



EUROPEAN CLUSTER
COLLABORATION PLATFORM

Country factsheet

Malta

An initiative of the European Union





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Content

1. Introduction and economic policy context	5
2. Industrial ecosystems and cluster landscape.....	7
2.1 Employment in the 14 industrial ecosystems.....	7
2.2 Regional agglomerations	8
2.3 Cluster organisations & interregional cooperation	9
3. National cluster policy, programmes and initiatives	11
4. State of cluster policy and its role in broader economic policy challenges.....	16
4.1 The state of cluster policy.....	16
4.2 Cluster policy's potential impact on challenges identified in the European Semester Report.....	17
References	20
Annex.....	21

01

Introduction and economic policy context



EUROPEAN CLUSTER
COLLABORATION PLATFORM

Strengthening the European economy through collaboration



1. Introduction and economic policy context



This document presents an overview of the cluster policy in Malta. Given the importance to contextualise the cluster policies (and related) analysed in the factsheets, a comprehensive outlook of the country in socioeconomic terms can be consulted in the [European Semester Country Report for Malta](#).

The European Semester is an instrument introduced to coordinate the EU Member States economic policies and address the economic challenges faced by the EU. Its goals are “to ensure sound public finances, to prevent excessive macroeconomic imbalances in the EU, to support structural reforms to create more jobs and growth, and to boost investment”. Thus, it focuses on the following areas: business environment; financial and fiscal stability; green economy; public administration; labour market and skills; and social protection and cohesion. Chapter 4.2 provides an overview on how Malta’s cluster policy could help to tackle the economic policy challenges identified in the European Semester country recommendations.

As a consequence of the COVID-19 pandemic, European as well as global economies have been subject to severe output losses. In response, policymakers at the EU and national level have acted decisively and made very significant financial resources available to tackle the threat of a prolonged downturn. This was carried out through the Recovery and Resilience Facility, [National recovery and resilience plans](#) have been drafted in each Member State to ensure a recovery that addresses the challenges identified in the European Semester. In addition to the COVID-19 pandemic, the ongoing Russian military aggression against Ukraine has also taken its toll on EU companies and industrial ecosystems, highlighting the significance of policy efforts in supporting SMEs and clusters.

The [ERDF Partnership Agreement 2021-2027](#) in Malta makes no clear reference to clusters. The support for the existing Maltese clusters is not evident in the ERDF financed [Towards a smarter, well connected and resilient economy, a greener environment and an integrated society](#) Operational Programme (OP).

In the following, a succinct overview of the cluster policy in Malta will be provided. The structure of this factsheet generally encompasses:

- 1) an overview of the industrial ecosystems and cluster landscape in Malta
- 2) an overview of the national cluster policy and an insight into the regional cluster policy,
- 3) assessment of the state of Maltese cluster policy and its role in broader economic policy challenges mentioned in the European Semester Reports.



02

Industrial ecosystems and cluster landscape



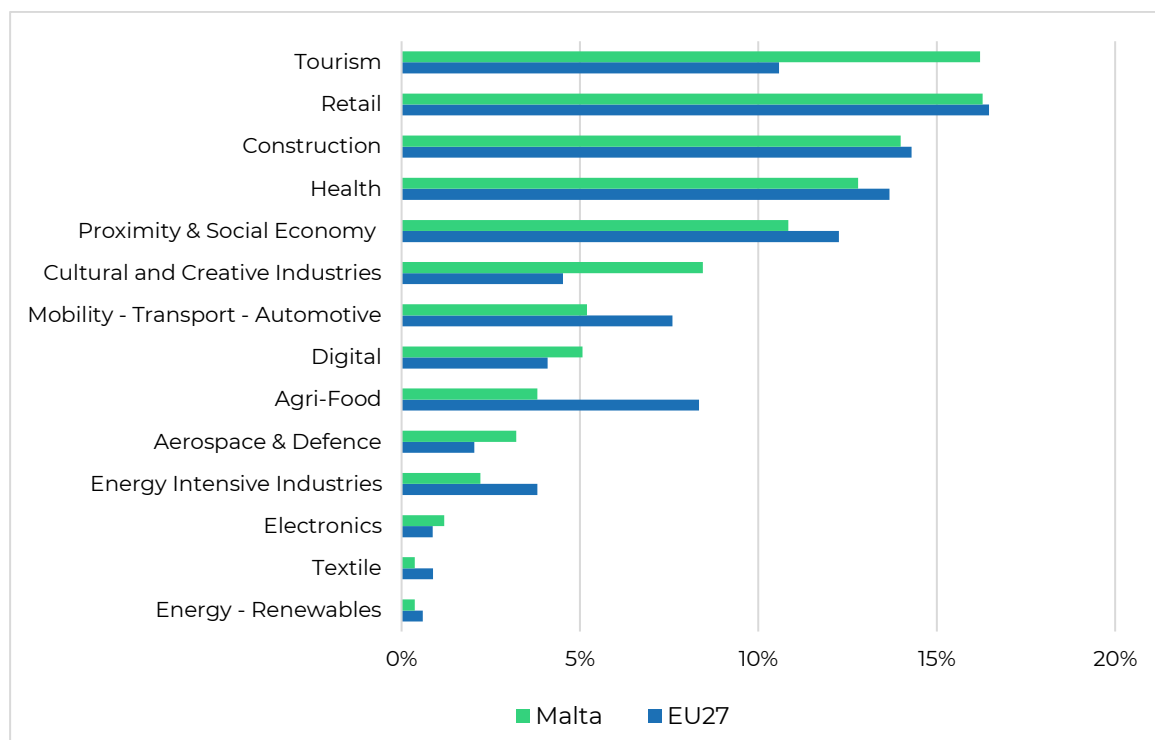
2. Industrial ecosystems and cluster landscape

2.1 Employment in the 14 industrial ecosystems

As part of its Industrial Strategy (March 2020), the European Commission has identified 14 industrial ecosystems that encompass all players operating in a value chain.¹ The classification of the 14 industrial ecosystems have been calculated by aggregating NACE 2 -digit activities, following the methodology established in the European Commission.² This means that the data provided below can differ from other publications by the European Commission that do not consider the industrial ecosystem classification.

In the following figure, the employment share of Malta and the EU27 in each industrial ecosystem is shown relative to the number of employed persons in the 14 industrial ecosystems. The ecosystems are ordered, from top to bottom, according to the amount of employment in the country. When the bar for the country is higher than that of the EU27, it indicates that the country is more specialised in that ecosystem. This figure underlines the strength of Malta in the industrial ecosystem “Tourism” which is above the EU average. Other industrial ecosystems where Malta displays employment strength relative to the EU are “Cultural and Creative Industries”, “Digital” and “Aerospace & Defence”.

Figure 1: Employment in across the industrial ecosystems



Source: ECCP (2023), own elaboration based on data from Eurostat.

¹ see here for more information <https://clustercollaboration.eu/in-focus/industrial-ecosystems> (last access 09.01.2023).

² see European Commission (2021): Annual Single Market Report, SWD(2022).



2.2 Regional agglomerations

Economic activity is not equally distributed across regions in the EU but tends to agglomerate in certain places. In this context, an Agglomeration is defined as the concentration of a certain industry, sector or ecosystem in a certain geographical area. The following section provides an analysis of, first, the sectoral agglomerations and, second, the ecosystem agglomerations in the regions. Agglomerations are operationalised through the employment-based Location Quotients (LQ), measuring the relative specialisation of one region compared to the EU level, as well as the employment size.

If the LQ for a given activity-region combination is above 1.5, it is considered an agglomeration, and if the activity accounts for at least 1 % of total employment in the region, it is considered regionally relevant.³ The following tables show the total number of regionally relevant specialisation agglomerations in the country and identifies the top five most specialised of these agglomerations. The first table focuses on the 88 NACE 2-digit activities or sectors, totalling 4 in the country, while the second table is based on the 14 ecosystems, which total three in the country.

Table 1: Number of regionally relevant sectoral agglomerations and agglomerations by region (NACE)

Region	# of agglomerations	Agglomeration 1	Agglomeration 2	Agglomeration 3	Agglomeration 4
MT: Malta	4	R92 - Gambling & betting	K64 - Financial services	N80 - Security and investigation activities	I55 - Accommodation

Source: ECCP (2023), own elaboration based on data from Eurostat.

As mentioned at the beginning of this Chapter, the NACE 2-digit activities have been aggregated to the 14 EU industrial ecosystems following the methodology established by the European Commission. Table 2 provides an overview of the regional distribution of industrial ecosystem agglomerations. Overall, there are fewer ecosystem agglomerations than the regionally relevant sectoral agglomerations by NACE sectors. This more concentrated agglomeration can at least partially be linked to the methodology of measurement of the 14 industrial ecosystems. Malta's lead ecosystem agglomeration in cultural and creative industries is singularly based in its sectoral NACE agglomeration in gambling and betting (R92). Its tourism ecosystem agglomeration, likewise, is reflected in its second-strongest sectoral agglomeration in accommodation (I55). Furthermore, the (online) gambling sector is also linked with Malta's position as a low-tax jurisdiction and base for financial services (K64&66) for companies and individuals.

Table 2: Regionally relevant ecosystem agglomerations

Region	# of ecosystem agglomeration	Agglomerations 1	Agglomeration 2	Agglomeration 3
MT: Malta	3	Cultural and creative industries	Aerospace & Defence	Tourism

Source: ECCP (2023), own elaboration based on data from Eurostat.

³ for more information on the methodology please see the methodology note: <https://clustercollaboration.eu/in-focus/policy-acceleration/country-factsheets-on-cluster-policies-and-programmes> (last access 09.01.2023).



2.3 Cluster organisations & interregional cooperation

As of December 2023, there is one cluster organisation in Malta that has a profile on the ECCP. This cluster organisation did not provide information in which industrial ecosystem it operates. SMEs made up all (100%, EU: 83%) member organisations of this cluster organisation.

The European Cluster Partnerships have been launched by the European Commission to encourage clusters from Europe to intensify collaboration across regions and sectors. There are currently no cooperations of Maltese Cluster Organisation in the ESCPs and the INNOSUP programme have been taken place in the 2014-2020 funding period. In the 2021-2027 funding period, the Single Market Programme supports clusters as part of the Joint Cluster Initiatives (Euroclusters) for Europe's recovery. However, there are no Maltese cluster organisations that are part of any of the 230 Euroclusters with partners from other EU Member States.



03

National cluster policy, programmes and initiatives



3. National cluster policy, programmes and initiatives

In this section we provide an overview of the existing Maltese cluster policies on a national.

The breakdown is presented in the form of a table, with the first column showcasing information on the aspects which constitute the policy (beginning with 'Policy Objectives', following with 'Policy Focus', etc.). The second column represents the case of a Maltese national cluster policy.

Within the table the text presented in bold (black) depicts standardised categories across country factsheets (56 in total for 2023), which is applied for the comparative purposes. This is followed by a complementary descriptive text to provide more insights about the cluster policy in Malta.

**Table 3: Overview of Maltese cluster policy**

Policy type:	Broad Policy
Policy name:	National Research and Innovation Strategic Plan 2023-2027
POLICY OBJECTIVES 	<p>Strengthening cooperation between companies or industry and RTDI actors</p> <p>Increasing competitiveness and boosting scale up of SMEs</p> <p>Supporting internationalisation activities</p> <p>Fostering R&D activities, technology development and implementation</p> <p>Fostering innovation and strengthening innovation ecosystems</p> <p>Supporting the creation of new cluster organisations</p> <p>Promoting entrepreneurship, start-ups and spin-offs</p> <p>Promoting employment and upgrading skills and competences</p> <p>The National Research and Innovation Strategic Plan 2023-2027 follows the main objective of establishing a resilient research & innovation enabling framework that involves continuous growth in investments in both public and private sector research and innovation. This strategic aim, guided by a mission orientation until 2027, is dedicated to facilitating the concurrent transitions towards both green and digital advancements.</p>
POLICY FOCUS 	<p>No specific focus</p> <p>The focus of the strategy is on the Maltese Research & Innovation ecosystem as a whole and also builds upon the EU PSF Panel Recommendations from 2019. Thereby 5 goals are outlined: Strengthening R&I governance and Priority-setting, Local ecosystem development, Enhanced directionality through “Missions”, RIS3 and Mainstreaming R&I in public policy and Strengthening R&I implementation structures</p>



Policy type:		Broad Policy
Policy name:		National Research and Innovation Strategic Plan 2023-2027
RESPONSIBLE AUTHORITIES 		In charge of implementation Oversees the implementation
		<p>The strategy is prepared by the Ministry for Education, Sport, Youth, Research and Innovation, Parliamentary Secretariat for Youth, Research and Innovation and Malta Council for Science and Technology</p>
BENEFICIARIES 		SMEs Cluster organisations Research organisations Academic institutions Start-ups Large firms
		<p>The National Research and Innovation Strategic Plan 2023-2027 focuses on the Maltese innovation ecosystems highlights collaboration especially between research and business and also refers especially to SMEs and the scientific landscape. Regarding clusters, the strategy mentions that innovation clusters around “pockets of excellence” of successful research organisations in both the public & private sector should be developed & supported.</p>
INSTRUMENTS 	Financial	-
	Technical assistance	Support for hard skill development: knowledge transfer, intellectual property, entrepreneurship, export advice, market intelligence Support for soft skills development: coaching, management training, upskilling/reskilling Support for networking and partnership building (at national and/or international level)
	Explanation	<p>The strategy also recommends to set-up a Technology Transfer & Innovation Hub that focuses especially on SMEs. The hub should support the scaling-up of start-ups as well as upskilling & reskilling.</p>



Policy type:		Broad Policy
Policy name:		National Research and Innovation Strategic Plan 2023-2027
HISTORY 	Period	Limited period
	Ending year (for policies with limited period)	2027
	Starting year	2023
	Explanation	The Maltese National Research and Innovation Strategic Plan 2023-2027 covers the years 2023-2027.
BUDGET 	Overall	Information not publicly available.
	Annual	Information not publicly available.
	Source of funding	Federal Government.
POLICY EVALUATION 	Availability	in-itinere
	Results	The Maltese National Research and Innovation Strategic Plan 2023-2027 foresees a dedicated monitoring system. A 2018 monitoring report on the National R&I strategy 2014-2020 is publicly available.
POLICY ALIGNMENT WITH THE EU PRIORITIES 		Green economy Digitalisation Resilience



04

State of cluster policy and its role in broader economic policy challenges



4. State of cluster policy and its role in broader economic policy challenges

4.1 The state of cluster policy

This section presents an overview on the state of play of cluster policy in Malta in the form of a qualitative assessment across four categories of analysis – policy scope, continuity of cluster policies, evidence of performance, and the range of cluster support instruments. Please refer to the **Annex** for the detailed overview of the categories and the scoring system. The table below presents an overview of the **state of play of cluster policy in Malta** for 2023.

Table 4: State of play

Malta	State of play
POLICY SCOPE	Absence of cluster policy
	Broad policy
	Sectoral policy
	National and/or regional cluster policy
CONTINUITY	No cluster-specific policy available
	Cluster policy established recently
	Cluster policy established between over 2 and 10 years
	Cluster policy established over 10 years ago
EVIDENCE OF PERFORMANCE	No evaluation and / or monitoring available
	Existence of evaluations of past policies
	Existence of monitoring or an ongoing / interim evaluation
	Existence of monitoring and ex-ante or ongoing / interim evaluation
CLUSTER SUPPORT INSTRUMENTS	No instruments for cluster development
	Financial support for cluster development in the broader and / or sectoral policy
	Financial or technical support for cluster development in dedicated cluster policy
	Financial and technical support for cluster development in dedicated cluster policy

Source: ECCP (2023).

The text below provides a **qualitative description** of the state of play of the cluster policy in Malta.

Policy scope

Malta does not have a dedicated cluster policy, yet some support is provided through the wider framework, the National Research and Innovation Strategic Plan 2023-2027. Hence, this strategic plan is classified as a broad policy. Regarding clusters, this strategy mentions that innovation clusters



around “pockets of excellence” of successful research organisations in both the public & private sector should be developed & supported.

Continuity

For Malta, there is no dedicated cluster policy available. The National Research and Innovation Strategic Plan 2023-2027 addresses clusters and recommends the development & support of clusters around “pockets of excellence” of successful research organisations in both the public & private sector. The National Research and Innovation Strategic Plan 2023-2027 follows the National R&I strategy 2014-2020.

Evidence of performance

The Maltese National Research and Innovation Strategic Plan 2023-2027 foresees a dedicated monitoring system. A 2018 monitoring report on the National R&I strategy 2014-2020 is publicly available.

Cluster support instruments

The National Research and Innovation Strategic Plan 2023-2027 addresses clusters and recommends the development & support of clusters around “pockets of excellence” of successful research organisations in both the public & private sector.

4.2 Cluster policy’s potential impact on challenges identified in the European Semester Report




Cluster policy can provide important support to broader economic policy efforts. This section shows how Maltese clusters (can) play a role in addressing the challenges identified in the European Semester Report for the country. To this end, the European Semester 2023 country report for Malta⁴ has been analysed across policy areas relevant to cluster policy. The results point to a series of issues where cluster policy could play an important role in tackling the country's economic challenges.

The table below also outlines how cluster organisations can address the challenges outlined in the European Semester Reports. In the context of the National Strategic Plan for Research and Innovation 2023-2027, which recommends the development and support of clusters around “pockets of excellence”, it can be emphasised that the development of a dedicated cluster policy could further strengthen and focus the activities of Maltese cluster organisations on broader economic policy challenges.

⁴ https://economy-finance.ec.europa.eu/system/files/2023-05/MT_SWD_2023_618_en.pdf (last access 22.01.2024).



Table 5: Contribution of Maltese clusters to the challenges identified in the European Semester Report

Policy area	Challenges	Cluster activity
INNOVATION 	<ul style="list-style-type: none"> Fostering research & innovation by <ul style="list-style-type: none"> increasing investments improving human resource capacity 	<p>Clusters act at the interface between business, science and politics and represent a number of local companies, universities, non-university research institutions and other players in the innovation ecosystem.⁵</p> <p>In terms of expenditures for research and innovation, it is shown that the presence of clusters is positively linked to higher expenditures for research and development both in the public and especially the private sector.⁶ Research also points to positive links between cluster organisations and the share of human resources in science and technology.</p>
SKILLS 	<ul style="list-style-type: none"> Further promote skills needed for the green & digital transition 	<p>The National Research and Innovation Strategic Plan 2023-2027 also focuses on upskilling. Here, research underlines the role of clusters in developing the skills of the workforce and attracting skilled workers to a region.⁷ Since clusters act as intermediaries between companies and research and educational institutions, they can also be seen as part of the training and educational infrastructure in the innovation ecosystem.⁸</p>
GREEN TRANSITION 	<ul style="list-style-type: none"> Reduce greenhouse-gas emissions (especially by improving energy efficiency in buildings) Increasing the share of renewable energy Improve energy independence 	<p>The National Research and Innovation Strategic Plan 2023-2027 also highlights the role of the Green Transition for Malta. Studies show that clusters can play a vital role in the green transition of the economy.⁹ In addition, cluster organisations have a positive influence on the green transition, not least because they facilitate exchange between different actors, disseminate relevant knowledge and practices and deepen environmental awareness among stakeholders.¹⁰</p>

Source: ECCP (2023)

⁵ European Cluster Observatory (2014): Cluster Collaboration and Business Support Tools to Facilitate Entrepreneurship, Cross-sectoral Collaboration and Growth

⁶ ECCP (2022).

⁷ Hsu et al. (2014).

⁸ European Expert Group on Clusters (2020).

⁹ Lis and Mackiewicz (2023); ECCP (2021).

¹⁰ Hatch et al. (2017).



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Annex

Table 6: Analytical framework for the state of cluster policy

Criterion	Description	Categorical variables
Policy scope	assessment whether the country has a dedicated cluster policy, or cluster creation and/or development is targeted through broader policies, e.g. foreign trade policies, labour and social policies or specific sectoral policies, e.g. industrial policy tourism policies, agriculture policies	absence of cluster policy existence of broader policies existence of specific sectoral policies existence of targeted cluster policies
Continuity of cluster policies	assessment of the duration and experience of the country in carrying out cluster policies. This criterion assesses only existence of targeted cluster policies and not broader policies or sectoral policies	absence of policies supporting cluster development cluster policy established recently (within the last 2 years) cluster policy established between over 2 and 10 years cluster policy established over 10 years ago
Evidence of performance	assessment whether there are evaluations of past and ongoing policies and a monitoring system in place. The existence of monitoring and evaluation mechanisms determines the degree of policy development in the country	no evaluation and / or monitoring available existence of evaluations of past policies, e.g. ex-ante existence of monitoring or an ongoing / interim evaluation existence of monitoring and ex-ante or ongoing / interim evaluation
Cluster Support Instruments	assessment whether the policies provide any instruments to support the policy implementation, being these financial and/or technical support	no instruments for cluster development financial support for cluster development in the broader and / or sectoral policy financial or technical support for cluster development in dedicated cluster policy financial and technical support for cluster development in dedicated cluster policy

Source: ECCP (2023).