Export Development Fund
Driving Malawi's international competitiveness and inclusive growth

RESEARCH INSIGHTS

MINING FOR PROSPERITY: CHARTING A BUSINESS-FRIENDLY PATH TO EXPORT DIVERSIFICATION

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INTRODUCTION

Malawi's mining sector is undergoing a key transformation, emerging as a strategic engine for export diversification and long-term economic growth. Dominated by agriculture and a narrow export base, the country is now positioning itself to capitalise on a rich endowment of minerals, ranging from alluvial gold and gemstones to globally significant deposits of rutile, graphite, uranium, niobium, and rare earth elements (REEs).

With several large-scale mining projects advancing toward production and growing international demand for critical minerals, Malawi stands on the cusp of becoming a key supplier in the global clean energy and high-tech value chains.

This market insight highlights the sector's current status, outlines its economic potential, evaluates key constraints, and provides policy-focused recommendations to ensure mining becomes a sustainable and inclusive driver of Malawi's development. With coordinated action, mining could deliver both macroeconomic resilience and widespread benefits for Malawians.

CURRENT STATUS

Beyond gold, Malawi is endowed with several high-potential mineral projects that are poised to transform its export base. The table below summarises the key projects, their minerals, status, and potential scale:

PROJECT / DEPOSIT	KEY MINERALS	DEVELOPER	STATUS (2025)	EXPORT POTENTIAL
Kasiya (Central Malawi)	Rutile & Graphite	Sovereign Metals (with Rio Tinto)	Optimised Pre-Feasibility Study completed; Definitive Feasibility Study (DFS)underway. Production ~2026–27.	The world's largest rutile deposit and the 2nd-largest flake graphite. ~0.25 Mt/yr rutile and 0.25 Mt/yr graphite at steady state; ~US$16.4 billion life-of-mine revenue projected. Major future export earner..
Kayelekera (North Malawi)	Uranium (U_3O_8)	Lotus Resources	Previously produced 11 Mlb (2009–2014). Restart is underway; first production Q3 2025 target	Expected 1.9 Mlb U_3O_8/year (~875 t) over 10-year mine life, worth ~US$100–US$120 million annually at current prices. The government holds 15 percent equity. This will significantly boost exports on restart.
Kanyika (Central Malawi)	Niobium & Tantalum	Globe Metals & Mining	Mining license granted in 2021; development agreement and financing in progress. Offtake MOUs secured for ~57 percent of niobium pentoxide output.	Africa's first niobium mine in the making. ~3,250 t Niobium (Nb) and 120–140 t Tantalum per year expected – positioning Malawi as a top 5 global Nb producer by 2030. ~$200 M/yr export potential at full production (niobium and high-purity tantalum oxides)..
Songwe Hill (South Malawi)	Rare Earth Elements (REE)	Mkango Resources	DFS completed in 2022; environmental approval obtained, seeking financing.	~5,950 t/year of total rare earth oxides in a mixed concentrate planned (18-year mine). Notably ~1,950 t NdPr oxides for magnets. Could generate on the order of $150–300 M/yr once operational, supplying critical "green tech" metals.
Kangankunde (South Malawi)	REE (especially Neodymium and Praseodymium)	Lindian Resources	Advanced exploration; infrastructure works started (Mota-Engil contracted). Resource definition is ongoing.	One of Africa's richest rare earth deposits historically. Development could yield thousands of tonnes of Rare Earth Oxides annually. Strengthens Malawi's role in global Rare Earth Elements supply for high-tech and clean energy sectors.
Others (Gemstones, etc.)	Ruby, Sapphire, Coal, Limestone.	Various (small-scale)	Ongoing small-scale production of gemstones (e.g. in Ntcheu, Nsanje) and coal for domestic use. New exploration (e.g. Wozi Niobium JV in 2025) is underway.	Gemstones have been a main mineral export to date (to Asia, the US, and Europe), though often underreported. Formalisation could boost gem export value (currently tens of millions USD). Industrial minerals support local industry, but limited export impact.

Source: Company reports (Sovereign Metals, Lotus Resources, Globe Metals & Mining, Mkango Resources, Lindian Resources), Ministry of Mining (MoM), and Reserve Bank of Malawi (RBM), 2024–2025.

CURRENT AND PROJECTED CONTRIBUTION TO GDP AND EXPORTS

Mining currently plays a modest but growing role in Malawi's economy. In 2023, mining contributed about 3.5 percent of national income (up from roughly 1 percent a few years prior), reflecting small-scale gemstone and mineral sales. This contribution is expected to rise sharply as major projects come online.

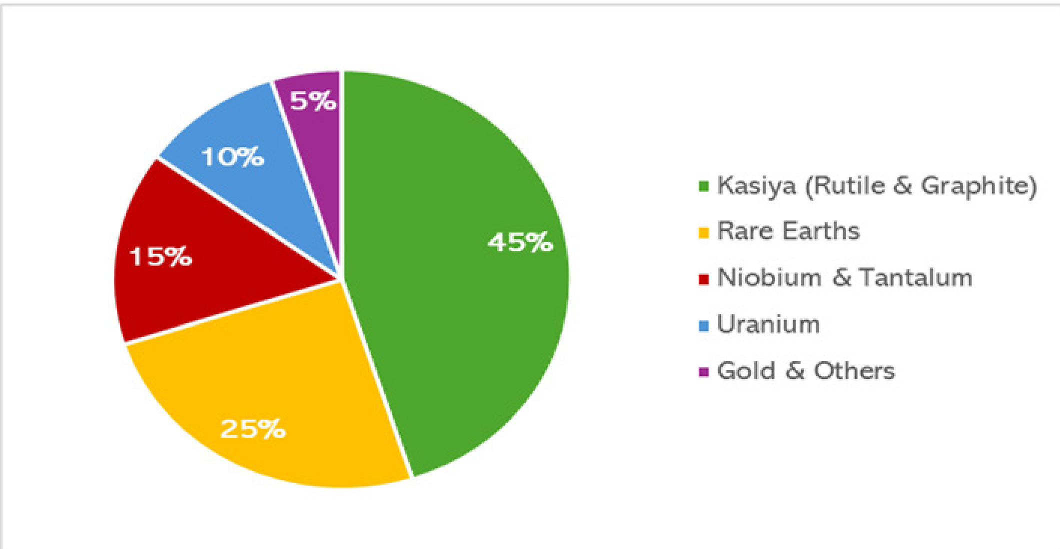
Government and World Bank projections indicate that by 2027, mining could account for approximately 12 percent of Malawi's Gross Domestic Product (GDP). Over the longer term, Malawi's vision (aligned with the Malawi 2063 agenda) is to increase mining's GDP share to 20 percent or more, transforming the country into a minerals-driven economy alongside agriculture and tourism.

In terms of exports, the anticipated impact is even more striking. The World Bank estimates Malawi's mining sector could generate a cumulative US$30 billion in exports from 2026 to 2040, with annual mineral export revenues reaching about US$3 billion by 2034. For perspective, Malawi's total merchandise exports in recent years have been under US$1 billion annually, therefore, US$3 billion a year would be transformational, likely overtaking tobacco as the top export.

The bulk of this growth will come from green minerals like graphite, titanium (rutile), niobium, and rare earths, in line with global demand for inputs to clean energy and high-tech industries.

Drilling down into the composition of this projected growth, rutile and graphite from the Kasiya project make up the largest segment, followed by rare earth elements, niobium/tantalum, and uranium, while gold and other minerals represent a small fraction (Chart 1).

Chart 1: Projected share of annual mining export revenue by 2034 (based on major projects/commodities):



Source: World Bank Malawi Economic Monitor projections

This projection assumes successful execution of Kasiya, Kayelekera, Kanyika, and at least one rare earth mine (Songwe or Kangankunde) by the early 2030s. Rutile & graphite (Kasiya) are expected to contribute the largest share (potentially 40–50 percent of mining exports) given the project's scale.

Rare earth elements could contribute around a quarter of revenues, as Malawi becomes a supplier of neodymium and praseodymium (NdPr) and other critical Rare Earth Elements (REEs). Niobium and tantalum from Kanyika may account for 10–15 percent, and uranium ~10 percent. Gold and gemstone exports, while important for livelihoods, will likely remain <5 percent of the total unless major new gold deposits are found.

Overall, mining's rise will diversify Malawi's export basket, reduce over-reliance on tobacco, and improve foreign exchange earnings, with positive knock-on effects for macroeconomic stability (reserves and exchange rate) if managed prudently. It is important to note that these are potential contributions, realising them requires overcoming significant hurdles, as discussed below. The World Bank cautions that "the challenges of current realities must temper large expectations" for mining's benefits. Still, the trajectory is clear that mining can be a game-changer for Malawi's economy in the next decade.

POLICY AND REGULATORY FRAMEWORKS SUPPORTING MINING

The Malawian government has taken steps to create a more business-friendly, regulated environment for mining investment and ASM formalisation:

- **Modernised Mining Law:** A new Mines and Minerals Act (2019) was enacted to replace outdated 1981 legislation. It strengthens regulatory oversight, requires community development agreements for large mines, and aligns with international best practices (e.g. clearer licensing procedures and environmental standards).

  In 2023, Malawi also approved key regulations and a model Mining Development Agreement, giving investors greater certainty on tax and royalty regimes for projects like Kanyika. The government's policy is to ensure mining agreements secure fair revenue for the state while remaining attractive to investors, evidenced by the 15 percent government free equity in strategic projects (e.g. Kayelekera uranium).

- **Licensing and Transparency:** The Ministry of Mining has improved its cadastre system to make mineral licensing more transparent and first-come, first-served. A cadastre system in mining is an official, computerised system used by a government to record, manage, and monitor mineral rights, such as prospecting licenses, mining permits, and concessions. In early 2025, the government took the bold step of freezing all gemstone and mineral exports temporarily to audit existing licenses and sanitise the sector.

  During this moratorium, authorities are scrutinising export permits and historical dealings (including pursuing unpaid taxes/royalties, as highlighted by a high-profile US$309 billion claim for alleged gemstone revenue underreporting).

  While drastic, this move underscores a commitment to root out corruption, smuggling and tax evasion. A more transparent licensing and export monitoring framework is expected to emerge, giving legitimate operators confidence and ensuring Malawi captures appropriate mineral revenues.

- **Artisanal and Small-Scale Mining (ASM) Formalisation:** Recognising the importance of ASM for gold and gemstones, Malawi is rolling out initiatives to formalise this subsector. The government has been drafting an Artisanal and Small-Scale Mining Policy/Act that will simplify permitting for ASM cooperatives, offer technical assistance, and promote safer, environmentally sound practices.

  The gold buying program by RBM/EDF is one such market intervention – by offering a structured market and fair prices domestically, it encourages gold ASM to sell legally. Additionally, security agencies are working to curb smuggling at the borders. The Ministry of Mining also projects that formalising ASM (especially for gold and gemstones) will boost production and export volumes, contributing to forecast mining sector growth of 5–6 percent per year in 2024–2025.

Infrastructure and Power Support: The government is integrating mining needs into national infrastructure planning. For example, a Memorandum of Understanding (MoU) was signed with ESCOM to ensure grid electricity for the Kasiya project – initially 30 MW, scaling to 60 MW – leveraging a new high-voltage interconnector with Mozambique coming online in 2025. This will provide cheaper, reliable power to Kasiya and potentially other mines, reducing their reliance on diesel generation.

Transport infrastructure is also being eyed: Malawi's road and rail links (such as the Nacala Corridor railway to the Indian Ocean) are vital for exporting bulk minerals. Upgrades to rail spurs and highways serving mining areas are being prioritised to cut logistics costs. The government is further exploring dry port facilities and streamlined customs for mineral exports to speed up transit to seaports in Mozambique and Tanzania.

- **Institutional Capacity and Governance:** Malawi is strengthening institutions like the Malawi Environmental Protection Authority (MEPA) for mine oversight. There is an emphasis on building capacity to review Environmental and Social Impact Assessments (ESIAs), monitor compliance, and enforce safeguards, as seen by thorough reviews of Songwe's Environmental, Social, and Health Impact Assessment (ESHIA, approved in Jan 2023).

The government is also working on a transparent revenue management framework (possibly considering an extractive industries sovereign fund or adhering to Extractive Industries Transparency Initiative (EITI) standards. These measures aim to ensure mining revenues are managed prudently and benefit the public, for example, funding infrastructure or community development, addressing the "resource curse" risk.

KEY CONSTRAINTS AND CHALLENGES

Despite the positive outlook, Malawi's mining sector faces several constraints that must be addressed:

- **Infrastructure Gaps:** Transport and power infrastructure remain inadequate for large-scale mining. As a landlocked country, Malawi's export routes rely on long haulage to seaports. Currently, bulk exports (e.g. uranium from Kayelekera in the past) must be trucked to Dar es Salaam or Nacala, incurring high costs.

  Railway connections exist but need expansion and rehabilitation to handle the upcoming mineral output. Similarly, internal roads to project sites (like Kanyika or Songwe) require upgrades to support heavy equipment and product transport. Power supply is another bottleneck –Malawi has frequent electricity shortages and blackouts. While projects like Kasiya plan to use grid power, overall generation capacity must grow to meet mining's demand.

  Delays in planned power projects or interconnectors could force mines to rely on costly diesel generators longer than desired, affecting operating costs. The government's success in rapidly improving infrastructure will directly influence mining timelines and profitability.

- **Administrative Delays and Regulatory Hurdles:** In the past, mines have been delayed by slow government processes, such as protracted negotiations of development agreements and licenses. For instance, Globe Metals waited many years for the Kanyika mining license (submitted in 2014, only granted in 2021), and further time to conclude the Mine Development Agreement (finalised in 2023). Such delays, often due to capacity constraints or bureaucracy, defer investment decisions.

  Lengthy resettlement and land compensation processes (managed with government involvement) can also postpone construction – Kanyika must relocate affected families, requiring careful coordination. Additionally, companies sometimes face changing regulatory goalposts (e.g. new rules, export bans as in early 2025), which, while aimed at reform, can introduce short-term uncertainty. Streamlining administrative procedures and maintaining consistent policy will be vital to keep projects on schedule.

- **Informal Mining and Smuggling:** A substantial portion of Malawi's mineral output has been outside official channels. ASM gold and gemstone mining is largely informal, leading to smuggling that deprives the country of revenue and distorts markets. As noted, most of Malawi's gold in recent years likely left undeclared to Mozambique or Tanzania.

  Likewise, high-value rubies from Chimwadzulu were historically exported with minimal local benefit, exemplified by the government's claim that one foreign operator paid only US$600 in taxes on US$24 billion worth of rubies exported over a decade. Such extreme cases highlight governance challenges. Informality also means poor safety and environmental practices are common (e.g. mercury use in gold panning, land degradation from unsupervised excavations). The trust deficit between authorities and small miners exacerbates the issue.

  Converting this informal activity into a formalised, taxed segment is a major challenge, requiring not just enforcement, but providing incentives and support for ASM to legalise (fair pricing, technical aid, organisation into cooperatives, etc.). Until solved, smuggling will continue to leak potential export earnings and undercut legitimate operations.

- **Financing and Investment Constraints:** Mining projects in Malawi must secure large capital investments, but perceived risks (political risk, infrastructure, small market size) can make financing difficult. For example, Songwe Hill's US$277 million financing has been pending, attracting a strategic investor or lender has proven tough in a competitive global rare earth market.

  Similarly, Globe Metals has had to pursue offtake agreements and creative funding (like an equity facility) to advance Kanyika. While Malawi offers opportunities, companies often face high costs of capital and cautious banks. The government's macroeconomic situation, characterised by external debt and forex shortages, can also deter investors or increase financing costs, as it raises questions about currency stability and profit repatriation.

Additionally, for state participation shares (15 percent free carry), the government must eventually fund its portion of development or face dilution, which is a strain on public finances. Overcoming the financing hurdle may require public-private partnerships, export credit agency guarantees, or other innovative financing structures.

- **Capacity and Knowledge Gaps:** The rapid growth of the mining sector is testing Malawi's institutional and human capacity. Regulatory bodies (Geological Survey, Mines Department, Malawi Environmental Protection Authority (MEPA)) need more trained geologists, engineers, and inspectors to effectively oversee multiple large projects simultaneously.

Currently, staffing and technical expertise are limited – this can slow approval processes (e.g. reviewing complex feasibility studies or environmental plans) and enforcement of regulations. On the industry side, there is a shortage of locally available specialised skills for mining operations (mining engineers, metallurgists, etc.).

Companies may have to import skilled labour in the interim, but in the long run, building local expertise is important for employment and cost reasons. The government and companies will need to invest in training programs, perhaps leveraging universities (like the University of Malawi's mining geology program) and technical colleges, to produce the workforce needed.

- **Community and Environmental Challenges:** As projects move forward, ensuring community support and mitigating environmental impact is critical. There have been instances of community concern over land rights and compensation (e.g. farming communities at Kanyika have sought adequate resettlement packages for land taken by the mine). If not handled transparently and fairly, such issues can lead to protests or project delays.

Environmental management is equally key, Malawi is densely populated, so mines must carefully manage waste, water usage, and rehabilitation. For example, Kasiya will backfill mined-out pits and minimise water use with "dry mining" techniques, and Songwe Hill must safeguard the catchment near Lake Chilwa.

Strengthening environmental monitoring and emergency response for mines (to prevent incidents like tailings dam failures or radiation leaks at Kayelekera) is an ongoing necessity. Failure in this realm could not only harm people and ecosystems but also erode public and investor confidence in mining.

PROPOSED RECOMMENDATIONS TO MAXIMISE MINING'S CONTRIBUTION

- **Accelerate Infrastructure Development:** Prioritise power generation (including the Mozambique interconnector) and upgrade critical transport routes, especially roads and rail links to mining districts and export corridors. Public-private partnerships can help finance this infrastructure.

- **Strengthen Regulatory Consistency and Capacity:** Build a reputation for predictable, efficient regulation. This entails sticking to transparent licensing practices and avoiding sudden policy shifts that could spook investors. Any necessary reforms (such as the 2025 export ban for audit) should be time-bound and clearly communicated. The government should continue digitising the cadastre and expedite processing of license applications and renewals.

  Simultaneously, invest in capacity-building for the Mines Department and MEPA. A well-resourced regulator can process environmental permits and agreements faster without sacrificing rigour, ensuring that projects like Songwe or Kanyika do not face avoidable holdups.

- **Formalise Artisanal and Small-Scale Mining (ASM) and Promote Value Addition:** To integrate artisanal miners into the formal economy, expand on the Reserve Bank of Malawi (RBM) gold buying initiative's success. Ensure competitive pricing for ASM gold by benchmarking EDF prices to regional market rates (possibly introduce a small premium or other incentives to outcompete smugglers).

  Provide more gold buying points in mining communities to make legal sales convenient. Finalise and implement the ASM Policy/Act, simplifying how cooperatives can obtain mining claims and offering technical training on improved recovery methods (e.g. gravity concentrators to reduce gold losses and eliminate mercury).

  In parallel, promote local value addition: for gemstones, support lapidary training and establish gem cutting centres (in collaboration with private experts) so Malawi can export more finished gems rather than rough stones. For other minerals, explore opportunities like graphite processing into battery anode material domestically, or rutile refining into titanium sponge if viable. While advanced refining may be long-term, even modest steps in value addition will increase export value and create jobs.

- **Enhance Sector Governance and Transparency:** Adopt international best practices to manage the coming influx of mineral revenues. Join the EITI (Extractive Industries Transparency Initiative) to signal a commitment to open reporting of mining payments and contracts. Publish all new large mining agreements and ensure contract terms (royalties, tax rates, state equity) are competitive yet fair.

  Malawi could consider modest resource rent taxes that activate only at high profit levels, to capture upside while encouraging investment. Establish a clear framework for how mining royalties and taxes are used: for example, allocate a percentage to a Mineral Wealth Fund or to local development in mining communities (as mandated by law for community development agreements).

  This will help spread the benefits and maintain public support for mining. Continue robust enforcement against illegal mining and corruption: successful prosecution of smugglers or officials who abet illicit trade will deter future losses. By building a track record of clean, transparent management, Malawi will improve its attractiveness to responsible investors and donors.

- **Facilitate Finance and Investment:** The government can play a catalytic role in helping projects reach financial closure. One idea is to use public finance instruments (potentially backed by development partners) to de-risk investments – for instance, partial risk guarantees for political risk, or infrastructure bonds for power/rail that mines can subscribe to.

Engaging multilateral lenders (World Bank, African Development Bank (AfDB)) to provide credit lines or guarantees for mining-related infrastructure could lower the capital burden on individual projects.

Diplomatically, leverage partnerships (e.g. with India, European Union, and the United States under critical mineral initiatives) to attract strategic investors for minerals like graphite, rare earths, and niobium – these countries are seeking to secure supply chains outside of China, a trend Malawi can capitalise on.

Additionally, ensure the fiscal regime remains competitive, a stable macroeconomic environment – restoring debt sustainability and a market-driven exchange rate – will also be crucial to entice investors and reduce their perceived risk.

- **Promote Social and Environmental Stewardship:** Encourage a "shared value" approach where mining benefits both investors and citizens. Mines should be integrated with local economic development – for instance, sourcing supplies and labour locally where possible (with training programs to build local skills).

The government should monitor and assist companies in fulfilling local content plans and community development agreement commitments (schools, clinics, water supply in host communities).

On the environment, enforce progressive rehabilitation and international-standard environmental management (which reputable developers are already planning, per Kasiya's dry mining and tailings backfill strategies). Proactively address any legacy issues e.g. continue groundwater monitoring at the dormant Kayelekera site to ensure safety, to build public trust.

By demonstrating that mining can be done responsibly and benefit communities (through jobs, improved infrastructure, and community projects), policymakers will solidify broad support for the sector's growth.

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Feedback

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