Response to the Independent Review of the Operation of the NRFC Act: Discussion Paper

Research Australia Submission

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RESEARCH AUSTRALIA

Championing Australian health & medical research & innovation

Ms Swati Dave
Senator the Hon Tim Ayres Appointee
Independent review of the operation of the National Reconstruction Fund Corporation Act 2023 (the NRFC Act)

Dear Ms Dave

Research Australia, as the national health and medical research and innovation peak body and alliance, welcomes the opportunity to provide this response to the “independent review of the operation of the National Reconstruction Fund Corporation (NRFC) Act " inquiry. Research Australia has consistently supported the establishment and implementation of the National Reconstruction Fund (NRF). However we argue it will only achieve its full potential if it is embedded within a broader innovation ecosystem that connects research, commercialisation, manufacturing, workforce development and national priorities. Given a quarter of Australia’s R&D is spent on health and medical research, it is critical the NRF strengthen its focus in the NRF on health and medical research, development and innovation and its relationship to the 6 other key priorities.

Research Australia emphasises that the current fragmentation of Australia’s research, development and innovation landscape represents a significant sovereign risk; without an institutional anchor to bridge the "valley of death” and prior, world-class Australian discoveries will continue to be commercialised offshore, resulting in a permanent loss of economic value and sovereign capability.

The failure to strengthen the importance of health and medical research, development and innovation as a priority and critical sector in its own right will risk unintended consequences for the sector, for economy and for our health.

A strong health and medical research, development and innovation sector enables greater outcomes and productivity through better health, drives efficiencies across Australia’s health system and delivers new revenue opportunities through creating an Australian industry and the export of health innovations. Health innovation and the potential industries it enables, offers a real opportunity for diversifying our economy. Per capita, Australia is one of the wealthiest countries in the world. And while it is no longer true that Australia rides on the sheep’s back, for a wealthy country our economy remains poorly diversified. This places Australia’s long-term future at risk; a decline in the export value of just a few key commodities can jeopardise our whole economy and standard of living. Covid exposed Australia’s reliance on one major export partner, China, for three of our major exports: minerals, tourism and higher education. Such a concentrated reliance on one export partner and a few exports is unparalleled in the developed world, and it is a situation we need to change dramatically by creating a more innovative and diverse economy that exports a range of goods and services to the world.

The Atlas of Economic Complexity, developed by Harvard University's Growth Lab, ranks Australia as the 102nd most complex economy in the world out of 145 countries, behind countries including Bangladesh and Senegal. The current rapidly changing, and unpredictable geopolitical environment again is requiring this even more than immediately after Covid, the unpredictability of US tariffs and the current Middle East conflicts. This means supporting the companies in Australia, both small and large, that are engaging in research, development and innovation, creating new jobs and opportunities and diversifying our economy is essential.

The NRF has the potential to enable Australia to be a health innovation manufacturing power. However, success depends upon a "whole-of-systems" approach that treats the NRF not as a passive lender, but as a strategic catalyst connecting discovery science to industrial scale. The following submission outlines the legislative refinements necessary to ensure the NRFC Act 2023 effectively addresses market failures and secures Australia's future as a global innovation leader.

We provide this response with contributions from our members, from across the health and medical research ecosystem – universities, medical research institutes, public and private health services, industry commercialising in medtech, biotech and pharmaceuticals and patient advocacy organisations - who serve as key stakeholders in this process. Their insights and perspectives have been carefully considered to ensure a comprehensive understanding and response. Our priorities include smarter investment and value realisation for the sector, health innovation, supporting a skilled and enabled research and innovation workforce and advancing health equity.

Research Australia has drawn from its previous submissions:

- *Research Australia's Pre-Budget Submission 2026–27.*
- *Research Australia submission to the Strategic Examination of Research and Development (SERD)*
- *Research Australia submission to the Strategic Examination of Research and Development (SERD) Issues Papers.*
- *Research Australia's submission to the Draft National Health and Medical Research Strategy 2026–2036*

Response to Questions

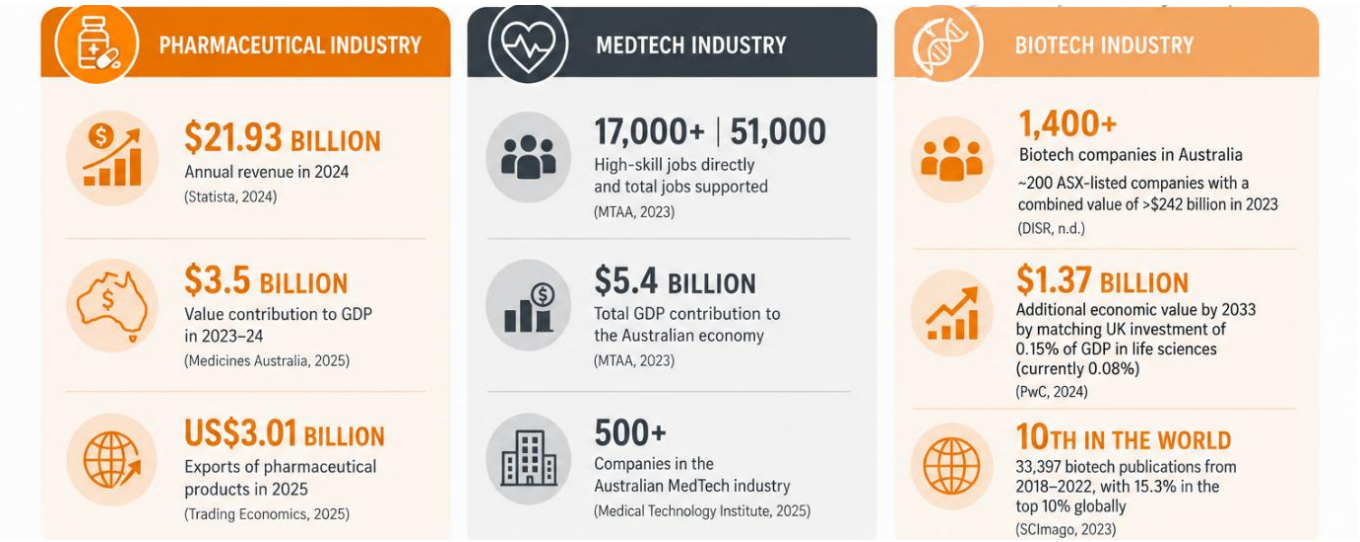
1. Evaluating the NRFC's Role in Economic Transformation (Response to Q1)

The effectiveness of the NRFC Act in achieving its objectives – primarily facilitating increased flows to finance into priority areas and driving economic transformation is contingent upon the prioritisation of sectors where Australia holds a clear competitive

advantage. Prioritising health and health innovation as a primary focus area is an inescapable economic imperative.

Health and medical research, development, and innovation constitute a quarter of Australia's total R&D expenditure, playing a crucial role in underpinning a dynamic and thriving economy, productivity and population health.

A high level analysis of the contribution that the health innovation industry can contribute to Australia is set out below:



Research Australia Infographic, 2026 (AI generated using original source data)

Further to this, discrete opportunities exist within these markets that will create even more opportunities for Australia and its national priorities. For example, in addressing women's equity, both in health and in economic participation, women's health within medtech is globally valued at over $100b+ in tracked women's health exit value, with nearly half of all exits happening in the past five years (Alpha Omega Advisors (2026) Follow the Exits: Why Women's Health Is a Smart Bet in Healthcare), thus offering a targeted opportunity to strengthen impact in both economic impact and health outcomes.

The health innovation industry, coupled with it's potential to reduce the cost of health care in Australia, sets the imperative of health and health innovation being a strengthened national priority. However, as constantly revealed by Research Australia, and indicated in the Ambitious Australia and the National Health and Medical Research Strategy, health and health innovation sits between many portfolio responsibilities and within a federated model. The NRF could act as strengthening anchor to bring these disparate parts of the policy setting and infrastructure enablers together.

Strategic Imperatives for Sustainable Economic Growth

Australia's Gross Expenditure on R&D (GERD) of 1.68% of GDP, well below the OECD average (2.72%), and government R&D expenditure of approximately 0.49% of GDP compared with the OECD average of 0.74%. Research Australia has long advocate that we need to achieve a measurable path toward the national goal of 3% GDP investment in R&D, the following imperatives could guide the NRFC:

- **Safeguarding Foundational RD&I:** Explicitly recognising that discovery science is the precursor to all innovation. Funding for foundational research must be ring-fenced and include sustainable investment mechanisms that increase in line with inflation.
- **Addressing Market Failure:** Public investment should be targeted towards the "Valley of Death" - the high-risk stage between research discovery and commercialisation where private venture capital is reluctant to invest due to long development timelines, regulatory uncertainty and uncertain returns. As an example, Australia is a global leader in preclinical research, however the ongoing 'valley of death' between research and its translation is hindering sovereign capability development and the growth of new and emerging health and medical industries. Critically, this gap as a key barrier to translating Australia's world-class health and medical research into new companies, products and sovereign capability, with many innovations ultimately being commercialised overseas rather than in Australia.
- **Sovereign Resilience Benchmarks:** Shifting evaluation metrics from simple commercial returns to the long-term security of critical medical supply chains.
- **Systemic Connectivity:** Moving away from "piecemeal reform" toward a coordinated production and delivery system that reframes investment as a connected supply chain.

2. Legislative Clarity and the Role of the Board (Response to Q2-Q5)

A high-functioning NRFC requires a Board mandate that transcends finance and understands the unique, high-risk profile and potential impact of medical innovation.

Strengthening Governance and Section 17

Research Australia highly recommends the inclusion the Minister for Health and Ageing from coordination mechanisms. Given that health and medical research, development and innovation accounts for a quarter of national R&D, and the Medical Science priority within the NRF, this omission leads to fragmented decision-making.

We also recommend that Section 17 of the Act, which defines "matters the Board must have regard to," be sharpened to ensure consistency with both the Ambitious Australia recommendations and the National Health and Medical Research Strategy's recommended governance and accountability framework. This ensures the NRFC operates as part of a cohesive national vision rather than in a policy vacuum. We argue that the Medical Science Priority should have line of sight to the Health portfolio and Ministry, and should not be governed solely through science or industry portfolios because it delivers multiple national objectives simultaneously, for example:

- better health outcomes
- economic growth
- sovereign capability
- productivity
- commercialisation
- defence and security
- role in the region, and globally

Given the NRFC Act was established to drive investment across nationally significant industries through coordinated government action rather than leaving decisions entirely to the market, having the Health Minister and the portfolio involved will address this.

Optimising Private Sector Crowding-In

To effectively crowd-in private finance, the NRFC must contrast its approach with the Research and Development Tax Incentive (RDTI). As noted in the September 2025 R&D Transparency Report, over 12,900 companies utilise the RDTI because it allows market forces to determine investment through a predictable, entitlement-based model. The NRFC should complement this by specifically targeting the "Valley of Death", or even prior to this stage, where market forces are currently failing.

Proposed Institutional Anchor: The BARDA Model

Australia lacks an institutional anchor for late-stage translation. The NRFC Act should be used to establish or support an equivalent to the US BARDA, the UK's ARIA, or the EU's HERA. This model, partnered with an expanded Australian Centre for Disease Control (ACDC), would align research with unmet health needs and provide the de-risking required for private investors to commit to large-scale medical manufacturing, along with / in additional to national capability requirement, for example medtech and biotech in hospital settings in the regions.

Case Study

In 2024, the severe issue of supply disruptions to pregnant women who faced systemic disadvantage despite the existence of safe, evidence-based medicines. Over a period of

time, there was a disruption in the supply of the critical medication, labetalol immediate-release nifedipine and misoprostol tablets in Australia.

Many essential medicines used in maternity care - including immediate-release nifedipine, misoprostol and labetalol - are older, off-patent medicines with limited commercial value. As a result, pharmaceutical companies have little incentive to maintain registration or supply, leaving Australia vulnerable to shortages and creating inequitable access for pregnant women. Importantly, the problem is not a failure of research. Evidence supporting the safety and effectiveness of many of these medicines already exists, yet they remain under-registered, used off-label, dependent on single commercial sponsors, and susceptible to withdrawal on commercial rather than clinical grounds.

See: Kane, S.C., Shanmugalingam, R. and Henry, A. (2024)

This case demonstrates that Australia's challenge is not simply a lack of research or investment, but the absence of an institutional capability to maintain a strategic overview of demand, supply and market gaps. Clinically essential medicines became vulnerable because no organisation was responsible for identifying where commercial incentives no longer aligned with public health need and intervening before supply failed. This illustrates the value of an institutional anchor - similar to BARDA, HERA or other mission-driven agencies - that combines market intelligence with strategic investment. Such a model would also be closely aligned with the Australian Centre for Disease Control.

The National Reconstruction Fund (NRF) provides an opportunity to address this gap. Such a capability would enable the NRFC to move beyond financing individual projects towards proactively identifying critical gaps in Australia's health innovation ecosystem and directing investment where it can deliver the greatest impact on sovereign capability, equity and access to healthcare.

3. Optimising Investment Functions and Financing Tools (Response to Q6-Q8)

Traditional debt and equity tools are insufficient for the long-lead times of clinical development. The NRFC's toolkit must be broadened to include specialised mechanisms that reflect the modern capital landscape.

Leveraging Pooled Capital - government, industry and philanthropy

Research Australia supports a more integrated funding architecture that aligns financing mechanisms with each stage of the health and medical innovation pipeline. We have consistently identified the need for stronger support for translation and commercialisation, particularly within the "Valley of Death", and prior to, where private capital remains risk-averse.

We specifically advocate for a tripartite funding model, which could address this gap. A coordinated pipeline of investable research, with early-stage exposure shared across public and philanthropic capital, which would encourage industry to engage with confidence long before commercialisation arrives. Industry should be considered a partner from the earliest translational stages, not a funder brought in once certainty has arrived. Philanthropy provides forms of capital that government programs and industry investors generally cannot. By combining government funding to generate evidence and de-risk early-stage innovation, strategic investment through the National Reconstruction Fund Corporation (NRFC). This will also support late-stage development, manufacturing and scale-up, and private co-investment to accelerate commercialisation once technical and regulatory risks have been sufficiently reduced.

Such a model would allow each funding mechanism to perform the function for which it is best suited while creating a seamless continuum from discovery to patient impact. Consistent with Research Australia's recommendations, this approach would strengthen sovereign capability, improve returns on Australia's public research investment. The approach would also crowd in private capital where market confidence is lowest, and ensure nationally significant innovations are more likely to be developed, manufactured and adopted in Australia rather than commercialised offshore.

Specifically, the Act could explicitly recognise and leverage Philanthropy and Pooled Investment Vehicles (e.g., BioBridge, Catalyst Funds). The ACNC's 11th Australian Charities Report highlighted that donations and bequests reached nearly $19 billion in 2023, including a single gift of $5 billion. Philanthropy provides the essential "seed" capital for proof-of-concept work that commercial investors often overlook. The NRFC should adopt a strategic approach to philanthropy aligned with the national goal to double giving by 2030.

Comparison of Investment Functions

Standard Investment Functions	Proposed Enhanced Functions
Market-rate return focus	Risk-adjusted commercial returns vs. Sovereign resilience benchmarks
Direct equity and debt financing	Cornerstone buying and procurement guarantees to de-risk manufacturing
Uncoordinated project funding	Alignment with the ACDC to target unmet public health imperatives

Fragmented sectoral tracking	Integration with a National Spinouts Register for evidence-based scaling

4. Transparency, Data-Driven Priority Setting, and Engagement (Response to Q9-Q10)

Transparent through trust is the currency of the innovation ecosystem. The NRFC Act must mandate transparency to foster a high-performance culture.

Public Reporting and Infrastructure

We recommend the Act considers a public dashboard to track its R&D performance. This firstly must be supported by the restoration of ABS funding to improve R&D data capture, as current data lacks the frequency required for expert policy setting. Furthermore, the Act must treat health data as critical infrastructure.

Scaling SMEs through an Australian Spinouts Register

To support SMEs and start-ups, the Act should facilitate the creation of an Australian Spinouts Register. This should be modelled on the Higher Education Statistics Agency (HESA) database in the UK, launched in June 2025, which tracks over 2,000 spinouts. This register would provide the vital evidence base on growth patterns and success factors needed to help Australian SMEs grow into global enterprises.

5. Summary of Improvements for the NRFC Act (Response to Q11)

As per previous submissions, Research Australia has consistently called for investment to be aligned across the entire innovation pipeline, from discovery through to translation, manufacturing and commercialisation, with a particular focus on addressing the "Valley of Death", or prior to, where private investment is limited. We also advocate for stronger coordination between health, industry and research portfolios, and for strategic investment to be aligned. These will build sovereign capability, crowd in private capital, and maximise the health, economic and societal return on Australia's public investment in research, development and innovation. The NRFC Act represents a foundational step toward industrial reconstruction, but it requires legislative sharpening to address systemic market failures. To move toward a resilient, sovereign industrial future, Research Australia recommends three critical refinements:

1. Legislative Strategy Alignment: Amend Section 17 to mandate formal alignment with the National Health and Medical Research Strategy and include the Minister for Health and Ageing in coordination governance.
2. Establish an Institutional Anchor: Incorporate functions equivalent to the BARDA model, enabling the government to act as a "cornerstone buyer" to de-risk late-stage manufacturing and ensure supply chain security.

3. Broaden Capital Integration: Explicitly incorporate Philanthropy, Pooled Investment Vehicles, and the RDTI into the NRFC's strategic mission to ensure a "whole-of-pipeline" flow of finance.

Research Australia's vision is for an NRFC that serves as the primary engine for reaching a 3% GDP R&D investment goal, ensuring that Australia's world-class medical discoveries drive domestic productivity, sovereign health security, and sustainable economic growth.

Thank you for the opportunity to provide a submission to Response to the Independent Review of the Operation of the NRFC Act: Discussion Paper. We look forward to continuing partnering with government, our members and all relevant stakeholders to ensure smarter investment in the health and medical research and innovation sector.

For further information regarding this submission please contact Dr Talia Avrahamzon, Head of Policy, Projects and Advocacy at talia.avrahamzon@researchaustralia.org,org or policy@researchaustralia.org

Warm regards,

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About Research Australia

Setup by government following a landmark review in 2000, Research Australia is the national peak body for the health and medical research and innovation sector. Our membership is drawn from the whole pipeline of health and medical research and innovation, from universities and medical research institutes to charities and patient groups, and health care providers and companies commercialising new health technologies. Our key priorities focus on Smarter investment and value realisation; Health innovation; Skilled and enabled workforce; and Equity.

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