



NEWSLETTER

Europe's Next Defence-Finance Step

Joint Statement by the United Kingdom, Finland, and the Netherlands on defence financing and procurement

Introduction

Europe's defence debate is no longer only about how much states should spend. It is also about how Europe can finance procurement more effectively, build capacity over time and reduce fragmentation across national programmes.

The initiative by the United Kingdom, Finland and the Netherlands is still early-stage. Even so, it is important because it points towards a more structured approach to procurement and defence financing across the European defence market with potential implications for contractors, suppliers and investors alike.

Background

On 17 March 2026, the United Kingdom, Finland and the Netherlands announced that they are exploring the establishment of a new financing mechanism by 2027. The stated objective is to pool procurement activity, mobilise defence investment and improve access to critical capabilities, including munitions, as part of a deepening of shared security commitments. The mechanism is intended to sit alongside existing NATO and EU instruments.

The official announcement remains high level. It describes a vehicle whose principal function would be to channel financing into joint defence procurement. Two aspects stand out. The first is the stated ambition: to reinforce deterrence, grow industrial capacity and deliver capability gains through coordinated purchasing. The second is the intended scope. The mechanism is not conceived as a closed arrangement among the three founding states. According to the statement, it is “open to like-minded Western partners both inside and outside the EU”.

Public reporting after the announcement suggests that one model under discussion would take the form of an intergovernmental financial institution, capitalised by participating states and authorised to issue debt on the capital markets. If that approach is adopted, the mechanism would go beyond procurement coordination and establish a distinct funding vehicle for common defence projects. At present, however, that remains one option among several rather than a settled institutional design.

EU Defence Procurement

The proposal sits within a broader European shift towards common procurement supported by public finance. SAFE is the clearest current example. Adopted by the Council in May 2025, SAFE allows the EU to provide up to EUR 150 billion in long maturity loans to member states for defence industrial investment, in principle through common procurement involving at least two participating countries.

SAFE is a significant step, but it remains an EU instrument. The loans are made available within the EU framework, even though certain third countries, including countries that have signed a Security and Defence Partnership with the EU, may participate in common procurements under defined conditions. That makes the March 2026 proposal noteworthy. It is being developed by a core group of NATO allies and is expressly intended to remain open to partners inside and outside the EU.

Other EU initiatives aimed at reducing fragmentation include the European Defence Industry Reinforcement through Common Procurement Act (EDIRPA), the European Defence Industry Programme (EDIP) Regulation, the European Defence Agency (EDA), a proposed European Commission communication on a Defence Single Market and an ongoing review of the Defence Procurement Directive.

From a market perspective, the underlying rationale is compelling. Coordinated procurement across multiple states can generate the volume and continuity of demand that defence manufacturers need to invest in capacity. It can also promote standardisation across allied forces and reduce the supply chain vulnerabilities that arise when each country procures independently. Finland illustrated this approach when, together with Sweden, Norway, Lithuania, Estonia and the Netherlands, it announced in June 2025 that the six countries would explore a possible joint procurement of CV90 infantry fighting vehicles.

For industry and investors, this is the commercially important point. When demand becomes more coordinated and more visible over time, it becomes easier to plan capacity, secure supply chains and assess long-term investment cases. That applies not only to prime contractors, but also to component suppliers, logistics operators and other service providers around the defence value chain.

Our Comments

The important message here is that EU countries continue to actively look for structures that connect procurement, industrial policy and financing more closely than before.

That is relevant for investors because the next phase of European defence growth is unlikely to be driven by isolated national purchases alone. It is more likely to be shaped by long-term programmes, cross-border industrial partnerships and procurement models that offer greater scale and greater predictability.

The proposal by the United Kingdom, Finland, and the Netherlands should therefore be followed closely, even at this preliminary stage. The key questions will centre on institutional design, including the governance and capitalisation model, the criteria for eligible projects and new participants, the relationship with SAFE, other EU instruments and NATO structures, and whether the mechanism can deliver the procurement speed and coherence that its proponents envisage.

As of writing, there has been no official Danish comment to the joint statement by Finland, the Netherlands, and the United Kingdom. Denmark's broader defence policy is, however, closely aligned with the logic behind the proposal, emphasizing faster procurement, closer cooperation with industry, higher defence spending, and expanded access to critical capabilities such as ammunition. Danish authorities have also moved toward more coordinated multinational acquisition models. One example is Denmark's participation in the EDA's joint ammunition procurement scheme, under which the Danish government contributed funding to a coordinated purchase of ammunition for Ukraine.

If the proposal matures into an operational platform, it could become a useful additional channel for common procurement and long-term defence investment in Europe. Even before that point, it already signals a broader shift. The emerging consensus across European capitals is that higher budgets alone will not be sufficient. What is equally needed are the institutional and financial frameworks that can convert political commitments into coordinated, investable and deliverable defence programmes.

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