

A long-term fund to lift the Porgera mining curse

by Andrew Anton Mako

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People of Porgera

Photo Credit: [Clément Piment/Flickr](#)

The last three decades of goldmining in Porgera (1989-2019) have been wasted, with little to show in terms of the socio-economic conditions of the landowners and people of Porgera-Paiela district in Enga Province, which hosts the giant goldmine. I have [written previously](#) about the curse Porgera goldmine has brought on the people, including heightened lawlessness, deteriorating basic government services, missed opportunities in education, destruction of arable land forcing the landowners to depend largely on mine royalties for survival, and infighting among leaders of landowners for control of mining benefits.

The mine closed in 2019 when the mining lease expired, but it is planned to reopen. The mine will likely [restart operations soon](#) as most agreements needed were signed on 16 October 2023. After renegotiating terms of ownership, the mine will now be majority-owned by PNG stakeholders (51%), with the landowners given 10% of equity (or ownership) for free.

The landowners will receive an estimated K2.5 billion from the 10% equity over the next 20 years when mining resumes. With other benefits such as contracts, special support grants and mining royalties, large sums of money will flow to the landowners.

The landowners have [launched a company](#) to provide mining services, but there are no proper governance mechanisms in place to manage and invest the large amounts of mining proceeds, particularly to sustain the landowners' and the entire district's long-term future beyond the mine.

This is a fundamental failure of all parties: the national government, the mining company, the landowners, and the provincial government. Without these mechanisms in place, the mining curse will not be lifted. What will be left behind after the mine has closed will be a huge crater in the ground, a forgotten township, and people still living in poverty, struggling to access basic public services. If the

last four years since the mine closure in 2019 is anything to go by, the future for Porgera landowners and the Porgera-Paiela district is gloomy.

However, there is currently a small window of opportunity. I propose three urgent initiatives to help lift the curse and chart a sustainable future for landowners and the people of Porgera-Paiela.

First, establish a long-term fund which will fund the socio-economic development needs of the landowners and the district for perpetuity after the mine closes.

This can be modelled around the PNG Sustainable Development Program (set up using the proceeds of Ok Tedi mine) and Lihir Development Investment Limited (established with the proceeds of Lihir mine for Lihir landowners). It should not be part of MRDC, the company that currently manages the landowners' equity share. Rather, the long-term fund needs strong governance and accountability, including an independent board to protect it from unscrupulous people. It must be set outside of PNG to provide it with legal protection.

I am aware that a fund called the Porgera Sustainability Fund will be established by the mining company. However, it will cease to exist beyond the mine, and will mostly duplicate the roles and responsibilities of existing government agencies in the district. The funds which are being earmarked for the Porgera Sustainability Fund should be invested instead in the long-term fund. The long-term fund can assume most of the roles of the proposed Porgera Sustainable Fund.

Second, strengthen and streamline public agencies in Porgera-Paiela.

Currently, there are two key government agencies in the district that are supposed to provide public services, namely the Porgera Development Authority (PDA) and the Porgera District Development Authority (PDDA). There is significant duplication between these agencies.

PDA receives part of the mining royalties annually, as well as special support grants from the national government, to fund its operations and to provide basic infrastructure and services in health, education, law and order, and economic projects. However, PDA has been plagued with huge governance issues – its books have not been audited for many years. There have been many leadership tussles. As a result, there is **little trace of development** on the ground for the large sums of money PDA has received over the years.

The PDDA has been set up recently as part of a national reform. Nationwide, Members of Parliament (MPs) direct funding from the District Services Improvement Program (DSIP) to priorities determined by the MP who is the chair and head of

PDDA. The PDDA is controlled by the MP of Porgera-Paiela electorate, and its main source of funds is determined by the national government. This means allocation of resources can be influenced by political affiliations both at the district and national level.

The PDDA and PDA will need to sit together, make sure their roles are properly demarcated, and the governance and accountability mechanisms of each agency strengthened to ensure full accountability of the funds each spends, so that basic public services reach the people.

The PDDA and PDA will fund socio-economic development of the landowners and the district while the mine is in operation, while the proposed long-term fund would fund their future development needs in perpetuity, beyond the mine.

Third, reform and strengthen the SML Children's Trust Fund, which was established to fund the education of Porgera landowners' families.

As proposed in my [last blog](#), the SML Children's Trust Fund, including its management, must be reviewed and reformed and stringent control and accountability requirements set in place. An independent board must be entrusted to oversee the governance of the trust fund, and a merit-based scholarship award system established to ensure students put in the effort at school. The long-term fund would be able to fund the SML Children's Trust Fund when the mine closes for good.

In the haste to reopen the goldmine, the key parties to the mine have completely overlooked the importance of establishing proper governance measures to better manage proceeds and benefits of the mine for the next 20 years and beyond. If relevant corrective measures are not taken in the next few weeks, the future of Porgera landowners and the people of Porgera-Paiela district will be irreparably damaged.

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