

## A STRATEGIC APPROACH TO ICT

Feature prepared by David Kelleher for The Malta Business Weekly (21/12/06)

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*Globalisation and the shift to a knowledge-based economy have put pressure on countries to boost their technology readiness and capacity building in the information and communication technology (ICT) sector. The ICT sector in Malta is one of the fastest-growing sectors at the moment. David Kelleher looks at the development of the sector over the past few years. Part I.*

“We want to see Malta become a centre of excellence in IT in the Mediterranean. We want to be leaders,” Prime Minister Lawrence Gonzi had told parliament a few days after presenting his government’s budget for 2007.

Ten years ago, that same statement would have caused uproar in parliament and the Prime Minister of the day would have been ridiculed both publicly and in private. Economically, the country was not in a good shape, industry was still focused on high volume, low value added businesses and information technology was still in its infancy. Malta was not a centre of excellence.

A decade later, the Prime Minister’s vision, albeit ambitious, is not far-fetched. The country, following three years of dogged fiscal measures to control expenditure and the deficit, is now on the verge of actually looking at a possible budgetary surplus. The country’s economy, through natural wastage and increased competition, has departed from old-style, high volume textiles and embraced a modern, high value-added knowledge-based economy.

In the space of 10 years, Malta has succeeded in developing a thriving telecommunications industry with the market’s liberalization bringing in new competition, increased choice and lower consumer prices. Malta’s IT sector has also thrived. The uptake of new technology, a marked increase in the number of households having a personal computer, the increase in the number of internet users, especially broadband, have all contributed to help Malta re-define its image.

Since the turn of the century, information and communication technologies (ICT) has become a major focal point for the government, so important that the Prime Minister felt the need to appoint a minister directly responsible for the sector. It was a move that paid off. The IT sector has thrived. Big industry names like Microsoft, Cisco, Oracle and so on have seen the potential that exists locally to come here and do business. IT academies have been set up to create a sound, educational platform to produce highly-skilled graduates. The government is also encouraging people to take up IT courses by giving tax credits to cover the students’ fees.

All these initiatives are being taken to prepare for what will undoubtedly be a huge labour market for IT personnel: SmartCity in Ricasoli is expected to create 3,000 jobs in IT and software companies are relocating to Malta and seeking more skilled personnel. The last to arrive, Atlas Global Group, plans to employ up to 600 people.

What few seem to have realized is that over the next five years, Malta will have one of highest concentrations of skilled IT personnel in the world per square kilometre: Silicon Island in the Mediterranean. So the Prime Minister’s speech in parliament, his

vision for the country and the IT ministry's concept of an IT centre of excellence, makes a lot of sense. For the past 10 years, the government and the private sector have been laying the foundations for what, hopefully, will be Malta's calling card of the future.

It is also encouraging to note that the Opposition is also thinking along the same lines. There are areas that the Labour Party does not believe the government has handled well, but they are shrewd enough to realise that the direction taken by the present government is the right one. The Labour Party's vision document for the IT sector is a reflection of much of what the government has done, or intends to do. This is very important because the stakeholders not only need the infrastructure to work but they want a stable environment in which to do so.

Where do we stand today?

In its annual report on global competitiveness, the World Economic Forum ranked Malta as the 21st country in the world (out of 125 surveyed) as the most technologically-ready, up from 30th place in 2005. The 21st world ranking in technology readiness puts Malta ahead of major competitors such as Spain, the Czech Republic, Cyprus, Slovenia, Hungary, the Slovak Republic, Italy, Greece, Lithuania, Turkey, Romania, Bulgaria and others.

According to the WEF, Malta's technology ranking relies on Malta's strong performance in various aspects of technology take up and use: Malta's government has the world's 12th highest rate of technology usage among all surveyed governments; and technology use is also high ranking at 23rd, ahead of Italy, Ireland and Estonia, Cyprus among others.

Other strengths are the government's readiness to use technology (23rd world ranking) and an advanced infrastructure environment (21st world ranking). In June 2006, an EU commission report ranked Malta 2nd in eGovernment among EU countries.

Maintaining, even improving these standings, requires a clear strategy that encompasses more than just basic IT services. According to Malta Enterprise, which is working hand-in-hand with the Industry, Investment and IT ministry to implement this strategy in ICT, the sector comprises a number of activities that go beyond simply software development. Amongst the areas of potential growth, Malta Enterprise sees the manufacture of electronic components, software development, communications and related activities including call centres and e-learning, as well as back office operations.

People sometimes forget that we also have a strong manufacturing arm producing components for the IT industry. There are many foreign companies operating in this field including STMicroelectronics, being the largest, but also MSC, Dold, Hetronic, Infratec, Dedicated Micros, and FAL.

There are also quite a number of software companies now in Malta. Some have been around for quite some time; others are more recent to the local scene. However, they are all growing and an important source of employment opportunities for skilled people in ICT.

The latest boost for the sector has come from call centres. Amongst the largest call centres at the moment there is HSBC, Dial-it and Availacall, with a few others on a smaller scale. Call centres are an important addition to the sector because they are providing a lot of new, well-paid jobs and they can help to boost female participation in the labour market. Since most operate flexible hours, this gives many women the chance to return to work without putting pressure on their family role.

Malta Enterprise is also looking at e-learning as a strategic area in the future as well as back office activities such as media communications, the design of brochures or other specialised material and marketing activities. Malta Enterprise's strategy is to make the most of the advantages that the country has over its competitors, namely English as the main language, which in this sector this is surely a plus; the fact that the Maltese are quick to learn, they are flexible at work and adapt well to change; and finally salaries for IT people are relatively high compared to local salaries but only 33 per cent of the salaries found on mainland Europe, which make this attractive for foreign investors.

And capacity building?

This is a problem that the government and Malta Enterprise have been addressing. For example, there are now specific courses for those wishing to work in a call centre. The MyPotential scheme is aimed at encouraging more people to take up specialised IT courses that are very much in demand in the industry. MCAST and the university are also beefing up their respective departments to create a larger pool of people studying IT. A lot is being done to boost Malta's HR capacity in the sector.

Malta Enterprise is aware of the importance of this sector to Malta's economy and the potential for growth is huge. It is taking a holistic approach to maximise the possibilities in every area, yet at the same time ensure that government's vision for this sector is achieved.

*Part II: How the stakeholders see Malta's future as an ICT centre of excellence.*