



**RÉPUBLIQUE
FRANÇAISE**

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Paris, 4th March 2025

NOTE FROM THE FRENCH AUTHORITIES

Subject: French proposals for the post-2027 multiannual financial framework

The challenges that we will have to face collectively, particularly in order to guarantee our prosperity and strategic autonomy over the long term, especially in the areas of security and defence in the light of heightened geopolitical tensions, require us to reflect on Europe's financial capacity for action and the ways in which it can be financed, at a time when numerous Member States are facing a shared imperative to consolidate their budgets. This reflection must be fully embedded in the preparatory work for the next multiannual financial framework (MFF) post-2027.

As the French President has stressed on several occasions, it is essential to invest in European priorities by scaling up. Moreover, for France, the introduction of new own resources is a *sine qua non* condition for an agreement on the next multiannual financial framework, given the funding constraints weighing on the preparation of the next budget, and in a particularly tight budgetary context for the Member States. This is not just a budgetary issue; it is a political one.

1/ A decisive contribution to the European prosperity and security agenda

1.1. Towards a European prosperity agenda

Faced with major crises and the risk of falling behind its main competitors economically and industrially - a risk that the Letta (*More than just a market*) and Draghi (*The future of European competitiveness*) reports have clearly documented - the European Union must take unprecedented measures without delay to assert its own competitiveness, security and sovereignty agenda, transform itself, reduce its critical dependencies that are so many strategic vulnerabilities and enable its businesses to meet the four major challenges they face: **greening, digitisation, strategic autonomy, innovation** particularly in key areas for the future of the EU.

In the Versailles, Granada and Budapest declarations, the Heads of State and Government stressed the urgent need for a new impetus to make the Union more competitive and to keep its promises of prosperity. This implies, in particular, **a public and private “investment shock”** that meets the scale of the challenges we collectively face. The Draghi report estimates that the EU needs between €750 billion and €800 billion in additional annual funding (5% of European GDP) to avoid falling behind the United States and China. In particular, the challenge is to continue implementing the Versailles sovereignty agenda, particularly in the areas of defence, research, energy, health, digital technology, critical raw materials and food, complemented by a ‘Versailles +’ agenda on disruptive technologies and innovation to prevent future dependence in areas that are strategic for the EU's future (space, artificial intelligence, quantum, biotechnologies and new energy sources such as nuclear fusion).

This “investment shock” should enable us to meet the challenges posed by the geopolitical context, through **new industrial and competitiveness policies**. It will also be necessary to make our industries resilient, low-carbon and competitive. Financing **the implementation of the European Union's environmental and climate objectives** is essential in this context. The MFF will have to be fully aligned with the EU's ambitions in terms of ecological transition, and in particular provide, on the basis of a robust methodology, for a very significant share of expenditure contributing favourably to this objective.

The European Union also needs a Common Agricultural Policy (CAP) with a dedicated budget and with the ambition and resources commensurate with the stakes involved. At a time when food could become a weapon used by third-party powers in the context of heightened geopolitical tensions on the international stage, responding effectively to these challenges means implementing an agenda that will work to strengthen European food sovereignty by guaranteeing the Union's production capacity and reinforcing the agricultural component of the strategic autonomy agenda (see the Versailles agenda of March 2022). In very concrete terms, this means maintaining the two pillars of this policy, safeguarding farmers' incomes, taking into account the specific features of a policy that has already strongly integrated the logic of performance, supporting farmers in the transformation of their production systems and establishing conditions that enable a fair level of competition to be maintained.

This food sovereignty agenda, which also incorporates **fisheries and aquaculture policies**, goes hand in hand with a response to the sustainable development objectives, which remain fully relevant. We need to strike the right balance between environmental obligations and incentives if we are to make the necessary transition successfully, against a backdrop of resources and yields undermined by climate change and pollution, in line

with the Commission's Vision for Agriculture and Food presented on 19 February, which France welcomed.

Cohesion policy must enable us to continue to promote harmonious development, while better integrating the challenges of competitiveness and industrial policy, while respecting the competences of the regions. Particular attention must be paid to the rapid and efficient use of appropriations. It must also enable us to take account of the specific characteristics and needs of the **outermost regions**.

1.2. Towards a European security agenda

In a tense geopolitical context marked by the war in Ukraine and by the increasing questioning of an international order based on the rule of law, the Union is facing existential challenges that call for resources commensurate with what is at stake. Faced with the return of the logic (and sometimes the harshest logic) of power struggles, it must assume greater responsibility for **its security, including its economic security, and its defence**, and keep as its fundamental compass the strengthening of European sovereignty and its strategic autonomy. The White Paper on defence, which the European Commission is expected to submit in March, will make it possible to identify the key capability areas with high European added value, for which increased European investment will be necessary. France will be fully committed to this, provided that this investment contributes to the development of the European defence industrial and technological base, by ensuring a clear European preference and within the framework of appropriate governance, respecting the role of the Member States. At the same time, we must not weaken our capacity to respond to disasters, which are likely to multiply as a result of climate change. It is important to build on the strengths of existing systems whose added value is already recognised, particularly in terms of civil protection. Security also requires tighter control over migratory flows. To this end, **European asylum and immigration policy** must also receive the necessary funding, in particular to ensure that the European Pact on Migration and Asylum is implemented as effectively as possible.

Finally, we must anticipate a **gradual and controlled approach to future enlargements**, on the basis of the policy review to be presented by the Commission in 2025 to identify the impact of enlargement on the EU's values, policies, budget and governance, while at the same time pursuing a reform agenda to strengthen the EU's capacity to act (Granada Declaration).

2/ The next multiannual financial framework will have to respect a number of key principles.

These principles are as follows:

- Priority treatment to be given in the future MFF to public policies offering the greatest **European added value** compared to a national intervention;
- Greater **transparency** in the actual use of all European funds, including those mobilised in support of the EU's external action;
- **More effective implementation**, making it possible to control the level of outstanding commitments and ensure better monitoring of committed and disbursed appropriations;
- A **more efficient, responsive and agile budget**, to encourage, within a framework of appropriate governance, the rapid redeployment of funds to new priorities, which may appear suddenly and mobilise considerable resources, within the limits of the MFF ceilings and with tighter political steering by the Member States;
- Greater emphasis to **measuring the impact** of European interventions;
- **Simplified operations of European funds**, with a view to comparing ourselves with our competitors outside Europe, and taking greater account of criteria such as impact, attractiveness, efficiency and simplicity of access to funds;
- **Clearly defined and clearer conditionalities**, while respecting existing institutional balances;
- EU funding that is **not harmful to the environment or the climate** and that ensures effective respect for the **technological neutrality of energy choices**.

The French authorities will examine the Commission's proposals for a new architecture for the budget through its alignment with these principles.

3/ Resources commensurate to our needs

3.1. Taking account of all European financial levers

In a context of limited public resources, all relevant EU instruments and policies will have to be mobilised to increase the EU's financial capacity, in line with our strategic objectives, by aiming to maximise the leverage effect of the EU budget.

This will involve in particular **deepening the Savings and Investment Union and completing the Banking Union**, and **fully mobilising the financing capacities** of the **European Investment Bank** to refocus its action on strategic sectors, including defence, and risk-taking, if necessary, by revising its list of excluded activities. In this context, the next multiannual financial framework will be an 'essential element' in support of European policies on competitiveness, security and the defence of our values, as emphasised in the Budapest Declaration.

3.2. A framework financed by new own resources

First and foremost, it is imperative to move forward with work on own resources, in line with the commitment made by all Member States in July 2020. As reiterated by the European Council on 1 February 2024, the establishment of a second package of new own resources by 1st January 2026 must be a common priority, with a view to the effective implementation of these resources by 2028 at the latest for the repayment of *NextGenerationEU*. The introduction of new own resources, initially for the repayment of *NextGenerationEU*, must lead to a move beyond the "fair return" approach. In this respect, France reiterates its support for the Commission's proposal and calls for the introduction of new own resources to meet the European Union's financing needs.

More specifically, **France considers that the adoption of new own resources is a sine qua non condition for preserving the financial ambitions of the next multiannual financial framework, without which these ambitions could be significantly eroded. Far from being just a budgetary issue, or even just a legal one** (Article 311 TFEU of the Treaty stipulates that the EU budget must, "*without prejudice to other revenue, be financed wholly from own resources*"), **the question of own resources has now become a political one.**

Work will have to focus on resources generating new revenue, if possible based on dynamic taxable bases, in amounts adapted to financing needs and economically coherent, in order to **reduce dependence on national contributions**. They must be guided by the need to strengthen equity between Member States and to simplify the own resources system. The new own resources should therefore not be so-called statistical own resources.

3.3. A simplified resources section to make national contributions more predictable

The revision of the arrangements for financing the EU budget should make it possible to simplify the architecture of the resources component by **removing all the derogation mechanisms and corrections to national contributions**, including the Member States' assessment and collection costs for traditional own resources.

With a view to greater predictability and better management of national public finances, new arrangements for implementing the various resources of the EU budget should be studied, in particular to limit recourse to national contributions via the GNI-based resource, with a view to respecting the principle of a balanced EU budget.

4/ Considerations on the budget architecture

To improve efficiency and flexibility, the European Commission has raised the possibility of a new architecture for the next MFF. **In this respect, the French authorities would like to point out the main areas of vigilance that must be taken into account.**

4.1. Towards a “*policy-based*” approach

The current structure of the EU budget remains fragmented, which can be detrimental to the quality of its spending, its effectiveness and its ability to respond to crises. It therefore seems worthwhile to study an adaptation aimed at grouping programmes around the main public policies set out in the Treaties, **by moving from a less *programme-based* approach to one that is more *policy-based***, and thus better reflects the Union's political priorities.

However, an architecture with a reduced number of pillars, as envisaged by the Commission, raises **difficult questions** that need to be addressed with all due attention, whether in terms of governance, the role of the Member States, the associated conditionalities, the acceptability to the stakeholders concerned, including local and regional authorities, the fungibility of funds between sectoral policies and the preservation of the overall coherence of the most integrated policies (first and foremost the CAP).

For this reason, the French authorities call on the Commission to reflect the Union's political priorities in its proposed budgetary architecture and **to clarify the advantages and disadvantages of the various options before making formal proposals.** The question of preserving the institutional balance will be decisive in this respect.

4.2 Considerations on the duration of the next multiannual financial framework

The French authorities understand that the Commission could consider proposing a reduction in the duration of the MFF from 7 to 5 years. However, in the view of the French authorities, a financial framework reduced from seven to five years would have detrimental consequences on institutional balances and is therefore undesirable, including for many sectoral policies which need predictability and stability (CAP and investment in research in particular). **The French authorities are therefore opposed to such a shortening of the duration of the MFF.**

On the other hand, the flexibility of the next framework will have to be strengthened, within the limits of the framework's ceilings, in order to allow, particularly in the event of a crisis, the budgetary reactivity required to finance unforeseen expenditure, while ruling out any mid-term review.

Consequently, the following avenues should be explored with a view to adopting a logic of flexibility based on managerial responsibility in the annual implementation of the budget, in close association with the Council:

- i) **Simplify and rationalise the cross-cutting flexibility instruments** under the MFF ceilings;
- ii) **Increasing the scope for redeployments within the budget**, as early as the year in which the budget is drawn up, while guaranteeing budgetary predictability for beneficiaries;
- iii) to set up a **precautionary reserve** within the annual budget, of amounts agreed by the budgetary authority, which could be made available during implementation, in the event of unforeseen needs, on the basis of a new decision by the budgetary authority, so as to avoid recourse to an amending budget requiring additional contributions from the Member States;
- iv) **Set aside a share of the funds which would not be allocated at the initial programming stage** but could be released gradually to replenish programmes in the course of implementing the MFF, to respond to crises or to encourage Member States to go beyond the objectives initially set.

Such flexibility must not, however, be to the detriment of the fundamental budgetary principles and the logic of the multiannual financial framework, with its binding ceilings. In other words, **making the EU budget more flexible must not be synonymous with externalising uncertainty about Member States' contributions**, and must therefore be done, under certain conditions, within the ceilings of the framework, according to clear governance principles and guaranteeing that the Council is informed and involved ex ante and ex post. In particular, the management of implementation must be based on the principle of transparency vis-à-vis the Member States and on balanced governance, providing a framework for the Commission's powers of implementation and ensuring the necessary balance between the Council of the EU, the European Commission and the European Parliament.

The predictability of the national contribution (both multi-annual and infra-annual predictability) is a priority, particularly in the context of the implementation of the new European budgetary governance rules. To this end, it will be necessary to implement the reforms needed to **bring the outstanding commitments** (*restes à liquider*) **under control** by the end of the next MFF and to improve the reliability of budget execution forecasts. Consequently, the rules governing the eligibility of programmes should not be modified during the implementation period.

4.3. Simplifying and modernising European budgetary rules

The operation of European funds must also be simplified and their accessibility enhanced, taking into account in particular the impact, attractiveness, effectiveness and simplicity of access to funds. This effort to simplify the budget and make it more flexible should go hand in hand with a modernisation of the Union's budgetary management and greater transparency vis-à-vis the Member States, the European Parliament and citizens, in accordance with the following principles:

- i) Reinforcement of the budgetary principles of **annuality and universality**;
- ii) **Reform of the budget nomenclature**, in order to identify expenditure according to its purpose and nature;
- iii) **Improved management of budget implementation** by the budgetary authority, based on greater transparency and accessibility of budget information;
- iv) Overhaul of the management of **staff expenditure, based on a dual ceiling for appropriations and jobs, with the implementation of job ceilings determined by the budgetary authority**. The ceiling on appropriations must be limited and apply to all components of the remuneration of all staff, whatever their status. In this respect, the practice of financing staff expenditure from thematic expenditure in the EU budget that is not earmarked for this purpose should be discontinued.

5/ Efficient expenditure to meet investment needs

While reiterating their questions about the pillar-based approach that the Commission might propose and the essential criteria against which they will examine any formalised proposal (see *supra*), the French authorities wish to share the following points on the expenditure side of the MFF.

5.1. With regard to the possible deployment of pre-allocated funds based on performance as part of a “national plan”

5.1.1. A performance-based approach that is interesting in principle but needs to be properly calibrated

The strengthening of the performance-based approach is a potentially interesting avenue, provided that all the lessons are learned from the experience of the Recovery and Resilience Facility and that of the new model for implementing National Strategic Plans under the CAP. It would have to meet six conditions:

- i) Take steps to avoid disturbing the **existing institutional balance**, and in particular the role of the Member States and local and regional authorities;
- ii) Remedy the excessive administrative burden, particularly in the context of **audits**, in full consistency with the simplification process currently underway at European level;
- iii) Ensure that a clear choice is made which implies that, if the performance-based approach is chosen, it should **not be combined with the cost-based approach (i.e. based on the conformity of expenditure)** - such a combination being a source of additional administrative complexity;
- iv) Adapt the operation of the performance-based approach to its future scope of application and to the specific features of the policies concerned;
- v) Guarantee the envelopes needed to finance our priorities;
- vi) To make the Union's action clearer.

5.1.2. Perimeter

According to the Commission, the purpose of the national plan is to provide greater flexibility and accessibility for European funds under shared management. These objectives could, where appropriate, be relevant for most of the funds under shared management, in particular the cohesion policy funds (subject to the position of the French regions, whose consultation will be essential on this subject), whose disbursement rates for the 2021-2027 programming period are lagging very significantly behind.

On the other hand, certain European funds, notably those of the **Common Agricultural Policy**, are already managed by performance and conditional on European public policy

objectives, within the framework of national plans that must be implemented in order to access the funds. This means that these funds already include, ahead of schedule, the benefits expected from the overhaul of the European budgetary architecture. In addition, it is necessary to ensure that European farmers enjoy fair conditions of competition within the internal market and a minimum level of income support in the interests of the Union's food security, in a geopolitical context marked by great uncertainty and given the need for visibility and stability to invest in the transition of agricultural and food systems in the face of climate change and the need to renew generations.

This is why we do not want the funds of the Common Agricultural Policy (CAP) to be integrated into a so-called “national plan”, in order to preserve dedicated budgets for this policy, following the example of the Common Fisheries Policy (CFP). It is also necessary to preserve the common nature of the CAP in all its components.

This separate treatment of the CAP outside a so-called “national plan” is essential, particularly in view of the challenge of preserving CAP direct payments, given their essential role in supporting farmers' incomes.

It will also be necessary to define the procedures for applying national plans in the context of multi-country projects: it would be difficult to justify the paralysis of a major transnational project if one of the participating Member States failed to comply with its national plan.

Particular attention should also be paid to the **outermost regions**, which are the main beneficiaries of cohesion policy in France. The rules of the future cohesion policy will have to take full account of the specific characteristics of these territories, as set out in article 349 of the Treaty on the Functioning of the European Union, and of access to and implementation of European funds in these territories.

5.1.3. Governance

The national plans should be drawn up according to the priorities of the Member States, in close association with the actors involved, in particular the regions, while respecting the governance arrangements specific to the Member States.

In a context where the reforms and investments to be carried out should be defined by the Member States, it is essential, whatever future developments in terms of budgetary architecture, that cohesion policy continues to rely on the central role of the regions in the development and implementation of this policy, while seeking better coordination between national and regional policies.

The Council's intervention, which is essential to multilateral surveillance, must be preserved during the structural stages of approving and revising plans, assessing disbursements, and monitoring milestones relating to the preservation of the rule of law, and under conditions (examination deadlines, access to documents, etc.) that are sufficient to enable it to truly exercise its powers. Payments must be conditional on respect for the rule of law.

5.1.4. Possible development and implementation of national plans

When drawing up national plans, **minimum spending thresholds** could be introduced to direct spending towards the Union's main priorities. Inspired by the Recovery and Resilience Facility, these thresholds could be cross-cutting (for example, the share of the plan's expenditure dedicated to the ecological transition or R&I) and sectoral (for example, the share devoted to a specific sectoral chapter). The thematic thresholds, which can be adjusted according to the priorities of each Member State, would ensure that a satisfactory proportion of the measures is devoted to policies considered to be priorities by the Union, while at the same time adapting to specific national circumstances.

A safeguard setting a **ceiling on the suspension of payments**, proportional to the weight of a given policy chapter in the national plan, would make it possible to better circumscribe the risk of blocking funds out of solidarity between chapters. In order to prevent abuses, this ceiling should be able to increase progressively with the accumulation of unfulfilled objectives: ensuring that a Member State cannot avoid implementing an entire chapter of its plan without suffering the consequences beyond the sectoral policy concerned.

Greater flexibility could be introduced into the monitoring of national plans. **A objective-oriented principle** (or a finality principle) could be established: if the objectives of the plan can be achieved by alternative means, this should be possible without formal revision.

To reduce the administrative burden and redundancy of audits observed under the Recovery and Resilience Facility, it is essential to strengthen the **subsidiarity and proportionality of controls**, the intensity of which should be determined by the risks observed, and to introduce a **"tell us once" principle**. The scope and extent of audits should be specified in advance, to ensure greater predictability.

5.2. With regard to a possible competitiveness fund, which would bring together all funding to contribute to European competitiveness and strategic autonomy and would give priority to expenditure with high European added value and serving European excellence

The French authorities support the creation of a European Competitiveness Fund as an essential means of implementing our European strategic priorities. This fund should be built around the following principles:

- i) Targeting market failures and projects with **high European added value** (respecting the principle of subsidiarity), as well as reducing the EU's strategic dependencies;
- ii) Bringing together programmes managed directly by the Commission in order to maximise the funding available by coordinating EU programmes, facilitating management and simplifying access for beneficiaries;
- iii) Structuring the fund around **European public goods**: research and innovation, support for industrialisation and innovation scale-up, and the development of European infrastructures and capacities. This structuring would make it possible to cover the entire value chain and to support all strategic sectors by adapting to priority needs at the relevant Technology Readiness Levels, by ensuring effective European funding for the various stages in the development of companies, particularly venture capital, and by maintaining a balance between upstream schemes, favouring fundamental research and breakthrough innovation, and downstream schemes.
- iv) **Maximising the use of instruments with a high leveraging effect** on the EU's capacity for financial action, by better coordinating subsidy, loan, guarantee and equity schemes and by involving private players as effectively as possible;
- v) Encouraging **open architecture** by diversifying public and private financial partners and strengthening technical assistance mechanisms based on local expertise and proximity networks;
- vi) Guaranteeing **European preference**;
- vii) Ensuring strict compliance with the principle of **technological neutrality**;
- viii) Maintain the **principle of excellence** and support only the most innovative and promising projects. On the other hand, the fund should not include any envelope earmarked for specific States or groups of States, and it should stop incorporating convergence objectives when cohesion policy is already dedicated to them;

- ix) Establish a form of **governance** that preserves the role of the Council in arbitration relating to the direct management of this fund, combined with flexibility mechanisms. A mechanism for coordinating all competitiveness policies should be envisaged.

5.3. With regard to the “external action” aspects, designed to respond to the multiple and growing challenges of our partners

At a time when Europe is facing existential challenges and growing needs in the field of external action, the next MFF will have to guarantee greater involvement of the Member States and greater transparency to help steer European external policy more effectively.

The progress that needs to be made will first of all require **greater involvement of the Council in the steering of external action instruments**, when defining thematic and geographic priorities, political reorientations or European interventions in third countries (implementation of programming, financing decisions, involvement of European companies).

Moreover, the specific nature of the various forms of external action, in terms of objectives, commitments and operation, requires them to be treated separately, through specific dedicated instruments or arrangements, in order to guarantee the Union's capacity to respond and the Council's strategic steering and governance. In the wake of the NDICI, it would seem advisable to review this instrument for the future in order to better differentiate the types of partnership on offer: *(i)* a mechanism for investment partnerships, based on mutual interests and accompanying the deployment of the Global Gateway strategy; *(ii)* a mechanism for development cooperation retaining its traditional tools and supporting its action on global issues; *(iii)* a dedicated mechanism for the Mediterranean given the importance of the challenges facing this region. The other instruments, in particular the humanitarian aid instrument and support for enlargement, must remain distinct in terms of their own timeframes and specific principles.

Our various instruments will need to pay particular attention to Africa. External action post-2027 will have to take account of **the principles of European preference, reciprocity, contribution to Europe's strategic autonomy**, including in the technological field, **improved synergies between public policies to support exports, international trade and European funding, and continuity in the external management of migration**. These principles will have to be translated into concrete terms and adapted to the various objectives of external action.

France will also be attentive to the integration of the overseas countries and territories into the external action policy, particularly in their areas of influence, and to the effective

coordination between the financial instruments from which they benefit (NDICI, DAOG, INTERREG). Indeed, it is essential that the future negotiation of the MFF should provide an opportunity to make much greater use of the importance of these territories for the EU, which, in addition to the outermost regions, should also rely on them to extend its influence around the world and provide a geographical base for its geopolitical ambitions.

5.4. The place of security and defence funding in the next MFF to be determined

The place of defence in the next MFF will have to be clarified and will deserve a special place, taking into account the results of the work in progress on setting up the European Defence Industry Programme (EDIP) and strengthening the European Defence Technological and Industrial Base (EDTIB), These involve agreeing on the needs to be financed that offer added value at European level, examining all possible financing methods and options, both public and private, and asserting clear governance principles (central role of the Member States, particularly in identifying key capability areas, European preference).

It will also be necessary to identify a solution, within the framework of the budget, that will enable external action instruments and the financing of military assistance programmes for States to be better coordinated, by putting in place appropriate governance that takes account of the specific role of the Member States (which is currently partially covered by the European Peace Facility).

5.5. The need to reflect the challenges of promoting the values of the Union and European citizenship

The French authorities have expressed their interest in a joint approach to issues relating to the values of the EU, in the face of the challenges raised by the development of soft power on the part of the major powers with regard to the people of Europe and foreign interference. In the face of these challenges, it is essential to strengthen the sense of belonging to the EU and European citizenship, and to reinforce the EU's democratic values, in particular freedom of creation, cultural diversity, freedom of expression, access to justice and equality before the law, freedom to communicate and receive information, media freedom and pluralism, freedom of movement for artists and cultural professionals, and the protection of cultural heritage.

The French authorities are therefore calling for support for the cultural, audiovisual and media sectors, crucial for the future of democracy and the rule of law, as well as education, youth and sport, and the legal and judicial sectors, since they play an essential role in citizenship and mutual understanding between the peoples of Europe. In particular, the cultural and creative sectors, including the audiovisual sector, raise the joint and

inseparable issues of cultural diversity and competitiveness, in a context of strong international competition.

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In terms of the negotiation procedure, in accordance with Article 21 of the Regulation on the MFF 2021-2027 (Council Regulation 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021 to 2027) and in order to allow sufficient time for negotiation between the Member States, the Commission's initial proposal for the future MFF must be presented sufficiently in advance and must be accompanied by all the information necessary to enable the Member States to understand its financial impact.