

## Impact case study (REF3)

<b>Institution:</b> University of Oxford		
<b>Unit of Assessment:</b> 19 – Politics and International Studies		
<b>Title of case study:</b> Sovereign wealth funds: the NSW Generations Fund (NGF)		
<b>Period when the underpinning research was undertaken:</b> October 2014 – March 2018		
<b>Details of staff conducting the underpinning research from the submitting unit:</b>		
<b>Name(s):</b> Dr. Angela Cummine	<b>Role(s) (e.g. job title):</b> BA Postdoctoral Fellowship in Political Theory	<b>Period(s) employed by submitting HEI:</b> 1 October 2014 – 31 March 2018
<b>Period when the claimed impact occurred:</b> 2018 – December 2020		
<b>Is this case study continued from a case study submitted in 2014?</b> N		
<p><b>1. Summary of the impact</b> (indicative maximum 100 words) As a result of her research on the domestic dynamics of Sovereign Wealth Funds (SWFs), Cummine was asked to advise the New South Wales government on the design, establishment, and implementation of the New South Wales Generations Fund (NGF): a new AUD10,000,000,000 world-first dual purpose sovereign wealth fund which promotes intergenerational equity by helping to maintain debt at sustainable levels while supporting communities through community wellbeing programs. The first NGF community initiative, My Community Project (MCP) – which was modelled on Cummine’s research – was launched in April 2019. In total, AUD24,700,000 was subsequently distributed by the NSW Government to fund 248 projects chosen by the local population to make their communities more liveable, cultural, accessible, safe, revitalised and healthy.</p>		
<p><b>2. Underpinning research</b> (indicative maximum 500 words) Cummine’s research focuses on the domestic implications of Sovereign Wealth Funds (SWFs), and uniquely explores the significance of SWFs for the citizen-state relationship, including how SWFs can promote the best interests of their local sponsor communities.</p> <p>Cummine’s first monograph <b>[R1]</b> identified and examined the three areas in which sovereign funds have the greatest impact on the domestic citizen-state relations, namely: the investment of fund returns in markets by governments on behalf of citizens, the accountable management of these funds and the fair distribution of a community’s sovereign wealth. All three areas, as the research demonstrates, are oftentimes overlooked, producing “undemocratic, unethical and unjust outcomes for citizens” despite the potential of SWFs in promoting social justice and welfare in local communities. To lay the theoretical foundation for action-guiding policy prescriptions to redress these inequities, Cummine explored the principal-agent framework of citizen-state relations in the case of the design and management of SWFs. This involved elaborating on a set of fiduciary principles requiring community control over a government agent and, by extension, government assets. These principles included, for example, the notion that all property obtained by the agent in the course of acting on the principal’s behalf belongs to the principal and must be managed exclusively and solely for their benefit with far-reaching implications for the proper management of citizen-owned government wealth. Within this theoretical scaffolding, the research articulated principles to guide citizen-centric design of SWFs and other public assets that seeks to ensure that a citizen collective can exercise a degree of control over shared financial assets and that the collective benefits from this control continue over time. <b>R2</b> considered whether sovereign wealth funds had a special duty, by virtue of their status as public wealth managers, to invest their assets according to human rights obligations to promote the values of their sponsor communities. It concluded that such an obligation does exist and that translating this duty into practical action should see sovereign fund portfolios actively invested in human rights promoting investments and divested from holdings where human rights breaches occur.</p>		

In an effort to help translate the citizen-centric framework of SWF design and management into action-guiding policy prescriptions in different political economies, Cummine and experts in sovereign wealth fund design and governance (both academic and senior government/SWF appointments and asset managers), developed a collaborative discussion paper [R3]. The paper showed how both resource-rich and non-commodity-based sovereigns could establish sovereign funds to promote intergenerational transfer of wealth and ensure robust governance to quarantine these assets over time from political squandering. It produced a supporting set of detailed case studies on real-world sovereign funds covering establishment, source of funds, governance, investment strategies and distribution policies.

To illustrate the real-world dilemmas and domestic conflicts that can arise from a non-citizen oriented approach to both public asset and liability management, Cummine authored R4 on Greece's privatisation fund set up, which was established at the insistence of international creditors to help pay down the country's extraordinary debt levels from the 2010 sovereign debt crisis. This article sought to demonstrate again the link between real world conflicts over control of and benefit from public assets to the more fundamental question: who owns the State? While the intensity of the 'nationalisation versus privatisation' debates of the 1980s has somewhat waned, the desirability of public ownership remains a salient topic in politics across the globe. Noting the resurgence of the 'owner state' over the preceding decade, the article sought to describe both the reactive and proactive dimensions of this phenomenon. On the reactive side, the financial crisis required extensive government intervention across OECD economies, resulting in an unplanned build-up of public assets and record public liabilities. Emergency sovereign debt issues and national bailouts signalled a new era of public indebtedness. On the proactive side, many governments capitalised on windfalls from the super commodity cycle and trade surpluses, storing impressive levels of wealth in new Sovereign Wealth Funds (SWFs). Other governments, like those of Scotland, Greece, and the UK, began selling off public assets including land and government buildings to generate fresh national capital and reduce primary deficits. These new assets and liabilities pose tough choices for governments, which a framework of state ownership sought to help them navigate.

There are also successful examples of citizen-centric management of public assets. In a article commissioned for the leading progressive Think Tank Juncture [R5], Cummine explored the real-world possibility of a Citizens' Wealth Fund and a citizens' income in the U.K based on the successful model of Alaska's Permanent Fund and dividend – a unique combination of publicly owned wealth fund and basic citizen's income. At the time, these ideas continued to intrude on British political debates about equality, poverty, wealth and investment. The article made recommendations for the most successful model for the UK to pursue, advocating for a basic income attached to individuals as a right of citizenship, and linked a permanent funding source, to ensure quarantine from the vicissitudes of annual budget rounds and spending decisions.

The research was supported by a British Academy Post-Doctoral Fellowship, October 2014 – April 2018.

### 3. References to the research (indicative maximum of six references)

[R1] (Book) Angela Cummine, *Citizens' Wealth: Why (and How) Sovereign Funds Should Be Managed By the People For the People* (Yale University Press, 2016) (Available upon request)

[R2] (Book chapter) Angela Cummine, 'Ethical Sovereign Investors: Sovereign Wealth Funds and Human Rights', in Bohoslavsky and Černič (eds), *Making Sovereign Financing and Human Rights Work* (Hart Publishing, 2014) (Available upon request)

[R3] (Research report, external body) Angela Cummine et al (2015) *Sovereign Investor Models: Institutions and Policies for Managing Sovereign Wealth* Discussion Paper, Belfer Center for Science and International Affairs and Center for International Development, Harvard Kennedy

School, April 2015 at

[https://projects.iq.harvard.edu/files/sovereignwealth/files/investor\\_models\\_final.pdf](https://projects.iq.harvard.edu/files/sovereignwealth/files/investor_models_final.pdf)

[R4] Angela Cummine, 'Who Owns State Assets', *British Academy Review*, Summer 2016, 50-53, <https://www.thebritishacademy.ac.uk/sites/default/files/BAR28-14-Cummine.pdf>

[R5] Angela Cummine, 'A citizen's income and wealth fund for the UK: Lessons from Alaska', *Juncture IPPR*, 2 Feb 2015 <https://www.ippr.org/juncture/a-citizens-income-and-wealth-fund-for-the-uk-lessons-from-alaska>

#### 4. Details of the impact

Following the release of the 2016 Intergenerational Report, the government of New South Wales (NSW), Australia, were concerned about a looming fiscal gap (projected to be 3.4% of Gross State Product (GSP) / AUD17,300,000,000 by 2055–56) caused by a combination of slowing government revenues and an escalation in expenses to support the wellbeing of an older, less productive population. Following a presentation of her book [R1] to think tank Reinvent Australia in July 2017, Cummine was asked to brief the NSW State Treasurer's Office, responsible for supporting intergenerational equity, on how a community-centred Citizens' Wealth Fund might help address this fiscal gap. Cummine subsequently advised the government as an independent expert on the establishment and design of the New South Wales Generations Fund (NGF), particularly with regard to the citizen-state relationship and community control and oversight of a SWF.

#### Designed and conceptualised the New South Wales Generations Fund and the My Community Dividend program

The CEO of TCorp (NSW Treasury Corporation) invited Cummine to assume leadership of the project in January 2018. Cummine coordinated a Treasury-led cross-government team, in partnership with TCorp, to develop a project proposal to be submitted to the NSW Government's Expenditure Review Committee of Cabinet for consideration. Two underpinning principles – the return split supporting intergenerational equity and the need for an expert supervisory Board – drawn from Cummine's research [R1, R3, R5] – were included in the ultimate proposal [C1 p.2; p.8; p.15].

Cummine's research [R1, R5, R5] was also instrumental in informing the creation of the associated 'My Community Dividend' (later renamed to My Community Project based on user feedback) that allows NSW residents to propose and vote for projects that improve their local communities. Developed with South Australia's Department of Premier and Cabinet, the programme resulted from Cummine's briefing of the NSW State Treasurer in which she described her research on the Alaska Permanent Fund Dividend and the idea of giving citizens a stake in their public wealth, sharing up to 50% of the fund's returns with today's citizens and sharing the other 50% with future generations by saving them in the fund [C1 p.19]. Echoing and adapting this example, the NGF was set up with a Community Fund to support annual community wellbeing programs funded by a portion of the NGF's return stream annually. The first community programme supported by the Fund was My Community Project, which operated as a collective dividend for the people of NSW, funding up to AUD25,000,000 of local community projects.

Following the Government decision to establish the NGF in May 2018, the NSW Treasury Secretary invited Cummine to oversee preparations of the first legislative draft for the NGF [R3] which passed as the NSW Generations Funds Act 2018 [C2] and was the centrepiece of the NSW 2018–2019 Budget in the Treasurer's Parliamentary Budget Speech in June of that year [C3]. Subsequently, the Treasury Secretary acknowledged Cummine's "...significant and invaluable contribution" concluding "It has greatly contributed to... getting a world first structure of this nature off the ground" [C4].

Following the NSW Budget announcement, Cummine was invited to join the NSW Treasury as NGF Director to oversee the management and policy programme of the Fund. Leveraging her

research expertise, Cummine led the design and implementation of the My Community Project (MCP) to launch in April 2019. In Round One of MCP, AUD24,700,000 was invested by the NSW Government to fund 248 projects chosen by the community *“...funding between AUD20,000 and AUD200,000 has been allocated to each of the successful projects across the state to make the community more liveable, cultural, accessible, safe, revitalised and healthy”* [C5].

Unfortunately, as a result of the COVID-19 pandemic, the NSW Government announced that the NGF Board would be dissolved and Round Two of My Community Project will not proceed until all grant programs in NSW have been reviewed as part of the State’s fiscal repair effort. Subsequently, the NGF Board Chair wrote to the NSW Treasurer with final reflections on his time overseeing the NGF set up and implementation, delivery of MCP and investment performance and Board creation. *“I would like to particularly acknowledge the contribution to the NGF Board’s work of Angela Cummine of NSW Treasury, whose intellectual and practical contribution to the conception and delivery of the NGF and MCP, and support of the Board, was first rate. People of her capability and integrity do great credit to the role of government in our community.”* [C6]

### **Increased the financial and global prominence of TCorp and supported the NSW Government to maintain sustainable debt levels**

Launched with an initial AUD10,000,000,000 in November 2018, TCorp’s 2019 annual report shows that by June 2019 the Fund had grown to AUD10,900,000,000 funds under management and had generated AUD903,000,000 in returns performing, as the report acknowledges, *“...well above expectations”* [C7 p. 19]. With the addition of the NGF to TCorp’s total portfolio of NSW government assets, TCorp became a top five asset manager in Australia and within the top 100 globally [C7, p.2] Later in the report, both TCorp and the government formally acknowledge that the NGF, with its dual purpose model that is based on Cummine’s research into how sovereign funds can benefit citizens, *“is helping the government maintain sustainable debt levels consistent with a AAA credit rating, helping support current and future generations”* [C7, p. 27].

### **Beneficiaries of My Community Project**

Opened for applications in April 2019, the My Community Project (MCP) enabled citizens aged over 16 to vote for community proposals from July 2019. Over 1800 proposals were received during the application period between April to May 2019. The NSW Generations Fund 2018–19 Annual Report highlights *“[...] 1854 applications across six categories were received, reflecting the diverse needs and interests of NSW communities”* [C1]. More than 1500 project ideas met program guidelines and were progressed to the community voting stage, with over 61,000 votes cast across NSW resulting in 248 successful projects sharing in a total investment of AUD24,700,000 [C1, p. 28]. The MCP helped foster civic pride and community spirit, with the website receiving over 2,500,000 page views in 2019. A user survey noted that 82% felt that the MCP is a worthwhile initiative for the government to run and 80% agree that the MCP contributed to wellbeing of individuals and local communities [C5].

Successful case studies for MCP’s first phase include the Hornsby Berowra Men’s Shed that had been operating out of a garage for many years. The charity, which builds specialised furniture, tools and play equipment for hospitals, youth groups and schools, are now able to use AUD108,230 from the MCP to build a purpose-built workshop on a site in Mount Kuring-gai. The new workshop not only provides valuable extra space, but *“will improve our safety significantly”* (Shed president) [C8]. In Yenda, the community rallied behind 8-year old Jackson Dunn to secure AUD200,000 to build a skatepark. A project to revitalise horse sports in the Binnaway community received AUD100,000 to replace the old campdraft yards to enable more families to participate in horse sports [C5].

In July 2020, Cummine was asked to officiate at the opening of the Macquarie Links Playground project [C9]. Macquarie Community Association in Western Sydney, representing 1360 people including 364 families, had for many years considered installing playgrounds at various locations but did not have the funds to do so. Macquarie Links was successful with its MCP project

proposal and approval was granted for three small playgrounds across the estate and one fitness area. Funding was received in early 2020 and site works and installation was completed in late June. Project sponsor, Gary Camp, confirmed the benefit of the project to the local community: *“Thank you for giving up your Saturday morning to open our new playground and also a big thanks for the successful idea and implementation of “My Community Project”. Without this funding our suburb would still not have a child’s playground nor for many years to come [...] Our resident children have had great fun using the play equipment and also the fitness equipment”* [C9].

**5. Sources to corroborate the impact** (indicative maximum of 10 references)

**C1:** NSW Generations Fund 2018–19 Annual Report.

**C2:** New South Wales Generations Funds Act June 2018.

**C3:** New South Wales Budget Speech 2018–19 delivered on 19 June 2018 by The Hon. Dominic Perrottet MP, Treasurer, and Minister for Industrial Relations.

**C4:** Email from Treasury Secretary re Project Generation, 11 May 2018.

**C5:** Attachment A: NSW government summary of MCP implementation statistics.

**C6:** Letter from NGF Chair to NSW Treasurer, 17 December 2020.

**C7:** New South Wales Treasury Corporation Annual Report 2019.

**C8:** The Daily Telegraph: <https://www.dailytelegraph.com.au/newslocal/the-hills/hornsby-berowra-mens-shed-development-application-for-new-shed-in-mt-kuringgai/news-story/bc456920b551e49c2765d62ab6189c3e>

**C9:** Macquarie Links Playground project opening photographs and email from project sponsor, July 2020.