

VALDIS DOMBROVSKIS
Vice-President of the European Commission

PIERRE MOSCOVICI
Member of the European Commission

Brussels, 25th October 2016

Dear Minister,

Thank you for the submission of Italy's Draft Budgetary Plan (DBP) for 2017, which we received on 18 October.

Italy has benefited from significant flexibility under the rules of the Stability and Growth Pact both in 2015 and 2016. Part of this flexibility, namely under the investment and structural reform clauses, was granted subject to Italy (i) making use of this allowance for the purpose of increasing investments; (ii) progressing with the structural reform agenda; (iii) presenting credible plans to resume the adjustment as of 2017. Based on this common understanding, the Italian government committed in its letter of 17 May 2016 to resume the adjustment path towards the Medium-Term Budgetary Objective in 2017 by ensuring broad compliance with the preventive arm, which was a key relevant factor in the last report under article 126(3) TFEU on the prima facie breach of the debt rule in 2015.

A preliminary assessment of the DBP suggests that the planned change in the structural balance in 2017, recalculated according to the commonly agreed methodology, is negative and well below the 0.6% of GDP or more recommended by the Council on 12 July 2016.

In line with the provisions of Article 7 of Regulation (EU) No. 473/2013 of 21 May 2013, we are writing to ask for further information on a number of points in order to assess whether Italy fulfils the conditions under which additional flexibility was granted for 2016. In particular, we would need explanations for the revision of the targets and the substantial gap emerging with respect to the commitments made last spring. The DBP also refers to the extraordinary costs that Italy is incurring for the recent earthquakes and migration inflows. As you know, the Commission has acknowledged the exceptional nature of such expenditures in the past. The treatment of such exceptional expenditures is based on specific provisions of the Stability and Growth Pact and implementing principles endorsed by the Council and consistently applied. In this respect, we would also need clarifications on amounts included in the DBP for consideration as "exceptional expenditures".

*Mr Pier Carlo PADOAN
Minister of Economy and Finance
Via XX Settembre 97
IT-00187 ROMA*

The Commission seeks to continue a constructive dialogue with Italy in order to come to a final assessment. We would welcome your views by Thursday 27th October, close of business, to allow the Commission to take these into account in its further analysis. Our services stand ready to assist you in this process.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'V. Dombrovskis', with a long horizontal flourish extending to the right.

Valdis Dombrovskis

A handwritten signature in black ink, appearing to read 'Pierre Moscovici', with a horizontal line under the name.

Pierre Moscovici