EUROPEAN COMMISSION

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Dear President,

The Commission would like to thank the Camera dei Deputati for its Opinion on the proposals for a Multiannual Financial Framework (MFF) for the period 2021-2027.

The opinion was delivered before the adoption by the Commission of the recovery plan and the revamped MFF proposal on 27 May 2020. This reply takes into account the latter as well as the other initiatives delivered at EU level in the response to the Covid-19 pandemic.

The Commission welcomes the Camera dei Deputati's support on a number of important elements of its proposals, such as an ambitious size of the EU budget, its commitment to the European Green Deal, the modernisation of the EU budget as well as its capacity to face new priorities and challenges at EU level.

It also takes note of the Camera dei Deputati's reservations, notably on the proposed moderate reduction of the funding for both the common agricultural policy (CAP) and cohesion policy, the macroeconomic conditionality as well as on the evolution of negotiations on new own resources. Following the exchange of views with Vice-President Šefčovič on 25 June 2020, the Commission is pleased to have the opportunity to provide further explanations on these issues.

The Commission believes that the revised MFF strikes the right balance between several factors. The new recovery plan and the recovery instrument NextGenerationEU, tightly linked to a revamped long-term EU budget, will support Member States with investments and reforms, incentivise private investments and reinforce other traditional EU policies. Additional resources will be dedicated to priorities such as health, digital and green transitions, research and innovation, migration or border management, in line with the European Council's strategic agenda. This proposal is also realistic in means and considers that with the departure of the United Kingdom the EU has lost an important contributor to the budget.

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The Commission emphasises the significance of a strong, well-funded CAP and recognises the importance of direct payments as a fundamental form of income support. The proposed reductions are moderate and include a number of options to achieve a fairer and more equitable distribution to farmers. The implementation of the strategic plans will provide the opportunity to steer the transition to a more ecological and sustainable agriculture and use of the resources. As for external convergence of direct payments, payments per hectare will have to converge as a matter of fairness. As good compromise in light of the different divergent positions, the Commission proposes only partial external convergence during 2021-2027 MFF.

The Commission proposed an overall budget of EUR 323.2 billion in 2018 prices for cohesion policy, the main investment instrument of the Union and a major driver of job creation, sustainable growth and innovation. The proposed allocation for Italy will increase compared to the current MFF. The new generation of cohesion policy programmes will operate under more flexible rules and allow for quicker reaction to emergency situations at national and regional level, while maintaining its long-term role for growth and in the transition to a more resilient, greener and digital Europe. In addition, the proposed REACT-EU initiative will continue providing additional cohesion policy support until 2022, including the exceptional flexibility introduced earlier this year under the Coronavirus Response Investment Initiatives, covering simplified procedures, the possibility to transfer resources between funds and categories of regions, and a relaxation of the rules on co-financing. Under the framework of REACT-EU, an additional EUR 55 billion in 2018 prices will be available for Member States mainly under NextGenerationEU, with Italy expected to significantly benefit from it. REACT-EU and the future cohesion policy will work together in a coordinated way at national and regional level.

The Just Transition Mechanism will assist Member States to alleviate the socio-economic impacts of the transition in the regions most affected to ensure that nobody is left behind in the shift towards climate neutrality. The Commission proposed to strengthen the first pillar of this mechanism, the Just Transition Fund, to a total of EUR 40 billion in 2018 prices. Furthermore, the second pillar of the Just Transition Mechanism proposes to set up a dedicated just transition scheme under InvestEU, while the third pillar of the Just Transition Mechanism, a new public sector loan facility, will include EUR 1.5 billion in grants from the EU budget and up to EUR 10 billion in loans from the European Investment Bank's own sources. Italy will benefit from this increased funding.

The Commission also highlights that Italy would be one of the main beneficiaries of the new Recovery and Resilience Facility, worth EUR 560 billion for the whole EU in 2018 prices, to be used for investments and reforms identified in the European Semester, including the green and digital transitions. The facility will specifically target those Member States mostly affected by the crisis. The funds will be divided between the grant facility of EUR 310 billion and EUR 250 billion for loans, striking a fair balance between the two components.

As for the new own resources, the Commission would underline that its revised proposal meets several of the Camera dei Deputati concerns and views. It proposes to maintain a simplified value added tax-based own resource as well as new own resources addressing EU priorities, such as the fight against climate change, but also fair taxation. In this context the proposal of an own resource based on non-recycled plastics packaging waste is maintained, as commitment to deliver on the Green Deal. Further 'green' own resources could contribute to the recovery effort. Options could include an Emissions Trading System-based own resource, including its possible extension to the maritime and aviation sectors, and a carbon border adjustment mechanism to prevent carbon leakage. Moreover, companies that draw extraordinary benefits from the EU single market could contribute to rebuilding it in the recovery phase. This could include an own resource based on the EU operations of enterprises, as well as a digital tax built on the OECD and G20 discussions on the matter. If introduced before 2024, such a basket of new own resources could substantially reduce the so-called national contributions based on Gross National Income.

Moreover, the Commission welcomes the specific call from the Camera dei Deputati to ensure a coordinated EU response against COVID-19. We concur that the rising pressure on national healthcare systems and the contraction in the economic activity associated to the lockdown requires a response via the EU budget. The Commission rapidly addressed these new needs with the recovery plan. In line with your suggestions, the Commission would like to recall that a temporary suspension of the Stability and Growth Pact was approved in March. The Commission also reacted swiftly with initiatives such as the Coronavirus Response Investment Initiatives, the Emergency Support Instrument helping the EU healthcare systems or the Temporary Framework for State aid measures.

The Commission believes that an ambitious recovery plan with the EU budget at its heart will give the Union the best possible chance of success. A timely agreement will allow the new programmes to kick off immediately and help the post-crisis recovery and resilience efforts. The Commission looks forward to the Camera dei Deputati's support for a timely agreement of the long-term budget that will address the challenges of the future and demonstrate Europe's ability to stand together. It also looks forward to continuing our political dialogue in the future.

Yours faithfully,

Maroš Šefčovič *Vice-President*	*Johannes Hahn* *Member of the Commission*