

The local “resource curse”: missed opportunities in Porgera, PNG



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28 June 2023

According to the “[resource curse](#)” or “[paradox of plenty](#)”, developing countries that strike it rich through the exploitation of natural resources tend to have a narrow economic base and experience low and volatile economic growth. Their citizens continue to experience hardship and poverty as resource rents are usually captured by political elites and unscrupulous actors through corruption and wastage.

This blog is about the resource curse in action at a local level. It shows how revenue from Papua New Guinea’s Porgera goldmine failed to improve education outcomes for landowners despite the investments made from mine revenues.

The Porgera goldmine in PNG’s Enga Province in the highlands opened in 1990. From the start, the mine owners invested royalties and tax credits in education infrastructure, scholarships and training.

Specifically, Porgera International School, a private school, was established in the mid-1990s for children from the special mining lease (SML) area and of the traditional landowners. Initially a primary school, its coverage was extended over time to Year 12. The school was also intended for the children of expatriate mine workers.

A scholarship fund for the SML children (SML Children’s Trust Fund) was also established, using 10% of the landowners’ annual royalty payments from the mine. The goldmine also provided scholarships to tertiary institutions for non-SML children. From 1997, the Enga provincial government used part of its [K335 million revenues from the mine](#) on school fees and school infrastructure. (I benefitted from both Enga provincial school subsidies and Porgera goldmine scholarships from 1997 to 2007.)

Expatriate teachers were brought in to teach at the Porgera International School, but sending children to the school was expensive. Children from the SML area

attended because their school fees were fully paid by the SML Children's Trust Fund. The rest of us (children from the district that was not part of the SML area) went to public primary and high schools and then onto public secondary schools in Wabag (the provincial capital of Enga). The public high school in the district was upgraded to a secondary school (Years 9 to 12) in 2016 so – unlike in the past when I had to travel four hours by road to Wabag to attend secondary school as a boarding student – children like me from the Porgera-Paiela district are now able to continue their secondary education at Porgera secondary school.

Some SML students were even sent to board at high schools in Australia after Year 6, fully funded by the SML Children's Trust Fund. SML area children were also sent to schools in the Philippines, as well as to many reputable (public and private) schools in major PNG towns such as Mt Hagen, Goroka, Lae and Port Moresby.

However, these investments in the education of SML children didn't bear much fruit. Many children dropped out of school and few made it to colleges and universities, especially when compared with children from non-landowner families in the Porgera-Paiela district and Enga Province.

It was a novel idea to invest in a private school and scholarship fund for the landowners' children. Things started off well, and with so much promise, but fell apart over the years.

Many parents and their children didn't take education seriously. The mine drastically changed landowners' lives in a very short span of time. They were living a traditional life (most with little or no education) and, within a few years of the mine's operation, they were receiving large, easy money in the form of royalties and other benefits from the goldmine. They felt little need to pay attention to their children's education, resulting in children dropping out or not making it beyond secondary school. For children at boarding schools, being away from home meant being out of reach of the parental discipline and guidance they needed to keep focused on their education.

The Porgera International School was beset with financial difficulties with the closure of the mine. Expatriate miners were reluctant to bring their families with them, preferring the fly-in fly-out model. Drops in enrolment, the departure of expatriate staff, and administrative difficulties preceded the closure of the school in 2020 following the closure of the goldmine. And tussles between mine owners Porgera Joint Venture and traditional landowners have led to the management of the SML Children's Trust Fund being transferred to the landowners. The trust fund's governance and accountability are wanting.

The SML children who didn't complete school are still living off royalties which are

periodically paid by the mine. However, it is not necessarily an easy life. A large proportion of the royalties were withheld for many years due to in-fighting among the landowners for control of the funds. And when shared within each landowning clan, the money is now thinly spread because the **population of the SML area has increased dramatically** since 1990. And, of course, royalties dried up when the Porgera mine closed in April 2020.

It is instructive to compare the experience of the landowner families with others in Enga. It is well known in PNG that Engan students have benefitted greatly from provincial secondary and tertiary scholarships, and now disproportionately appear in PNG's educated elite. Landowner students have not similarly benefitted, even though the investment in their education has been much greater. This paradoxical result can only be explained by reference to a local resource curse, which has prevented landowner families from taking education seriously.

The **increased equity stake of landowners** from 2.5% to over 10% once mine operations resume has again led to a focus on hand-outs. While the landowner families will benefit from increased funds, revenues will be spread ever more thinly across an increasing population and a continuing **influx of migrants will add to social tensions**, further disrupting educational opportunities.

The power of the local resource curse will remain.

So, what can be done to ensure better education outcomes the second time round?

First, the SML Children's Trust Fund, including its management, must be reviewed and reformed with stringent control and accountability requirements. Importantly, an independent board of reputable individuals must be entrusted to oversee the governance of the trust fund.

Second, landowner parents must take responsibility for their children's education, and provide discipline, instruction on the responsible use of money, and guidance on the value of hard work and education.

Third, a merit-based scholarship award system should be considered for the SML Children's Trust Fund – this will ensure students put in the effort at school. Scholarships should be withdrawn from children who fail to achieve minimum grades.

Fourth, a long-term development fund using proceeds from the mine should be established to fund, among other things, scholarships for SML children when the mine eventually ceases.

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The local resource curse can be broken in Porgera. But only if families learn the lesson that the benefits of mining are temporary, and the only sustainable way out of poverty is through education.

This is the second blog in a [two-part series](#).

Disclosures:

This research was undertaken with the support of the [ANU-UPNG Partnership](#), an initiative of the PNG-Australia Partnership, funded by the Department of Foreign Affairs and Trade. The views are those of the author only.

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