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Executive Vice-President

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Commissioner for the Economy

Mr. Roberto Gualtieri
Minister of Economy and Finance
Rome, ITALY

Brussels, 11/02/2021
Ares(2021)1164862

Dear Minister,

Thank you for your letter of 20 January informing the Commission of Italy's decision to take additional fiscal measures, in light of the restrictions needed to prevent the worsening of the COVID-19 pandemic.

We appreciate the important efforts that Italy and its citizens have undertaken for almost a year to limit the spread of the pandemic and its impact on the economy. We trust that a rapid rollout of the vaccination campaign will lay the basis for putting an end to the contagion and will pave the way for the recovery.

As you know, at the European level an important political agreement has been reached on the Recovery and Resilience Facility at the end of last year. We are now working towards the operationalisation of the new facility, which if properly implemented can provide an important fiscal impulse to the European economy in the coming years. It also represents an opportunity for Member States to take ambitious reforms and set the basis for solid and sustainable growth. We take note of the efforts that Italy is making in the preparation of its plan and welcome its general approach and the constructive dialogue undertaken so far with the European Commission. Further work remains to be done on specification of key reforms and investments to ensure a robust Recovery and Resilience Plan. Our services remain available to continue the discussions and support you in the finalisation of the plan.

In our letter of 19 September 2020 providing orientations for fiscal policy in 2021, we informed the Member States that the general escape clause will remain active in 2021. We also indicated that Member States' fiscal policies should continue to support the recovery throughout 2021, with well targeted and temporary support measures.

The Commission Opinion of 18 November 2020 on the Draft Budgetary Plan of Italy concluded that the Plan was overall in line with the recommendation adopted by the Council on 20 July 2020, while it cautioned that some measures do not appear to be temporary or matched by offsetting measures.

Against this background, we take note of the revision of Italy's fiscal targets for 2021. We appreciate receiving the details provided on the additional fiscal measures planned by Italy as a response to the worsening of the pandemic, as well as the explanations on their targeted and temporary nature. It would be helpful if you could keep the Commission updated on the detailed implementation of these measures. In particular, the promotion of tax compliance in the design of support measures should continue to inform policy decisions, in line with the important efforts already made by Italy in this regard.

Given Italy's high government debt, it is particularly important that the effectiveness and adequacy of the support measures are regularly reviewed, also with a view to ensuring the most efficient use of resources.

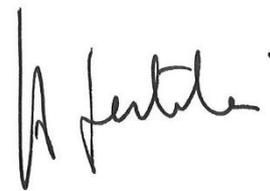
We also take note that, in light of the revision of fiscal targets for 2021, the government projects its debt ratio to remain broadly stable this year, before starting to decline as of 2022. We also note that you keep unchanged the deficit targets for the following years, as well as the medium-term strategy for debt reduction, and notably the commitment to bring the debt ratio to its 2019 level by 2030. Relaunching Italy's potential growth is particularly important also in this perspective. The Commission will assess the consistency of Italy's reform and fiscal strategy in the context of its assessment of Italy's Recovery and Resilience Plan and Stability Programme.

Finally, we take this opportunity to inform you that in spring the Commission intends to update its fiscal policy guidance as part of the assessment of Stability and Convergence Programmes. We will certainly have the possibility to discuss this important matter in the subsequent Ecofin/Eurogroup meetings.

Yours sincerely,



Valdis DOMBROVSKIS



Paolo GENTILONI