MALTA BUSINESS BUREAU

POLICY BRIEF

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Cloud and AI Development Act

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Context

The Cloud and AI Development Act (CADA) is a key part of the European Commission's AI Continent Action Plan, which reinforces the EU's leadership in cloud and AI by strengthening its ecosystem, investment and infrastructure.

In Malta, the SME ecosystem is very dynamic, with 76.5% of SMEs having at least a basic level of digital intensity in 2023, and 68.3% of Maltese enterprises adopting AI, cloud or data analytics, against an EU average of 54.6% (Malta 2024 Digital Decade Country Report).

The Malta Business Bureau presents this policy brief to summarise the proposed Regulation and ends the brief with the key elements relevant to the Maltese context.

Proposal for the Cloud and AI Development Act (CADA)

The European Commission has proposed the Cloud and AI Development Act (CADA) to strengthen the EU's digital infrastructure, investments, and ecosystem. To support the ongoing deployment of AI factories, CADA aims to expand Europe's cloud and data centre capacity sustainably, working alongside the *Apply AI* strategy to boost tech adoption.

The initiative focuses on three core objectives:

- Research, Development, and Innovation: Supporting the deployment of next-generation, sustainable cloud and AI technologies.
- Capacity: Accelerating data centre deployment across the EU, with a specific focus on supporting essential public sector functions.
- Autonomy: Establishing a single, EU-wide assessment framework for cloud and AI sovereignty, paired with a public sector adoption mechanism.

Together with initiatives like the *Chips Act 2.0* and the *EU Open Source Strategy*, CADA is designed to build a more competitive, secure, and resilient European digital economy.

The proposal establishes a European public sector cloud federation, referred to as the EuroCloud Federation, to enable the sharing of data centre and cloud computing resources among Member States, alongside a common procurement framework for Union entities and contracting authorities. It further requires Union entities to prioritise open-source solutions and obliges Member States to set up Open-Source Programme Offices.

The 5 Pillars of the CADA

The proposal establishes a unified EU framework to strengthen the region's cloud and AI ecosystem. This strategy is built around five core action areas:

1. Driving Research and Innovation

The framework launches two major programs—the Cloud Leadership Initiative and the AI Leadership Initiative. Together, they will fund advanced research and drive the large-scale rollout of high-capacity cloud and AI technologies.

2. Accelerating Data Centre Rollout

To expand European data infrastructure quickly, the EU will introduce streamlined deployment mechanisms. This includes designating Data Centre Acceleration Zones and fast-tracking Strategic Data Centre Projects across Member States.

3. Establishing a Sovereign Cloud Framework

To protect public order and data security, the EU is introducing a Union Cloud Sovereignty Framework. This includes:

- Four assurance levels tailored to different public sector risk profiles.
- An official recognition mechanism (via strict audits) for approved cloud service providers.

4. Public Sector Adoption & Reducing Dependencies

The proposal aims to fast-track the migration of public sector bodies to the cloud while actively reducing Europe's reliance on critical, foreign-controlled technologies.

5. Mandatory National Strategies

To ensure EU-wide alignment, all Member States will be required to develop and adopt their own National Cloud and AI Strategies within one year of the Regulation taking effect.

Defining Cloud and AI Sovereignty

CADA establishes a tiered sovereignty framework for the public sector, consisting of four distinct assurance levels determined by risk assessments. To be officially recognised under these levels, cloud service providers must successfully pass an audit conducted by a Member State.

The four assurance levels are structured as follows:

- **Level 1 (Local Infrastructure):** Requires all data to be stored and processed within EU-based infrastructure.
- **Level 2 (Independence & Transparency):** Requires providers to prove they are independent of third-country influence and maintain full transparency regarding their software supply chain.
- **Level 3 (EU Ownership & Control):** Requires providers to be EU-owned and controlled, with specific mandates for personnel citizenship. Notably, the Commission reserves the right to grant recognition to specific third-country providers at this level.

- **Level 4 (Full Autonomy):** Reserved for providers demonstrating total control over their software supply chain, complete transparency, and zero interference from third-country entities.

Complementing the Cybersecurity Act (CSA2) revision

To better align with supply chain risk management, the proposal works alongside the revised Cybersecurity Act (CSA2) to grant contracting authorities access to sovereign cloud services. Together, these two initiatives close persistent loopholes surrounding non-technical and sovereignty risks.

Furthermore, addressing today's geopolitical security challenges requires European cloud services to uphold strict security baselines within a resilient cybersecurity framework. Because of this, legislative efforts will resume on the European Cybersecurity Certification Scheme for Cloud Services (EUCS) to formalise these standards.

The Malta Case

The current CADA proposal impacts Malta's public procurement, data centre deployment, and national strategy:

Implications for Malta: Procurement and Infrastructure Under CADA

CADA is proposing several major shifts that will directly alter how Maltese contracting authorities buy digital services and how the country develops its tech infrastructure.

Strict Limits on Public Sector Cloud Tenders

For public sector activities in Malta identified as having "public order relevance"—such as national defence, national security, or local law enforcement—contracting authorities will face strict procurement limits. They will be legally mandated to only buy cloud services recognized at Union Assurance Levels 2, 3, or 4.

Mandatory "Union Added Value" Criteria

As the current proposal stands, Maltese procurement teams can no longer award contracts for innovative cloud and AI systems based on low costs alone. Article 32 introduces mandatory non-price "Union added value" criteria. When evaluating public tenders, Maltese authorities must score tenderers on how much they contribute to the EU digital supply chain.

Leveraging Centralised EU Procurement

Under Article 37, Malta will have the option to hand over procurement logistics to the European Commission, which will be empowered to act as a central purchasing body. The Commission can procure data centre services, cloud computing, software, and AI systems on behalf of Member States, allowing Malta to leverage collective European purchasing power and secure better economies of scale than it could on its own.

Fast-Tracking Data Centre Projects

To scale up infrastructure, the proposal introduces framework mechanisms to bypass traditional bureaucratic delays:

- Data Centre Acceleration Zones: If Malta establishes these zones, local permit-granting procedures will be fast-tracked and legally capped at a maximum of 12 months.
- Strategic Projects: Malta can apply for "strategic project" status for major infrastructure builds. To qualify, these projects must meet strict criteria, such as actively contributing to the local grid's stability through large-scale clean energy generation, or integrating European-made chips and processors. In return, the proposal guarantees fast-tracked, efficient grid connection procedures.

The full EU Proposal can be found here.

Disclaimer: This is a policy brief to create awareness about the legislative proposal and for information purposes. It is not an official position of the Malta Business Bureau.

For questions or more detailed information please contact

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