



THE MALTA CHAMBER

Annex E 11

Post-COVID19 Technology Think Tank Round Table

This exercise was carried out between June and July 2020.



Report of Committee Meetings

- Meetings held:** 1st June, 2020 at 1300hrs
5th June, 2020 at 0830hrs
11th June, 2020 at 0830hrs
19th June, 2020 at 0830hrs
25th June, 2020 at 0830hrs
- Participants:** John de Giorgio, Shireburn Software Ltd., Joseph Borg, WH Partners, Godwin Caruana, Harvest Ltd., Angelo Dalli, 111 Holdings Ltd., Peter Delia, Ricston Ltd., Alexiei Dingli, HumAIne Ltd., Daniel Grech, Wyzer Ltd., Francois Grech, Exigy Ltd., Maurizio Mamo, 4sight Group, Gordon Micallef, RSM Malta, David Schranz, Dakar Ltd.
- In attendance:** Kevin Mizzi, The Malta Chamber



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Briefing Note

The Malta Chamber established a number of sectoral Round Tables to support the work of and make recommendations to the Think Tank established by the Chamber to build a post-COVID-19 pandemic economy.

The Technology Round Table held 5 meetings during which the group:

- Reviewed the objectives of the Round Table;
- Undertook an assessment of the sector, utilising the Analytics Excel spreadsheet provided to ensure some consistency across sectors, identifying the current state and desired state across the seven principles identified by the Think Tank;
- Formulated recommendations to be incorporated into the main Think Tank's deliberations.

A set of Minutes were compiled for each meeting held.

The Round Table discussed the various recovery scenarios put forward by the Think Tank Core Group. From the 6 possible scenarios put forward by the Think Tank Core Group, RT participants feel that the most likely one for the industry is **Scenario 2**, with some provisos on the demand factor which is crucial for the industry moving forward towards the medium term.

Scoring in the Analytical Tool

Following discussions aimed at determining the main sub-sections of the sector, the following list, not in any specific order of importance, was agreed upon:

- Product/Platform Development
- Software development services
- IT professional services (Architecture, Cyber Security, Automation, technology consulting etc)
- IT managed, hosting & support services
- Hardware/network services
- Hardware & network products
- Business Applications Implementation Services

Discussions within the Round Table centred on a number of themes so as to drive the recommendations of the group. Some of these themes were observations while others identified specific issues that the technology sector faces.

- Macro Elements
- Market
- Constraints
- Skills & HR

The following table outlines these themes and a set of recommended actions to address each of the themes.



Recommendations

Theme	Description	Recommendations
MARKET		
Strategic Sector	<p>The Technology sector is not only a valid economic pillar in its own right, contributing 9% of GDP and employing 10,000 people, but also is an essential enabler for almost all other sectors including Government.</p> <p>This makes the Tech sector of critical strategic importance to sustain the economic transformation of all sectors, not just itself.</p> <p>A quality tech infrastructure and ecosystem are essentials component to attract investment.</p>	Encourage digital transformation of business through the provisions of investment incentives for businesses to really make a difference through tech.
Scale & economic sustainability - Internationalisation	Opportunities to scale within the local market are limited. It is accepted that growth and economic sustainability is intrinsically linked with internationalisation.	Assist in building and executing internationalisation strategies (see below) including foreign market analysis, Foreign Market entry strategies, Embassies as business facilitators
Internationalisation	Many of the points outlined below are even more important when pursuing a policy of internationalisation: e.g. differentiation, specialisation, high quality marketing skills, soft-skills, access to finance.	<ul style="list-style-type: none"> • Build skills in international market analysis, marketing and promotion (see below) or else create a market for specialized companies that assist in tech export. • Explore collaboration with large international players to enter these markets through strategic collaboration. • Further incentivise businesses who seek to build international revenues: funding of fair participation, legal assistance in target jurisdictions, translation and marketing activities. • Assist in partner identification. Encourage increased commercial roles of our Embassy's.
Tax arbitrage	Using tax arbitrage as a means of differentiation is likely to become increasingly difficult with	



Theme	Description	Recommendations
	transnational pressures on tax harmonisation efforts.	
Competitivity	Competitiveness is not just about price but the ability to differentiate products/services from those of others through value, quality, speed, agility etc.	
Differentiation factor	<ul style="list-style-type: none"> • Identification of how companies can differentiate their capabilities from others in the international market given that: we do not have any particularly specific unique skills, have issues of scale, no large addressable local market on which to grow and are not a low-cost economy. • Our best competitive differentiator is when we create a unique product or service or a product which is better than competitors' products. 	
Specialisation	<ul style="list-style-type: none"> • Encouraging specialisation would result in a greater ability to differentiate as well as encouraging the development of cluster businesses. • Specialisation could be across either horizontal or vertical markets. 	Specialisation is a function of training. See other recommendations below.
Productization	<ul style="list-style-type: none"> • Productization, both of products and services, improves opportunities for competitive differentiation compared to selling of hours through custom development or services. • Focus on Intellectual Property development. 	
Market development	Analysis of markets and market opportunities. Boost IT competencies in other sectors: e.g. digital health, tourism, fintech, gaming, legal as well as AI and data analytics.	<ul style="list-style-type: none"> • International market penetration requires a targeted expert marketing effort addressing strategic niches where we can realistically compete. • Expand efforts in digital transformation in both private and public sector.



Theme	Description	Recommendations
		<ul style="list-style-type: none"> Encourage companies to deepen their eCommerce channels. Low impact eCommerce based on just collecting and filling in forms is still too prevalent.
Broaden national focus beyond regulated industries.	<ul style="list-style-type: none"> Much of Malta's national economic focus has been to address regulated sectors by offering improved tax positions while maintaining regulation. e.g. ship registration, gaming, aircraft registration, blockchain. Malta's degraded reputation damages our position in regulated sectors. 	
MACRO ELEMENTS		
Reputation	<ul style="list-style-type: none"> We are battling reputational damage. We are perceived as a loose tax haven. Potential Moneyval blacklisting would be difficult for our internationalisation. Implementation of raft of Good Governance measures at the Governmental and business levels. 	
Digital Transformation	Businesses and Government need to be transformed through digital and act as an enabler for greater resilience and efficiency of other sectors.	Businesses need to be encouraged, together with Government, to re-engineer their processes to maximise digital opportunities.
eGovernment	<ul style="list-style-type: none"> While Malta has invested considerable sums in eGovernment, the systems offered to citizens are fairly rudimentary, often equate to form downloading without even form filling, let alone other processes. Examples abound – passport renewals is a classic example. 	Elevate the effectiveness and convenience of eGovernment services to boost efficiency and quality of service to citizens.
Strategic Alliances	Explore better strategic alliances with the big players in the technology sphere as an alternative platform to fully-focused local brand efforts. This could be a strategic decision for networking with international	Explore strategic alliances



Theme	Description	Recommendations
	partners providing opportunities for local players to leverage with their nimbleness, speed to go to market, price competitiveness and quality certification.	
Tech.MT	Tech.MT offers an opportunity for structured enhancement of the Technology sector by providing guidance, assistance and cross-sectoral initiatives.	Increase activities and relevance of Tech.MT as the national champion for IT.
CONSTRAINTS		
Marketing constraints	<ul style="list-style-type: none"> • Excellence in marketing and promotion is recognised as key for international success. • It is recognised that there is only limited experience of international marketing of tech products among companies in Malta. • A focus on specialised/niche markets makes marketing easier, cheaper and more effective. 	Provide assistance to improve international marketing and promotion skills including market analysis, digital marketing, copywriting and the use of business networking tools.
Resource/Cost are systemic problems	Malta has a systemic problem of limited human resources combined with a relatively high cost economy.	Encourage building of remote worker teams, including overseas, to expand the effective talent pool. Include support for such teams in the incentives which currently only include employees based locally, including contractors, which is an increasing trend.
HR Resources	<ul style="list-style-type: none"> • Malta has a systemic problem of limited human resources combined with a relatively high cost economy which has historically created barriers to competitiveness and growth. • Wage inflation exacerbated by heightened demand from FDI, particularly but not only gaming, has been increasing the cost structure of local tech operators as well as the tech component of all business sectors. • The sector continues to increasingly rely on on-site foreign resources and remote workers. 	



Theme	Description	Recommendations
	<ul style="list-style-type: none"> • There is an issue of the relevance of the skill and experience set of the labour market to current and future needs. 	
HUMAN RESOURCES, SKILLS & CAPACITY BUILDING		
Education	<ul style="list-style-type: none"> • Improvements to the quality and quantity of the educational system’s output are required. STEM education needs to be boosted. • University’s output is of course critical but is a function of the numbers attracted into tech subjects earlier in the education timeline. • These numbers are too low. The number of students taking tech subjects in the earlier years has reduced and needs to be boosted. • IT Illiteracy will become in the future the equivalent of illiteracy. IT should be treated in the same way as language acquisition. • There is a shortage of effective ICT teachers in the education system. • IT is seen as a competitor to other subjects in the early years rather than an essential horizontal skill across all subjects. 	<ul style="list-style-type: none"> • Tech needs to be introduced into the curriculum at an earlier stage and used to build a tech appetite pipeline into the higher levels of education. • A tech syllabus at primary level is a must. • Education is lifelong, and people should be encouraged to upskill at all levels through the following of on-line courses. • Modular short courses, which offer enough flexibility - online, offline, blended, etc. • Opportunity to broaden university teaching by introducing more short, specialised courses. • Malta’s AI strategy needs to be complimented by effective funding and this initiative should be pushed further. • The idea is for every University graduate (irrespective of the subject) would obtain a basic understanding of AI. • Government incentives to drive further education in tech sector. Boost tech teachers in education. • IT should become a compulsory subject in earlier years starting from Year 1. • Entrepreneurship and Computational Thinking at Secondary Level should expose the students more to IT applications in vertical industries with career guidance



Theme	Description	Recommendations
		to incentivise students to take up IT at tertiary education level.
Stimulate Demand for IT learning	<ul style="list-style-type: none"> • Insufficient numbers of students are taking IT related subjects at all levels, from the early years to University and beyond. • Stimulation of demand for IT learning to boost pipeline of HR resources into Tech sector. 	<ul style="list-style-type: none"> • Educational campaign addressing parents to understand the fundamental significance of digital literacy in today’s world, breaking the gender stigma on IT careers and overcoming perception that IT is for mathematics gurus. • Out-of-compulsory-education activities on Game Development & Coding in partnership with expert service providers from early age ranging, which would include coding camps in Summer Schools to stimulating interest and fun in IT. • Publicise available courses. • Business incentives to companies investing in their employees to undergo specialised IT related courses, providing reductions in enrolment fees / tax incentives, particularly in E-Health, Manufacturing, Fintech and Gaming.
Develop Business & Soft Skills	<ul style="list-style-type: none"> • Development of basic business skills is critical: e.g. strategy; financing; start-up bootstrapping; corporate governance; legal; IP, commercialisation & pricing strategies. Needs to be quick and relevant. • Sharing of experiences/mentoring by entrepreneurs with relevant stories. • Attention needs to be provided to soft skills: e.g. critical thinking, presentation skills, pitching skills, English language skills, negotiating skills etc. 	<ul style="list-style-type: none"> • Incentivisation of formal and informal training programmes. • Incentivisation of locally-relevant course development programmes for training providers. • Develop a Government funded support platform to help industry make the leap towards internationalisation and gaining the required skills.



Theme	Description	Recommendations
Legal skills	Professional contract definition is expensive. International sales, particularly of large ticket items, often require companies to have access to good and expensive, jurisdiction specific, legal advice for managing contract negotiations.	Assistance to be extended to cover legal services.
Sustaining the Start-Up Ecosystem	A vibrant start-up sector is important to generate and nurture ideas. Improve access to finance, mentoring & start-up relevant training.	Assess the current incubator market. Attraction of start-up accelerators to assist with hand holding, mentoring, access to funding, contacts and advisors, guidance for setting and implementing of strategy
Funding	<ul style="list-style-type: none">• Traditional bank finance is orientated towards refinancing of assets (collateral) with minimum risk.• A more risk and enterprise-based finance channel needs to be further developed, especially, but not exclusively, in respect of start-ups. Angel investing & venture capital is not sufficiently developed.• There is a general under-capitalisation of businesses.	Extend tax advantages to encourage angel investing and venture capital.
Culture	<ul style="list-style-type: none">• Maltese culture is generally risk averse. Failure stigma identified as a frequent barrier to start-up environment.• A reticence to collaborate among local players is recognised.• Get rich quick attitude combined with under-capitalisation are a toxic mix.	Build a culture of “co-opertition”. Implementation of Open-Data concepts could assist collaboration.

A feature of the post COVID-19 environment in which Malta is looking to transform its economy is the fact that all other countries will be trying to do the same thing at the same time.