LOCAL ECOSYSTEM DIAGNOSIS MALTA

Contents

1. Introduction to Malta's Startup ecosystem

It is our understanding that when we refer to *highly scalable and innovative startups* within the remit of this project, we mainly refer to tech startups. Hence this write-up will particularly focus on these startups. Some of Malta's internationally celebrated startups in this field include *Hotjar*, *HippoData*, and *DiscountIF*.

Malta's central position in the Mediterranean makes it a highly strategic dynamic hub in Europe (Bollier, 2017). Being one of the world's smallest and most densely populated countries its startup ecosystem especially booms in the e-gaming and online betting sector, and each month new tech-centric events and new ventures are happening. The local ecosystem currently boasts of around 50-100 tech startups (Startup Genome 2017).

Malta has had the reputation of being a hub of both the gaming and gambling sectors, but interesting startups are beginning to redefine the startup sector, as well as financial institutions are putting its support behind young Maltese companies (Munford, 2017).

From the Startup Genome report it shows that the performance of the Maltese ecosystem is mainly positive, ranking highly when compared to European counterparts in a number of indices as put forward in the Startup Genome report, which also shows that in spite of having the smallest ecosystem in terms of value Malta's growth rate is considerably higher than the regional average. This augurs positive prospects for "the ecosystem's ability to increase the density and valuation of Malta-based startups in the near future" (Malta Independent, 2017).

According to said report "Malta also ranked 22nd globally in two critical factors: market reach and talent" attributing the country's performance largely to the highest rate of "*born-global companies"* in the European region. The country also demonstrated a higher than average extent of *"global connectedness"* (Malta Independent, 2017).

Malta ranked top 5 in the region for *"talent"* being a good place to find experienced as well as affordable human resources. Moreover, "Malta startups have the 6th highest percentage of employees in their growth team that previously had at least two years of startup experience. Leveraging such experience is critical to guide startups from early-stage activity, towards scaling up." (Malta Independent, 2017).

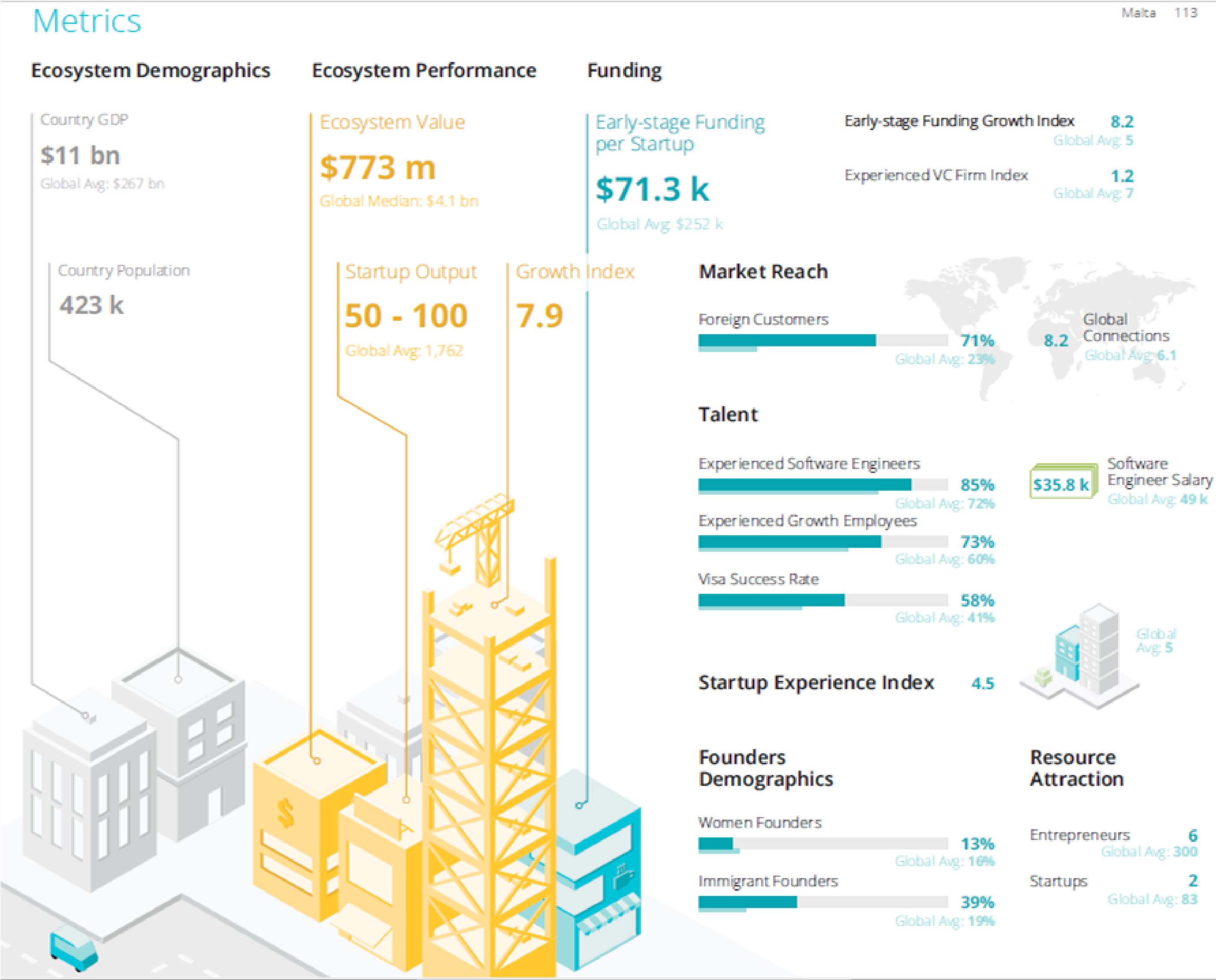
Another highlight of this report is that Malta is the fourth highest globally to host a startup community where 39% of local startups were founded by 'immigrants' and hence making the startup scene very cosmopolitan. It reveals that the primary reason startups move to Malta is due to better regulation and policies which was not quoted in any of the other analysed ecosystems as being the primary reason to move there (Malta Independent, 2017).

Malta's startups are supported through an array of local support programs aiming at providing the breeding ground for high-growth, high-impact startups:

- the Seed Investment Scheme by Malta Investment Management Co Ltd (MIMCOL) which povides tax credits to startup investors
- Takeoff Business Incubator at the University of Malta has hosted more than 30 startups and awarded more than $215 thousand in seed funding
- the Malta IT Agency (MITA) Innovation Hub manages a zero-equity acceleration program, awarded seed funding of ca. $282 thousand to 15 Maltese startups

- Malta Enterprise, which is the Maltese Economic Development Agency manages its Kordin Business Incubation Centre (KBIC) and offers seed funding grant through its Business START scheme
- Various private incubators such as Microsoft's Innovation Center offer their expertise to budding entrepreneurs.

2. Key metrics



Source: Startup Genome (2017), p.113

3. Results project questionnaire

From ca 40 persons addressed, 8 have answered the project questionnaire. Our aim is that this number will go up to 20 replies in the next few months, as we will have more chance to meet up and discuss one-to-one with key stakeholders and this will allow us to add more information to this report.

The stakeholders who replied are:

1. Malta Communications Authority (MCA)
2. Malta Life Science Park (MLSP)
3. Kordin Incubator (KBIC)
4. Malta Business Bureau
5. Malta Enterprise – SME development unit
6. Malta Enterprise – policy and research unit
7. Malta IT Agency (MITA)
8. Edward de Bono Institute for the Design and Development of Thinking – University of Malta (UoM)

Having said that, several of the organisations who have replied have researched the Malta startup and innovation ecosystem thoroughly in these last years, like MCA , MITA, MLSP and UoM, and in this respect interviewed many – if not all - of the Maltese key stakeholders. We are happy that we can build on their knowledge and previous research undertaken.

A. Startup ecosystem

Most of the key categories in the Maltese startup ecosystem are in their infancy and just recently created.

Startup clusters and startup movements are quite new in the scene, but seem to be growing and getting more attention in the local media. Meetups and events are happening but not on a weekly basis. It seems that there is still much improvement necessary in the academia–business connection.

Even though quite new, role models in Maltese startup culture are made more and more visible though for example ZEST recognised ambassadors and the MCA eBusiness Awards.

With regards private funding very little Venture Capital activity is being measured. Seed capital (TAKEOFF Seed Fund, MITA Accelerator Programme, etc) and private competitions which give prizes are better developed. Crowd funding is in its infancy, with only one Maltese crowd funding platform active, however those companies who required crowd funding can of course tap into the international platforms with their idea.

Startups complain about regulatory environment - e.g. bankruptcy laws, capital gains tax, etc.

R&D transference to market is encouraged through the national Research & Innovation Strategy and corresponding action plan which is launched very recently.

In Malta there are a number of public (TakeOff, MITA, KBIC) as well as private (Microsoft) incubators / accelerators , however next generation accelerators are nonexistent. There is a new accelerator project in the pipeline by MIMCOL.

B. Institutional support

From an institutional point of view one can say that most of the categories are developing. Ongoing activity in education suggests that focus on entrepreneurship, STEM and coding is increasing, e.g. MCA Budding Rockstars and CoderDojo, eSkills Foundation, Science popularisation events by MCST, etc.

With regards financing crowd funding, venture capital and prizes are recently created whilst seed capital and incentives are developing.

The support services, being loans for startups, technology transfer and business training is developing. Many key stakeholders, amongst others Malta Enterprise (various incentives and support), University of Malta (Knowledge Transfer Office), Trade Malta (internationalisation course), and the private sector already offer their services in this respect.

Recent changes in procurement regulations suggests an orientation-shift towards more procurement from smaller (less experienced companies), so to some extent one can argue that this is a demand-oriented support measure.

C. Enhancing corporate innovation

In traditional models, recent activity suggests an increasing appetite towards startup investment by large family business, but mindset/culture still in need of improvement.

Newer models seem to be lacking still in Malta.

D. SWOT (Strengths, weaknesses, opportunities and threads)

Malta's local ecosystem strengths

Strategic location
Climate
Lifestyle
Low-cost compared to Europe and traditional hubs
Cosmopolitan
Strong human capital
Strong ecosystem for iGaming & Financial Services
EU MS & Access to EU market
ICT infrastructure

Malta's local ecosystem weaknesses

Absence of startup/entrepreneur visa
Difficulties with access to finance (particularly venture capital)
Risk-averse culture, entrepreneurship not celebrated
Lengthy process to open a business bank account
Limited community spaces for startups (e.g. co-working hubs)
Limited international visibility for Malta

Malta's local ecosystem opportunities

Leveraging political uncertainty to attract founders, talent, investors
Nimble policy making
Capitalising on success in iGaming and Financial Services
Digital Single Market opportunities

Malta's local ecosystem threats

Limited local pool of entrepreneurs, talent and finance implies early-dependence on external resources
iGaming industry skewing labour market for ICT-skilled staff
Startup community is slow-to-grow
Limited scope for banking industry specialisation (due to small startup density in Malta)
Fiscal incentives (such as favourable tax treatment) under threat (e.g. Harmonisation)

Annex 1: List of involved stakeholders

Current key stakeholder email list is of over 40 persons from these organisations:

Government

- Malta Enterprise (the national economic development agency)
- Ministry of the Economy, Investment and Small Business
- Ministry of Education & Employment
- Malta Council for Science & Technology (MCST)
- Business First
- Kordin Business Incubation Center
- Malta Life Sciences Park
- Malta Digital Hub
- Trade Malta
- Malta Investment Management Co Ltd (MIMCOL)
- Malta IT Agency (MITA)
- Malta Communications Authority (MCA)
- Valletta Design Cluster

Business representation

- Chamber of Commerce, Enterprise & Industry
- Malta Business Bureau (MBB)

Education / Academia

- Malta College for Arts, Science and Technology (MCAST)
- Takeoff incubator – University of Malta
- Center for Entrepreneurship and business incubation (CEBI) - University of Malta
- The Edward de Bono Institute for the Design and Development of Thinking - University of Malta
- Corporate Research and Knowledge Transfer – University of Malta

Other (private sector, NGOs, informal groups, etc)

- Startup & Enterprise Forum (informal)
- Microsoft Innovation Center (private)
- Go Beyond Investing (private)
- Silicon Valletta (informal)
- StartUp Malta (private)
- Foundation for Women Entrepreneurs (private)
- FinanceMalta (cluster)
- Various local banks and other commercial enterprises

Annex 2: Sources

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