



## OPEN CALL FOR PROPOSALS

*Improving skills and competencies of teachers and other professionals in primary education*

### Annex 4: Rules regarding State aid

#### **Introduction**

Grants allocated within this Call relate to the funding of activities aimed at improving and enhancing the skills and competencies of teachers and other professionals in primary education. The purpose of the Call is to implement these activities in order to ensure quality education in several priority subject areas, namely: the application of STEM in education, the use and application of information and communication technologies (hereinafter: ICT) in education, enhancing entrepreneurial skills in education for better employment prospects and enabling active citizenship in education.

STEM area includes subjects related to natural, technical and related sciences: biology, physics, geography, informatics, chemistry, mathematics, nature, nature and society as well as extracurricular activities related to natural, biotechnical and technical sciences, while STEM education implies inter disciplinarity, application of knowledge from different fields and practical classes.

Pursuant to this Call, the use of ICT in primary education includes activities and programmes aimed at improving the teaching skills and competencies of teachers and other field professionals in terms of the functional use of ICT in the educational process for the purpose of developing pupils' skills.

The area of entrepreneurship concerned with the development of skills and better employment prospects includes activities and programmes aimed at improving the skills and competencies of teachers and other field professionals for the purpose of teaching entrepreneurship and entrepreneurial competencies.

The area of active citizenship includes activities and programmes aimed at improving the ability of teachers and other educational workers in teaching skills in the field of active citizenship and indirectly fostering development of pupils' social and democratic skills. This refers to the active encouragement of pupil's participation in the society, raising awareness of responsible behaviour in the society and working for the common (social) good, encouraging solidarity behaviour, development of common spirit, social skills (in terms of adaptability and positive behaviour in the society), learning non-violent communication,

raising awareness of the importance of volunteering, including pupils in volunteering actions etc.

Therefore, the specific objective of the Call is to encourage and promote the development and improvement of teaching skills and competencies in the STEM area, ICT, entrepreneurship and citizenship.

***Activities within the Call***

This objective will be realised through a series of activities which are described in detail under item 2.5 of the Call regarding, for instance: the training of teachers and other primary school professionals, including special programmes for working with pupils with special educational needs, formal and non-formal trainings and modules in the area of STEM, ICT, active citizenship and entrepreneurship, training of trainers, summer schools for teachers and other primary school professionals, development and implementation of programmes for the development of teaching skills in STEM, ICT and other subjects, seminars, lectures on these subjects, development of new teaching models, development of school curriculum in the following areas: STEM, ICT, active citizenship and entrepreneurship, amendments to approved study programmes of polytechnics and colleges of up to 20% in the area of STEM, ICT, entrepreneurship and active citizenship, development of tools for encouraging critical thinking and research activities of pupils, collaboration in building capacities and joint participation in the implementation of programmes in the areas of STEM, ICT, entrepreneurship and active citizenship through active participation in thematic conferences, fairs, organisation of study visits to the Republic of Croatia and donor countries, mentoring, exchange of experiences of teachers and other primary school professionals from the Republic of Croatia with institutions from other countries, and finally project management activities and administration, as well as information and communication activities (organisation of events at the local level aimed at raising awareness of the importance of STEM, ICT, entrepreneurship and active citizenship, design of promotional brochures, etc.).

***Funds available within the Call***

Funds in the amount of EUR 1,264,706.00 will be allocated within this Call, whereby the minimum amount of funds that can be allocated to an individual project is EUR 50,000.00, and the maximum EUR 200,000.00. The Call enables the funding of up to 100% of eligible project costs.

***Target groups and final beneficiaries of funds***

Target groups covered by the Call are teachers and other educational workers in primary education institutions, experts working in public institutions responsible for the implementation of educational policies, as well as employees of institutions in the field of education (on all levels of education). An applicant defines the target groups and final beneficiaries of the project, taking into the account the expected project results, the focus,

the objectives and target groups of the Call, eligible applicants and partners within the Call, as well as long-term sustainability of the project.

***Eligible applicants and eligible partners***

Eligible applicants within this Call are profit or non-profit public or private legal entities, as well as non-profit organisations with legal personality established as legal persons in Croatia. Eligible partners may also include profit or non-profit public or private entities, as well as non-profit organisations with legal personality established and operating as legal entities in Iceland, the Principality of Liechtenstein, the Kingdom of Norway, or the Republic of Croatia.

***Requirements for the allocation of funds from the aspect of application of state aid rules***

From the aspect of application of State aid rules, the allocation of funds within this Call or from other public funds to the entrepreneurial sector i.e. for the economic activities constitutes state aid referred to in Article 107 (1) of the Treaty on the Functioning of the European Union (hereinafter: TFEU). In fact, pursuant to Article 107 (1) TFEU, any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market.

The notion of *State aid*, as referred to in Article 107 (1) of the Treaty, applies exclusively to undertakings. The European Court of Justice has consistently interpreted undertakings in its judgments as entities engaged in an economic activity, regardless of their legal status and the way in which they are financed<sup>1</sup>. Economic activity is any activity that consists of offering/selling goods and providing services on the market<sup>2</sup>. Therefore, the classification of an entity as “undertaking” in terms of State aid regulations is always relative to a specific activity.

Furthermore, for a particular transfer of public funds to be considered as State aid within the meaning of the above definition, it must cumulatively meet the following criteria:

- funds are allocated directly or indirectly through State resources,
- the funds allocated to a particular undertaking or group of undertakings provide an advantage to that undertaking or group of undertakings/sector/region, etc.,
- funds are allocated on a selective basis – only to a specific undertaking, sector, region,
- financial aid measure distorts competition or threatens to distort competition,

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<sup>1</sup>Judgment of the Court of 12 September 2000, Pavlov and Others, JoinedCases C-180/98 to C-184/98, ECLI:EU:C:2000:428, item 74.

<sup>2</sup>Case: C-35/96 Commission v Italy (1998) ECR I-3851, paragraph 36, JoinedCases C-180/98 Pavlov and Others (2000) ECR I-6451, paragraph 75.

- measure affects trade between Member States.

In view of the above, clearly the entities meeting the definition of an undertaking within the meaning of Article 107 (1) TFEU may also be considered eligible applicants and eligible partners pursuant to this Call. In fact, even non-profit public and/or private legal entities may be considered undertakings within the meaning of Article 107 (1) TFEU if they offer goods and services on the market. Therefore, when implementing this Call, for each specific case, i.e., each applicant and partner, it is vital to assess whether an entity is engaged in economic activity, regardless of whether that entity is set up to generate profits or not.

In terms of meeting the criteria for constituting State aid, it is clear that the funds allocated within this Call are considered state funds within the meaning of Article 107(1) TFEU because, despite the fact they are not allocated from national funds (the state budget of the Republic of Croatia) but in accordance with *Local Development and Poverty Reduction Programme* within the EEA Financial Mechanism, the national body (the Ministry of Regional Development and EU Funds – Department for Managing, Monitoring and Evaluating EU Programmes and International Financial Mechanisms), as the Manager of said Programme, is in charge of the selection of the beneficiaries of these funds. In accordance with the Call, *de minimis* aid Scheme for the implementation of *Local Development and Poverty Reduction Programme* applies to entities – eligible applicants and partners, as well as end beneficiaries of funds engaged in economic activities.

Grants allocated within this Call to eligible applicants and eligible partners that are not engaged in economic activity (by offering goods and providing services on the market) and use these funds to perform eligible activities in accordance with this Call for the needs of end beneficiaries of the Call, namely: primary schools, institutions dealing with primary education and public institutions responsible for the implementation of educational policies, and individuals: primary education professionals, university students, pupils in primary education institutions, parents and the general public, do not constitute State aid within the meaning of Article 107 (1) TFEU. The same applies to eligible applicants and eligible partners engaged in economic activity (by offering goods and services on the market), if they transfer all the benefits of the grant allocated within this Call as intermediaries to the above end beneficiaries through eligible activities defined within the Call by providing them with services / products free of charge.

Funds allocated within this Call to eligible applicants and partners that are considered undertakings within the meaning of Article 107 (1) TFEU for being engaged in economic activity in the Republic of Croatia or donor countries (regardless of their legal status and source of funding or being profit or non-profit entities) constitute State aid within the meaning of Article 107 (1) TFEU and may be allocated to them in the form of *de minimis* aid in accordance with *de minimis* scheme for the implementation of *Local Development and*

*Poverty Reduction Programme*, if they perform eligible activities or provide services within this Call to end beneficiaries for remuneration.

With respect to the end beneficiaries of grants within this Call, if they include public primary schools, institutions dealing with primary education and public institutions responsible for the implementation of educational policies, as well as their employees, pupils, students, parents and other individuals in the public education system, the allocated grants do not constitute State aid within the meaning of Article 107 (1) TFEU, regardless of whether they were directly allocated to those institutions or if said institutions are beneficiaries of funds through eligible applicants or partners. This also applies to private or religious primary schools, i.e. privately-owned institutions dealing with primary education and delivering educational programmes that are part of the public education system of the Republic of Croatia, which are predominantly financed from public funds and only partially by pupils or their parents or other private sources.

In fact, by establishing the public education system which is completely or predominantly financed from public funds and not by pupils or their parents, the state fulfils its obligation towards its citizens in the social, cultural and educational aspect. The non-economic aspect of public education is not disputed if, in addition to public institutions in the field of primary education, the same is delivered by religious or private institutions which are predominantly financed from public funds.

Grants within this Call contain elements of State aid if the end beneficiaries of these funds are private primary schools or private institutions dealing with primary education which are completely or predominantly funded by pupils or their parents or other private sources. In that case, it constitutes an economic activity covered by the provisions of Article 107 (1) TFEU, which means that said institutions may receive funds for the activities within the Call in the form of *de minimis* aid in accordance with Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid (OJ L 352/1, 24/12/2013) through *de minimis* aid Scheme for the implementation of *Local Development and Poverty Reduction Programme*.

*De minimis* aid in the Republic of Croatia may be allocated to one undertaking for eligible activities within this Call up to a maximum amount of EUR 200,000 during any period of three fiscal years. For the purposes of the maximum limit of EUR 200,000, the aid is expressed as a grant, and all applicable amounts are expressed as gross amounts, i.e., the amount before deduction of taxes and other charges. Aid paid in several instalments is discounted to the value of aid at the time of allocation (the date of the decision on the allocation of funds or the contract on the allocation of funds is considered the date of allocation). The Programme Operator shall allocate *de minimis* aid in accordance with this Call and *de minimis* Regulation only after it has determined that such allocation will not increase the total amount of *de*

*minimis* aid received by a certain undertaking in the Republic of Croatia up to the limit of EUR 200,000 in the current and previous two fiscal years, which is attested by the *De minimis* Declaration.