

Case study on the notion of State aid

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Case 1: public financing of an SME support centre - Wirtschaftsbüro

The City of **Kiel** in Germany (population 240,000) created a separate legal entity (Wirtschaftsbüro Gaarden), with the task of providing free information, advisory & consultancy services to interested individuals, newly-created firms and SMEs, in order to increase the economic attractiveness and activity of its “Kiel-Gaarden” area (an urban district in difficulty).

Budget: 690,198 € of public financing over a 3-year period – **Staff:** 2 employees – **Legal form:** limited-liability company.

Activity during the first 3 years: advice given to 421 SMEs - 92 firms coached - helped 45 firm set-up. Clients come predominately from the Kiel area.

Dr. Bernd, an independent consultant, provides economic and legal consultancy services for SMEs and start-ups in the Kiel area. As the Wirtschaftsbüro provides its services at no cost, **he filed a complaint with the EC**, arguing that it was impossible for him and other private consultancies to compete with a publicly-financed organization, and that therefore the measure distorts competition

Do the public funds paid to Wirtschaftsbüro constitute illegal state aid, and if so, is Dr. Bernd's complaint well-founded?

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