



THE MALTA CHAMBER

FEEDBACK BY THE MALTA CHAMBER (TMC)
MALTA'S NATIONAL RESEARCH AND INNOVATION STRATEGIC PLAN 2023-2027

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Introduction

The Malta Chamber welcomes the importance attributed to Research and Innovation (R&I) through this consultation which addresses pertinent points with the intention to make it a paramount driver of future economic prosperity.

Unfortunately, the potential and importance of R&I has for far too long been overlooked. The assimilation of an innovation culture has been delayed during years during which Malta was staggeringly growing. A knowledge driven country and value-added growth paired with future human capital at our disposal are key.

According to the European innovation scoreboard compiled last year, Malta qualifies as a Moderate Innovator, which is a grade above emerging innovators but below innovation leaders and strong innovators. Despite Malta's innovation index increasing steadily between 2015 and 2020, it has been declining since 2021, offsetting the initial significant growth by more than two-thirds, placing Malta's performance below the average of other Moderate Innovators.¹

It is encouraging to see that the National Framework has been modelled on the evaluation of the local situation that was completed during a peer review back in 2019. It should however be noted that one needs to also take into consideration, since then, the implications brought about by pandemic and the Russia-Ukraine war.

The pandemic might have had a silver lining in pushing boundaries and getting businesses out of their comfort zones. In this regard, the €5 million investment in local research to adopt to post-pandemic strategy was a step in the right direction. This should not detract from the fact that the expenditure figure is still way too short from the public budgetary ambitions of surpassing the 2% GDP, a commitment which is reiterated in the Government's own electoral manifesto.

On a positive note, over the past decade, MCST has undergone a tenfold increase in its funding. Despite this being a good sign, the effectiveness ultimately depends on how policy is coordinated across key Ministries and authorities. Widening the pool of substantive final beneficiaries is not an easy task and merits more analyse on how R&I should be placed in a business-oriented coherent framework.

Given Malta's institutional constraints, it is essential that we increase our effort to assimilate in our economic narrative the openness for international cooperation with European partners on R&I within specific strategic industry segments; water, health, manufacturing, aviation, logistics and agriculture, amongst others.

The Malta Chamber believes that the internationalisation factor should have been attributed greater importance due to our geographic insularity and the high dependence on global trade. Ulterior avenues should therefore be explored to benefit from the rapid integration of large emerging countries through their growing specialisation of production in global value chains, through FDIs which may already be present in Malta.

¹ [ec_rtd_eis-country-profile-mt.pdf \(europa.eu\)](https://ec.europa.eu/eis-country-profile-mt.pdf)



Goal 1: Strengthening R&I governance and Priority-setting

The Malta Chamber agrees with proper government action to strengthen the role of the Core Group and Steering Group for R&I as outlined in this document; however, more information is required on the Core Group function which is supported by the Steering Group acting as its technical arm. More clarity is therefore required on the terms of reference on the Steering Group and Core Group whose demarcation would be distinct but complementary.

The Malta Chamber believes there should be active involvement of Permanent Secretaries to realistically address public sector fragmentation and lack of continuity.

Goal 2: Local ecosystem development

The Malta Chamber notes that innovation-based funding programmes continue to be significantly underfunded. Moreover, innovation-based ecosystem is lacking and will fail to materialise unless a robust industry assurance framework is created, spreading across credit institutions, regulatory bodies and academia.

The Malta Chamber notes the importance of overcoming the abstract barrier surrounding research which may derive mistaken perceptions at industry level deterring businesses from undertaking research for innovation purposes. To combat this issue, The Malta Chamber recommends conducting effective, specific and where required one-to-one awareness outreach, to explain the returns deriving from prioritising more R&I in parallel with the day-to-day operational functions.

In terms of tax credits, The Malta Chamber requires further information on how these will be applied. In its pre-budget proposals for 2023, The Malta Chamber recommended increasing the proposed 150% tax deduction of R&I expenditure to companies proposed in Government's electoral manifesto (Proposal 53), to go up to 200%.

The Malta Chamber also notes that providing tax incentives for angel investing and venture capital supplemented with a funded tech support platform is an underlying necessity for a thriving Start-Up Ecosystem, particularly in retaining the commercialised talent upon completion of research and prototype phases.

Internationally renowned Start-Up Accelerator/s can be useful for mentoring, advisory and implementation guidance, something which in our view is the substantive role of Malta Innovation Hub within the Malta Life Sciences Park.

Goal 3: Enhanced directionality through missions and RIS3

The Malta Chamber notes that the establishment of RIS3 Thematic Committees can help in bridging the gap with industry, however, more clarity is required on how business organisations can effectively get involved.

The Malta Chamber believes that funding programs would be best directed to indigenous Maltese companies with 20-200 employees since most FDIs in Malta tend to do their research abroad due to a wider range of resource expertise while micro companies may lack the specialised capacity to tap into the funds.



The Malta Chamber favours more streamlining of the various funding instruments while retaining the necessary flexibility for R&I projects at more elevated risk. Simplifying obligations will increase project uptake and free up time for research itself.

While acknowledging the crucial role for academia in research, The Malta Chamber notes that research generally tends to place more resources towards 'blue sky' research, which is not driven by an agenda, but gathers knowledge that then may potentially be used by industry. The Malta Chamber is of firm belief that Malta must recognise look at research and innovation through a two-pronged approach: R&I for businesses innovation and R&I for blue sky research.

The Malta Chamber also notes that there are instances where academia competes directly with industry. Diminishing the practicalities and importance of R&D undertaken by industry-led projects should be addressed. In light of this, The Malta Chamber proposes ringfencing funding components for private industry to be able to successfully compete. Ultimately it should be the Government's aim to promote and encourage the gathering of the best minds from the University of Malta, industry and users to develop new technologies and participate in European Projects with a high commercialisation potential.

The Malta Chamber recognises the importance of R&D&I to be geared towards ambitious climate and environmental solutions. The objective should be to discover a pathway towards commercialisation for new eco-solutions. Whilst the EU programme Horizon Europe can be helpful in this regard as it funds research and innovation while aiming to achieve the EU's sustainable development goals, however, the simplification of the program and assistance in sourcing specialised international partners remains crucial. The Malta Chamber proposes more one-to-one support on job-filling application which reproduces the technical actions within the overarching scope of the thematic application that increases successful outcomes.

The Malta Chamber is concerned that high level delegations from abroad do not find the nucleus of operators or researchers available to engage with locally, a factor which may be negatively impacting our participation in EU Horizon program.

Goal 4: Mainstreaming R&I in public policy

In the context of what is proposed in the consultation document, The Malta Chamber notes that the European Centre for the Development of Vocational Training (Cedefop) has estimated that by 2025 approximately 26% of all jobs will be in high-level occupations in science, engineering, healthcare, business and teaching.

From what industry is experiencing daily and as evidenced in various studies and surveys, many employers crave specialised technical and industry-specific skill sets which are already in short supply.

The Malta Chamber is aware of the challenges that lie ahead impacting certain sectors whose root human capital shortage was not sufficiently addressed in the past. To combat this shortage, The Malta Chamber reiterates the prioritisation of STEM subjects amongst secondary school students through short placements in manufacturing companies for Form 3 and 4 students. Additional guidance should be provided to teachers, particularly science teachers, combined with showcasing students the applicability of science within industry and illustrating the relevance of learning in classrooms in life.



Because education providers are key for industry to respond to challenges while contributing to research, innovation, and excellence.

Furthermore, the industry is having trouble sourcing specialized PHDs, particularly in the field of Engineering. In this regard, The Malta Chamber suggests that the R&I guidelines would provide engagement of a range of researchers which extend to Levels 5, 6 and 7 qualifications, capturing also PHD students.

As already stated, releasing certain rigidity of certain incentive obligations will reduce research disenchantment particularly among small businesses whose resources are very tight. Drawing a parallel to the case of the post-Doc scheme, committing to permanent employment exclusively for two years exclusively on a research project is a challenge for a commercial company.

Spatial atomisation of manufacturing and shop floors needs to be attributed its deserved importance. The Malta Chamber appeals that public bodies should be conscious of the limited manufacturing space for automation. Research in automation in Malta needs to happen in restrictive spaces.

Goal 5: Strengthening R&I implementation structures

The Malta Chamber agrees with the reasoning behind the upgrade of MCST to MCST+ as we believe that this will provide the necessary resources and enable continuous communication, which are both essential to ensure effective implementation.

As already explained, The Malta Chamber also believes that the public sector should be equipped with KPI tools to keep track of R&I developments and communicate effectively to turn the strategy in implementation. This will help to push siloed efforts at Ministerial level to fruition.

Considering the re-commitment to reach the 2% GDP expenditure target on R&I, The Malta Chamber reaffirms the importance of reaching this goal by establishing a roadmap towards it. This is the exact same goal government established way back in June 2014, as evidenced by its own National Research and Innovation Strategy 2020, which was meant to be achieved by 2020. Despite this goal being set over eight years ago, R&D has bottomed out at a mere 0.6% of GDP at present, down from 0.72% in 2014. In addition to what already proposed, program incentives and support mechanisms should include mitigation of high legal and registration costs particularly within the EU and United States of Intellectual Property Rights by offering financial assistance.



Conclusion

Competitiveness of our businesses and the economy depends on how much we holistically support and enable successful innovation-based growth of start-ups as well as established businesses in Malta.

The Malta Chamber believes that Malta needs to foster a stronger research and innovation output in both academia and industry. Limited funding for research projects is often cited as a key challenge, alongside other barriers such as scarce resources and time, fragmentation and internal competition. For this reason, the consultation strategy spells out good will to head in the right direction.

The Malta Chamber cautions that presently, private sector companies, are struggling with short term financing, a tight labour market and inflationary pressures which are all consequences of a troubled economic environment where innovation might not be a top priority. Acknowledging, these issues distract firms from the medium to long term benefits of R&I because most core operations of local Maltese companies are not research oriented. As a result, the Malta Chamber reaffirms its predisposition for more coordination to encourage industry innovation.

Finally, The Malta Chamber attributes heightened importance to Goal 2 and Goal 5. It is vital that a sufficiently fuelled and well geared ecosystem supports high-quality research, often at a high-risk of successful completion, incentivising innovation which is strategically in tune with a more coherent public policy, to enhance competitiveness and strengthen our position as value-added economy in our geographic region.