Treasury Committee

Rt Hon Rachel Reeves MP
Chancellor of the Exchequer
HM Treasury

By e-mail

25 March 2026

Dear Chancellor

Joint defence financing and procurement

On Tuesday 17 March, HM Treasury issued a press release on a joint statement related to work by Finland, the Netherlands and the United Kingdom, as well as other unnamed partners, on joint defence financing and procurement.[1]

The Treasury and its partners' intention is to explore setting up "a new mechanism by 2027 for financing with the aim to aggregate demand, drive joint procurement, accelerate defence investment, and increase the availability of critical capabilities such as munitions as they step up shared defence and security commitments."

The Treasury's press release, however, provided little detail on the work being undertaken. As such, I would welcome your answers to the following questions:

1. Why has the Treasury taken the lead on this initiative? What role will the Ministry of Defence play in future?
2. Will the Treasury act as the sponsor department for any "mechanism" that may be created by this work?
3. Has the Treasury engaged help from any other parts of Government, or the financial sector, in designing this "mechanism"? If so, please can they be listed?
4. What will be the main aims to be realised by such a "mechanism"? What potential risks have been identified by the Treasury?
5. What is the expected financing capacity of the "mechanism", and how much will prospective countries need to pay to gain membership? Will it increase the resources available to the Ministry of Defence above its current spending allocation?

1 HM Treasury, Joint statement from Finland, the Netherlands, and the United Kingdom on joint defence financing and procurement, 17 March 2026

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6. How would such a "mechanism" be scored within the public finances, and against the fiscal rules?

7. How would the envisaged "mechanism" be similar to, and differ from, other supranational institutions? Are there similar institutions already in existence?

8. The press release noted that there were "unnamed other partners" involved in the work. Are these other sovereign nations, private companies or other parties?

9. How does this exploratory work relate to a project called "a Defence, Security and Resilience Bank"? [2]

10. Is there an expectation that this "mechanism" would be able to borrow from financial markets? If so, is there an intention to strive for a credit rating higher than that of the UK Government?

11. Is the aim that the entire "mechanism" be ready by 2027, or only parts? When in 2027 will it be operational?

12. How long has the Treasury been progressing this work, how much resource has been used so far and how much resource is intended to be used in the future?

13. To what extent would this "mechanism" be expected to replace direct procurement by the Ministry of Defence?

14. Will the Treasury be involved in determining capability choices purchased under the "mechanism", and how will it interact with the a) National Armaments Director and b) Military Strategic Headquarters when deciding whether to proceed with a programme?

15. Are any alternate similar "mechanisms" being developed within NATO?

16. Will the "mechanism" prioritise the development of sovereign capabilities with a robust defence industrial base or rapid procurement?

17. Will members of the "mechanism" expect a set share of contracts?

18. What steps will the Government take to facilitate parliamentary scrutiny of any spending via the "mechanism"?

19. Will the "mechanism" be used to fund joint design as well as joint procurement of capabilities? If so, what are the implications for the UK with regards to the protection of Intellectual Property, export opportunities and the development of interoperability with other participating nations?

[2] Defence, Security and Resilience Bank Development Group, Home, accessed 24 March 2026

20. To what extent will the "mechanism" be focused on building supply chain resilience a) within the UK and b) across participating nations? Is there an intended division of focus between primes (large defence companies) and SMEs?

I am copying this letter to the Chair of the Defence Committee, Tan Dhesi MP.

I would welcome a reply by Wednesday 15 April 2026. The Committee will publish this letter and your reply, in due course. The Committee will also expect regular updates on this matter, which should include answers to questions you cannot initially cover.

Yours sincerely

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