

1. Programme:

ECJ 2021-2027

2. Title of aid Scheme:

Enhancing and valorising Malta's tourism product (Public Administration)

3. Organisation/entity administering the Scheme:

Planning and Priorities Coordination Division (PPCD)

4. Scheme Description

This new scheme will provide assistance in the form of a grant and will be implemented under the European Regional Development Fund (ERDF) 2021-2027, Priority 3, Specific Objective RSO4.6. Enhancing the role of culture and sustainable tourism in economic development, social inclusion and social innovation.

The main objective of this scheme is focused on upgrading and developing Malta's cultural, historical and tourism product, including private historical and cultural assets and buildings which are in the public domain. The expected result is that of increasing the areas covered by regeneration, conservation, valorisation and protection measures, including cultural and touristic sites.

This scheme will be implemented in line with the applicable provisions of the General Block Exemption Regulation (GBER) in the case of applicants that are deemed to be undertakings that carry out an economic activity within the meaning of Article 107 TFEU, as well as in the case of applications proposing a project involving an economic activity. On the other hand, there will be a non-State aid route for this scheme for applicants that do not carry out an economic activity within the meaning of Article 107 TFEU, and in the case of applications proposing projects which do not involve an economic activity.

The Scheme will provide aid for cultural purposes and activities as outlined in Article 53 of the GBER. The scheme provides investment aid only. Operating aid does not fall under this scheme. This aid is not linked in any way to export performance.

This document outlines the conditions required to be met in the case of the **State aid option** of this scheme.

5. The applicable State aid regime (regulations, guidelines, frameworks) in line with which the scheme will be implemented

The State aid scheme will be implemented in line with Commission Regulation (EU) No 651/2014 of 17th June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, (OJ L 187/1, 26.6.2014), 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 (OJ L 156/1, 20.6.2017), 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 (OJ L 215/3, 7.7.2020), 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 (OJ L 270/39, 29.7.2021), and by Commission Regulation (EU) 2023/1315 of 23 June 2023 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 Regulation (EU) 2022/2473 declaring certain categories of aid to undertakings active in the production, processing and marketing of fishery and aquaculture products compatible with the internal market in application of Articles 107 and 108 of the Treaty (OJ L 167/1, 30.6.2023), particularly Article 53.

The consolidated version of the GBER may be accessed from the following link:

<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02014R0651-20230701>

6. Target Beneficiaries

This scheme targets beneficiaries such as Ministries, Government departments and Public Sector entities. In order to be eligible, beneficiaries must be active in one of the following NACE Codes:

- P.84 - Public administration and defence; compulsory social security;
- S.90 - Arts creation and performing arts activities;
- S.91 - Libraries, archives, museums and other cultural activities.

It supports investments in the upgrade and development of Malta's cultural, historical and tourism product, including private historical and cultural assets and buildings which are in the public domain, across the whole territory of Malta and Gozo.

The main objective of the scheme is to increase the areas covered by regeneration, conservation, valorisation and protection measures, including cultural and touristic sites.

Exclusions outlined in Article 1 of the GBER apply. No aid will be paid in favour of an undertaking which is subject to an outstanding recovery order following a previous Commission decision declaring an aid granted by Malta illegal and incompatible with the internal market.

'Undertakings in difficulty' (as defined in terms of the GBER) are excluded from the scope of this scheme. 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.

7. Budget and duration of the scheme

The overall budget of the Scheme is € 75,000,000. The commencement date of the scheme is 23rd January 2025, while the termination date is 31st December 2026.

8. Maximum applicable aid intensities

The State aid amount awarded under this Scheme shall not exceed the difference between the eligible costs and the operating profit of the investment. The operating profit shall be deducted from the eligible costs ex ante, on the basis of reasonable projections, or through a claw-back mechanism. The operator of the infrastructure is allowed to keep a reasonable profit over the relevant period.

The amount of State aid will not exceed €165 million per project.

9. Eligible costs and eligible expenses to be covered by the State aid scheme

Costs under this scheme shall be deemed eligible unless deemed ineligible in accordance with the National Eligibility Rules for the 2021-2027 Programming Period, available at: https://fondi.eu/wp-content/uploads/2023/09/2021_2027_National-Eligibility-Rules.pdf.

The aid will take the form of investment aid, including aid for the construction or upgrade of culture infrastructure. The eligible costs shall be investment costs in tangible and intangible assets, including:

- (a) costs for the construction, upgrade, acquisition, conservation or improvement of infrastructure, if at least 80% of either the time or the space capacity per year is used for cultural purposes;
- (b) costs for the acquisition, including leasing, transfer of possession or physical relocation of cultural heritage;
- (c) costs for safeguarding, preservation, restoration and rehabilitation of tangible and intangible cultural heritage, including extra costs for storage under appropriate conditions, special tools, materials and costs for documentation, research, digitalisation and publication;
- (d) costs for improving the accessibility of cultural heritage to the public, including costs for digitisation and other new technologies, costs to improve accessibility for persons with special

- needs (in particular, ramps and lifts for disabled persons, braille indications and hands-on exhibits in museums) and for promoting cultural diversity with respect to presentations, programmes and visitors;
- (e) costs for cultural projects and activities, cooperation and exchange programmes and grants including costs for selection procedures, costs for promotion and costs incurred directly as a result of the project.

Type of expenditure under this scheme includes, but is not limited to:

- Planning and design fees;
- Studies;
- Procurement of supplies, equipment, plant, and machinery;
- Works, including renovation, retrofitting, and/or construction of new or existing premises;
- Staff costs and fees incurred exclusively for the implementation of the funded investment project, and which are directly linked to the categories of eligible costs identified in points (a) to (e) above, including salaries of new or existing personnel engaged by the beneficiary organisation, as well as fees for consultants and external experts. Salaries in the form of operating aid shall not be eligible costs.

The eligible costs shall be supported by documentary evidence which shall be clear, specific and contemporary.

For the purposes of calculating eligible costs and the State aid amount, all figures used shall be taken before any deduction of tax or other charge. Value added tax charged on eligible costs or expenses that is refundable under the applicable national tax law shall, however, not be taken into account for calculating the amount of State aid and eligible costs.

The eligible costs shall be discounted to their value at the moment the aid is granted. The interest rate to be used for discounting purposes shall be the discount rate applicable at the moment the aid is granted.

10. Conditions to be fulfilled for eligibility of aid under this State aid scheme

The eligibility criteria as established by the Monitoring Committee for the ERDF/CF/JTF Programme for project selection are the following:

- Submission of a complete project application as published in the call
- Applicant organisation is an eligible Applicant as outlined in the call
- Applicant is not in an exclusion situation in accordance with Art 136(1) and Art 141(1) of 2018/1046 Financial Regulation, CPR Art 73(2)(i), and the relevant applicable provisions of Article 1 of the GBER
- Applicant organisation has remit to implement the project within its mandate
- Project to be implemented within the eligible territory or for its direct benefit

- Proof of co-financing (where applicable)
- Selection of a relevant Specific Objective as published in the call
- Selection of at least one output indicator and one result indicator linked to a relevant Specific Objective as published in the call
- Status of operation is either ongoing or not yet started unless otherwise allowed by the specific applicable regulations
- Compliance with Climate Proofing requirements (where relevant)
- Compliance with the DNSH principle

The proposal should pass all the eligibility criteria mentioned above and obtain at least 50% marks allocated to the Selection Criteria during the project selection process.

The Selection Criteria are as follows:

- Capacity of the organisation
- Contribution of the project to the relevant Development Needs
- Potential of the project to contribute to the achievement of the Expected Results
- Contribution towards indicators
- Readiness
- Project Sustainability
- Horizontal principles - Equal opportunities and non-discrimination
- Horizontal principles - Sustainable Development
- Quality of application form

Furthermore, it shall be ascertained that the beneficiary is not an undertaking in difficulty as defined in terms of the GBER. 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.

The Application Form also clearly states that if State Aid rules are breached, even following the conclusion of the project, any grant may have to be recovered, even if already paid.

Moreover, it will be ensured that this measure will not entail, by itself, by the conditions attached to it, or by its financing method, a non-severable violation of European Union law, in particular:

- (a) the granting of aid is not subject to the obligation for the beneficiary to have its headquarters in Malta or to be predominantly established in Malta; However, the requirement to have an establishment or branch in Malta at the moment of payment of the aid, is allowed.
- (b) the granting of aid is not subject to the obligation for the beneficiary to use nationally produced goods or national services;
- (c) the measure will not restrict the possibility for the beneficiaries to exploit any research, development and innovation results in other Member States.

11. Provisions limiting the cumulation of State aid

In determining whether notification thresholds and maximum aid intensities are respected, the total amount of State aid for the aided activity or project shall be taken into account.

Aid granted under this scheme may be cumulated with:

- a) any other State aid, as long as those measures concern different identifiable eligible costs,
- b) any other State aid, in relation to the same eligible costs, partly or fully overlapping, only if such cumulation does not result in exceeding the highest aid intensity or aid amount applicable to this aid under the GBER.

State aid awarded under this scheme shall not be cumulated with any de minimis aid in respect of the same eligible costs if such cumulation would result in an aid intensity exceeding those laid down in the GBER.

12. Obligation on the State aid grantor and the beneficiary to retain records

Records on State aid awarded under this scheme will be maintained by PPCD for 10 years from the date on which the last aid will be granted, in accordance with Article 12 GBER.

The beneficiary must ensure that all supporting documents related to Project are retained for five years from 31 December of the year in which the final payment to the beneficiary is made. This retention period may be interrupted in the event of legal proceedings or upon a request from the European Commission.

13. Transparency and Reporting obligations

In line with Article 9(1)(c) of the General Block Exemption Regulation, information regarding any individual aid awards that exceed €100,000 are to be made publicly available on the Commission's transparency award module within six months from the date when the aid was granted.

In line with Article 11(1)(b) of the General Block Exemption Regulation, an annual report, as referred to in Commission Regulation (EC) No 794/2004, will be submitted to the European Commission in electronic form, on the application of the GBER, containing the information indicated in that Regulation, in respect of each whole year or each part of the year during which this Regulation applies.