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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT AND THE COUNCIL**

**Recovery and Resilience Facility: Two years on  
A unique instrument at the heart of the EU's green and digital transformation**

## ANNEX II - Commission methodology for the determination of payment suspension under the Recovery and Resilience Facility Regulation<sup>18</sup>

### I. Principles of the methodology

#### a) Unit value per RRP

**The basis for the calculation of the suspended amount is the ‘unit value’ of a milestone or target.** To ensure a clear relationship between the value that is attributed by the Union to the implementation of the Recovery and Resilience Plan (RRP) and the suspended amount, the unit value of every milestone and target is calculated by dividing, for each RRP, its total value by the number of milestones and targets (total RRP allocation/number of milestones and targets). *E.g.: RRP maximum financial contribution of EUR40 billion / 175 milestones and targets = unit value of EUR229 million for each milestone or target.* For those Member States that have also requested a loan, there will be two different unit values, one for the milestones and targets foreseen under the non-repayable support part of their RRP and one for those milestones and targets foreseen under the loan part.

#### b) Coefficients and upward and downward adjustments

**To give due consideration to differences between the measures in the RRP and between milestones and targets, the Commission will calculate ‘corrected unit values’.** To this end, the Commission will apply coefficients to the unit value. These coefficients are set by assessing the importance of each unfulfilled milestone or target and the depth of the implementation gap they represent.

Once corrected unit values are established, upward and downward adjustments will be made in the specific cases outlined below.

The final amount to be suspended per unfulfilled milestone or target will be equal to the corrected unit value subject to any upward and downward adjustment (‘suspension value’).

#### Investments

##### *Coefficients applied to the unit value*

- 1) A coefficient of 2 is applied for milestones and targets of **large investments** (accounting for more than 10% of the non-repayable support or loan) **with a limited number of milestones and targets** (at or below 5).
- 2) A coefficient of 0.5 is applied to:
  - milestones and targets of **the smallest investments** (accounting for less than or equal to 0.1% of the non-repayable support or loan);

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<sup>18</sup> Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility.

- **intermediary milestones** (i.e. not targets) that are followed by subsequent milestones and/or targets related to the same investment.
- 3) For all other milestones and targets, a coefficient of 1 is applied.

*Adjustment of the corrected unit value*

- 1) **Proportional reductions** to the corrected unit values are applied in the following cases:
- In case an **investment target** has not been satisfactorily fulfilled, the progress made towards achieving the target is assessed. The amount to be suspended is determined proportionally to the distance to the target. Such an approach is particularly relevant for targets for which this can be assessed quantitatively.
  - For **investment milestones**, to the extent that it is possible to evaluate the share of what has been achieved.
- 2) **Upward adjustments** of the corrected unit values are **applied if the investment is of major importance to justify any of the ratings underpinning the positive assessment of the RRP’.**

**Reforms**

*Coefficients applied to the unit value*

- 1) A coefficient of 5 is applied for milestones and targets related to **the entry into force of a reform or the final step for the implementation of a non-legislative reform.**
- 2) A coefficient of 0.5 is applied **for any other milestones and targets**, such as the ones related to intermediary steps before a milestone related to the entry into force of a given reform (e.g. publication of a report) or to ex-post procedural steps (e.g. evaluation of a reform).

*Adjustment of the corrected unit value*

- 1) **Upward adjustments** of the corrected unit values are applied if:
- The implementation of the reform is considered by the Commission of **particular importance to justify the rating for addressing all or a significant subset of challenges identified in the relevant country-specific recommendations**, including fiscal aspects thereof and recommendations made pursuant to Article 6 of Regulation (EU) No 1176/2011 where appropriate, addressed to the Member State concerned, or challenges identified in other relevant documents officially adopted by the Commission in the context of the European Semester.
- 2) **Downward adjustments** of the corrected unit values are applied in the following cases:

- The **reform is of less importance to justify any of the ratings underpinning the positive assessment of the RRP.**
- For reform milestones **covering one or more than one policy objective or dimension**, a proportional adjustment will be applied if the policy objective of the milestone is partly met or if some of the objectives/dimensions of the milestone are met and others are not. In considering such a downward adjustment, the substantive progress towards the achievement of the overall objective of the reform will be assessed.

### **Measures related to audit and control**

To ensure the effective use of RRF funds and protect the financial interests of the Union, the non-fulfilment of milestones or targets related to a Member State's audit and control system that were necessary for complying with Article 22 of the RRF Regulation shall lead to the suspension of the full instalment and all future instalments.

## **II. Final remarks**

The suspension cannot go beyond the full amount of the instalment, except in the case of non-fulfilment of milestones and targets related to a Member State's control system. The Commission can review and amend this methodology as it gathers more experience with its application.

In accordance with the RRF Regulation, measures that do not respect the principle of 'do no significant harm' (DNSH) are not eligible under the Facility. Moreover, the milestones and targets of measures found in breach of DNSH requirements would not be considered satisfactorily fulfilled, and this methodology would apply to determine the amount to be suspended.