

Bratislava, 8<sup>th</sup> November 2016  
Nr.: MF/20243/2016-11

Dear Vice-President Dombrovskis,  
Dear Commissioner Moscovici,

As a follow-up to the informal discussions between the Ministry of Finance of the Slovak Republic and the Commission in the context of the assessment of the Draft Budgetary Plan (DBP) of Slovakia for 2017, I believe that there are some caveats in the expenditure benchmark in 2017 that should be clarified from my side. I would like to especially remedy a misunderstanding and provide you with a comprehensive explanation on the issue of the coverage of compensation of public employees in the DBP of Slovakia.

Based on the most likely result of the collective bargaining, public sector salaries are expected to increase by 4 % in 2017. Compensation of employees (D.1P) outlined in DBP for 2017 did not include this entire increase as the collective bargaining has not been finished yet. Non-inclusion of explicit expenses on D.1P stems from the sensitive discussions with our Labour Unions, which are traditionally concluded after submission of the DBP. However, **reserves were created in the budget to cover this increase in the public wage bill, in other expenditure items**, as part of D.7 transfer and P.2 intermediate consumption (see Table 1). **The information about sufficient resources included within the DBP for the 4 % public wage increase has been also remarked within the submitted DBP** (please see page 36, part compensations).

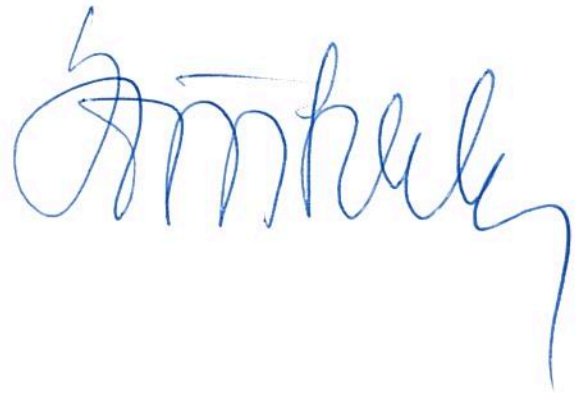
Taking into account these reserves, our DBP covers for the annual change of public compensation in 2017 in the amount of 3.9 %, instead of 1.7 % assumed by the Commission. The annual change is slightly lower than the one stemming from the outcome of the collective bargaining due to inclusion of wage increase of teachers also in the benchmark year (2016). Moreover, we are providing you with development of intermediate consumption and other current transfer to refute any doubts about possible underestimating of this expenditure items due to inclusions of reserves.

	ESA	2014	2015	2016E	DBP 2017	2017/2016
Compensation of employees	D.1P	6 693,7	7 049,5	7 222,5	7 342,7	1,7 %
Reserve for conclusion of collective bargaining	D.7p				110,6	-
Reserve for wage increase of teachers	P.2				50,0	-
<b>Overall expenditure on wage bill</b>		<b>6 693,7</b>	<b>7 049,5</b>	<b>7 222,5</b>	<b>7 503,4</b>	<b>3,9 %</b>

Intermediate consumption	P.2	4 266,2	4 654,8	4 511,6	4 717,0	4,6 %
- from that: reserve for wage increase of teachers					50,0	-
Other current transfer	D.7p	1 190,6	1 448,2	1 597,8	1 950,7	22,1 %
- from that: reserve for wage increase of teachers					110,6	

Along with the reasoning above, I would like to emphasize that we are strongly committed to meeting our fiscal target in 2017. We would very much welcome if you could take into account this information in the assessment of our Draft budgetary plan for 2017.

Sincerely Yours,



Mr.  
Valdis Dombrovskis  
**Vice-President**  
European Commission

Mr.  
Pierre Moscovici  
**Commissioner**  
European Commission