environment. Stakeholders include local communities and their leaders, civil societies operating in the area and local government representatives. The Malawi scenario can be equated with initial consultations at Village Development Committee (VDC), Area Development Committee (ADC) and groups or societies related with natural resource management. Coordination problems associated with different agencies and stakeholders need to be sorted at this stage.



Figure 1: Scoping during Njereza Cement Project SEA in Mangochi

#### IMPACT ASSESSMENT

This stage helps to identify all inputs into the SEA including constraints, project impacts, social economic opportunities and trends, develop objectives, criteria and indicators.

In terms of mining, focus is put on the impacts of release of three major contaminants which are radionuclides, rare earth elements, dust and metal. Each of these contaminants escapes the mines in different ways and their potential effects on the environment are documented and possible mitigation measures documented.

Refining or processing of mined products involves release of metal by products into the environment. It is very easy for metals to enter the air, ground, or water making it nearly impossible to remove them. Contaminated water in tailing dams can easily be treated but contaminated water that gets in river systems through sedimentation, acid drainage, and metals deposition becomes difficult to treat to its original quality. It is important at this stage that all stakeholders understand mitigation measures and be honest about their fears without sensationalising or misleading each other for the sake of maintaining their unholy alliance or networks.

Potential Social economic opportunities are also assessed and agreed at this stage and become part of Corporate Social Responsibilities (CSR). Tax and non-tax revenues are documented and social amenities established within the mine area may also benefit local communities. Indicators for positive social economic transformation in the local community are defined at this stage. Temptations to force mining companies to undertake government development responsibilities are identified at this stage and put into perspective. Voluntary Corporate Social Responsibility is a moral and good way of doing business, but should not be legalised as this can be an expenditure line that can kill profitability of a project. CSR should be viewed as a process through which a company can manage its business to produce an overall positive impact on the local communities. Possibility of transforming royalties to address CSR demands can be viewed at this stage.



Figure 2: A product of CSR in which children of mine employees learn together with local community children at Njereza in Mangochi

Various impacts so far identified, will lead to development of parameters, principles or guidelines for addressing environmental or socio-economic impacts.

#### ENVIRONMENTAL MANAGEMENT PLANS (EMP)

After identifying social, economic and direct project impacts; there is need to come up with an EMP that defines decision-making processes with clearly defined assigned responsibilities and accountabilities. SIA process is checked, final decision documented. This plan is important during monitoring and review of the project.

#### PUBLIC HEARING

In order to build local or national consensus, the SEA document is deposited and displayed in District Councils, National Libraries and other convenient public places for information and comments. Various meetings are held to build consensus and make the necessary amendments after which the document is submitted to the Department of Environmental Affairs for review by the Technical Committee on the Environment (TCE) and later approved by the National Committee on the Environment (NCE). These two committees are highly technical and are drawn from competent technical institutions and academia.

#### REFLECTION ON THE ROLE OF INTEREST GROUPS

The process of developing a SEA document is all inclusive and does not entertain late comers to disrupt unnecessarily the operations of a mining project in the name of inclusiveness. The process of monitoring and evaluation be left to local communities and local support groups. If this stage is not properly managed, a lot of opportunists in the name of concerned citizens come in through dubious sponsorship from external disruptive groups who are active internationally and take advantage of poverty and irresponsible journalism. Mining companies should take an interest in developing smart partnership with local communities and support groups. Representative groups can be formed and quarterly meetings held to update these interest group on mine operations and other activities as stipulated in the SEA document. Civil Society Organisations (CSOs) can be good partners if they take a positive approach in dealing with natural resource management through formation of a smart partnership with mining companies, government and local communities. Government needs to take a positive approach in being transparent and accountable to its people by making public documents or reports that are submitted by mining companies. The aggressive approach being pursued by some CSOs will defeat the whole purpose of promoting the mineral sector to transform the economy of this country.

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#### Who we are

Maravi is a Malawi-based, ethically-aware security risk management company, focussing on East and Southern Africa. Maravi was born out of the need for high-quality, cost-effective and responsible security risk management services in the region.

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Maravi offers a range of services to help protect the staff, assets and operations of companies engaged in the oil and gas, mining and other extractive industry sectors against the different types of risk to which they are exposed. Some of those services include:

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#### Analysis

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#### Case study: Stakeholder analysis and market entry services

One of our consultants conducted a security risk assessment and carried out stakeholder analysis on behalf of an international oil company seeking to expand operations into a new region. As well as terrorist threats, there were concerns about the local population that had previously been hostile towards foreign investors. The security recommendations and stakeholder mapping produced as part of this engagement resulted in the company successfully deploying to the area and starting production without a major security incident.

#### Case study: Development of oil and gas security management system

To better coordinate its security, our personnel helped develop a security risk management system for an international oil company operating a concession block within the region. The final procedural and physical framework complied fully with the requirements of ISO 28000 (international standard for security management systems specification) as well as national and international standards. The system that was developed has now been used as a benchmark for other companies.

#### Case study: Security risk assessments and design services to a national mining company

Our staff have worked with a national mining company to provide a range of security services. These have included multiple security risk assessments on different phosphate and precious metal mines, as well as security design services. The task required liaison with multiple stakeholders, including the highest levels of the government and managing a project design team split between Africa, the Middle East, Europe and Asia.



# MINING REVIEW

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Issue No. 24

April 2015

## EDF ready to finance mineral sector projects

• EDF offers development financial solutions aimed at boosting the country's forex generation

**E**xport Development Fund (EDF) says it is ready to finance viable projects in the country's mineral sector in order to promote exports of mining products and enhance import substitution.

EDF's Chief Executive Officer Mr. Efford Goneka says being a development financial institution; EDF's primary objective is to create and develop export enterprises in Malawi and position them as critical agents of foreign exchange generation through the provision of affordable financial services

The financing facilities offered by EDF are in both United States Dollar and Malawi Kwacha currencies.

"Our services are aimed at boosting the productive capacity of export businesses either through working capital or project financing."

According to Goneka, EDF uses its investments and other resources to support the set up, expansion, diversification and modernization of projects in the economy.

"Preference is given to projects that promote export earnings, exports diversification, import substitution and technological transfer," says Goneka.

Goneka explains that EDF, in support of the Malawi National Export Strategy (NES), aims at financing and promoting different economic sectors in Malawi in-order to encourage diversification from traditional exports. In addition to the services being offered, EDF is encouraging and supporting value addition projects in a bid to reduce the tendency of exporting commodities in a raw form.

"Although Malawi's economy has always depended on a narrow productive export base which is largely comprised of unprocessed agricultural products, EDF believes there is potential for value addition and promot-

ing the diversification of export clusters such as mining and mineral processing, tourism, agro-processing and manufacturing" explains Goneka.

The Fund also provides advisory services as it realizes that export development, promotion and growth require more than just finance.

"There is evidence that management and advisory services assume a critical role in the success of developmental projects and helping businesses expand and create jobs. To help the export enterprises, EDF has a team of qualified and dedicated staff that will offer business advice and intermediary services relevant to exports," says Goneka.

Export Development Fund is a development financial institution established by the Malawi Government and the Reserve Bank of Malawi in response to the country's export/import imbalance due to the economy's high dependence on tobacco as the major foreign exchange earner.

In view of this, the Government through EDF has prioritised diversification of exports by focusing on oil seeds products, sugarcane products, tourism, mining and manufacturing products as set out in the National Export Strategy.

As a catalyst for export promotion, diversification and growth, EDF's goals include ensuring that Malawi's vast export business opportunities are exploited; and promoting projects that have potential for exports, wealth creation and job creation.

Malawi's exports have grown at a slower pace than imports over the past 10 years creating an unsustainable structural deficit that leaves the country vulnerable to foreign exchange shocks.

"It is in this regard that EDF was created as a special purpose vehicle to extend financial assistance to export



EDF's CEO Mr. Goneka

businesses in Malawi with much emphasis on their creation, expansion, diversification and modernization. We urge stakeholders in the mining sector including large and registered small-scale mining cooperatives to take advantage of the existence of EDF's services," he says.

Goneka says in order to access the export finance facilities from EDF, companies are required to submit to the Fund their profiles supported by documents including certificate of incorporation, business registration certificate, articles and memorandum of association, evidence of suppliers of raw materials and the export market for the product, financial history and projections of the business and a detailed financial plan, and risks and safeguards of the business.



EDF has dangled financing for mining, mineral processing and haulage

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