Il Ministro
dell'Economia e delle Finanze

Rome, 16th April 2014

Dear Siim

I am pleased to send you, attached to this letter, the 2014 Economic and Financial Document (EFD) of Italy which includes the 2014 Stability Programme and the National Reform Programme.

This document serves as the Italian Government's response to the effects of the severe recession that hit the economy in 2012 and 2013, through concrete plans to enhance potential growth over the medium term and the implementation of a number of bold structural reforms.

To counteract the effects of the crisis, the Italian Government, in accordance with the 'exceptional circumstances' clause as defined in the Italian Balanced Budget Law (art. 6 of Law n. 243/2012), decided to accelerate the payment of the remaining amount of public debt arrears by an additional €13 billion, which will increase the debt/GDP ratio in 2014.

This clause states that, in order to address 'exceptional circumstances', if the Government deems it necessary, it can deviate temporarily from the budget targets, by submitting a report to the Parliament having informed the European Commission.

The plan for realigning public accounts is represented by the policy scenario described extensively in chapter 3 of Italian Stability Programme (Volume I of the 2014 EFD). It envisages a slowdown of the convergence to the MTO in 2014 (in which the structural deficit will be reduced by 0.2 percentage points of GDP), a strong convergence in 2015 (in which the structural deficit will be reduced by 0.5 percentage points of GDP) and a full convergence to the MTO of a balanced structural budget by 2016. Coupled with this fiscal intervention and to curb the dynamics of the debt/GDP ratio, the Government will proceed over the period 2014-2017 with a plan to privatise public assets amounting to about 0.7 per cent of GDP per year, revised up from previous plans. This plan assures the compliance with the debt rule as stated in EU regulations.

In the remaining part of 2014, the savings accrued through the Spending Review will be used by the Government to finance an ambitious reform plan to reduce the tax wedge and enhance Italy's potential growth over the short and medium term.

Yours sincerely,

Yours

(Pier Carlo Padoan)

Mr Siim KALLAS
Vice President
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