



National Reconstruction Fund and National Reconstruction Fund Corporation – unwind and close	
Party:	The Coalition
Summary of proposal:  The proposal would unwind the National Reconstruction Fund and abolish the National Reconstruction Fund Corporation (NRFC).  The proposal would start on 1 July 2025.	

## Costing overview

The proposal would be expected to increase the fiscal balance by around \$609 million, the underlying cash balance by around \$514 million and the headline cash balance by around \$11.2 billion over the 2025-26 Budget forward estimates period (see Table 1). This impact reflects a decrease in administered expenses and public debt interest (PDI).

The proposal would be expected to have an impact beyond the 2025-26 Budget forward estimates period. A breakdown of the financial implications over the period to 2035-36 is provided at Attachment A.

Consistent with [PBO Guidance 02/2015](#), public debt interest (PDI) expense impacts have been included in this costing because the proposal involves financial asset transactions. A full breakdown of the accounting treatment of Government investment funds is provided at Attachment B

The financial implications of the proposal are sensitive to the type of loans made, the rate of return on investments, and timing of repayments of loan principal amounts and investment returns.

**Table 1: National Reconstruction Fund and National Reconstruction Fund Corporation – unwind and close**  
**National Reconstruction Fund and National Reconstruction Fund Corporation – unwind and close – Financial implications (\$m)<sup>(a)(b)</sup>**

	2025-26	2026-27	2027-28	2028-29	Total to 2028-29
Fiscal balance	63.1	110.5	168.3	267.2	609.1
Underlying cash balance	51.5	86.7	141.5	234.3	514.0
Headline cash balance	1,961.5	2,426.7	3,101.5	3,704.3	11,194.0

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are included in the totals.

## Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

- The NRFC will have invested the full \$15 billion allocated to it by the end of 2029-30, investing \$3 billion in 2029-30. This is the difference between \$15 billion and the value of investments allocated to previous years.

- 59% of this remaining investment would be in the form of loans, which is the average proportion over the forward estimates in the Department of Industry, Science and Resources' 2025-26 Portfolio Budget Statements (PBS).
- Employee and supplier costs would grow in line with Wage Cost Index 3 (WCI-3) over the medium term.
- No principal loan repayments would occur over the medium term.
  - This is informed by the PBS, which does not include principal repayments or dividends paid to the NRFC over the forward estimates.
  - Further, the NRFC's Investment Mandate states that the NRFC must take a 'medium- to long-term outlook in relation to [its] investment practices.' As such, loans are not expected to be repaid within the medium term.
  - Consistent with limits on concessional financing in the investment mandate there are no concessional loans made in the medium term.
- As no repayment of principal loan amounts are made, interest payments would revert to the portfolio benchmark return in the NRFC investment mandate after the forward estimates. This is equal to 2.5% above the five-year Australian government bond rate.

## Methodology

Employee and supplier costs were informed by the PBS and grown in line with WCI-3.

Interest payments, loans issued, and investments made were estimated based on projections in the PBS.

Financial implications were rounded consistent with the PBO's rounding rules.<sup>1</sup>

## Data sources

Commonwealth of Australia (2025) *Pre-election Economic and Fiscal Outlook 2025*, Commonwealth of Australia.

Federal Register of Legislation (2023) [National Reconstruction Fund Corporation \(Investment Mandate\) Direction 2023](#), Australian Government.

National Reconstruction Fund Corporation (2025) [Portfolio Budget Statements](#), Department of Industry Science and Resources, page 167.

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<sup>1</sup> <https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules>

## Attachment A – National Reconstruction Fund and National Reconstruction Fund Corporation – unwind and close – Financial implications

**Table A1: National Reconstruction Fund and National Reconstruction Fund Corporation – unwind and close – Fiscal balance (\$m)<sup>(a)</sup>**

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
<b>Revenue</b>													
<i>Interest on loans</i>	-29.0	-81.0	-145.0	-197.0	-620.0	-620.0	-620.0	-620.0	-620.0	-620.0	-620.0	-452.0	-4,792.0
<b>Expenses</b>													
<i>NRFC administration costs</i>	49.1	52.5	54.3	56.2	57.5	58.8	60.1	61.5	62.9	64.4	65.9	212.1	643.2
<b>Total (excluding PDI)</b>	<b>20.1</b>	<b>-28.5</b>	<b>-90.7</b>	<b>-140.8</b>	<b>-562.5</b>	<b>-561.2</b>	<b>-559.9</b>	<b>-558.5</b>	<b>-557.1</b>	<b>-555.6</b>	<b>-554.1</b>	<b>-239.9</b>	<b>-4,148.8</b>
<i>PDI impacts</i>	<b>43.0</b>	<b>139.0</b>	<b>259.0</b>	<b>408.0</b>	<b>555.0</b>	<b>622.0</b>	<b>625.0</b>	<b>629.0</b>	<b>633.0</b>	<b>638.0</b>	<b>644.0</b>	<b>849.0</b>	<b>5,195.0</b>
<b>Total (including PDI)</b>	<b>63.1</b>	<b>110.5</b>	<b>168.3</b>	<b>267.2</b>	<b>-7.5</b>	<b>60.8</b>	<b>65.1</b>	<b>70.5</b>	<b>75.9</b>	<b>82.4</b>	<b>89.9</b>	<b>609.1</b>	<b>1,046.2</b>

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

**Table A2: National Reconstruction Fund and National Reconstruction Fund Corporation – unwind and close – Underlying cash balance (\$m)<sup>(a)</sup>**

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
<b>Receipts</b>													
<i>Interest on loans</i>	-28.0	-79.0	-140.0	-191.0	-600.0	-600.0	-600.0	-600.0	-600.0	-600.0	-600.0	-438.0	-4,638.0
<b>Payments</b>													
<i>NRFC administration costs</i>	47.5	50.7	52.5	54.3	55.6	56.9	58.2	59.5	60.9	62.3	63.7	205.0	622.1
<b>Total (excluding PDI)</b>	<b>19.5</b>	<b>-28.3</b>	<b>-87.5</b>	<b>-136.7</b>	<b>-544.4</b>	<b>-543.1</b>	<b>-541.8</b>	<b>-540.5</b>	<b>-539.1</b>	<b>-537.7</b>	<b>-536.3</b>	<b>-233.0</b>	<b>-4,015.9</b>
<i>PDI impacts</i>	<b>32.0</b>	<b>115.0</b>	<b>229.0</b>	<b>371.0</b>	<b>518.0</b>	<b>605.0</b>	<b>625.0</b>	<b>628.0</b>	<b>632.0</b>	<b>637.0</b>	<b>642.0</b>	<b>747.0</b>	<b>5,034.0</b>
<b>Total (including PDI)</b>	<b>51.5</b>	<b>86.7</b>	<b>141.5</b>	<b>234.3</b>	<b>-26.4</b>	<b>61.9</b>	<b>83.2</b>	<b>87.5</b>	<b>92.9</b>	<b>99.3</b>	<b>105.7</b>	<b>514.0</b>	<b>1,018.1</b>

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

**Table A3: National Reconstruction Fund and National Reconstruction Fund Corporation – unwind and close – Headline cash balance (\$m)<sup>(a)</sup>**

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
<b>Receipts</b>													
<i>Interest on loans</i>	-28.0	-79.0	-140.0	-191.0	-600.0	-600.0	-600.0	-600.0	-600.0	-600.0	-600.0	-438.0	-4,638.0
<i>Repayment of principal</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Return on investments</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total – receipts</b>	<b>-28.0</b>	<b>-79.0</b>	<b>-140.0</b>	<b>-191.0</b>	<b>-600.0</b>	<b>-600.0</b>	<b>-600.0</b>	<b>-600.0</b>	<b>-600.0</b>	<b>-600.0</b>	<b>-600.0</b>	<b>-438.0</b>	<b>-4,638.0</b>
<b>Payments</b>													
<i>NRFC administration costs</i>	47.5	50.7	52.5	54.3	55.6	56.9	58.2	59.5	60.9	62.3	63.7	205.0	622.1
<i>Loans</i>	1,080.0	1,380.0	1,730.0	2,030.0	1,760.0	-	-	-	-	-	-	6,220.0	7,980.0
<i>Investments</i>	830.0	960.0	1,230.0	1,440.0	1,240.0	-	-	-	-	-	-	4,460.0	5,700.0
<b>Total – payments</b>	<b>1,957.5</b>	<b>2,390.7</b>	<b>3,012.5</b>	<b>3,524.3</b>	<b>3,055.6</b>	<b>56.9</b>	<b>58.2</b>	<b>59.5</b>	<b>60.9</b>	<b>62.3</b>	<b>63.7</b>	<b>10,885.0</b>	<b>14,302.1</b>
<b>Total (excluding PDI)</b>	<b>1,929.5</b>	<b>2,311.7</b>	<b>2,872.5</b>	<b>3,333.3</b>	<b>2,455.6</b>	<b>-543.1</b>	<b>-541.8</b>	<b>-540.5</b>	<b>-539.1</b>	<b>-537.7</b>	<b>-536.3</b>	<b>10,447.0</b>	<b>9,664.1</b>
<i>PDI impacts</i>	32.0	115.0	229.0	371.0	518.0	605.0	625.0	628.0	632.0	637.0	642.0	747.0	5,034.0
<b>Total (including PDI)</b>	<b>1,961.5</b>	<b>2,426.7</b>	<b>3,101.5</b>	<b>3,704.3</b>	<b>2,973.6</b>	<b>61.9</b>	<b>83.2</b>	<b>87.5</b>	<b>92.9</b>	<b>99.3</b>	<b>105.7</b>	<b>11,194.0</b>	<b>14,698.1</b>

(a) A positive number for the headline cash balance indicates an increase in receipts or a decrease in payments or net capital investment in headline cash terms. A negative number for the headline cash balance indicates a decrease in receipts or an increase in payments or net capital investment in headline cash terms.

- Indicates nil.

## Attachment B – National Reconstruction Fund and National Reconstruction Fund Corporation – unwind and close – Accounting for Government investment funds.

### Government investment funds

The Government's investment funds (the Funds) are reported on the Government's balance sheet as financial assets, consisting of cash and investments. Costings include the impact of PDI ([PBO Guidance 02/2015](#) and the [Charter of Budget Honesty Costing Guidelines](#)).

#### Creating new funds

A decision to create a new Fund or inject cash into an existing Fund involves increasing gross debt or reducing other cash holdings. There is no immediate impact on UCB, FB or HCB as this is a financing activity that only changes the composition of the balance sheet and not net worth.

#### Fund earnings

Fund earnings in the form of interest or dividends impact UCB, FB and HCB, whereas capital gains are classified as *other economic flows* with no impact on these aggregates (See Budget Paper No. 1 Australian Government general government sector operating statement).

#### Fund investments

Fund investments are generally determined under an investment mandate.

Where the Fund invests in:

- financial assets solely to generate a return, the investments do not immediately impact UCB, FB or HCB.
- equity or loans for policy purposes, cash flows from purchases and sales and principal payments and repayments are included in HCB. Concessional loans have an initial negative impact on FB that is reversed as the loan is repaid.

#### Fund Drawdowns

Drawdowns from the Fund for grant payments or to purchase non-financial assets have an immediate impact on UCB, FB and HCB.

#### Closing funds

A decision to close a Fund would not result in an immediate reduction on UCB, FB or HCB. This is because either the relevant cash and investments would still be reported as assets on the balance sheet (if investments are retained) or there would be no change to net worth (if the remaining funds were used to reduce the borrowing requirements).

There are ongoing impacts on UCB, FB and HCB to the extent that any reduction in PDI is larger or smaller than the reduction in Fund earnings from interest and dividends.