

State aid in the education/training sector

1. What is State aid?

State aid is *when public funding gives an economic advantage to selective organisations*. The key criterion in the education/training sector is whether the activity in question is economic.

2. When is public funding for education/training not subject to State aid rules?

When it funds activities carried out by the State or on behalf of the State as part of its public duties. This includes funding education institutions to provide courses that carry out a social, cultural or educational public service for its citizens.

3. When is public funding for education/training subject to State aid rules?

When it funds education institutions for courses wholly or predominantly financed by students or other commercial revenue. Similarly, funding for courses that are also offered by competing private organisations are also subject to State aid rules.

Subsidies or grants for staff training also constitute a selective economic advantage (i.e. State aid) to the benefitting businesses.

4. What if it is State aid?

If the aid beneficiary is an educational institute, public funding may qualify as a Service of General Economic Interest. For this to be the case, the funder must:

- Establish that the activity is in citizens' interests but is not provided satisfactorily by market forces alone.
- Formally entrust the beneficiary to provide a clearly defined service of finite duration and scope.
- Define the compensation mechanism, which must not exceed the shortfall between the cost of the service and the revenue from it, plus a reasonable profit.
- Establish and implement a clawback mechanism in case of overcompensation.
- Select the beneficiary through open procurement and/or benchmark the beneficiary's compensation against the market rate.
- Register details of the measure with the State Aid Unit.

If the aid recipient is a business, public funding may be given compatibly if it fits with the European Commission's General Block Exemption Regulation. Under its training aid provisions, 50% of the costs of providing non-mandatory staff training (e.g. trainers' costs, trainees' travel expenses, and materials and supplies) can be aided. The aid intensity can be increased to 60% for medium-sized firms or 70% for small firms. Contact the State Aid Unit to register the scheme with the European Commission.

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