

# Voices from Papua



## Papua Endowment Fund: Transforming Natural Wealth into a Lasting Legacy for Future Generations

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For decades, the land of Papua has been known as one of the richest regions in natural resources in the world. Gold, copper, natural gas, tropical forests, and extraordinary biodiversity have made Papua a strategically important region in Indonesia's economy. Yet global experience reveals a reality that deserves serious reflection: many regions rich in natural resources struggle to achieve sustainable prosperity. This phenomenon is widely known as the "resource curse."

The resource curse occurs when a region becomes overly dependent on the exploitation of natural resources as its primary source of economic revenue. Such dependence often makes development fragile, unsustainable, and highly vulnerable to fluctuations in global commodity prices. When resources begin to decline or when market demand changes, the regional economy can experience severe shocks.

Papua now stands at a very important historical crossroads. Several of the largest natural resource extraction projects that have long served as the backbone of Papua's economy have clear time limits. The large-scale mining operations managed by PT Freeport Indonesia are projected to end around 2061. Similarly, the major natural gas project operated through the BP Tangguh LNG facility is expected to reach the end of its operational life around 2055.

These dates may still seem distant, but from the perspective of long-term development, they are not very far away. Sustainable economic development requires planning across generations. If Papua does not begin preparing a new economic foundation now, future generations risk facing a sharp decline in regional revenue sources.

At the same time, global economic dynamics are also changing. International demand for natural timber from tropical rainforests is steadily declining as environmental awareness grows, international trade regulations tighten, and alternative materials become more widely used. This means that reliance on forest exploitation as a source of economic income will also diminish in the future.

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All of these developments send a very clear message: Papua can no longer rely solely on the exploitation of natural resources for its future. If sustainable development is to be achieved, part of the natural wealth enjoyed today must be transformed into long-term financial assets that can benefit future generations.

This is where the concept of an “Endowment Fund” becomes highly relevant and strategic, something that was actually mandated in the Papua Special Autonomy Law more than 25 years ago (see the explanatory section of Article 38 paragraph (2)).

An endowment fund is a long-term financial mechanism designed to preserve the principal capital, while the investment returns generated from that capital are used to finance development programs. Through this approach, wealth derived from finite natural resources can be converted into a sustainable source of funding.

For Papua, an endowment fund could become an important instrument to finance key sectors such as:

- education for Papua’s younger generation
- improvement of public health services
- strengthening of local economies and entrepreneurship
- protection of the environment and tropical forests
- capacity building for Indigenous communities

The first step toward establishing an endowment fund does not have to be large. Provincial governments as well as district and municipal governments across Papua could begin by allocating a small portion of their annual regional budgets (APBD) to gradually build the fund. With fiscal discipline and professional management, the accumulated fund could, over time, become a new source of economic strength for Papua.

This is where the strategic role of Bank Papua — and the banking sector more broadly — becomes critically important.

As a regional development bank with strong historical and institutional ties to local governments throughout Papua, Bank Papua is in an ideal position to take a proactive role in encouraging the establishment of such an endowment fund. The Board of Directors of Bank Papua could take the lead by:

1. Developing the conceptual framework and management scheme for regional endowment funds.
2. Proactively offering the initiative to provincial, district, and municipal governments across Papua.
3. Building professional and transparent long-term investment management capacity.
4. Partnering with investment consultants and national as well as international financial institutions to ensure the highest standards of governance.

If managed professionally and accountably, an endowment fund would not only provide a sustainable source of development financing but also strengthen the position of Bank Papua as a strategic financial institution owned by and serving the people of Papua.

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Furthermore, endowment funds could also become an important instrument for Indigenous communities. Income derived from the use of customary land—whether through plantations, mining, or development projects—could partly be placed into community endowment funds. In this way, the economic benefits of customary land would not only be enjoyed by the present generation but also by their children and grandchildren.

Papua possesses a rare opportunity that many regions no longer have: there is still time to transform natural resource wealth into sustainable financial wealth. But this opportunity will not last forever. When mines cease operation and commodity markets shift, the range of available choices will become much more limited.

For this reason, the visionary steps taken today will determine what Papua will look like several decades from now.

The establishment of an endowment fund is not merely a fiscal policy or a financial innovation. It is a strategy of civilization — a way to ensure that Papua's natural wealth does not disappear with time but instead becomes a lasting legacy that continues to benefit future generations of Papuans.

In this historic journey, Bank Papua has the opportunity to lead the way — not only as a banking institution, but also as a guardian of Papua's economic future.

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