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# Digital Intensification Grant Scheme Guidance Notes

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## Definitions

**Aid Intensity** means the gross aid amount expressed as a percentage of the eligible costs, before any deducted tax or other charge.

**Date of granting of the aid** means the date when the legal right to receive the aid is conferred to the Beneficiary, being the date of the signing of the Grant Agreement (GA).

**Start of works** means the earlier of either the start of construction works in relation to the investment, or the first legally binding commitment to order the equipment or any other commitment that makes the investment irreversible. Buying land and preparatory works such as obtaining permits and conducting feasibility studies are not considered start of works.

**Digitalisation Investment** means applications under the Digital Intensification Grant Scheme with the intent of financing hardware, software and digital solutions. Priority will be given to proposals addressing the following areas:

In the tourism industry (including culture) beyond operational logistics, proposals should also seek to maximise the adoption of other technologies (such as analytical tools and AI) to design and adapt hospitality packages and customer experience. Proposals should also give due regard to resource efficiency (including the use of water and electricity);

In the manufacturing sector proposals should seek the optimisation of the use of existing technologies and/or the exploitation of emerging technologies and trends. Proposals can also focus on data management and decision support systems.

**Industry 4.0** refers to the way companies manufacture, improve and distribute their products. Manufacturers are integrating new technologies, including Internet of Things (IoT), cloud computing and analytics, and AI and machine learning into their production facilities and throughout their operations.

**Initial Investment** means an investment in tangible and intangible assets related to the setting-up of a new establishment, extension of the capacity of an existing establishment, diversification of the output of an establishment into products not previously produced in the establishment or a fundamental change in the overall production process of an existing establishment; or an acquisition of assets belonging to an establishment that has closed or would have closed had it not been purchased, and is bought by an investor unrelated to the seller and excludes sole acquisition of the shares of an undertaking.

**Initial Investment in favour of new economic activity** means an investment in tangible and intangible assets related to the setting up of a new establishment, or to the diversification of the activity of an establishment, under the condition that the new activity is not the same or a similar activity to the activity previously performed in the establishment or the acquisition of the assets belonging to an establishment that has closed or would have closed had it not been purchased, and is bought by an investor unrelated to the seller, under the condition that the new activity to be performed using the acquired assets is not the same or a similar activity to the activity performed in the establishment prior to the acquisition.

**The same or a similar activity** means an activity falling under the same class (four-digit numerical code) of the NACE Rev. 2 statistical classification of economic activities as laid down in Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20

December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains.

**Economic activity** – means an activity consisting of any one or more of the following:

- any trade, business, profession or vocation and the provision of any personal services;
- the exploitation of tangible or intangible property for the purpose of obtaining income there from on a continuing basis;
- the provision by a club, association or organisation of the facilities or advantages available to its members for a subscription or other consideration;
- the admission of persons to any premises for a consideration.

**External source** means a source that is autonomous and unrelated to the Beneficiary Undertaking.

**Unrelated to the Beneficiary** - the fact that the buyer does not control the seller, is not sufficient for fulfilling this criteria. The parties have to be unrelated. For that, there should be no influence (decisive or not) on the composition, voting or decisions of the organs of an Undertaking.

**Undertaking** means a **Micro, Small, Medium or Large Enterprise**.

A **Micro, Small or Medium Enterprise (SME)** as defined in Annex I of Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application to Articles 107 and 108 of the Treaty, as amended.

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02014R0651-20210801>

The main factors determining whether an enterprise is an SME are:

- a) **staff headcount** and
- b) either **turnover** or **balance sheet total**.

| <b>Enterprise category</b> | <b>Staff headcount</b> | <b>Turnover</b> | <b>or</b> | <b>Balance sheet total</b> |
|----------------------------|------------------------|-----------------|-----------|----------------------------|
| Medium-sized               | < 250                  | ≤ € 50 m        |           | ≤ € 43 m                   |
| Small                      | < 50                   | ≤ € 10 m        |           | ≤ € 10 m                   |
| Micro                      | < 10                   | ≤ € 2 m         |           | ≤ € 2 m                    |

For more details:

[http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition/index\\_en.htm](http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition/index_en.htm)

**Large Enterprise** is an Undertaking not fulfilling the criteria laid down in Annex I of the General block exemption Regulation.

**An enterprise** is considered to be any entity engaged in an economic activity, irrespective of its legal form. This includes, in particular, self-employed persons and family businesses

engaged in craft or other activities, and partnerships regularly engaged in an economic activity.

**An Autonomous Enterprise** is any enterprise which is not classified as a partner enterprise or as a linked enterprise as per provisions outlined in Annex I of Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, as amended.

**Partner enterprises** are all enterprises which are not classified as linked enterprises and between which there is the following relationship: an enterprise (upstream enterprise) holds, either solely or jointly with one or more linked enterprises 25 % or more of the capital or voting rights of another enterprise (downstream enterprise).

However, an enterprise may be ranked as autonomous, and thus as not having any partner enterprises, even if this 25 % threshold is reached or exceeded by the following investors, provided that those investors are not linked, within the meaning of 'linked enterprise', either individually or jointly to the enterprise in question:

- a) public investment corporations, venture capital companies, individuals or groups of individuals with a regular venture capital investment activity who invest equity capital in unquoted businesses (business angels), provided the total investment of those business angels in the same enterprise is less than EUR 1 250 000;
- b) universities or non-profit research centres;
  - c) institutional investors, including regional development funds;
  - d) autonomous local authorities with an annual budget of less than EUR 10 million and less than 5 000 inhabitants.

**Linked enterprises** are enterprises which have any of the following relationships with each other:

- a) an enterprise has a majority of the shareholders' or members' voting rights in another enterprise;
- b) an enterprise has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of another enterprise;
- c) an enterprise has the right to exercise a dominant influence over another enterprise pursuant to a contract entered into with that enterprise or to a provision in its memorandum or articles of association;
- d) an enterprise, which is a shareholder in or member of another enterprise, controls alone, pursuant to an agreement with other shareholders in or members of that enterprise, a majority of shareholders' or members' voting rights in that enterprise.

Enterprises having any of the relationships described in a) to d) above through one or more other enterprises, or any one of the investors mentioned under Partner Enterprise, are also considered to be linked.

Enterprises which have one or other of such relationships through a natural person or group of natural persons acting jointly are also considered linked enterprises if they engage in their activity or in part of their activity in the same relevant market or in adjacent markets.

An '**adjacent market**' is considered to be the market for a product or service situated directly upstream or downstream of the relevant market.

**Undertaking in difficulty** as defined in Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, means an undertaking in respect of which at least one of the following circumstances occurs:

- a. In the case of a limited liability company (other than an SME that has been in existence for less than three years), where more than half of its subscribed share capital has disappeared as a result of accumulated losses. This is the case when deduction of accumulated losses from reserves (and all other elements generally considered as part of the own funds of the company) leads to a negative cumulative amount that exceeds half of the subscribed share capital. For the purposes of this provision, 'limited liability company' refers in particular to the types of company mentioned in Annex I of Directive 2013/34/EU and 'share capital' includes, where relevant, any share premium;
- b. In the case of a company where at least some members have unlimited liability for the debt of the company (other than an SME that has been in existence for less than three years), where more than half of its capital as shown in the company accounts has disappeared as a result of accumulated losses. For the purposes of this provision, 'a company where at least some members have unlimited liability for the debt of the company' refers in particular to the types of company mentioned in Annex II of Directive 2013/34/EU;
- c. Where the Undertaking is subject to collective insolvency proceedings or fulfils the criteria under its domestic law for being placed in collective insolvency proceedings at the request of its creditors;
- d. Where the Undertaking has received rescue aid and has not yet reimbursed the loan or terminated the guarantee, or has received restructuring aid and is still subject to a restructuring plan;
- e. In the case of an Undertaking that is not an SME, where, for the past two years:
  - i. the Undertaking's book debt to equity ratio has been greater than 7,5 and
  - ii. the Undertaking's EBITDA interest coverage ratio has been below 1,0.

**Crafts** means an art, skill, or trade, practised by a person or persons in the manufacture of artefacts and other products and generally requiring in its manufacturing a greater input of human skill than of machinery.

**Tangible assets** means assets consisting of land, buildings and plant, machinery and equipment.

**Intangible assets** means assets that do not have a physical or financial embodiment such as patents, licences, know-how or other intellectual property.

**Relocation** means a transfer of the same or similar activity or part thereof from an establishment in one contracting party to the EEA Agreement (initial establishment) to the establishment in which the aided investment takes place in another contracting party to the EEA Agreement (aided establishment). There is a transfer if the product or service in the initial and in the aided establishments serves at least partly the same purposes and meets the demands or needs of the same type of customers and jobs are lost in the same or similar activity in one of the initial establishments of the beneficiary in the EEA.

**Steel sector** means all activities related to the production of one or more of the following products:

(a) pig iron and ferro-alloys: pig iron for steelmaking, foundry and other pig iron, spiegeleisen and high-carbon ferro-manganese, not including other ferro-alloys;

(b) crude and semi-finished products of iron, ordinary steel or special steel: liquid steel whether or not cast into ingots, including ingots for forging semi-finished products: blooms, billets and slabs; sheet bars and tinplate bars; hot-rolled wide coils, with the exception of production of liquid steel for castings from micro, small and medium-sized foundries;

(c) hot finished products of iron, ordinary steel or special steel: rails, sleepers, fishplates, soleplates, joists, heavy sections of 80 mm and over, sheet piling, bars and sections of less than 80 mm and flats of less than 150 mm, wire rod, tube rounds and squares, hot-rolled hoop and strip (including tube strip), hot-rolled sheet (coated or uncoated), plates and sheets of 3 mm thickness and over, universal plates of 150 mm and over, with the exception of wire and wire products, bright bars and iron castings;

(d) cold finished products: tinplate, terneplate, blackplate, galvanised sheets, other coated sheets, cold-rolled sheets, electrical sheets and strip for tinplate, cold-rolled plate, in coil and in strip;

(e) tubes: all seamless steel tubes, welded steel tubes with a diameter of over 406.4 mm.

**Synthetic fibres sector** means:

(a) extrusion/texturisation of all generic types of fibre and yarn based on polyester, polyamide, acrylic or polypropylene, irrespective of their end-uses; or

(b) polymerisation (including polycondensation) where it is integrated with extrusion in terms of the machinery used; or

(c) any ancillary process linked to the contemporaneous installation of extrusion/texturisation capacity by the prospective Beneficiary or by another enterprise in the group to which it belongs and which, in the specific business activity concerned, is normally integrated with such capacity in terms of the machinery used.

**Transport sector** means the transport of passengers by aircraft, maritime transport, road, rail, or by inland waterway or freight transport services for hire or reward; more specifically, the 'transport sector' means the following activities in terms of NACE Rev. 2:

- NACE 49: Land transport and transport via pipelines, excluding NACE 49.32 Taxi operation, 49.42 Removal services, 49.5 Transport via pipeline;
- NACE 50: Water transport;
- NACE 51: Air transport, excluding NACE 51.22 Space transport.

**Tourism** means the following activities in terms of NACE Rev. 2:

- (i) NACE 55: Accommodation;
- (ii) NACE 56: Food and beverage service activities;
- (iii) NACE 79: Travel agency, tour operator reservation service and related activities;
- (iv) NACE 90: Creative, arts and entertainment activities;
- (v) NACE 91: Libraries, archives, museums and other cultural activities;
- (vi) NACE 93: Sports activities and amusement and recreation activities.

**Coal** means high-grade, medium-grade and low-grade category A and B coal within the meaning of the international codification system for coal established by the United Nations Economic Commission for Europe and clarified in the Council decision of 10 December 2010 on State aid to facilitate the closure of uncompetitive coal mines.

**Shipbuilding** means the building in the Union, of self-propelled commercial vessel.

**Self-propelled commercial vessel** means a vessel that, by means of its permanent propulsion and steering, has all the characteristics of self-navigability on the high seas or on inland waterways and belongs to one of the following categories:

- seagoing vessels of not less than 100 gt and inland waterway vessels of equivalent size used for the transportation of passengers and/or goods;

- seagoing vessels of not less than 100 gt and inland waterway vessels of equivalent size used for the performance of a specialised service (for example, dredgers and ice breakers);
- tugs of not less than 365 kW;
- unfinished shells of the vessels referred to in points (i), (ii) and (iii) that are afloat and mobile.

**Marketing of agricultural products** means holding or display with a view to sale, offering for sale, delivery or any other manner of placing on the market, except the first sale by a primary producer to resellers or processors and any activity preparing a product for such first sale; a sale by a primary producer to final consumers shall be considered to be marketing if it takes place in separate premises reserved for that purpose.

**Primary agricultural production** means production of products of the soil and of stock farming, listed in Annex I to the Treaty, without performing any further operation changing the nature of such products.

**Processing of Agricultural products** means any operation on an agricultural product resulting in a product which is also an agricultural product, except on-farm activities necessary for preparing an animal or plant product for the first sale.

**Agricultural product** means the products listed in Annex I to the Treaty, except fishery and aquaculture products listed in Annex I to Regulation (EU) No 1379/2013 of the European Parliament and of the Council of 11 December 2013.

**Fishery and Aquaculture sector**, are defined as per provisions of Regulation (EU) No 1379/2013 of the European Parliament and of the Council of 11 December 2013 on the common organisation of the markets in fishery and aquaculture products, amending Council Regulations (EC) No 1184/2006 and (EC) No 1224/2009 and repealing Council Regulation (EC) No 104/2000, as amended.



## 1. Introduction

This document provides information on the Digital Intensification Grant Scheme and should be read in conjunction with the following documents:

- Notes to Applicants
- Guidelines for Implementation – Digital Intensification

These Guidance Notes together with the ‘Guidelines for Implementation – Digital Intensification’ are binding. Failure to comply with the provisions of these documents may result in financial corrections and recovery of funds.

These Guidance Notes may be reviewed, updated and amended from time to time by the Measures and Support Division throughout the lifetime of the scheme.

### 1.1 Management Structure

The Ministry responsible for the management of Union Funds is empowered to perform the tasks related to coordination, management and control of the Recovery and Resilience Plan for Malta. Within the same Ministry, the Planning and Priorities Coordination Division has been designated to ensure the leadership, coordination and overall oversight of this plan. The Measures and Support Division, also within the identified Ministry, is the institution in charge of implementation of investment reform C3-I4 ‘Rolling out measures to intensify the digitalisation of the private sector’. This management structure is established by Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for Malta 11941/21 and supporting Annex ADD 1, by Regulation (EU) 2021/241 and of the European Union Recovery Instrument set up by Council Regulation (EU) 2020/2094.

### 1.2 Scope

Enterprises in Europe no longer compete just with their neighbours or even other firms in their country but with all competitors on the global market place. It is necessary to always be on top of the latest technologies to provide the best products and to deliver the most rewarding services. Digitalisation investment is needed to achieve such goal. The capability of an enterprise to digitalise by addressing new digital capabilities and digitalised processes is crucial for survival and future business growth. Digitalization opens up new economic opportunities. In addition, digital technologies enable new business models, intelligent work and production processes, more effective customer acquisition and better networking.

This incentive seeks to assist eligible enterprises through non-repayable Grants to part-finance initial investment for SMEs, or an initial investment in favour of a new economic activity in the case of large enterprises.

Proposals which are in line with the below priorities will be given precedence in selection.

- Manufacturing industry - investment that supports the transformation operations and transition to Industry 4.0 by optimising the use of existing technologies and exploitation of emerging technologies and trends such as digital twinning, predictive maintenance, track-and-trace, and modular design amongst others. Investments in digitalisation can thus help such enterprise to improve their efficiency, productivity and customer experience by ensuring they have the right capabilities that is central

to their operating model and matching them with a strong skill sets in analytics and IT.

- Tourism industry – investment that ensures that digitalisation is leveraged with a view to enhance operations by addressing not only operational logistics but exploring the possibility of analytical tools and AI to design, adapt and personalise hospitality packages and offerings that maximise client experiences and investment in digitalisation and other technologies that will also contribute towards better resource efficiencies, such as the use of water and electricity.

The measure complies with the ‘Do no significant harm’ Technical Guidance (2021/C58/01), and shall exclude the following list of activities: (i) activities related to fossil fuels, including downstream use<sup>1</sup>; (ii) activities under the EU Emission Trading System (ETS) achieving projected greenhouse gas emissions that are not lower than the relevant benchmarks<sup>2</sup>; (iii) activities related to waste landfills, incinerators<sup>3</sup> and mechanical biological treatment plants<sup>4</sup>; and (iv) activities where the long-term disposal of waste may cause harm to the environment.

### 1.3 Component

This Measure falls under Component 3 ‘**Fostering a digital, smart and resilient economy**’ of ‘**Malta’s Recovery & Resilience Plan**’, and addresses the following Investment:

*Investment d. Investment grants to intensify the digitalisation of the private sector.*

### 1.4 Duration of the measure

The *Digital Intensification Grant Scheme* will remain operational until 31 December 2023<sup>5</sup>, subject to availability of funds.

### 1.5 Budget

The allocated budget for this scheme is set at €10,000,000 with indicative annual thresholds of €5,000,000.

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<sup>1</sup> Except projects under this measure in power and/or heat generation, as well as related transmission and distribution infrastructure, using natural gas, that are compliant with the conditions set out in Annex III of the ‘Do no significant harm’ Technical Guidance (2021/C58/01).

<sup>2</sup> Where the activity supported achieves projected greenhouse gas emissions that are not significantly lower than the relevant benchmarks an explanation of the reasons why this is not possible should be provided. Benchmarks established for free allocation for activities falling within the scope of the Emissions Trading System, as set out in the Commission Implementing Regulation (EU) 2021/447.

<sup>3</sup> This exclusion does not apply to actions under this measure in plants exclusively dedicated to treating non-recyclable hazardous waste, and to existing plants, where the actions under this measure are for the purpose of increasing energy efficiency, capturing exhaust gases for storage or use or recovering materials from incineration ashes, provided such actions under this measure do not result in an increase.

<sup>4</sup> This exclusion does not apply to actions under this measure in existing mechanical biological treatment plants, where the actions under this measure are for the purpose of increasing energy efficiency or retrofitting to recycling operations of separated waste to compost bio-waste and anaerobic digestion of bio-waste, provided such actions under this measure do not result in an increase of the plants’ waste processing capacity or in an extension of the lifetime of the plants; for which evidence is provided at plant level.

<sup>5</sup> Duration may be extended subject to compliance with national targets and with the applicable State aid rules.

### 1.6 Open (rolling) Calls

The scheme shall be managed on a demand driven basis. The IB shall issue a public open call (rolling-call) for interested eligible Undertakings to submit their applications. Applications will be assessed and evaluated and eligible applications scoring at least 50% of the selection criteria shall be awarded the grant. Grants shall be awarded on a first-come-first served basis subject to budget availability.

### 1.7 Maximum Grant Value and Aid intensity

The maximum grant value under this scheme is set at €200,000 per digitalisation investment.

| Size of Undertaking | Aid Intensity    |  |   |
|---------------------|------------------|--|---|
|                     | Projects in Gozo | Projects in Malta (in assisted areas designated in Malta's Regional Aid map, as outlined in Annex A) | Projects in Malta (in localities not falling within the Regional Aid map) |
| Micro and Small     | 35%              | 30%  | 20%   |
| Medium              | 25%              | 20%  | 10%   |
| Large               | 15%              | 10%  | N/A   |

The maximum amount of aid granted will not exceed the thresholds indicated in Article 4(1)(a) and (1)(c) GBER.

**A maximum of €200,000 per undertaking shall be eligible for funding under this scheme. A separate application form shall be submitted for different projects carried out by an undertaking.**

### 1.8 Implementation

Digitalisation investments should be concluded within 24 months from the Grant Agreement. Extensions beyond this timeframe may be considered upon the express request of the Beneficiary, when justified. Nonetheless, investments are to be concluded by 30 June 2026<sup>6</sup>.

### 1.9 Regulatory Framework

Malta's Recovery and Resilience Plan

<https://fondi.eu/programme/recovery-and-resilience-plan/>

The Recovery and Resilience Facility as established by Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021

<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R0241&from=EN>

Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for Malta 11941/21 of 28 September 2021

<sup>6</sup> This date may be extended subject to compliance with national targets.

<https://data.consilium.europa.eu/doc/document/ST-11941-2021-INIT/en/pdf>

Technical guidance on the application of “do no significant harm” under the Recovery and Resilience Facility Regulation

[https://ec.europa.eu/info/sites/default/files/c2021\\_1054\\_en.pdf](https://ec.europa.eu/info/sites/default/files/c2021_1054_en.pdf)

Aid may be awarded in accordance with the relevant terms and conditions of the General Block Exemption Regulation (“GBER”) Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, as amended.

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02014R0651-20210801>

## 2. Description

### 2.1 Eligible Actions

This Grant Scheme seeks to support digitalisation investment initiatives by eligible enterprises, in eligible sectors, in their digitalisation endeavours and to intensify the digitalisation of operations. Digitalisation is crucial as it can help provide better services and products of higher quality, as well as improve the management of resources to increase efficiency and reach new markets. The investment shall support enterprises to digitalise so they can avoid falling behind by addressing new digital capabilities and digitalised processes such as product and process design and engineering, end-to-end procurement, supply chain/distribution and after-sales.

The investment shall support enterprises, with a specific focus to those in the manufacturing and tourism industries through investments in digital technologies and related processes in the enterprise in particular hardware, software and other digital solutions to improve their efficiency, productivity and customer experience. This could also extend digitalisation beyond IT and explore the possibilities of significant operation technologies (OT) such as track and trace solutions and digital twinning.

Eligible Undertakings having a **Process and Systems Review** outlining the digitalisation initiatives that the enterprise wants to achieve and that will drive to reach the digital transformation goals through a proposed investment, may seek assistance to part-finance investment in hardware, software and digital solutions.

Investments may include, but are not limited to, the following activities:

- Investments and solutions related to product lifecycle management
- Life cycle analysis
- Cloud Based Platforms
- Internet of Things (IoT)
- Cyber security and data protection
- Cyber-physical system
- Augmented reality
- Artificial intelligence (AI)
- Circular manufacturing
- Autonomous solutions
- Big data and data management
- Decision support systems.

### 2.2 Eligible Expenditure

This Grant Scheme will support eligible enterprises to undertake the following investment costs in tangible and intangible assets in the following actions:

**Specific Digital Solutions (*as identified in the Process and Systems Review*) including<sup>7</sup> -**

#### 1. Hardware

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<sup>7</sup> For subscription based software, the cost of a 2-year subscription will be considered as the eligible cost item.

- 2. Commercial Off-The-Shelf (COTS) and Custom Software**
- 3. Other Digital Solutions**
- 4. Installation including any training costs on the use of the specific item acquired under points 1 to 3 above and included in the purchase price of the item in question, and thus from the same provider.**

The assets acquired shall be new except for SMEs and for the acquisition of an establishment.

In the case of acquisition of the assets of an establishment, only the costs of buying the assets from third parties unrelated to the buyer shall be taken into consideration. The transaction shall take place under market conditions. If aid has already been granted for the acquisition of assets prior to their purchase, the costs of those assets shall be deducted from the eligible costs related to the acquisition of an establishment. Where a member of the family of the original owner, or an employee, takes over a small enterprise, the condition that the assets be bought from third parties unrelated to the buyer shall be waived. The acquisition of shares does not constitute initial investment.

For aid granted to large undertakings for a fundamental change in the production process, the eligible costs must exceed the depreciation of the assets linked to the activity to be modernised in the course of the preceding three fiscal years. For aid granted for a diversification of an existing establishment, the eligible costs must exceed by at least 200% the book value of the assets that are reused, as registered in the fiscal year preceding the start of works.

For large undertakings, costs of intangible assets are eligible only up to a limit of 50% of the total eligible investment costs for the initial investment.

The aid value for the identified eligible expenditure shall be reimbursed on the basis of actual cost incurred and paid. Beneficiary Undertakings should ensure that any procurement undertaken for these cost items is carried out in line with the principles of sound financial management, good governance, transparency, and equality, in line with the provisions of the 'Guidelines for Implementation - Digitalisation' issued by the Measures and Support Division together with these Guidance Notes.

Any of the above expenditure is to be procured from external and unrelated sources to the applicant.

Any investment must be maintained in the recipient area by the Undertaking and remain operational for at least 3 years in the case of an SME, or for at least five years in the case of a large enterprise, following the completion of the investment operations.

Expenditure shall only be considered eligible if it is approved in the Grant Agreement, incurred during the specified project period, the Beneficiary achieves the targets set in the Grant Agreement and in line with the 'Guidelines for Implementation - Digitalisation' issued by the Measures and Support Division together with these Guidance Notes.

## 2.3 Ineligible Expenditure

- a) Costs related to the repair and maintenance of assets, including costs for maintenance agreements.
- b) Tax including Value Added Tax and other duties.
- c) Insurance costs.
- d) Training costs with the exception of costs identified in section 2.2 (4) above
- e) Contingencies and/or losses made by the Applicant.
- f) Payment of dividends, royalty and interest charges.
- g) In kind contributions.
- h) Service charges arising on finance leases, hire purchase and credit arrangements.
- i) Cost resulting from deferral of payments to creditors.
- j) Cost related to litigation including resulting claims for damages and fines.
- k) Statutory fines and penalties.
- l) Payments for gifts and donations.
- m) Entertainment (including catering, receptions, etc.)
- n) Depreciation.
- o) Foreign exchange costs and related losses.
- p) Bank charges.
- q) Commissions.
- r) Projects that already exist within the framework of other funding programmes of the European Union.

## 3. Eligibility

### 3.1 Eligible Undertakings

Enterprises engaged in an economic activity, irrespective of their legal form, referred to as the 'Undertaking' subject to the exclusions enlisted below.

Undertakings which are not vested with a legal personality acquired through the law applicable to their establishment, need to be registered under the Second Schedule of the Civil Code (CAP 16 of the Laws of Malta).

### 3.2 Exclusions

- i. Undertakings in difficulty as per provisions of Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (General Block Exemption Regulation), as amended. However, aid may be granted to undertakings which were not in difficulty on 31 December 2019 but became undertakings in difficulty in the period from 1 January 2020 to 31 December 2021.
- ii. Undertakings subject to an outstanding recovery order following a Commission decision declaring an aid granted by Malta illegal and incompatible with the internal market.

- iii. Undertakings that have not honoured their obligations further to a Decision by the competent Court in favour of a recovery order issued by the competent authorities responsible for the administration and management of aid schemes co-funded under the European Regional Development Fund - Cohesion Policy Operational Programme I 2014 – 2020.
- iv. Undertakings that have not honoured their obligations further to a recovery order issued by the competent authorities responsible for the administration of aid schemes co-funded under Cohesion Policy 2021-2027 and NextGenerationEU Funds - Recovery and Resilience Facility (RRF).
- v. Exclusions as per provisions of Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (General Block Exemption Regulation), as amended.
- vi. Undertakings whose activities include, directly or indirectly, the provision of any of the eligible expenditure are excluded from applying for such expenditure.
- vii. Undertakings that have the internal capability to develop or retail any of the eligible expenditure are excluded from applying for such expenditure
- viii. Undertakings whose principal activities fall under Section A 'Agriculture, Forestry and Fishing of the NACE Rev. 2.
- ix. Undertakings active in the sector of processing and marketing of agricultural products, in the following cases:
  - Where the amount of the aid is fixed on the basis of the price of quantity of such products purchased from primary producers or put on the market by the undertakings concerned;
  - Where the aid is conditional on being partly or entirely passed on to primary producers.
- x. Actions addressing the processing and marketing of agricultural products in so far as such actions can be considered eligible for funding under the EAFRD.
- xi. Undertakings whose principal activities include the manufacturing, processing and marketing of tobacco and tobacco products.
- xii. Public entities: Ministries, Departments, Entities, Authorities, Public Commissions, Public Sector Foundations and similar organisations carrying out a public or regulatory function which does not involve the carrying out of an economic activity, whether or not such organisations are established by law. With the exception of commercial Undertakings carrying out exclusively economic activity in direct competition with third parties and in which Government has a controlling interest.
- xiii. Energy Generation, distribution and infrastructure.
- xiv. The Steel Sector.
- xv. The Coal Sector.
- xvi. The Shipbuilding Sector.
- xvii. The Transport Sector.
- xviii. The Synthetic Fibres Sector.
- xix. Gambling and Betting Activities.



- xx. Investment to achieve the reduction of greenhouse gas emissions from activities listed in Annex I to Directive 2003/87/EC.
- xxi. Actions resulting in training and mentoring activities.
- xxii. Actions resulting in investment in the decommissioning or the construction of nuclear power stations.
- xxiii. Actions resulting in investment in airport infrastructure unless related to environmental protection or accompanied by investment necessary to mitigate or reduce its negative environmental impact.
- xxiv. Undertakings engaged in an illegal economic activity.
- xxv. Exclusion of activities which do not respect the Do No Significant Harm principle:
  - Activities that lead to significant greenhouse gas emissions including measures related to power and/or heat generation using fossil fuels, as well as related transmission and distribution infrastructure are excluded.
  - Activities that lead to significant inefficiencies in the use of materials or in the direct or indirect use of natural resources, or if it significantly increases the generation, incineration or disposal of waste, or if the long-term disposal of waste may cause significant and long-term environmental harm to the *circular economy*.
  - Investments involving material changes to buildings located in or near biodiversity sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas as well as other protected areas).

### 3.3 Additional Provisions

- i. The Grant amount is subject to the conditions outlined in these Guidance Notes and the determined thresholds.
- ii. Undertakings that have not honoured their obligations, further to a recovery order issued by the competent authorities responsible for the administration and management of aid schemes co-funded under the European Regional Development Fund – Cohesion Policy Operational Programme I 2014-2020, 2021-2027 and NextGenerationEU Funds – Recovery and Resilience Facility (RRF) and in respect of which legal action has been instituted and proceedings are pending or under way before the competent Court, are eligible to apply without prejudice to the assessment and evaluation of their application. However, in the event that the proposed project is selected the Grant Agreement will only be entered into if within 6 months from the date of the notification by the Measures and Support Division to the Undertaking that the Project has been selected such obligations are no longer due either pursuant to a Court Decision or the effective payment of dues.
- iii. The applicant enterprise is in compliance with applicable EU and national legislation and administrative requirements, including fulfilment of fiscal obligations, social security contributions.
- iv. Only activities that comply with relevant EU and National environmental legislation may be selected for funding.

- v. Start of works on actions in relation to the activities for which assistance is being requested may only be initiated after the date of the granting of the aid.
- vi. Applicants must submit evidence as to the capability for private match financing the project. The beneficiary will provide a financial contribution of at least 25% of the eligible costs, either through its own resources or by external financing in a form which is free from any public support.
- vii. The investment must be maintained in the recipient areas by the Undertaking and remain operational for a period of at least three years in the case of an SME, or for at least five years in the case of a large enterprise, following the completion of the project. This shall not prevent the replacement of equipment that has become outdated or broken within this period, provided that the economic activity is retained in the area concerned for the relevant minimum period.
- viii. Applicants must submit applications for Investments located exclusively in either Malta or Gozo.
- ix. In line with Article 14(3) of the General Block Exemption Regulation, in assisted areas fulfilling the conditions of Article 107(3)(c) of the Treaty, the aid may be granted to SMEs for any form of initial investment. Aid to large enterprises shall only be granted for an initial investment in favour of new economic activity in the area concerned. In line with Article 17(3) of the General Block Exemption Regulation, in localities not falling within the Regional Aid map, the aid may be granted to SMEs for any form of initial investment.
- x. Intangible assets are eligible for the calculation of investment costs if they fulfil the following conditions:
  - a. they must be used exclusively in the establishment receiving the aid;
  - b. they must be amortisable;
  - c. they must be purchased under market conditions from third parties unrelated to the buyer; and
  - d. they must be included in the assets of the Undertaking receiving the aid and must remain associated with the project for which the aid is granted for at least five years or three years in the case of SMEs following the completion of the investment project.
- xi. All assets including 'Intangible assets' must be included in the Capital Assets Register.
- xii. For assets, particularly intangible assets that are acquired through periodic subscriptions, the eligible investment cost is considered to be the value for first 2 years inclusive of any initial one-time costs. If the full two year cost is not incurred during the project period, subject to at least part of the cost being incurred during this period, the full value of a 2-year subscription will be reimbursed on the basis of the cost incurred during the project period.
- xiii. All supplies and services may only be procured from external sources.
- xiv. Approved projects shall be based and operational in Malta.

- xv. The Measures and Support Division will not be able to approve reimbursement for costs incurred on actions and/or activities that are not strictly in line with the Grant Agreement.
- xvi. The Undertaking has not been approved or granted any public funding, and will not seek public funding through other National and/or European Union funded initiatives in relation to the activities for which assistance is being requested through this measure. This includes schemes under NextGeneration EU, Cohesion Policy and any other European Union instruments or through any other form of Public Funding including schemes administered through National Funds.
- xvii. Any initial investment started by the same beneficiary (at group level) within a period of three years from the date of start of works on another aided investment in the same level 3 region of the Nomenclature of Territorial Units for Statistics shall be considered to be part of a single investment project. Where such single investment project is a large investment project, the total aid amount for the single investment project shall not exceed the adjusted aid amount for large investment projects.
- xviii. The beneficiary shall confirm that it has not carried out a relocation to the establishment in which the initial investment for which aid is requested is to take place, in the two years preceding the application for aid and give a commitment that it will not do so up to a period of two years after the initial investment for which aid is requested is completed.
- xix. The Undertaking shall ensure that greening and climate mitigation measures should be mainstreamed within the proposed investment, whilst reuse and recycling should be pursued as much as possible when disposing of redundant/replaced equipment.

## 4 Applications

### 4.1 Application Process

The Measures and Support Division shall publicise the call/s through various media and will collaborate with stakeholders particularly representatives of the target group and other Government Entities to publicise the Grant Scheme to ensure the widest visibility possible.

### 4.2 Submission of Applications

Undertakings must submit an online application as outlined in the call for applications.

The application shall include the Undertaking's name and size, a description of the investment, including its start and end dates, the location of the investment, a list of investment costs and the amount of public funding needed for the investment, amongst other requirements.

It is strongly advisable that prior to embarking on the development and submission of the application prospective applicants read these Guidance Notes together with the Notes to Applicants document and the 'Guidelines for Implementation – Digitalisation'.

### 4.3 Documents to be submitted with the Application

The following documents need to be submitted as part of the application.

1. **Declaration** – a scanned copy of the signed Declaration Form.
2. **Process and Systems Review** –

This Process and Systems Review shall be describing the digitalisation investment in detail and, as a minimum, shall include the following:

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|--|
| <p>a. <b>EXECUTIVE SUMMARY</b></p>   |
| <p>b. <b>PROCESS AND SYSTEMS ANALYSIS</b></p> <ul style="list-style-type: none"><li>○ <b>Initial Situation</b><br/>Present the current state of digitalisation in the enterprise (or in specific areas of operation relevant for the investments) based on a self-assessment.</li><li>○ <b>Define a clear Digitalisation Strategy</b><br/>Define the objectives. Decide what you want to achieve and be sure why the organization needs to transform. Begin by assessing the current state of the business. Consider the demands placed on your employees and systems, as well as potential areas for improvement.</li></ul> |

**c. EVALUATION**

- **Establish Work-based Processes**

Develop and follow a strategy (outline a road map) to enable better control on the process and increase probability of success.

- **Provide Effective Change Management**

Outline how the applicant intends to shift from the current culture to a more digital and entrepreneurial one. Indicate how it will deal with lack of digital talent, meeting accelerated timelines due to higher customer expectations, and how it plans to adjust to evolving targets as opposed to fixed goals.

Define how the digital transformation will cater for both technological and people challenges and include the new approach for managing this change. Focus should be given to the resilience that such investment shall provide to the enterprise. Present an Organigram to determine who will be in charge of the change and indicate the respective departments which will be affected.

**d. FINDINGS AND RECOMMENDATIONS**

- **Investing selectively in Technology**

Provide details on the hardware, software and digital systems necessary for the successful implementation of the investment by determining the tools required

- 1 Indicate budget for the project
- 2 Identify the optimum technology and systems for the business
- 3 Specify details and provide market testing carried out in relation to the required project (to be presented in a BOQ including the basic technical specifications)
- 4 Outline the cost of the planned digitalisation investments
- 5 Set an order of priority for planned digitalisation investments
- 6 Identify milestones for each digitalisation investment.

- **Sustainable impact of the digitalisation investment**

Present the likely expected effects of the investments on the further development of the enterprise. Digitalisation investment has to comply with the 'Do no significant harm' Technical Guidance (2021/C58/01) as outlined in the Guidance Notes.

**e. FINANCIAL PROJECTIONS (INCLUDING FINANCIAL BENEFITS)**

**f. RETURN ON INVESTMENT (ROI)**

Present an evaluation of how much the proposed technology will contribute to the bottom line. This shall include the calculation of the Return on Investment (ROI) to ensure viability of proposed investment.

A conclusive overall presentation of the planned digitalisation investment is the basis for a positive funding decision.

3. **Compliance Certificate/s issued by the Commissioner for Revenue (CfR)** – a certificate/s issued not earlier than three months from the date of the application, by the Office of the Commissioner for Revenue (CfR) covering Income Tax, VAT and Final Settlement and of Social Security Contributions Compliance Certificates.
4. **Audited Financial Statements and/or the Management Accounts** dated within the two financial years prior to the year of submission of the application in relation to the applicant and the linked and partner enterprises. No documents would need to be submitted if a copy of these documents as outlined hereunder is already deposited with the Malta Business Registry (MBR).

With the respect to the last financial year, the applicant enterprise is to submit a copy of the detailed (not abridged version) of the Audited Financial Statements or the Management Accounts (Profit & Loss Statements/Income Statement and Balance Sheet/Statement of Assets and Liabilities) certified by a Certified Public Accountant (CPA). The abridged version may be submitted with respect to the previous year.

In the case of linked and partner enterprises with an obligation to present Audited Accounts/Annual Accounts at the Registry of Companies in terms of the Companies Act (Chapter 386 of the Laws of Malta) no documentation need to be presented subject to the condition that the last Audited Accounts/Annual Accounts declared are not earlier than for the two financial years prior to the year of submission of the application.

In the case of linked and partner enterprises without a legal obligation to prepare financial statements the Management Accounts (Profit & Loss Statements/Income Statement and Balance Sheet/Statement of Assets and Liabilities) certified by a CPA is to be provided.

In the case of a Sole Trader/self-employed a copy of the Income Tax Return for the last two years together with a Profit & Loss Statement certified by a Certified Public Accountant (CPA) is to be provided.

In the case of a Start-up established not over 2 years from the date of application (*including Sole Trader/self-employed*) not having the above documentation, a Profit & Loss Account/Income Statement, Cash Flow Projections and a Balance Sheet/Statement of Assets and Liabilities certified by a CPA is to be provided.

5. **Copies of any necessary Permits** such as Planning Permits issued in relation to activities for which support is being requested.

6. Evidence of **Private Match Financing** for the project (*mandatory*)
7. **Supporting Documentation including** NACE code confirmation<sup>8</sup>, GANTT Chart or Implementation Schedule and evidence of any market testing conducted in determining the budgets (*unless already included in the Process and Systems Review*)<sup>9</sup>. Any other supporting documentation (*such as preparatory work and correspondence*) that the Applicant deems that would add value to the application.

The Measures and Support Division may request any additional documentation for verification purposes.

In those cases where not all the documentation is submitted with the application, applicants shall be given the opportunity to rectify the application by submitting the required documentation. The maximum period allowed for rectifications shall not exceed 2 months from the date of the rectifications letter. Applicants are to submit their missing documentation to rectify their application by said deadline and application will be considered for evaluation and selection with the next cut-off date following complete submission of the application. If applicants fail to rectify an application by the indicated deadline in the rectifications letter, then the application shall be considered as incomplete and be rejected.

#### 4.4 Acknowledgement

Once an application is submitted and confirmed, the system generates a unique reference number for the project and an acknowledgement e-mail together with the application reference number will be sent to the Applicant.

Applications will be assessed and selected as outlined in Section 6 'Assessment and Selection'. The issuance of the acknowledgement letter does not confer any obligation on the Measures and Support Division to issue the Grant towards the financing of the project. Actions may only be initiated further to the signing of the Grant Agreement.

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<sup>8</sup> The NACE confirmation shall be in the form of VAT Information Sheet or else communication with the NSO Business Register including the four-digit code in the form of 11.11.

<sup>9</sup> In the case that the market testing is presented in the form of a BOQ or a certified estimate, it shall include the basic technical specifications.

## 5. Compliance with Community Policy

### 5.1 General Principles

It is the responsibility of the Undertaking to ensure compliance with Community Policy, namely:

1. Payments of costs under the approved Investment
2. State Aid requirements
3. Do No Significant Harm Principle

### 5.2 Payments of costs under the approved Investment

Undertakings should note that Grants awarded for actions under the Digital Intensification Grant Scheme are public funds. Beneficiary Undertakings should ensure that all cost items to be co-funded through the Grant Scheme is carried out in line with the principles of **sound financial management, good governance, transparency, and equality** together with the provisions of the 'Guidelines for Implementation - Digitalisation' issued by the Measures and Support Division together with these Guidance Notes.

### 5.3 State Aid requirements

The terms and conditions of this Grant Scheme are set out in line with Commission Regulation (EU) 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application to Article 107 and 108 of the Treaty, as amended by Commission Regulation (EU) 2017/1084 of 14 June 2017 amending Regulation (EU) No 651/2014 as regards aid for port and airport infrastructure, notification thresholds for aid for culture and heritage conservation and for aid for sport and multifunctional recreational infrastructures, and regional operating aid schemes for outermost regions and amending Regulation (EU) No 702/2014 as regards the calculation of eligible costs, by Commission Regulation (EU) 2020/972 of 2 July 2020 amending Regulation (EU) No 1407/2013 as regards its prolongation and amending Regulation (EU) No 651/2014 as regards its prolongation and relevant adjustments, and by Commission Regulation (EU) 2021/1237 of 23 July 2021 amending Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, and as may be subsequently amended. If an Undertaking receiving aid is found to be in breach of the relevant provisions of this Regulation, action shall be taken to claw back funds (recovery of funds) from the Undertaking in line with the provisions of the pertinent State Aid rules.

The Undertaking shall ensure compliance with the rules on cumulation of aid in line with Article 8 of Commission Regulation (EU) No 651/2014 of 17 June 2014, as amended.

It is the responsibility of the Applicant Undertakings to seek advice and to ensure compliance with State Aid rules and requirements.

### 5.4 Do No Significant Harm Principle

Beneficiary Undertakings are required to ensure that planned investments fulfil and respect the conditions of the 'do no significant harm' (DNSH) principle within the meaning of Article 17 of Regulation (EU) 2020/852.



Assessment of compliance with the DNSH principle for project applications under this scheme is necessary. The assessment follows the methodology set out in the Commission's technical guidance on the application of 'do no significant harm' under the RRF Regulation (2021/C 58/01). It covers the six environmental objectives set out in Article of Regulation (EU) No 2020/852 including: climate change mitigation; climate change adaptation; sustainable use and protection of water and marine resources; circular economy; pollution prevention and control; and protection and restoration of biodiversity and ecosystems.

In this regard, and for the scope undertaken under this scheme, two of the six environmental objectives, being *climate change mitigation* and *circular economy*, have been identified that require a substantive assessment. Applicants need to indicate that project activities have no or an insignificant foreseeable impact on the environment. It is to be noted that both the environmental impact of the activity itself and the environmental impact of the products and services provided by that activity throughout their life cycle shall be taken into account, in particular by considering the production, use and end of life of those products and services.

## 6. Assessment and Selection

The Assessment and Selection of projects shall be undertaken by a Project Selection Committee.

Applications will be assessed against the Gateway (*eligibility*) and Selection Criteria by the Project Selection Committee and will proceed to be assessed against the Selection Criteria only if the application meets all the requirements of the Gateway (*eligibility*) Criteria.

Applications attaining at least 50% of the total score shall be approved for funding subject to the budget availability.

### 6.1 Gateway Criteria

The Gateway Criteria are the minimum requirements which must be met in order that any application may be considered for assessment and appraisal for selection for funding support. These will be used at the first stage once an application is submitted. This stage will involve an assessment and a Due Diligence process to establish that these minimum requirements are met, namely:

- **Complete application:** an Undertaking must present a fully compiled application form together with all the requested supporting documentation, by the indicated deadline.
- **Eligible Undertaking:** the Undertaking is an eligible Undertaking in line with these Guidance Notes.
- **Eligible action:** the action for which the Applicant is asking for support is eligible and at least includes an eligible activity.
- **Match Financing:** the Applicant has submitted evidence as to its capacity to match finance the project from private sources.

### 6.2 Selection Criteria

Only applications that meet all the requirements of the Gateway (*eligibility*) Criteria shall proceed for assessment under the Selection Criteria.. The Project Selection Committee may at this stage request clarifications from the Applicant. As part of the assessment and appraisal process a score is awarded for each Selection Criteria. Applications scoring at least 50% of the Selection criteria shall be ranked and grants shall be awarded in accordance with the ranking order and subject to budget availability.

The total maximum score under the Selection Criteria is 100. Applications will be assessed and evaluated against the Selection Criteria outlined hereunder.

- Risk Assessment
- Excellence
- Impact and Sustainability
- Quality of the project and efficiency of implementation

| Criteria                      | Definition  | Score            |
|-------------------------------|---|------------------|
| <p><b>Risk Assessment</b></p> | <p><b>Ratio of Project value to net assets of Undertaking – 5</b><br/>Applications will be risk assessed in terms of the ratio of the project’s value to the financial resources of the Undertaking.</p>  | <p><b>15</b></p> |
|                               | <p><b>Qualitative assessment of the Undertaking – 5</b><br/>Applications will be risk assessed in relation to the age of the Undertaking, business experience, track record of the management and controlling shareholders.</p>   |                  |
|                               | <p><b>Duration of the Project – 5</b><br/>Applications will be risk assessed in relation to the proposed duration of the project. The proposed duration of the project will be assessed in relation to the implementation timelines in the respective Guidance Notes, taking into account potential delays in implementation that may stretch the implementation timeline with a potential impact on absorption of funds.</p>   |                  |
|                               | <p><b>Implementation Risks linked to the duration to the project – max 0 (- 5 lowest)</b><br/>This section will carry negative making to reflect project implementation risks linked to the duration of the proposed activities. The duration of the project will be assessed in terms of how realistic it is to complete the project within the indicated timeframe. The more complex the activities the more likely it is that the project will experience delays and therefore the lower the score.</p>  |                  |
| <p><b>Excellence</b></p>      | <p><b>Quality of the proposed project concept– 5</b><br/>The Application Form should be of good quality and provide clear information that can be readily understood by those who are not familiar with the project, taking into consideration the current state of digitalisation in the applicant enterprise. Moreover, the proposed project concept should be quite innovative and not run-of-the-mill.</p> <p>The evaluation will be assessing the overall quality of the proposed project; the background, context and need for the project; the project’s objectives, expected results and resources required. The Application form is to evidence that the enterprise has recognised the need to understand new technology and utilise it.</p> | <p><b>30</b></p> |

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|   | <p><b>Coherence and Clarity of the Application Form – 10</b><br/>The evaluation will be assessing the project’s work plan, strategy and quality of the application and the Process and Systems Review. High scores will be given to those actions that show high levels of quality and coherence. Marks will be awarded for exceptional quality, eg. Detailed Process and Systems Review as specified in these Guidance Notes and where market research was carried out to prepare a budget breakdown or where quantitative data is provided. It should be noted that hastily prepared applications are likely to fail during the evaluation process.</p> <p><b>Action seeks to maximise the internationalisation of the Undertaking – 5</b><br/>The application will be evaluated in terms of the project’s potential to support the Applicant to strengthen its international presence.</p> <p><b>Action is ambitious and is addressing any identified gaps in the enterprise and/or in the market for the specific sector – 10</b><br/>The action will be assessed in terms of the extent of identified gaps (both in the enterprise and/or the sector) it addresses.<br/><i>Factual and statistical evidence to back up the justification will render the application more robust.</i></p> |           |
| <p><b>Impact and Sustainability</b></p> | <p><b>Impact in relation to the applicant’s future growth and sustainable economic viability leading to long term market resilience – 10</b><br/>The application will be evaluated in terms of the project’s impact vis-à-vis the future growth of the applicant through the return on investment (ROI). The application will also be evaluated on the potential cost reductions to the operations of the Undertaking.</p> <p><b>Possible mitigation measures following the investment to avoid negative spill over effects in time of crisis - 5</b><br/>This criteria assesses how the applicant plans to mitigate the economic and social impact of the coronavirus pandemic or any other crisis and make the enterprise more sustainable, resilient and better prepared for the challenges ahead, thus leading the business to continue operating as usual in times of crisis.</p> <p>The COVID-19 outbreak in early 2020 changed the economic, social and budgetary outlook in the Union and in the world, calling for an urgent and coordinated response. The COVID-19 crisis as well as the previous economic and financial crisis have shown that developing sound, sustainable and resilient enterprises built on strong economic and social structures</p>                           | <p>25</p> |

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|  | <p>helps businesses respond more effectively and in a fair and inclusive way to shocks and recover more swiftly from them. A lack of resilience can also lead to negative spill-over effects thereby posing challenges to the enterprise.</p>  |  |
|  | <p><b>Impact on improvements in the Undertaking’s business model - 5</b><br/>The application will be evaluated in terms of the project’s impact on the potential sustainability of the business model. Enterprises are to identify the benefits of implementing the digital project and the efforts made to innovate and invest in digital transformation so as not to risk being left behind in time of crisis.</p> |  |
|  | <p><b>Effective integration of the Do No Significant Harm Principle – 5</b><br/>The application will be assessed in relation to the effective integration of the <i><b>Do No Significant Harm Principle</b></i>. <b>Project applications are to include an assessment on how the project intends to mitigate 1) Climate change and 2) The circular economy, including waste prevention and recycling.</b></p>        |  |

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| <p><b>Quality and efficiency of implementation</b></p> | <p><b>Industry of Applicant Enterprise – 10</b><br/>Proposals within the Manufacturing and Tourism sectors shall be given priority within the scheme and thus <b>5 marks</b> will be allocated to Applicant enterprises falling within these sectors.</p> <p>Proposals which are in line with the below priorities will be allocated an additional <b>5 marks</b>.</p> <ul style="list-style-type: none"> <li>• Manufacturing industry - investment that supports the transformation operations and transition to Industry 4.0 by optimising the use of existing technologies and exploitation of emerging technologies and trends such as digital twinning, predictive maintenance, track-and-trace, and modular design amongst others. Investments in digitalisation can thus help such enterprise to improve their efficiency, productivity and customer experience by ensuring they have the right capabilities that is central to their operating model and matching them with a strong skill sets in analytics and IT.</li> <li>• Tourism industry – investment that ensures that digitalisation is leveraged with a view to enhance operations by addressing not only operational logistics but exploring the possibility of analytical tools and AI to design, adapt and personalise hospitality packages and offerings that maximise client experiences and investment in digitalisation and other technologies that will also contribute towards better resource efficiencies, such as the use of water and electricity</li> </ul> | <p><b>30</b></p> |
|  | <p><b>Quality of the proposed project - 10</b><br/>Marks will also be awarded for projects that are in an advanced state of readiness, e.g. where Applicants have already prepared the tender dossier or are in possession of the relevant licences/permits. Evidence of readiness such as the provision of draft tender dossier should be provided.</p> <p>Marks will also be awarded for projects that present an GANTT chart or Schedule of Works to indicate the timeliness of events of the proposed work.</p> <p>Assessing the risks that might impact the implementation of the project and the probability of these risks happening. The Application Form has to include details with the necessary measures to minimise the risks. The applicant is to demonstrate the capacity to deliver the project and puts in place a contingency plan to compensate for adverse effects on timetable, expenditure and outputs.</p>  |                  |

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|  | <p><b>Management and Control Systems in place – 5</b><br/>The evaluation will be assessing the project’s Management and Control Systems adopted by the Applicant.</p> <p>The Application is to demonstrate quality standards adopted by the undertaking and include internal procedures, processes and resources in place. The application should demonstrate quality planning, quality control, quality assurance and quality improvement in relation to the proposed project.</p> <p>The Application and/or Process and Systems Review must not only include the segregation of the level of management and control but shall also include an explanation of the expertise of the personnel in each role. This shall complement any organigram or description provided.</p> <p><b>Level of capacity and allocation of resources towards the project – 5</b><br/>The capacity to implement the project is part of the commitment of the Applicant. The evaluation will be assessing the allocation of human resources, both internal and external, towards the project to ensure its successful implementation and sustainability. Experience in the implementation of projects co-financed through Structural Funds, other EU programmes or own funds shall be rewarded.</p> |  |
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### 6.3 Unsuccessful Applications

Unsuccessful applicants will be informed in writing by the Measures and Support Division.

### 6.4 Appeals

An independent Appeals Board shall be appointed.

Applicants whose application was not selected may submit motivated representations within 10 working days from the date of notification by the Measures and Support Division.

The Appeals Board shall assess the submitted representations, review the respective applications and notify the Applicant of its decision. The decision of the Appeals Board shall be final.

### 6.5 Acceptance Letter

The Measures and Support Division shall issue a funding acceptance letter to selected applicants. The funding acceptance letter shall include any conditions as outlined by the Project Selection Committee. It should be noted that a positive decision at this stage is not a guarantee of funding. All the conditions set out in the funding acceptance letter would need to be discharged before the Grant Agreement can be signed.

### 6.6 Grant Agreement

The Measures and Support Division shall appoint a contact person from within it, to liaise with the Applicant with a view to concluding the Grant Agreement. The Grant Agreement (GA) is the formal agreement between the Measures and Support Division and the Applicant. The GA is the legally binding document and sets out the terms of the grant. The Measures and Support Division will work through the terms and any conditions which must be discharged prior to entering into the GA with the Applicant. When the Measures and Support Division is satisfied that any conditions have been discharged, it will issue the GA and submit two unsigned copies to the Applicant who will sign both copies with the Measures and Support Division keeping one copy and the other kept by the Beneficiary.



## 7. Monitoring and Reporting

This section outlines in brief the reporting requirements and the reimbursement process, and should be read in conjunction with the ‘Guidelines for Implementation - Digitalisation’ issued by the Measures and Support Division together with this document.

### 7.1 Reporting

A periodical ‘Progress Report’ is to be submitted in line with the indicated schedule:

| Period Covered       | Submission Deadline |
|----------------------|---------------------|
| 1 January – 30 June  | 31 July             |
| 1 July – 31 December | 31 January          |

A ‘Final Implementation Report’ is to be submitted together with the final claim for reimbursement, following the completion of all the assisted activities as outlined in the Grant Agreement.

In section 7.2 ‘Reimbursement’, guidance is provided to the beneficiary when to provide progress reports (*falling outside of the timelines presented in the table above*) in line with the submission of respective claims for reimbursement.

The Measures and Support Division shall carry out on-the-spot checks during and after the project implementation timeframe.

Further information regarding the implementation of the project is available in the ‘Guidelines for Implementation - Digitalisation’.

### 7.2 Reimbursement

Beneficiaries may present a claim/s for reimbursement upon completion of the project or of any identified targets in line with the set order of priority for planned investments identified in the *Process and Systems Review* and as accepted in the Grant Agreement.

Claim/s for reimbursement, which is to be submitted together with a Progress Report, may be presented to the Measures and Support Division once the beneficiary has effectively reached the set target (therefore implemented the agreed investment and renders it operational). This claim for reimbursement will include 100% of the eligible expenditure, for the chosen cost categories, outlined in the Grant Agreement.

Amount – At least 50 %<sup>10</sup> of the public support of the eligible Grant amount approved.

Payment Trigger – Receipt of claim for reimbursement accompanied by a Progress Report from the Beneficiary. Verification by the Measures and Support Division that the investment is in place and operational. The Measures and Support Division retains the discretion to request the Beneficiary to present expert reports to substantiate any claim presented, when and as required.

<sup>10</sup> This is applicable to the initial claim for reimbursement

Claims for reimbursement that will be including the expenditure related to the investment should include a statement signed by the **Authorized Representative**, specifying that:

- The expenditure to implement the action was actually incurred by the Undertaking and was not reimbursed or may be recoverable through other sources;
- The expenditure satisfies the conditions that are outlined in the Grant Agreement;
- The output (investment) is in place and set in operation within the duration of the project period being the timelines outlined in the Grant Agreement;
- The Beneficiary has ensured that any rules governing accumulation of aid have been respected.

The claim/s for reimbursement shall include an updated Compliance Certificate/s issued by the Commissioner for Revenue (CfR) covering Income Tax, VAT and Final Settlement and of Social Security Contributions Compliance Certificates issued not earlier than one month from the date when respective claim for reimbursement is presented to the Measures and Support Division.

A Financial Identification Form<sup>11</sup> is to be submitted with the first claim submitted. In those cases where the beneficiary requires to amend the details as presented to the Measures and Support Division in this Form, then an updated Financial Identification Form is to be submitted to ensure correct reimbursement.

Each claim for reimbursement will only be processed once the Measures and Support Division is satisfied that the proposed investment has been carried out and is operational and/or the outcome of the investment has been reached, in line with the GA and pertinent regulations, rules and guidelines, following rigorous monitoring and checks.

**It is the beneficiary's responsibility to ensure that reimbursement requests, including all the required supporting documentation, are submitted to the Measures and Support Division by not later than 31 March 2026, or on a later date as identified by the Measures and Support Division.**

### 7.3 Retention of Documentation

The Beneficiary has the obligation to retain all related documents for control and audit purposes, for 10 years following the completion of the project. The Beneficiary must also cooperate with the Measures and Support Division and other monitoring and audit bodies entrusted with such functions with respect to the granting of aid under this scheme, for the duration of 10 years in light of audits and other controls.

Further information related to the retention of documentation is available in the 'Guidelines for Implementation - Digitalisation'.

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<sup>11</sup> For more details, refer to the 'Guidelines for Implementation – Digitalisation' issued by the Measures and Support Division.

## 8. Publicity

Beneficiary Undertakings are responsible for ensuring proper visibility of interventions assisted through this Grant Scheme, part-financed by the European Union through the NextGenerationEU Funds.

All communication and publicity measures must acknowledge support from the European Union and the respective Fund in line with Article 34 of Chapter VIII of Regulation (EU) No. 2021/241 of 12 February 2021.

Visibility measures should be proportionate and reflect the scale of assistance and the nature of the project.

Beneficiaries are to seek the guidance of the Measures and Support Division prior to embarking on publicity and visibility actions. Failure to fully comply with the visibility and publicity requirements will result in financial corrections and loss of funds. The beneficiary is responsible to keep evidence of compliance in line with the 'Guidelines for Implementation - Digitalisation'.

## 9. Data Protection

Data and information collected and held by the Measures and Support Division in relation to the financed action will be transferred to the Planning and Priorities Coordination Division and may also be transferred to official third parties in order to fulfil the Measures and Support Division's functions, in line with Community obligations according to law and in line with the provisions of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) and any amendments thereof.

Information and any data provided by the potential beneficiaries and beneficiary will be used for the sole purpose for which they are intended, that is, (i) verification procedures; and (ii) evaluation and monitoring purposes in line with Regulation (EU) 2021/241. The data will not be used for any other means or for any other purpose that is incompatible with that for which the data is being collected.

In applying for assistance under this scheme, applicants will be giving authorisation to the Measures and Support Division to make enquiries and to carry out the necessary checks with the competent Authorities and Organisations to verify any information submitted in relation to the application.

Beneficiary Undertakings should ensure that they disclose factual and accurate data to the Measures and Support Division. The Beneficiary Undertaking has the right to access all the data relating to the grant issued in its name and may request the rectification of any incorrect data.

## 10. Contact Details

For more information regarding the SME Digitalisation Grant Scheme, kindly contact the Measures and Support Division.

Address: Measures and Support Division  
The Oaks Business Centre, Block B  
Farsons Street  
Hamrun HMR1325

Telephone Number: 25552635

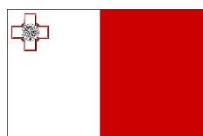
Email: [msd.eufunds@gov.mt](mailto:msd.eufunds@gov.mt)

Website: [www.fondi.eu](http://www.fondi.eu)

## Annex A - Assisted areas designated in Malta's Regional Aid map

|                      |                      |                             |
|----------------------|----------------------|-----------------------------|
| MT001101 Valletta;   | MT001221 Gzira;      | MT001402 Mdina;             |
| MT001103 Birgu;      | MT001246 Pembroke;   | MT001407 Zebbug (Malta);    |
| MT001104 Isla;       | MT001252 San Giljan; | MT001412 Attard;            |
| MT001105 Bormla;     | MT001253 San Gwann;  | MT001416 Dingli;            |
| MT001118 Floriana;   | MT001259 Sliema;     | MT001450 Rabat (Malta);     |
| MT001129 Kalkara;    | MT001310 Zejtun;     | MT001537 Mellieha;          |
| MT001133 Luqa;       | MT001315 Birzebbuga; | MT001539 Mosta;             |
| MT001134 Marsa;      | MT001331 Kirkop;     | MT001544 Naxxar;            |
| MT001145 Paola;      | MT001335 Marsascala; | MT001555 San Pawl il-Bahar. |
| MT001206 Qormi;      | MT001336 Marsaxlokk; |                             |
| MT001214 Birkirkara; | MT001351 Safi;       |                             |

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