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**Minister for Finance**

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## **STATEMENT OF EXPECTATIONS FOR THE NATIONAL RECONSTRUCTION FUND CORPORATION**

The National Reconstruction Fund Corporation (NRFC) plays a vital role in strengthening Australia's manufacturing capability, building a skilled workforce, and diversifying the economy. Its work is central to the Government's long-term vision to grow industrial capabilities, enhance productivity and bolster economic security and resilience. This mission is now more important than ever.

As Australia navigates an increasingly complex global and regional economic environment, the NRFC must remain focused on making investments that support our national interests.

The Government expects the NRFC to deliver investments that align with national priorities and strengthen Australian production and investment capabilities, drive productivity and competitiveness, and create secure, sustainable and well-paid jobs for Australians.

This is a time of great opportunity for new and emerging technologies and industries in Australia. It is essential that the NRFC embraces this opportunity with aspiration and ambition.

Aspiration and ambition are also essential to addressing emerging challenges for Australian industry – geopolitical tensions, structural changes to the global economy, rapid technological change and environmental pressures are presenting new hurdles. The Government expects the NRFC to meet these challenges head-on by building on its early momentum and accelerating its investments to support genuine nation building projects.

The Prime Minister has outlined the Government's second term priorities<sup>1</sup>. We expect the NRFC to contribute towards these priorities using available levers and with a renewed focus on:

- The Future Made in Australia agenda, including lifting the productive capacity of Australia's industrial regions;
- Harnessing technologies that will underpin Australia's ongoing economic resilience and security, such as artificial intelligence (AI) and quantum; and
- Growing a thriving advanced manufacturing industry that contributes towards productivity growth, including in the clean energy, housing and construction sectors.

### **1. *Investment Mandate***

We are pleased to see the NRFC's initial investments and strong pipeline. The NRFC must ensure that its risk appetite meets Government objectives for the National Reconstruction Fund. Whilst the NRFC is required to deliver a positive return to the Government over time, we expect the Corporation to prioritise national impact over short term profit. We want to see the NRFC accelerate investment and adopt an ambitious approach to fully deliver on its mandate to build Australia's

industrial capability. We expect the Corporation to set its aspirations high and place significant emphasis on nation building projects with a focus on long term outcomes for Australia.

We congratulate the NRFC for investing into Australian capability beyond the original 2024-25 estimate. Noting the forward estimates, we expect the NRFC to achieve a similarly ambitious investment rate of \$1.5 billion in (2025-26).

## **2. *The strategic environment***

At a time of global economic uncertainty, the NRFC must consider risks to Australian industry, economic security and resilience, and identify ways to mitigate these risks to preserve and foster sectoral agility, growth and innovation.

The Government has committed to deliver an Economic Resilience Program through the NRFC. The Economic Resilience Program will allocate \$1 billion from existing NRF funding to provide zero-interest loans to businesses impacted by market disruptions. Investments made under this program should focus on building Australia's sovereign capability, enhancing economic security and strengthening national resilience. This could include supporting investment in industrial facilities in regional Australia that are at risk of closure, such as in smelting.

Sector specific missions could also be used by the NRFC to build industrial capability and support supply chain diversification. For example, the NRFC could invite proposals from industry in clean energy manufacturing supply chains. Noting the opportunity to amplify investment impacts across Australian industry, the NRFC could consider an early focus on wind tower supply chains.

## **3. *Collaborating with other government agencies and advisory bodies***

The NRFC plays an important role in advancing priority industry areas, with policy levers shared across the Commonwealth and States and Territories. We thank the NRFC for its collaboration with relevant departments, agencies, and other government bodies to date, and encourage this to continue. Similarly, the NRFC should continue to advise on obstacles to promising investments that align with the Government's objectives.

We ask that the NRFC continues to actively engage with the Net Zero Economy Authority (NZEa). The NZEA is playing a key role in supporting Australia's transition to net zero by:

- promoting orderly and positive economic transformation;
- facilitating emissions reductions; and
- supporting regions, communities and workers to manage the impacts and share in its benefits.

The NZEA is prioritising regions most at risk from decarbonisation, as well as those best positioned to benefit from emerging industries. Its six current focus regions are: Collie (WA), Central Queensland (QLD), the Hunter (NSW), Latrobe Valley (VIC), Pilbara (WA) and Upper Spencer Gulf (SA). To align with and complement these efforts, where possible the NRFC should consider investment opportunities in these regions that support economic diversification and transformation.

We encourage leveraging the expertise of the Department of Industry, Science and Resources, and agencies and bodies such as the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and the National Science and Technology Council.

When entering into investments or partnerships with other Commonwealth entities, the NRFC should consider the Government's broader financial exposure to avoid overcommitment to any

single proponent or investment. In particular, it should consider the objectives and scope of other Special Investment Vehicles (SIVs) and investment bodies, ensuring that its investments are complementary and not duplicative.

**4. Ensuring effective governance and reporting**

We acknowledge the NRFC's independence as a corporate Commonwealth entity and that its functions are defined in relevant legislation. The expectations outlined in this letter provide the NRFC with context on the Government's policy intent and apply to the extent permitted by relevant legislation and regulation.

The NRFC must continue to operate in a proper, efficient and effective manner in its use of Commonwealth funds, consistent with its obligations under the *Public Governance, Performance and Accountability Act 2013* and the *Special Investment Vehicles Resource Management Guide (RMG)* 127. This includes provision of biannual SIV Portfolio Dashboard reports. We expect the NRFC to work with the Department of Industry, Science and Resources and the Department of Finance to develop a quarterly performance report for submission to departments.

We note the recent findings of the Auditor General in its first audit of the NRFC, including that the design of the NRFC by the Department of Industry, Science and Resources and the Department of Finance was largely effective and the NRFC's governance arrangements are largely sound. We welcome the NRFC's acceptance of the seven recommendations made by the Auditor General. We expect these recommendations to be implemented by the NRFC in a timely manner.

We look forward to receiving the NRFC's Statement of Intent (Sol), which should outline how the Corporation will deliver on this SoE. We expect the Sol be provided within three months of receipt of this SoE.

We look forward to your response and to working together on the NRFC's next chapter – one in which it makes bold and meaningful investments that deliver real policy outcomes for industry and for Australia.

Yours sincerely



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Minister for Finance



Senator the Hon Tim Ayres

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