

ENTREPRENEURSHIP AMONGST YOUTH & MIGRANT YOUTH IN MALTA

**FINAL RESEARCH REPORT
MYSITE PROJECT**



Erasmus+

ABOUT MYSITE

This project addressed entrepreneurship as a tool towards integration. The target group was Third Country National and local young people interested in entrepreneurship.

The objectives of the project were:

- To compile research on the needs of young entrepreneurs and on the resources available in each participating country
- To promote youth entrepreneurship as a means of employment and financial independence
- To promote the social inclusion of TCN youth in five different countries

The project will involved research, training and mentorship. The research component, of which this report is a key output, provides a snapshot of the opportunities for entrepreneurship for both groups in the five participating countries. National reports have been drawn up for each country and a comparative report analyses developments and opportunities at the European level as well as providing a comparative analysis of the participating countries.

The training component catered for both TCNs and local youth and will was developed on the basis of the research findings and delivered across the participating countries. The training covered a range of topics including the modalities and frameworks for setting up a business, accessing finance and management.



Contents

Executive Summary.....	2
I: Introduction	4
II: Country Context.....	5
III: Legal, Policy and Institutional Framework.....	8
Legal Framework.....	8
Policy Framework.....	10
Institutional Framework	14
IV: Opportunities and Facilitation Measures for Entrepreneurship	15
Subsection I: Initiatives for entrepreneurship/structural opportunities	15
Subsection II: Opportunities linked to context	19
V: Challenges and Barriers for Entrepreneurs	21
VI: Conclusions and Recommendations.....	29

Executive Summary

Young people in Malta face a number of challenges in setting up a business or otherwise engaging in entrepreneurship. Despite notable improvements and the emergence of a number of opportunities, (focused primarily on local youth, often to the exclusion of young migrants), many of these challenges remain. Self-employment rates in Malta are still very low (6.5% of the total population), whilst the employment rate is high (75%), which indicates that stable jobs are preferable than the risk of going into business, particularly as Malta is on a drive to recruit more workers to fill an increasing number of vacancies in various parts of the economy. International indexes such as the Economic Freedom Index also demonstrate that Malta is not a favourable environment for starting and conducting business.

Maltese law also does not facilitate starting a business, with no mention of entrepreneurship or start-ups throughout the legislation, though there are some tax incentives outlined and specific provisions for the self-employed in the Business Promotion Act and the Family Business Act. However, there are no provisions with regard to youth and migrant entrepreneurship. There is currently no policy on entrepreneurship, but it is instead briefly referred to in both the National Employment Policy and the National Youth Policy, as a way to make the labour market more inclusive and diverse. However, again there is no mention of migrant entrepreneurship or migrant youth entrepreneurship specifically in any policy, including the recently implemented Integration Strategy. There are some regulatory measures including allowances for maternity and self-employment. The Business First centre (which runs as a physical office and an online one-stop-shop) which outlines for everyone (including third country nationals) the steps that must be taken to open a business. Moreover, there are a number of initiatives offered which include funding schemes (some of which are sector specific, with a focus on the digital industry), business incubation opportunities, and an emergence of more diverse education and training opportunities in business and entrepreneurship. It is often not clear to whom such initiatives are available, and there seems to be a gap with regard to migrant youth. NGOs and other organisations play a role in addressing this gap, such as Malta Microfinance that also offers its business loans to migrants as well as locals, and the ZAAR crowdfunding platform that is available for everyone to use.

Aside from policy and the various initiatives and schemes in place to help facilitate the starting of a business and entrepreneurship, there are other social and contextual aspects which can be viewed as opportunities for these target groups. The emergence of certain sectors in Malta, especially digital and technological-related work presented opportunities, not only because there are more funding opportunities but because the sectors themselves encourage innovation. Technological advances in general present an opportunity in that young people can use the internet and social media to promote and expand their ideas and innovate in a way that previous generations could not. Other opportunities include diverse cultures to take advantage of, providing an opportunity for a variety of entrepreneurs.

However, there are a number of challenges that affect both young Maltese and young migrant entrepreneurs. These include financial challenges, from sourcing and securing funding opportunities, to opening business bank accounts and securing bank loans without substantial guarantees. There are also challenges related to the education system in Malta in that it is restrictive and does not encourage students to innovate and develop their own ideas. This is something that is slowly changing, with higher education institutions starting to address this issue, including the Malta College of Arts, Science and Technology including entrepreneurship, as a cross cutting subject, across all disciplines. Other social challenges include the culture of entrepreneurship being relatively new,

and young people have, for a long time, often not been encouraged by parents and other persons of authority to pursue entrepreneurial pathways.

Entrepreneurship presents an opportunity for everyone, but especially for young people, to develop innovative ideas and embark on something other than the path of traditional fixed employment. Increasing opportunities, in terms of funding, guidance and training, to facilitate entrepreneurship and starting a business would help to diversify the range of businesses in Malta and the types of work that young people engage in. Ensuring that such opportunities are open to everyone, including migrants and third country nationals, will add to this diversity as well as give migrants the chance to develop their business ideas and contribute to the Maltese economy.

I: Introduction

As the smallest, yet most densely populated, country of the European Union and as a migrant reception country, Malta experiences a number of challenges related to the labour market, education, starting a business, and entrepreneurship. With one of the lowest unemployment rates in the EU, people are less inclined to explore the risk of starting a business. However, the unemployment rate of those under 25 was substantially higher, at 9.2%,¹ suggesting that the situation is more challenging for young people. Whilst data shows that the rate of people in employment is high, self-employment rates are notably lower (according to Eurostat only 4,500 people aged 15 to 29 were self-employed in the fourth quarter of 2018)², showing that the numbers of those running their own business (including entrepreneurs) remains very low.

This report presents the findings from research conducted as part of the Migrant and Youth Social Inclusion through Entrepreneurship (MY-Site) Project, an 18-month project funded by Erasmus+ and led by The People for Change Foundation. The research aims to identify the gaps not provided in training and other initiatives for these target groups. This will be used to develop a series of training sessions for prospective, young and migrant entrepreneurs which will be split into a number of sessions, covering different topics and aiming to offer a programme to offer the necessary information required and the different schemes and initiatives available, as well as more practical training on developing ideas and working together to share such ideas in this way. The project will also offer a mentorship programme as an accompaniment to the training sessions.

This research report aims to assess the challenges and barriers as well as opportunities for prospective, and existing young and migrant entrepreneurs in Malta. In this regard, this report presents a brief overview of the country context, including an examination of data (employment and self-employment rates, education attainment levels), segregated by gender, age, country of origin and nationality. The report also examines various indexes that analyse business and competitiveness. The report outlines the key legislation such as the Business Promotion Act, the various tax incentives enshrined in law, the Family Business Act and the proposed Social Enterprise Act, and the ways in which these facilitate entrepreneurship. It also covers national policies relevant to entrepreneurship such as the National Youth and Employment Policies, as well as policies relevant to the integration of migrants into Maltese society. This report also examines the initiatives, which range from funding initiatives, to providing space for business incubation, as well as educational and training schemes that are offered. Some initiatives are offered by the government, whilst others are offered by private organisations and NGOs. Other economic and sociocultural opportunities specific to either the Maltese or migrant context are then examined as well as the various challenges and barriers that these two target groups face. This includes financial difficulties, educational and societal barriers, as well as the challenges experienced more by migrants, such as extensive bureaucracy and issues related to integration.

The methodology employed in the process of this report included desk research of the legal, policy and institutional framework on youth and migrant entrepreneurship in Malta, the initiatives in place, as well as the relevant data. Interviews were carried out with key stakeholders such as government representatives, university and college professors and those who work directly with migrants and young people wishing to start a business or develop their entrepreneurial skills. These interviews

¹ Eurostat, "Dataset: Unemployment rate – annual data",
<https://ec.europa.eu/eurostat/databrowser/view/tipsun20/default/table?lang=en>

² Eurostat, "Dataset: Self-employment by sex, age and occupation (1 000)",
https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfqsq_esgais&lang=en

helped to fill in the information gaps with regard to policy, legislation and existing structures to assist prospective entrepreneurs. Interviewees also highlighted what they perceived to be the most crucial challenges and opportunities for the target groups. Interviews were also carried out with young entrepreneurs, both Maltese and from a third country, to gain insight into their experiences, the challenges they faced, and any support they managed to avail themselves of. These interviews also helped to develop a comparison of the differences in challenges and opportunities for migrants, and for locals. These interviews were then coded accordingly to identify recurring themes, challenges and opportunities, as well as to add further detail on legislation, policy and the various initiatives.

II: Country Context

In 2018, the population of Malta stood at 475,701.³ Of this total, the number of people aged between 15 and 30 years was 93,909⁴, which represents 20% of the population as a whole. The majority of non-Maltese living in Malta are in fact EU nationals (38,563 in 2018).⁵ The total number of Third Country Nationals (TCNs) in 2017 amounted to 28,582⁶, which is 6% of the total population. 8,963 of the TCN total were aged between 15 and 30.⁷

To look at the situation for TCNs in Malta, it is necessary to look at immigration and numbers of asylum seekers, refugees etc in order to better distinguish between what constitutes a 'third country' and to differentiate between more affluent migrants, and those facing more barriers. Malta has been a reception country for migrants for a number of years and has had to adapt to meet the needs of increasing numbers of arrivals. The number of first-time asylum applications filed with the Office of the Refugee Commissioner stood at 2,045 in 2018 - 126 were recognised as refugees; 485 received subsidiary protection; 34 humanitarian protection and 264 applications were rejected.⁸ The largest share of these applications was from Libya and Syria, and Eritrea whereas in previous years, Somalis and Eritreans were the nationalities largest share of applications for protection.⁹

According to the National Statistics Office (NSO), 2,131 applications for international protection were filed in 2018, which represents a 15.9% increase compared to 2017.¹⁰ Moreover, 454 were female, and 1,677 were male.¹¹ The net migration rate for 2018 stood at 35.3%.¹² Data by length of residence in Malta shows that the number of residence permits for third country nationals not shorter than 12 months was 4,606 in 2014, 6,880 in 2015, 6,530 in 2016, 8,754 in 2017, 13,067 in

³ Eurostat, "Dataset: Population change - Demographic balance and crude rates at national level", <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>

⁴ Eurostat, "Dataset: Population on 1 January by age group and sex", <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>

⁵ Eurostat, "Dataset Population on 1 January by age group, sex and citizenship", <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>

⁶ Ibid.

⁷ Ibid.

⁸ Asylum Information Database: Malta (2018). "Statistics". <https://www.asylumineurope.org/reports/country/malta/statistics>

⁹ UNHCR, "Asylum Decisions", <https://www.unhcr.org/mt/charts/>

¹⁰ National Statistics Office (NSO), "World Refugee Day: 20 June 2019", https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_C5/Population_and_Migration_Statistics/Documents/2019/News2019_095.pdf

¹¹ Ibid.

¹² Eurostat, "Dataset: Population change - Demographic balance and crude rates at national level", <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>

2018.¹³ More than half of these (75,3%) were for remunerated activities, and around 15% for ‘other’ reasons, which include (but are not limited to) international protection.¹⁴ Eurostat data shows that the most highly represented nationalities (outside of the EU) with residence permits are: Serbia (2,033) the Philippines (1,180), India (784), North Macedonians (563), and Libyans (532), followed closely by Russia (486), and China (472).¹⁵

Levels of naturalisation after a period of residence in Malta remain critically low. According to Eurostat¹⁶, 806 male and 806 female TCNs acquired Maltese citizenship in 2017 – up from 616 and 623 respectively in 2016.¹⁷ The increase in the Eurostat figures could also reflect the adoption of the ‘Individual Investor Programme’ which is a citizenship scheme whereby applicants can acquire a Maltese passport for a fee of 650,000 Eur for the principal applicant (additional fees apply for spouses and children).¹⁸ The National Development and Social Fund (NDSF) registered a surplus of €133.7 million in 2018, constituting 70 per cent of the contributions under the Individual Investor Programme (IIP), which is also known as the ‘Cash for Passports’ scheme.¹⁹ No improvement was noted in issue of access to citizenship for people residing in Malta who are not part of the scheme.

Malta has high employment rates and has been recognised for its ability to withstand much of economic difficulty faced by other countries in the region as a cause of the economic crisis.²⁰ The total employment rate of people aged between 15 and 64 in 2018 was 71.4%, which is an increase from 2011, when the rate stood at 57.9%.²¹ The percentage of the active population recorded as unemployed in 2018 – 3.7%, down from 6.4% in 2011.²² The unemployment rate of 2018 of young people under 25 years of age was 9.2% (11.3% for males and 6.9% for females). This is as a percentage of the active population, whereas the rate of youth unemployment as a percentage of the total population was 5.1%.²³

The employment rate of young people aged between 15 and 24 years was 50.4% in 2018 (48.9% for males and 52.0% for females).²⁴ As well as employment rates, it is also useful to look at overall activity rates, which are often higher due to the fact young people may be engaging in other activity

¹³ Eurostat, “Dataset: First permits by reason, length of validity and citizenship”, https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=migr_resfirst&lang=en

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ Eurostat, “Dataset: Acquisition of citizenship by age group, sex and former citizenship”, http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=migr_acq&lang=en

¹⁷ *At the time of writing, the data for 2018 was not yet available on Eurostat*

¹⁸ Identity Malta, “Individual Investor Programme of the Republic of Malta” (2014), accessed March 26, 2018. http://iip.gov.mt/wp-content/uploads/2014/07/IIP-Brochure-v1.2_updated.pdf

¹⁹ NSO, “News Release: General Government Balance and Debt under the Maastricht Treaty – First reporting for 2019” (2019) https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_A2/Public_Finance/Documents/2019/News2019_061.pdf

²⁰ Malta Independent, ‘Maltese economy’s ‘resilience’ in financial crisis underscored’, 2013, <http://www.independent.com.mt/articles/2013-05-29/news/maltese-economys-resilience-in-financial-crisis-underscored-1711276035>

²¹ Eurostat, “Dataset: Employment and activity by sex and age - annual data”, http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfsi_emp_a&lang=en

²² Eurostat, “Dataset: Unemployment by sex and age - annual average”, http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=une_rt_a&lang=en

²³ Ibid.

²⁴ Eurostat, “Dataset: Employment and activity by sex and age - annual data”. <https://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>

besides employment, such as placements, further study, traineeships etc. It is interesting to look at these rates per educational attainment level to assess whether there are any marked differences. For young people aged 15 to 24, the employment and activity rates for those with an educational level of 'Less than primary, primary and lower secondary' stood at 45%²⁵, whereas the activity rate stood at 55%²⁶. For those with the next highest level of education, 'Upper secondary and post-secondary non-tertiary' were respectively 48% and 51.3%.²⁷ For those with a tertiary level of education, the employment rate in 2018 was 75.9% and the activity rate was 78.5%.²⁸

Malta currently holds the highest Early School Leavers rate in the EU, which in 2018 was 17.5%.²⁹ There are many possible reasons for this, which include, but are not limited to, a lack of other options in place to encourage other avenues besides study at university or higher education institutions, and a lack of support and guidance for young people to choose their next steps. These aspects will be further explored in a later section, as well as policy instruments in place which aim to combat this, within the context of entrepreneurship.

According to figures from Jobsplus (the Maltese Public Employment Service), the total number of TCNs working in Malta in 2018 was 20,928, of which 12,931 were male and 7,997 were female.³⁰ This number can be segregated by age; 2,264 under 25; 5,109 from 25 to 29; 12,910 from 30 to 54; and 645 aged 55 and over.³¹ The top ten nationalities of TCNs working in Malta between 2002-2018 are listed as: Philippines, Serbia, India, China, Libya, Russian Federation, Eritrea, Turkey, Bosnia & Herzegovina, Ukraine. Obviously, the numbers of people arriving to work in Malta will have fluctuated during this time span. In December 2018, Jobsplus recorded the three countries with the most individuals engaged in the labour market as: the Philippines (3,835), Serbia (3,739) and India (2,413).³² In the context of Malta, the shadow economy and illegal employment must be taken into account, particularly due to its numbers of undocumented migrants looking to find work. Though difficult to quantify fully, it was recently reported that in 2018, illegal and undeclared economic activity was estimated at more than €320 million, with NSO estimating it at 3% of GDP, with warnings that this could be far below the actual figure.³³

When assessing levels of entrepreneurship, it is worthwhile examining self-employment figures. The total number of self-employed persons in Malta in 2018 aged between 15 and 64 was 32,100.³⁴ The

²⁵ Eurostat, "Employment rates by sex, age and educational attainment level (%)".

<http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>

²⁶ Eurostat. "Activity rate by sex, age and educational attainment level (%)".

<http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>

²⁷ Ibid.

²⁸ Ibid.

²⁹ Eurostat, "Early leavers from education and training by sex and labour status"

<http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>

³⁰ Jobsplus, Foreign Nationals Employment Trends, <https://jobsplus.gov.mt/resources/publication-statistics-mt-mt-en-gb/labour-market-information/foreigners-data#title3.1>

³¹ Ibid.

³² Ibid.

³³ Times of Malta, "'Illegal' economy tops €320 million, but real figure could be higher", (18th August 2018), <https://www.timesofmalta.com/articles/view/20180818/local/illegal-economy-tops-320-million-but-real-figure-could-be-higher.686925>

³⁴ Eurostat. "Self-employment by sex, age and occupation (1 000)",

<http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>

figures demonstrate a striking difference between males and females working as self-employed; in 2018 there were 24,400 males self-employed and 7,700 females. The gap has closed slightly from the previous year from 24,100 males and 7,100 females.³⁵ According to Eurostat, the number of self-employed that were aged 15 to 29 was only 3,600 in 2018.³⁶ According to Jobsplus statistics for 2018, 11% of the workforce is self-employed.³⁷ A National Statistics Office publication states that in May 2018, the number of persons registered as full-time self-employed rose by 1,175 when compared to June 2017, although the actual figures do not seem to be published.³⁸ The World Bank's 'Ease of Doing Business' Index which sets the scene for business, entrepreneurship and self-employment based on a number of indicators ranks Malta in 84th place out of 190 countries. For starting a business, it is ranked 103rd, and paying taxes ranks Malta higher, at position 71 out of 190.³⁹ Malta ranks at 36 out of 140 countries in the Global Competitiveness Index with a score of 68.8, which is an increase from 2017 of 0.3%.⁴⁰ Additionally, Malta's economic freedom score is 68.6, making its economy the 41th freest in the 2019 Heritage Foundation Index for Economic Freedom.⁴¹

III: Legal, Policy and Institutional Framework

Legal Framework

There is no element of Maltese legislation that incorporates the term "entrepreneurship". However, there are some provisions within the law that regulate starting a business or for tax incentives to make the process easier. The Law also regulates the obligations on business owners and start-ups as well as the legal requirements for migrants, in engaging in employment or self-employment.

The Business Promotion Act of 1988 provides several business incentives to those starting a business and to those industries showing growth and employment potential. Part II of the Act covers the main income tax incentives and the requirements for profits, ownership and exports in order to be eligible for tax incentives;

'such company shall be exempt from income tax on the gains or profits from its trade or business made during ten consecutive years of assessment which years shall be comprised within the company's first twelve years of assessment as may be determined by the company by way of an irrevocable notice in writing to the Corporation [Malta Development Corporation] to be given not later than the end of the third year of assessment'⁴²

Provisions regarding specific financial assistance are also in place for the setting up of certain types of business such as childcare day centres.⁴³

Part III of the Act covers other incentives besides tax exemptions;

³⁵ Ibid.

³⁶ Ibid.

³⁷ Jobsplus, 'Employment trends', <https://jobsplus.gov.mt/resources/publication-statistics-mt-mt-en-gb/labour-market-information/employmenttrends>

³⁸ National Statistics Office, 'News Release: Gainfully Occupied Population', https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_C2/Labour_Market_Statistics/Documents/2018/News2018_178.pdf

³⁹ The World Bank, 'Doing Business', <http://www.doingbusiness.org/content/dam/doingBusiness/country/m/malta/MLT.pdf>

⁴⁰ Global Competitiveness Index. 2018. 'The Global Competitiveness Report 2018'. World Economic Forum, <http://www3.weforum.org/docs/GCR2018/05FullReport/TheGlobalCompetitivenessReport2018.pdf> p.13.

⁴¹ Heritage Foundation Index for Economic Freedom. 'Malta'. <https://www.heritage.org/index/country/malta>

⁴² Chapter 325 Laws of Malta, "Business Promotion Act", 1988, Article 4, <http://www.justiceservices.gov.mt/downloaddocument.aspx?app=lom&itemid=8799>

⁴³ Business Promotion Act, Article 18A (3)

‘Where the Corporation is satisfied that in the case of a qualifying company it would be consistent with the aims and objectives of the industrial policy of the Government, the Corporation may grant loans to the said company for the acquisition of plant, machinery and other fixed assets, but excluding land and buildings.’⁴⁴

The Government may also lease or procure premises such as building space and offices for eligible companies. These could either be with no charges or reduced rates.⁴⁵

The Companies Act of 1996 also regulates the setting up of business. Title I of Part V of the Companies Act concerns the formation and functioning of companies and their legal obligations in this regard. Article 67 lists the obligations in the registering of a private company, in that it is necessary to outline how many employees and directors there are, as well as details about the product or service.⁴⁶ The Companies Act also sets restrictions on the amount of share capital (shared by at least two persons) which can be made by the company; not less than 46,587.47 euros for a public company and 1,164.69 euros for a private company.⁴⁷

The Family Business Act, passed in 2017⁴⁸, aims to facilitate this process of family business and the inheriting of business. This legislative action assists young business people, as the ones inheriting or contributing to the family business. The legislation aims to encourage and assist family businesses to enhance their internal organisation and structure, with the aim of effectively operating the business and working towards an effective succession of the family business.⁴⁹ Moreover, to encourage family businesses to continue running and to pass on the enterprise to their children: for the year of 2017, family businesses who transfer their business to their children will benefit from a reduction of tax from 5% to 1.5%.⁵⁰ In Malta, many businesses are long-established, and there is a culture of inheriting a business from your parents, and passing it down to their children for example, as well as being highly important as a contributor to the Maltese economy.⁵¹

In addition, in 2015, the Social Enterprise Act was proposed, in light of the fact that the social sector has developed in recent years, and that the voluntary sector employs around 4,400 people and generates approximately €68 million annually.⁵² The proposals for the law aim to develop a framework to enable the creation and development of social enterprises in Malta. Once passed, the

⁴⁴ Business Promotion Act, Article 16

⁴⁵ Business Promotion Act, Article 18

⁴⁶ Chapter 386 Laws of Malta, “Companies Act”, 1996, Article 67,
<http://www.justiceservices.gov.mt/DownloadDocument.aspx?app=lom&itemid=8853>

⁴⁷ Companies Act, Article 72

⁴⁸ Ministry for the Economy, Investment and Small Business, ‘Family Business Act’,
<https://economy.gov.mt/en/familybusinessact/Family%20Business/Pages/Introduction.aspx>

⁴⁹ Chapter 565 Laws of Malta, Family Business Act, 2017,
<http://justiceservices.gov.mt/DownloadDocument.aspx?app=lom&itemid=12569&l=1>

⁵⁰ Ministry for the Economy, Investment and Small Business, ‘Introduction and Information: Family Businesses’, 2017, <https://economy.gov.mt/en/familybusinessact/Family%20Business/Pages/Introduction-and-Information.aspx>

⁵¹ Ministry for the Economy, Investment and Small Business, ‘Family Business Act: Introduction’,
<https://economy.gov.mt/en/familybusinessact/Family%20Business/Pages/Introduction.aspx>

⁵² Ministry for the Economy, Investment and Small Business, ‘Social Enterprise Act’,
https://economy.gov.mt/en/public_consultation/Social%20Enterprise%20Act/Pages/Social-Enterprise-Act.aspx

Act will provide the legal framework, with the goal of enabling the development of sustainable Social Enterprise organisations.⁵³

When examining legislation which provides for migrants, such as the Immigration Act, there are no provisions that specifically concern the setting up of a business. The only reference is to a licence from the Minister, and the proclamation that the individual should be in possession of a residence permit and ‘such person shall not in Malta exercise any profession or occupation or hold any appointment or be employed by any other person or engage in business without a licence from the Minister.’⁵⁴ Moreover, the Single Permit Directive was transposed into Maltese law in 2014, resulting in the Single Application Procedure for a Single Permit as regards Residence And Work And A Common Set Of Rights For Those Third-Country Workers Legally Residing In Malta Regulations.⁵⁵ This provides that third country nationals (TCNs) wishing to reside and work in Malta need to apply for a Single Permit (including Residence and Work) at the Department for Citizenship and Expatriate Affairs (Identity Malta). The Single Permit is also required for those wishing to work in a self-employed capacity.⁵⁶

Policy Framework

There are also some key policies in place which cover entrepreneurship and business. The most recent National Youth Policy in Malta was published in 2015.⁵⁷ There are two core Strategies of the National Youth Policy, each with several action plans; Strategy 1 is ‘Youth work and services for young people’ and Strategy 2 is ‘Cross-sectoral support for young people’.⁵⁸ A number of the various action plans are relevant when examining government policy on entrepreneurship. Under Strategy 1, there is an Action Plan entitled *Initiatives for the active engagement, empowerment and participation of young people and youth organisations* which refers to competences and skills to enhance future learning and employment prospects.⁵⁹ This Action Plan includes the integration of minority groups into school and communities, as well as a focus on socially excluded youths, and covers the importance of lifelong learning.⁶⁰ Strategy 2 encompasses more relevant actions to the field of entrepreneurship. It includes an *Education and Training* Action Plan, which is designed to tackle early school leavers and NEET (Not in employment, education or training) rates, enhance educational attainment, and lifelong learning.⁶¹ Another key action plan under this strategy is the *Employment and Entrepreneurship* plan. This foresees that;

⁵³ Ministry for Economy, Invest and Small Business, ‘White Paper: A Bill entitled an Act to regulate social enterprise companies and their administration’, 2015, https://economy.gov.mt/en/public_consultation/Social%20Enterprise%20Act/Documents/White%20Paper%20-%20Social%20Enterprise%20Act.pdf

⁵⁴ Chapter 217 Laws of Malta, Immigration Act, 1910, Article 11(1),

<http://justiceservices.gov.mt/downloaddocument.aspx?app=lom&itemid=8722>

⁵⁵ Subsidiary Legislation 217.17, “Single Application Procedure for a Single Permit as regards Residence and Work and A Common Set of Rights for Those Third-Country Workers Legally Residing in Malta Regulations”, 2014, <http://www.justiceservices.gov.mt/DownloadDocument.aspx?app=lom&itemid=12287&l=1>

⁵⁶ Single Application Procedure for a Single Permit as regards Residence and Work and A Common Set of Rights for Those Third-Country Workers Legally Residing In Malta Regulations, Article 4.

⁵⁷ Parliamentary Secretariat for Research, Innovation, Youth and Sport, ‘National Youth Policy towards 2020: A shared vision for the future of young people, 2015, https://education.gov.mt/en/resources/Documents/Policy%20Documents/National_Youth_Policy_Towards_2020.pdf, p.12-13

⁵⁸ Parliamentary Secretariat for Research, Innovation, Youth and Sport, National Youth Policy, 2015.

⁵⁹ National Youth Policy, 2015, p.16

⁶⁰ National Youth Policy, 2015, p.16

⁶¹ National Youth Policy, 2015, p.17

‘research on skills forecasting will be promoted and supported; Matching of occupations, skills and competences will be pursued; Work-experience initiatives for young people will be undertaken; Training designed to meet the needs of industry will be promoted and supported; Young people will be informed/advised and supported to access training, apprenticeships and other labour market-oriented opportunities; Entrepreneurship and an entrepreneurial spirit among young people through non-formal education and informal learning opportunities will be promoted; Young people interested in self-employment will be encouraged and supported; Work exchange opportunities abroad for young people will be promoted; The evidence-base of young people not in education, employment and training (NEET) will be further developed; and initiatives aimed at supporting the integration of young people with disabilities into the labour market will be developed’.⁶²

Furthermore, another relevant action plan from the policy, for the purposes of examining youth and migrant entrepreneurship, is that of *Social Inclusion*. This builds upon the key principles of equality and diversity. One of the actions under this plan is that ‘young people with a migrant background will be encouraged and supported to integrate and fully participate in social and community life.’⁶³

The National Youth Policy also prioritises the need to build and develop skills and competences of young people, to support continued development. The policy document notes that;

‘steps will be taken over the period 2015-2020, to engage with the private sector with a view to strengthening their support for and commitment to young people’s development. The private sector has a vital and distinctive role to play in supporting the development of young people, particularly in such areas as further education and training, entrepreneurship and labour market participation and progression.’⁶⁴

Another relevant policy is the National Employment Policy, which was published in 2014.⁶⁵ Chapter 4 of the policy deals with investing in human capital. This chapter outlines how the establishment of the Malta College of Arts, Science and Technology (MCAST) and the various changes that have been implemented to this institution have begun to improve the low levels of education and skillset of the Maltese workforce. It also notes that the high rate of early school leavers is one of the key reasons for the low skill level of human capital in Malta.⁶⁶ In connection to this, the document outlines the Education Strategy (of 2014-2024) which highlights that lifelong learning and adult learning need to be a priority in order to address this problem. In this regard, there is also the Strategic Plan for the Prevention of Early School Leaving in Malta, which aims at enabling Malta to reach its target of reducing the rate of early school leavers to 10.0 per cent by 2020.⁶⁷ This indicates that there are issues with the education system in place, in that it does not cater well for certain individuals, which demonstrates a need to explore other avenues. The chapter also includes a section entitled *Nurturing Entrepreneurship Skills*.⁶⁸ The section notes that there are various upcoming and current initiatives in place in this regard, including further support for entrepreneurship at MCAST, which will aim to create ‘real tangible avenues’⁶⁹ for students in the setting up of a business.

The Employment Policy also analyses the profile of immigrants in Malta, stating that it can vary dramatically from low skilled to highly skilled individuals, and highlights that the Government has a

⁶² National Youth Policy, 2015, p.18

⁶³ National Youth Policy, 2015, p.19

⁶⁴ National Youth Policy, 2015, p.21

⁶⁵ Ministry of Education and Employment, ‘The National Employment Policy’, 2014

<https://education.gov.mt/employment/Documents/EMPLOYMENT%20POLICY%20DOC%20sml.pdf>

⁶⁶ Ministry of Education and Employment, ‘The National Employment Policy’, 2014, p.47

⁶⁷ National Employment Policy, 2014, p.49-50

⁶⁸ Ibid., p.52

⁶⁹ Ibid., p.52

responsibility 'to respect the dignity of these persons by integrating them into society.'⁷⁰ From an economic perspective, given the current deficiencies within the Maltese labour market of an ageing workforce and a declining working age population, the policy notes that it is beneficial to take advantage of these persons as a human resource, by training and educating, in order to engage them into unfilled vacancies resulting from excess demand, and various initiatives are underway in this regard.⁷¹ The policy also includes a chapter which deals with initiatives specifically for youths, as measures to upskill and educate, as well as to offer alternatives to studying at university. These include the Youth Guarantee, which aims to give a second chance at education for disengaged youth.⁷²

There is no specific mention of migrant entrepreneurship in any policy, including in the Integration Strategy, which was launched in 2017. The document focuses more generally on integration into the labour market and upskilling in order to integrate into society.⁷³ There is an integration website⁷⁴ which focuses on necessary documentation, housing and education, which contains some procedural information on setting up a business.

Regulatory Measures

A number of regulatory measures have been implemented to support various groups in labour market participation, including through self-employment, including women and parents, young people and third country nationals. These measures include free childcare services for children whose parents are either both employed (including self-employed) or in education.⁷⁵ In addition, there was recently an increase in the maternity benefit rate for women in self-employment. The weekly rate payable for self-employed women is EUR 168.01 (compared to EUR 89.10 for employed women) for a maximum of 14 weeks.⁷⁶

Regulatory support for migrants and third country nationals to become self-employed in Malta is more limited. As required in the Single Permit Regulations (outlined above), it is necessary for all third country nationals to obtain a Residence and Work Permit from Identity Malta in order to engage in employment. Regarding self-employment, it has to be noted that the Single Permit process does not apply in the same way. According to the Jobsplus employment licence guidelines, 'EEA/Swiss nationals, and their third country national family members or other family members, may take up self-employment in Malta without the need for an employment licence, although they must still send an Engagement Form to Jobsplus.'⁷⁷ However, this is a fairly small group of people that can benefit from this regulatory support. For all other third country nationals, in order to engage in self-employment, they must apply for an employment licence from Jobsplus, which are only awarded in 'exceptional circumstances'.⁷⁸

⁷⁰ Ibid., p.69

⁷¹ Ibid., p.69

⁷² National Employment Policy, 2014, p.84

⁷³ Ministry of European Affairs and Equality, 'Migrant Integration Strategy and Action Plan: Integration=Belonging', 2017, <https://meae.gov.mt/en/Documents/migrant%20integration-EN.pdf>, p.8

⁷⁴ Government of Malta, 2014, <https://integration.gov.mt/en/Pages/Home.aspx>

⁷⁵ Ministry for Education and Employment, 'Free Childcare Scheme', <https://education.gov.mt/en/Pages/Free-Childcare.aspx>

⁷⁶ More information on benefit rates can be found at: <https://socialsecurity.gov.mt/en/Pages/default.aspx>

⁷⁷ Jobsplus, 'Employment Licences Guidelines for Clients', 2018, <https://jobsplus.gov.mt/job-seekers-mt-MT-en-GB/guidance-services/fileprovider.aspx?fileId=2991>, p.14

⁷⁸ Ibid.

There are also a number of regulatory measures that put the self-employed at a disadvantage relative to employees, and this could act as a disincentive for those considering moving into self-employment. For example, unemployed people who return to the labour market as self-employed are not able to access the Tapering of Benefits Scheme, which continues to pay a proportion of unemployment benefits to those who are hired as employees.⁷⁹ Moreover, employers receive a wage subsidy for hiring unemployed people, but the self-employed cannot access this support for creating their own jobs.⁸⁰

Procedural information on starting a business

Firstly, the information provided by the government is more extensive for non-migrants. The Business First website, which is the one-stop shop run by the government entity Malta Enterprise, provides information in a step-by-step format which first states that the business owner (or prospective business owner) must first determine the legal format of the business, with the most common being; Sole Trader, Partnerships, Private Limited Liability Companies or Cooperatives. In the case of a sole trader, the individual must register with Jobsplus as self-employed. The business owner must also register a social security number for the business and have a registered tax number. These can start trading straight away as long as the required permits and registrations are carried out. The website also provides information on the various costs that will be incurred, such as; Utilities, Communication, Commercial Property Rates, and Labour costs.⁸¹

Whilst many of these aspects will be similar for third country nationals and migrants, the procedure can be longer and more bureaucratic with increased obligations and requirements. Migrants and third country nationals are additionally expected to obtain a Self-Employment Licence from Jobsplus; Register with Jobsplus by sending the (self) engagement form for the employer; Register with the Social Security Department to obtain a Social Security Number; Registering with the Inland Revenue Department as self-employed through its customer office or through its website; Register with the Value Added Tax Department personally or through its website; Apply for a Trade Licence with the Trade Department, (If the business involves import or export, an Import or Export licence is also required); and Registration of a Legal form of Business from the Malta Financial Services Authority.⁸² As previously stated, self-employment licences are only granted to TCNs in exceptional circumstances. The guidelines state that the criteria are as follows, and that one or more of these must be met in order to be granted the licence:

‘Invest in Malta capital expenditure of at least Eur 500,000, within 6 months from the date on which the Jobsplus licence is issued (The application also needs to be accompanied by a letter of reference in respect of the TCN, from a reputable Maltese bank that certifies that the TCN has the facility to raise such capital); Highly skilled innovators with a sound business plan to be submitted with the application who commit to recruiting at least three EEA/Swiss/Maltese nationals within eighteen months of establishment; A person leading a project that has been formally approved by Malta Enterprise and formally notified by the latter to Jobsplus.’⁸³

However, the Employment Licenses Guidelines clarify that;

⁷⁹ Ministry for the Family, Children’s Rights and Social Solidarity, ‘Social Security Benefits for You’, 2017, <https://family.gov.mt/en/Documents/Booklet%20Social%20Security%20Benefits%202017%20EN.pdf>, p.14

⁸⁰ OECD, ‘Inclusive Entrepreneurship Policies: Country Assessment Notes – Malta 2016’, 2016, <https://www.oecd.org/cfe/smes/MALTA-country-note.pdf>

⁸¹ Business First, <https://businessfirst.com.mt/en/Pages/default.aspx>

⁸² Malta Enterprise, ‘Entrepreneurship’ <https://integration.gov.mt/en/Work/Pages/Doing-Business.aspx>

⁸³ Ibid.

“Long-term residents, Asylum Seekers, persons enjoying Subsidiary Protection/Temporary Humanitarian Protection Status and Refugee Status require an employment licence to work as self-employed in Malta. However, they are exempt from meeting the above criteria.”⁸⁴

The requirements for TCNs to obtain a self-employment licence demonstrate the additional financial burden on some TCNs in setting up a business, as well as the extensive administrative requirements and other challenges. It is positive that long-term residents, Asylum Seekers, persons enjoying Subsidiary Protection/Temporary Humanitarian Protection Status and Refugee Status are exempt from the criteria, but this does not cover all groups who may wish to explore this option. It also shows that whilst self-employment, starting a business and entrepreneurship appear to be encouraged for certain groups, some third country nationals and migrants (particularly those with limited financing or lack of assistance in setting up the business) face many more barriers.

Institutional Framework

Due to the crossover nature of entrepreneurship and the target groups covered for this project (youth and migrants), there is an extensive list of institutions who deal with either entrepreneurship, youth, and migrants.

In relation to business, the Ministry for the Economy, Investment and Small Business (MEIB) and Malta Enterprise are the main government entities responsible for business. The Ministry is responsible for policy implementation as well as carrying out work on the relevant legislation. Malta Enterprise deals with many of the practical elements, which include running the Business First one-stop shop and providing assistance to clients in setting up a business. The one-stop shop provides support and information for clients on funding. They have a physical office in Malta, as well as the website which acts as a portal with information on the various stages of starting a business.⁸⁵ According to recent figures, around 70 to 100 start-ups go to Business First every month.⁸⁶

Jobsplus is responsible for self-employment licences. The Malta Financial Services Authority (MFSA) is legally responsible for the registering of new companies and enterprises. With regard to youth, the Ministry for Education and Employment undertakes a lot of key work in terms of upskilling, combatting early school leaving, NEET and youth unemployment rates. Moreover, the Malta Chamber of SMEs, also known as the General Retailers and Traders Union (GRTU) is responsible for protecting the interests of enterprises and small companies. The Union works closely with key government institutions and is involved with the Business First one-stop shop, to promote training and other schemes to incentivise entrepreneurship.

Educational institutions also play a key role. The Malta College of Arts, Science and Technology (MCAST) is Malta’s leading vocational college and it focuses on an alternative, more practical type of learning. The College has recently undergone a transformation whereby three distinct Colleges, the Foundation College, Technical College and University College were created.⁸⁷ The Foundation College offers students the opportunity follow courses at Pathway and MQF/EQF Levels 1, 2 and 3 by addressing their specific needs and preparing them both for the world of work, as well as for further education at the Technical College. The Technical College is the next level, providing further programmes of study at MQF/EQF Level 4 in closer collaboration with industry. The programmes offered at the Technical College incorporate a wide range of apprenticeships in various fields of

⁸⁴ Ibid.

⁸⁵ Business First, <https://businessfirst.com.mt/en/Pages/default.aspx>

⁸⁶ Interview with Abigail Mamo, CEO of Malta Chamber of SMEs, 27th June 2018.

⁸⁷ Malta College of Arts, Science and Technology (MCAST), <http://www.mcast.edu.mt/224>

studies thus enabling the students to also gain practical work experience while studying.⁸⁸ Finally, at the level of the MCAST University College, higher education programmes and vocational degrees at MQF/EQF Levels 5, 6 and 7 are offered, while also working in close collaboration with the industry in order to provide professionals that are both academically prepared and practically trained to satisfy the needs of the local industry. The courses at this College are also implementing a cross-curricular course structure,⁸⁹ whereby students from disciplines work together on various projects, and in certain modules in order to better mix them with individuals of different skillsets. MCAST has now implemented a cross-curricular structure, whereby the key skills associated with entrepreneurship are taught across the board.⁹⁰

Moreover, the University of Malta has also set up a Centre for Entrepreneurship & Business Incubation (CEBI), which aims to promote the development of a knowledge-intensive, entrepreneurial culture in Malta. The Centre is currently targeting knowledge-intensive sectors such as science, technology, engineering, and creative media.⁹¹ The University runs the Edward DeBono Institute, with a focus on creative thinking and innovation. Similarly, the University of Malta has in place a number of different departments dealing with business more generally, as well as entrepreneurship. These include the Centre for Entrepreneurship and Business Incubation (CEBI),⁹² which offers the opportunity to undertake a postgraduate course of a Master in Knowledge-Based Entrepreneurship, and the Edward de Bono Institute for the Design and Development of Thinking which offers a wide range of courses and events to University students and to the general public in the interrelated subject areas of creativity, innovation management, Entrepreneurship and Future Studies.⁹³

Moreover, additionally on the education side, Junior Achievement-Young Enterprise (JA-YE) is a non-profit entrepreneurship education institution specialising in providing entrepreneurship education programmes to young people (aged 8 to 30). The idea of the Foundation is to complement classroom learning by offering learning-by-doing programmes at primary, secondary, post-secondary and tertiary levels.⁹⁴ Junior Achievement Young Enterprise (JAYE) Malta is a private and non-profit educational institution, which carries out teaching programmes as well as business incubation for young people, and there are a number of successful and innovative initiatives currently run through this organisation.⁹⁵ Moreover, the Malta Business Bureau and the University of Malta run the Foundation for the Promotion of Entrepreneurial Initiatives (FPEI)⁹⁶ which promotes entrepreneurship in Malta and operates a crowdfunding platform, which will be further examined.

IV: Opportunities and Facilitation Measures for Entrepreneurship

Subsection I: Initiatives for entrepreneurship/structural opportunities

In addition to the broader policies previously outlined, there are some specific initiatives in place to encourage and incentivise entrepreneurship. These initiatives are offered by the government, educational institutions and private organisations and range from funding-based initiatives, business

⁸⁸ MCAST, <http://www.mcast.edu.mt/224>

⁸⁹ MCAST, <http://www.mcast.edu.mt/224>

⁹⁰ Interview with Eric Flask, Director of the Entrepreneurship Centre, Monday 18th June 2018

⁹¹ National Employment Policy, 2014, p.52

⁹² University of Malta, 'Centre for Entrepreneurship & Business Incubation', <https://www.um.edu.mt/cebi>

⁹³ University of Malta, 'Edward de Bono Institute', <https://www.um.edu.mt/create>

⁹⁴ Junior Achievement Young Enterprise (JAYE), <http://jayemalta.org/about/our-mission/>

⁹⁵ Junior Achievement Young Enterprise (JAYE), <http://jayemalta.org/>

⁹⁶ Foundation for the Promotion of Entrepreneurial Initiatives (FPEI), <http://fpei.mt/>

incubation programmes, educational and upskilling programmes, as well as any other types of support mechanisms offered.

Financial Incentives

As well as the Business First one-stop shop, Malta Enterprise also runs a number of schemes to incentivise entrepreneurship and offer monetary assistance. The Micro Invest Scheme, which was relaunched in 2014, encourages entrepreneurs to invest in their business, to innovate, expand and implement compliance directives. Undertakings will be supported through a tax credit amounting to 45% (65% for undertakings operating from Gozo) on the eligible expenditure.⁹⁷ Taxation shall also be capped if 50% or more of the undertaking is female-owned.⁹⁸ The Micro Guarantee Scheme provides eligible undertakings with a guarantee of up to 70 per cent on loans of up to 100,000€ which may be used to finance projects leading to business enhancement, growth and development. The new version of this scheme (from 2017) will run until 2020.⁹⁹ In addition, the Business Start scheme (known as B.Start) aims to support small start-ups in the early stages of development, and with an economically viable business plan. The scheme grants up to 25,000 euros to eligible undertakings.¹⁰⁰ In addition, in August 2019, MEIB launched a mobile phone application, “Enterprise Incentives App”, which presents an overview of the available funding opportunities for start-ups and businesses in Malta.¹⁰¹

An innovative initiative based on a model that is taking off globally for innovators and entrepreneurs is the ZAAR Crowdfunding Platform which was set up by the FPEI. The Platform aims to support local start-ups and promote entrepreneurship in Malta by offering an alternative for entrepreneurs to raise capital for their projects and business ideas.¹⁰² It was the first of its kind in Malta and offers a reward-based funding opportunity for a variety of people, including young people and migrants.¹⁰³

Banks can provide some funding for those wishing to start a business. In 2014, the Bank of Valletta (BOV) initiated the BOV JAIME (Joint Assistance Initiative for Maltese Enterprises) Financing Package. This initiative aims to assist SMEs in obtaining the finances to start their business.¹⁰⁴ The package was set up in response to the lack of available guarantees and undercapitalisation and aims to help facilitate this process, especially for young people in providing some of the money for the guarantee for the loan from EU funds.¹⁰⁵

⁹⁷ Malta Enterprise, ‘Micro Invest’, 2016, <https://www.maltaenterprise.com/support/micro-invest>

⁹⁸ Malta Enterprise, ‘Micro Invest – Incentive Guidelines’, 2018
<https://www.maltaenterprise.com/sites/default/files/Micro%20Invest%20Incentive%20Guidelines%20%28for%20information%20purposes%20only%29.pdf>

⁹⁹ Malta Enterprise, ‘Micro Guarantee Scheme 2017-2020’, <https://www.maltaenterprise.com/support/micro-guarantee-scheme-2017-2020>

¹⁰⁰ Malta Enterprise, ‘Business Start – B.Start’, <https://www.maltaenterprise.com/support/business-start-bstart>

¹⁰¹ Business First, “Enterprise Incentives App”, 8th August 2019,
<https://businessfirst.com.mt/en/News/Pages/Business%20First%20Office%20closed%20on%2022nd%20Dec%202016.aspx>

¹⁰² ‘ZAAR: Great ideas funded’, <http://www.zaar.com.mt/about-us/>

¹⁰³ Interview with Matthew Caruana, 10th July 2018

¹⁰⁴ Bank of Valletta, ‘BOV JAIME Financing Package’, <https://www.bov.com/content/bov-jaime-financing-package>

¹⁰⁵ Interview with Mark Scicluna Bartoli (BOV Executive), Friday 6th July

Moreover, the 'Go Beyond – Early Stage Investing' programme offers early stage business angel investment to start ups in five industry categories, including technology, internet and mobile phones. This is part of a wider network of angel investment initiatives across Europe.¹⁰⁶

Specifically, in terms of initiatives and opportunities that can be accessed by migrants and TCNs it is often not clear for whom various schemes are available and whether migrants especially can access the various funding, training and incubation initiatives. In this regard, Malta Microfinance is a non-profit financial institution linked to St Andrews Scots Church in Valletta, which offers loans to people struggling financially. They offer business loans, especially for those who would struggle to access loans from banks, to provide funding and support the starting and expansion of a business. This organisation provides for people of all nationalities, including struggling local Maltese people and migrants.¹⁰⁷

Business Incubation Opportunities

There are a number of business incubation centres offered by the government at various entities, and through educational institutions. MITA, which is the Malta Information Technology Agency run the MITA Innovation Hub. This aims to support students, start-ups and innovators and creates the environment to transform their ideas into products or services through digital technologies. The initiative also provides access to expert networks, and information funding opportunities.¹⁰⁸ As well as offering a space for prospective entrepreneurs to develop their ideas, MITA Innovation Hub also offers a pre-seed fund called the 'YouStartIT accelerator programme', which offers 22,000 euros to around five individuals.¹⁰⁹ Similarly, the Microsoft Innovation Centre (MIC) supports students and start-ups through its facilities and offers training courses ranging from development to gaming. The MIC start-up programme is also targeted towards start-ups in the early stages of business and offers incentives such as office space and hardware.¹¹⁰

In 2014, MCAST set up the MCAST Entrepreneurship Centre. This was set up in collaboration with Malta Enterprise and the Kordin Business Incubation Centre (KBIC), which is a large warehouse space where entrepreneurs can rent space for their business. MCAST students and alumni who demonstrate an entrepreneurial flair are provided with space within KBIC where they can nurture, grow and launch their business ideas.¹¹¹ Moreover, the University of Malta also runs the Takeoff Programme, which functions as a Business Accelerator and Incubator and delivers a tailored package of benefits and guidance to entrepreneurs, most of whom are young people.¹¹² The programme also offers the Takeoff Seed Fund award, whereby 100,000 euros is distributed between start-ups and academics to enable the next phase towards the commercialisation of their business or research idea. Grants between €2,500 and €20,000 will be awarded to the selected projects.¹¹³ This seed fund is offered in association with CBEI and MEIB.

Sector specific opportunities

¹⁰⁶ Go Beyond Early Stage Investing, <https://go-beyond.biz/>

¹⁰⁷ Interview with Ritianne Ellul, Malta Microfinance, 26th June 2018

¹⁰⁸ MITA Innovation Hub, <https://mitainnovationhub.gov.mt/en/Pages/About/About-MIH.aspx>

¹⁰⁹ MITA Innovation Hub, 'YouStartIT', <https://mitainnovationhub.gov.mt/en/Pages/YouStartIT-MITA%20Innovation%20Hub.aspx>

¹¹⁰ WEGate, 'Microsoft Innovation Centre Malta', <https://wegate.eu/mic-microsoft-innovation-centre-malta>

¹¹¹ Malta Enterprise, 'MCAST Entrepreneurship Centre set up at KBIC', <https://www.maltaenterprise.com/mcast-entrepreneurship-centre-set-kbic>

¹¹² University of Malta, 'Takeoff Programme', <http://takeoff.org.mt/>

¹¹³ University of Malta, 'Seed Funds: Takeoff Seed Fund Award 2018', <http://takeoff.org.mt/seed-funds/takeoff-seed-fund-award-2018/>

As well as the MITA Innovation Hub and the Microsoft Innovation Centre offering opportunities specific to the digital sector, the *eSkills Malta Foundation* also helps to support digital entrepreneurship. The *eSkills Malta Foundation* assists initiatives regarding digital innovation and offer training opportunities.¹¹⁴ They have also recently supported ‘The Million Dollar Idea’, a business competition offering a start-up package to the winner, in order to help them continue to develop their idea.¹¹⁵ Another sector specific initiative is the Maritime Proof of Concept, launched by the Malta Marittima Agency and the University of Malta which aims to provide aid and financial support to entrepreneurial ideas relating to maritime business and technology. The government is also planning to redevelop the Ta’ Qali Crafts Village, which provides a space for artisan and craft-centred small businesses, which will help support the growth of SMEs.¹¹⁶

In addition, the Social Impact Awards offer funding opportunities for enterprises and initiatives with a social element. The Awards function as a competition, where an idea is proposed for a certain amount of funding and are run by the Gasan Foundation and Inspirasia Foundation, bringing together philanthropists willing to contribute to the causes proposed by those competing for the awards.¹¹⁷

Education and Training

As well as the structures and mechanisms implemented by MCAST and the University of Malta, there are other specific education and training initiatives. For example, MEIB works in association with the MEDE on an ‘Entrepreneurship through Education’ programme, which is a scheme (relaunched in 2017) working with all three types of schools in Malta (state, non-state and church). The scheme encourages these schools to submit projects intended to promote entrepreneurial qualities among students and to provide practical experience in entrepreneurial activity.¹¹⁸

Project-based initiatives and other forms of support

There are also a number of projects that have taken place in Malta run by various groups. However, these tend to focus on only one of the target groups for the My Site project – either young people, or migrants. An example of a project focusing on encouraging and fostering entrepreneurship for migrants and ethnic minorities is the European Entrepreneurship VET Model and Assessment Framework for Ethnic Minorities (EVA) Project, implemented in Malta by SOS Malta.¹¹⁹ The main output for the project was an online interactive learning platform, which can be accessed by anyone wishing to use it, upon setting up a profile.¹²⁰

¹¹⁴Ministry of Finance, 2018, ‘Malta National Reform Programme’, <https://mfin.gov.mt/en/Library/Documents/NRP/NRP%202018.pdf>

¹¹⁵ Malta Independent, 2017, ‘The Million Dollar Idea 2017’, <http://www.independent.com.mt/articles/2017-03-23/company-news/The-Million-Dollar-Idea-2017-6736171968>

¹¹⁶ Ministry of Finance, 2018, ‘Malta National Reform Programme’, <https://mfin.gov.mt/en/Library/Documents/NRP/NRP%202018.pdf>

¹¹⁷ The Social Impact Awards, <http://siamalta.org/about>

¹¹⁸ Ministry of Economy, Investment and Small Business, ‘Entrepreneurship through Education’, 2017, https://economy.gov.mt/en/schemes/Pages/Entrepreneurship_Through_Education_Scheme_2017/Entrepreneurship-Through-Education.aspx

¹¹⁹ SOS Malta, ‘EVA Project’, <http://www.sosmalta.org/eva?!=1>

¹²⁰ Ibid.

In September 2019, the Malta Business Bureau launched its Invest+ Programme in collaboration with HSBC Bank.¹²¹ This aims to improve levels of financial literacy in Malta through mentoring sessions and workshops on finance, accounting, savings and investment.¹²²

Moreover, the National Council of Women, in association with the Malta Community Chest Foundation offers a funded course to encourage entrepreneurship and start-ups specifically for women, entitled 'Get Started: Start Your Own Business'.¹²³ This aims to address the notable gap in self-employed figures, as outlined previously.

More generally, government entities also provided a variety of courses, such as the Centre for Lifelong Learning, whose courses are subsidised in an effort to be more affordable and accessible, as well as courses offered by Jobsplus, which are free of charge. The range of courses offered is broad and includes manual skills, foreign language and business skills, all of which could help encourage entrepreneurship as a result of the upskilling process.

Subsection II: Opportunities linked to context

There are various other opportunities in Malta that help to facilitate access to entrepreneurship and starting a business. Malta boasts a strong economy, which is one of the fastest growing in the European Union. The GDP growth rate of Malta in 2018 was 6.6%, providing a very hospitable environment for new businesses.¹²⁴ Furthermore, the tourism industry continues to grow every year, with almost 2 million tourists a year, providing access to new customers for enterprises in Malta.¹²⁵ As outlined by Abigail Mamo, the CEO of the Malta Chamber of SMEs, 'with the economy doing as well as it is doing in Malta, setting up an enterprise is encouraging'.¹²⁶ A robust and growing economy is important because it offers stability; there is less of a risk when starting a business and the population is often more willing to invest in new businesses and services. There are also certain sectors which are prioritised and make doing business more favourable, such as the digital and gaming sectors. This was affirmed by Marvin Zammit of MightyBox games; 'We were lucky because at the time the government was pushing to build the industry here, so we fit into the box that some funds were specifically made for'.¹²⁷ This was supported by Gregory Klumov, the founder of a cryptocurrency enterprise, Stasis, who stated that the blockchain and cryptocurrency industries will be flourishing for some time, and that it provides a good opportunity for entrepreneurs in this field that Malta is 'pro-active and pro-business and is young enough to understand the opportunity this can bring'.¹²⁸

Although the economic factor is the one of the most significant advantages, there are a few social factors that also help to facilitate entrepreneurship. One of the most useful mediums that benefits prospective and existing young entrepreneurs is social media. Social media can be used as an advertising platform, at a minimal financial cost to the entrepreneur. Moreover, Malta records a high usage of social media at 87%, which presents an opportunity for entrepreneurs to advertise

¹²¹ Malta Business Bureau, 'MBB and HSBC launch Mentoring Programme to boost Financial Literacy', <https://mbb.org.mt/media/mbb-and-hsbc-launch-mentoring-programme-to-boost-financial-literacy/>

¹²² Ibid.

¹²³ National Council of Women Malta, 'NCW Courses', <http://www.ncwmalta.com/home?!=1>

¹²⁴ European Commission, 'Malta: Sustained Economic Growth', https://ec.europa.eu/info/sites/info/files/economy-finance/ecfin_forecast_spring_030518_mt_en.pdf

¹²⁵ Malta Tourism Authority, 'Tourism In Malta, Fact and Figures 2016', 2016, MTA_Statistical_Report_2017_(no_marks)pdf_FINAL[1]%20(1).pdf

¹²⁶ Interview with Abigail Mamo, CEO of the Malta Chamber of SMEs (GRTU), 27th June 2018

¹²⁷ Interview with Marvin Zammit, MightyBox games, 28th August 2018

¹²⁸ Interview with Gregory Klumov, Founder of Stasis, 13th September 2018.

and promote their business online.¹²⁹ A young entrepreneur and digital artist, aged 25, interviewed for this project also mentioned that the internet can be used to help gain knowledge on entrepreneurship, and stated that 'online reach and engagement' are growing. He also spoke of his own experience in setting up a business, and that one of the key stages in the beginning was the setting up of his Facebook page, through which he gained a lot of followers.¹³⁰ As Facebook is the form of social media most widely used in Malta¹³¹, it is a useful tool and an easily accessible medium that potential entrepreneurs and those running a small business, can tap into. This was also supported by Evolveco, which is a company set up through a JAYE Competition, comprised of 5 females aged 16 and 17. They affirmed that due to much of their market being younger people, as a group generally more interested in ecological issues, social media and online sales have been monumentally important for the development of their business.¹³²

An additional factor, linked to the opportunity presented by online engagement, is that for some sectors, improvements to technology and a wider public understanding of this can also be an opportunity, especially for young people. This was affirmed by Stephanie Borg, an artist and successful businesswoman in Malta, who stated that this was the case for the art and graphic design sector. She also stated that there has been a generational shift, especially in Malta, whereby people are more open to accepting new ideas; they travel more often which could be a contributing factor to this.¹³³

Another social opportunity is the diverse culture held by both Maltese and migrant communities. Malta embraces an expansive culture which present opportunities for business promotion and growth, and that both Maltese and migrant entrepreneurs can take advantage of. An example of this in Malta is the Maltese *fešta* culture, which is widespread across Malta and Gozo, with several outdoor public events and takes place in every locality, presenting the opportunity for many different businesses to reach large numbers of people. There are also a number of other cultural events regularly held in Malta, with space for businesses to come and sell products or food, for example, to the general public. For example, the Migrant Women Association has set up a food truck (which is now a fully registered social enterprise) which participates in many traditional Maltese events for example, the Malta World Music Festival where food was provided from numerous different countries.¹³⁴ This offers employment to these migrant women, further facilitating their integration process, and also demonstrates an example of migrants mixing with locals for cultural events. As expressed by Joe Tanti, CEO of the Malta Business Bureau; 'People like Lebanese food, Moroccan food. They often know how to do things better than us sometimes, many skills and we need to integrate them'.¹³⁵ This demonstrates that migrants and the Maltese are both able to use their different traditions and culture in entrepreneurship.

The trait of resilience is often more present in migrants than in local youth. Professor Eric Flask, the Director of Innovation and Entrepreneurship at MCAST, affirmed that due to their resilience, migrants are more willing to take risks;

¹²⁹ Times of Malta, 'Maltese rank second in EU for use of social media', 2017, <https://www.timesofmalta.com/articles/view/20170619/local/maltese-rank-second-in-eu-for-use-of-social-media.650983>

¹³⁰ Interview with Bernard Montebello, Young Entrepreneur, 19th of June 2018

¹³¹ Malta Independent, "Malta second highest EU state on social media, first in employment of ICT educated people", 16th July 2017, <http://www.independent.com.mt/articles/2017-07-16/local-news/Malta-second-highest-EU-state-on-social-media-first-in-employment-of-ICT-educated-people-6736176655>

¹³² Interview with Evolveco (a JAYE Company), 13th July 2018

¹³³ Interview with Stephanie Borg, artist and businesswoman, 17th July 2018

¹³⁴ Migrant Women's Association. 2017. 'Cooking for World Music Festival'. <http://migrantwomenmalta.org/tag/world-music-festival/>

¹³⁵ Interview with Joe Tanti, CEO of the Malta Business Bureau, 20th June 2018

'Resilience is important in business, something I think that migrants tend to have more of. The education system as I told you means that some young people have a robotic approach to working'.¹³⁶

Ritianne Ellul from Malta Microfinance reiterates this, as well as it being a challenge for locals, as she believes the education system 'just breeds us to think about our jobs and careers. It doesn't promote entrepreneurship. It just doesn't bring out creativity of young people'.¹³⁷ Although the education system presents a challenge to Malta and its young people, viable changes are occurring. Both MCAST and the University of Malta, the largest higher education institutions in Malta, are fostering more of a culture of entrepreneurship, for example with the aforementioned Centre for Entrepreneurship and Business Incubation and the TakeOff programme, and the Kordin Business Incubation Centre, available for MCAST students. This will hopefully lead to gradual societal changes in the attitude towards entrepreneurship, starting at the educational level.

V: Challenges and Barriers for Entrepreneurs

This section of the report will address the challenges and barriers faced by young people and migrants regarding entrepreneurship. This section will be divided in political, legal, economic, and social challenges, as the main factors that inhibit starting a business and entrepreneurship. A comparison is also presented between the different issues faced by local youth and migrants.

Political and legal challenges

Despite the existence of tax incentives, measures to facilitate the inheritance of a family business and proposed measures to facilitate social enterprise, there is no specific legislation to help facilitate entrepreneurship for either Maltese citizens or migrants, and no mention of the concept itself in the law. This was also highlighted as an issue by the Director of Policy Development and Programme Implementation Directorate at the Ministry for the Economy, Investment and Small Business (MEIB), Jeffrey Bugeja.¹³⁸ Moreover, with regard to legislation one of the issues highlighted in interviews is that a key legal challenge to consider does not actually concern the setting up of a business, but in fact what happens in the case of failure and bankruptcy and that there is no protection for businesses who experience this.¹³⁹ This could be another factor which adds to the challenge of the fear of failure, which will be further explored.

Another barrier for both target groups is procedural issues and bureaucracy. This view was also upheld by Ritianne Ellul, from Malta Microfinance, who stated that extensive bureaucracy makes it very difficult to start a business.¹⁴⁰ This was supported by an Algerian entrepreneur interviewed, who stated that ideally, he would have liked to start his own business but that the number of obstacles made this impossible. He referred in particular to immigration law in Malta and how; 'Everything in Malta - its to deter others from coming.'¹⁴¹ In the case of migrants especially, they are often unfamiliar with European law and the required procedures, and there appear to be no schemes in place to educate migrants about this or any support to help them to understand how to set up their own businesses. To demonstrate further, the Migrants Integration Policy Index (MIPEX)

¹³⁶ Interview with Professor Eric Flask, Director of Innovation and Entrepreneurship at the Malta College of Arts, Science and Technology, 18th June 2018

¹³⁷ Interview with Ritianne Ellul, Malta Microfinance, 26th June 2018

¹³⁸ Interview with Jeffrey Bugeja, Director of Policy Development and Programme Implementation Directorate at the Ministry for the Economy, Investment and Small Businesses, 25th June 2018

¹³⁹ Interview with Matthew Caruana, Manager of the Foundation for the Promotion of Entrepreneurial Initiatives, and of the ZAAR Crowdfunding Platform, 10th July 2018

¹⁴⁰ Interview with Ritianne Ellul from Malta Microfinance, 26th June 2018

¹⁴¹ Interview with Samy Zeghmati, 10 September 2018

identified Malta as 'slightly unfavourable'¹⁴² for the purposes of integration, suggesting the government can do more politically to address these challenges, with bureaucracy and procedural difficulty being a key barrier in this regard. This is also supported by the fact that, as outlined above, the recently implemented Integration Strategy has no mention of assisting individuals in the starting of a business, and there is currently no focus on entrepreneurship. It was also highlighted in the aforementioned interview that; 'people are not encouraged to explore their ideas, especially third country nationals.'¹⁴³

Though this is changing, it is often stated that there is a lack of innovation in Malta, because young people are not encouraged to start their own businesses as much as they are in other countries. In a recent report, the Sustainable Governance Indicators proposed that Malta had 'insufficient capacity to innovate'.¹⁴⁴ In addition, Professor Eric Flask, the Director of Innovation and Entrepreneurship at MCAST stated that people rely too much on the safety net of acquiring a long-term job and are not prepared to take risks; 'We are told we have too many jobs and not enough people. This leads to a mentality that it's easy to find a job therefore why risk starting a business or getting these entrepreneurial skills.'¹⁴⁵

However, an issue mentioned by Professor Russell Smith, of the University of Malta, is that 'Malta needs to be innovative and support entrepreneurship, especially in the digital sector, because it is not an island sitting on any raw materials it can rely on'.¹⁴⁶ Thus, these challenges should be addressed as an issue that affects not only young people and migrants, but also the country as a whole. This has also been noted in the Sustainable Government Indicators, as an economic policy the government needs to address;

'The Maltese island lacks natural resources and consequently, economic growth is intrinsically linked to human resources. The ability to attract investment and sustain employment depends very much on the skill, quality and education levels of the workforce'.¹⁴⁷

Youth and migrants will continue to face difficulties starting their own businesses without more willingness from the government to help support entrepreneurship for these groups of people. As discussed by Ram, Jones and Villares-Varela, 'the institutional environment and wider policy context is a key element in any analysis of immigrant or ethnic business development'.¹⁴⁸ Government cooperation amongst different entities, ministries and NGOs working with these target groups is required in order to address the political challenges, alongside the financial and socio-cultural challenges. This is something that was supported by many of the key experts interviewed for this project, including Professor Russell Smith who has stated that more coordination is needed; 'We could really benefit from sitting down and sharing ideas, having a conversation and to figure out who

¹⁴² Calleja, Isabella; Colino, Cesar and Pirotta, Godfrey A. 2017. 'Malta Report – Sustainable Governances Indicators 2017'. Sustainable Governance Indicators, p.20, http://www.sgi-network.org/docs/2017/country/SGI2017_Malta.pdf

¹⁴³ Interview with Samy Zeghamati, 10 September 2018

¹⁴⁴ Ibid.

¹⁴⁵ Interview with Professor Eric Flask, Director of Innovation and Entrepreneurship of the Malta College of Arts, Science and Technology, 18th June 2018

¹⁴⁶ Interview with Professor Russell Smith, Director Centre for Entrepreneurship and Business Incubation, 2nd July 2018

¹⁴⁷ Calleja, Isabella; Colino, Cesar and Pirotta, Godfrey A. 2017. 'Malta Report – Sustainable Governances Indicators 2017'. Sustainable Governance Indicators, p.12, http://www.sgi-network.org/docs/2017/country/SGI2017_Malta.pdf

¹⁴⁸ Ram, Monder; Jones, Trevor and Villares-Varela Maria. 2017. 'Migrant entrepreneurship: Reflections on research and practise'. International Small Business Journal. Vol. 35, No.1, Pp. 3-18.

is doing what'.¹⁴⁹ Mark Scicluna Bartoli from BOV also highlighted despite the numerous initiatives that migrants and young people can take advantage of, 'there needs to be some serious cooperation between them [stakeholders] to figure out what to do'.¹⁵⁰ It is important that organisations work together in order to increase awareness of these programmes, otherwise it would not be to the benefit of the migrants or the local youth. In fact, a recent report by the European Commission has proposed 'visibility' as a dimension useful in entrepreneurship programmes, which can only improve with increased cooperation.¹⁵¹ Moreover, increased coordination would ensure that both migrants and young people are getting the support they need as collaboration would increase the effectiveness of the programme, and ensure a collaborative effort to make necessary improvements.

Financial challenges

Youth and migrants also face a lot of problems relating to access to finance as well as other economic challenges. They often do not have the capital required to finance the start-up of their businesses. The majority of the interviewees stated that it is extremely difficult to acquire a loan from the banks in Malta. Banks require certainty that loans will be repaid and request a guarantee (which can often be more than the loan itself),¹⁵² which often youth and especially migrants are unable to obtain. As affirmed by Professor Eric Flask, 'Banks do not help – the mentality of Malta is that if there are no guarantees, there is no loans. They are also wary of young people and I am sure, for migrants too'.¹⁵³ Moreover, Mark Scicluna Bartoli, an Executive with BOV bank stated that 'the banks are under a lot of incredible pressure from regulators – that's why there's so many hurdles sometimes'.¹⁵⁴ Banks also became more cautious after the 2008 financial crash, ensuring that they are not prone to increased risk. As explained by Jeffrey Bugeja 'you are helping out a group who have a high exposure of risk, you know, the banking system, the financial crisis and so on'.¹⁵⁵

Nonetheless, some of the banks are trying to confront this issue by improving some of the overly bureaucratic procedures. BOV is currently working with the Financial Intelligence Analysis Unit (FIAU) in order to improve the process of helping migrants acquire sufficient identity documents so that they are able to set up their own bank accounts, subsequently making it easier for them to create their own business. In addition, BOV is also working with the EU to help young entrepreneurs to access the funds required to start a business for the guarantees to access a loan, through the aforementioned BOV JAIME Financing Package.¹⁵⁶ Regardless, until substantial change is implemented in this regard, potential entrepreneurs will still find it difficult to access these loans and grants. Professor Eric Flask claimed that he has experienced teaching a number of students that have had to fund their businesses by working part-time.¹⁵⁷ However, it is often the case that this distracts entrepreneurs from their business endeavours as they have to focus the majority of their priority on their part-time or full-time employment instead. It was also suggested that entrepreneurs are forced to hire their own staff in order to help run the business, whilst holding down a full-time or part-time job;

¹⁴⁹ Interview with Professor Russell Smith, Director Centre for Entrepreneurship and Business Incubation, 2nd July 2018

¹⁵⁰ Interview with Mark Scicluna Bartoli, Executive (EU and Institutional Affairs) Bank of Valletta, 6th July 2018

¹⁵¹ European Commission, 'Evaluation and Analysis of Good Practise in Promoting and supporting Migrant Entrepreneurship', 2016, <http://ec.europa.eu/DocsRoom/documents/18421>

¹⁵² Interview with Mark Scicluna Bartoli, BOV, 6th July 2018

¹⁵³ Interview with Professor Eric Flask, Director of Innovation and Entrepreneurship of the Malta College of Arts, Science and Technology, 18th June 2018

¹⁵⁴ Interview with Mark Scicluna Bartoli, Executive (EU and Institutional Affairs) Bank of Valletta, 6th July 2018

¹⁵⁵ Interview with Jeffrey Bugeja, Director of Policy Development and Programme Implementation Directorate at the Ministry for the Economy, Investment and Small Businesses, 25th June 2018

¹⁵⁶ Interview with Mark Scicluna Bartoli, 6th July 2018.

¹⁵⁷ Interview with Professor Eric Flask, Director of Innovation and Entrepreneurship of the Malta College of Arts, Science and Technology, 18th June 2018

‘Another thing is that many people try to open a business while they are still working full time. So, sometimes it’s not calculated and they don’t realise that they say ‘ok I will get someone to pay’ but you need to realise that it’s another salary. So why don’t you stay there and pay yourself out of the business instead of spending money on someone’s salary. But, for them its more secure to have a full time salary, it’s less risky. It is at the same time a bit in the Maltese mentality – choosing a government job and a private job.’¹⁵⁸

The financial challenges were also highlighted by young entrepreneurs. It can be difficult for a young person to start up their own business because there are minimal finances or monetary incentives available, or when they do exist it can be difficult to obtain them. Bernard Montebello, a young digital artist, asserted that young entrepreneurs also find it difficult to secure the space required to locate their business due to the high rent prices in Malta; ‘you have to pay rent and rent is not cheap’.¹⁵⁹ This has been a particular problem in Malta as rent prices have almost doubled just in the space of ten years.¹⁶⁰ The high cost of doing business was also raised in an interview with a young farmer, looking to innovate and grow the family business. He spoke about how, in comparison to other countries, the cost of land and other resources is disproportionately high.¹⁶¹ These young people are less likely to have the means to rent out properties and land with high prices, especially when starting out in their careers. As banks rarely provide loans to young people because they cannot guarantee it will be paid back (posing a risk for the bank), and because the government has no sufficient legislation in place, there is limited opportunity for them to start their own businesses when they are at risk of not being able to financially sustain themselves or their business.

This also presents itself as a challenge to migrants. Due to the fact that many failed asylum seekers are not in the possession of identity documents, they often are prevented from opening up their own bank account. Thus, there is an increased difficulty of setting up their own businesses, as without a bank account they are not able to apply for loans, or sufficiently manage the business finances. Furthermore, they also cannot afford to rent property space for their proposed business and do not have the means to purchase the resources required for their business because of this issue.

It was also suggested that the government does not do enough to help provide economic incentives to young entrepreneurs. Abigail Mamo, CEO of the Malta Chamber of Small and Medium-sized Enterprises argued that she believes it is unfair that foreigners are encouraged to invest in Malta with a 30 percent tax investment, which is not available for the Maltese.¹⁶² Regardless, this also does not work in favour towards migrants aiming and struggling to start their own businesses in Malta, as preference is given to foreigners with already-established and successful businesses.

Due to the elements of stability and costs, another challenge presented is that young people are too afraid to take risks due to these financial barriers. It is often the case that individuals have to spend their savings in order to finance their businesses, and many are wary of the consequences if their business idea fails. In addition, starting up your own business does not guarantee stability because individuals are cautious it will not bring in a sufficient profit and long-term employment. This was summed up by the CEO of the Malta Chamber of SMEs;

¹⁵⁸ Interview with Ritianne Ellul, Malta Microfinance, 26th June 2018

¹⁵⁹ Interview with Bernard Montebello, Montebello Digital Art, 19th June 2018

¹⁶⁰ Malta Today, ‘Rental prices in Malta today are almost double what they were in 2008’, 2018
https://www.maltatoday.com.mt/news/national/84066/household_survey_confirms_rental_hike_is_leaving_people_behind#.WzTX6akyU0o

¹⁶¹ Interview with Karl Scerri, young farmer, 10th September 2018

¹⁶² Interview with Abigail Mamo, CEO of the Malta Chamber of SMEs (GRTU), 27th June 2018

‘So the element of risk is mainly financial. If you are in employment, you need to find a balance of when you are going to get out of employment, if you are going to start your own business in parallel it’s a lot of personal risk because you need to see how you are going to manage these things being in employment and going on your own venture. And if you decide to go on your own venture alone you obviously need money to survive. You can get an amount of capital and incentives that will help you, and guarantees that will help you, but of course it’s always a risk in business.’¹⁶³

Financial illiteracy also presents a challenge to entrepreneurship, as many young people and migrants do not understand the full extent of the market, or all the factors required to set up a business. As illustrated by Mark Scicluna Bartoli from BOV, financial illiteracy ‘is the case for youths and for migrants, they are not shown the basics. Their business plans don’t make sense sometimes’.¹⁶⁴ This was expressed further by Ritianne Ellul, who suggested that many entrepreneurs do not understand the legal side to their businesses. This poses a problem because the lack of understanding of the law could subsequently lead to failure.

‘Many people they don’t know about their rights, they don’t check their rights. If it’s subletting for example, most of the time it’s illegal to do it. So they go ahead, open their shop and then they realise. Many times they don’t realise that the money that they make from the business is not all theirs. They need to pay taxes, they need an accountant, they need to be organised’.¹⁶⁵

Financial illiteracy can also prevent a business from being successful due to a lack of understanding of how a business could expand and reach overseas territory; entrepreneurs are not being taught about how they can target the markets abroad via imports and exports. Due to this, entrepreneurs are losing a share of the market abroad due to their limited knowledge on exporting, yet also missing the change to reduce their costs through importing materials. Bernard Montebello expressed his dissatisfaction with the lack of financial educational support, stating he had to conduct extensive research in order to take advantage of foreign markets;

‘Another issue, which was tackled actually very well by MCAST and early this year, talks about taking your business outside Malta. So, opening doors to shipping for example. Shipping is still a mystery for many small [businesses] unfortunately. Especially Artisan businesses in Malta, for example if you go to the arts and crafts village – they don’t ship, and they do very very good local and artisan designs. These, I mean, I can talk from experience, on my own artworks, for me to ship, I had to literally research everything step by step and it’s not easy. So I think, initiative to give training on this particular area from experts from that field and a more hands-on approach also’.¹⁶⁶

Furthermore, due to the lack of education surrounding entrepreneurship in Malta, the idea of competition also presents itself as a challenge. Ritianne Ellul suggests that young people and migrants should be educated on how the market operates in order to avoid failure – ‘they need to be aware, know how to market. Be innovative as much as possible, to have more clientele. Be open to have different, more diverse clientele’.¹⁶⁷ This was reiterated by Abigail Mamo, who mentioned that ‘the ongoing challenges are surviving competition’.¹⁶⁸

Sociocultural challenges and barriers

¹⁶³ Ibid.

¹⁶⁴ Interview with Mark Scicluna Bartoli, Executive (EU and Institutional Affairs) Bank of Valletta, 6th July 2018

¹⁶⁵ Interview with Ritianne Ellul from Malta Microfinance, 26th June 2018

¹⁶⁶ Interview with Bernard Montebello, Montebello Digital Art, 19th of June 2018

¹⁶⁷ Ibid.

¹⁶⁸ Interview with Abigail Mamo, CEO of the Malta Chamber of SMEs (GRTU), 27th June 2018

There are also a number of social challenges to entrepreneurship in Malta, many of which stem from the education sphere. Individuals working in the field expressed dissatisfaction with the current education system, and that it is too traditional. For example, Professor Flask of MCAST stated that the education system does not allow any space for individuals to be creative or innovative because it does not allow individuals that excel in these skills to develop and utilise them because it is not encouraged.¹⁶⁹ To reiterate, the Maltese education system focuses too much on career prospects and traditional styles of teaching, disregarding anything that is viewed as different to the norm. Fortunately, this mentality is slowly but surely changing with the help of MCAST and the University of Malta who are starting to deliver entrepreneurship programmes.

‘Our education system is so problematic and we need to tackle the education system. It is less creative and more prescriptive and in Malta there is this mentality and wish to standardise everything which means this is not individualised. This is how young people fall out of the system. Creativity and curiosity is not considered or encouraged. Stopping diversity with limited scope. Curiosity is killed by conformance (i.e. ‘you must always use blue pen’) and creativity is killed with standardisation. There is a need for a shift in pedagogy, to ‘desystemise the system’. When it comes to entrepreneurship and business you cannot just lecture at people’.¹⁷⁰

Bernard Montebello, the digital artist interviewed, also expressed dissatisfaction with the education system.¹⁷¹ He believes that it is a disadvantage that subjects are not integrated together. For instance, Bernard specialises in art and IT but was never given the opportunity in school to combine the two together. Furthermore, Bernard expressed concerns that there is not a strategy in place to interact with experienced entrepreneurs in school to ask for relevant advice. This prevents young people from being inspired and encouraged to follow this route.

‘There is also a problem where it is not easy for young people to look for someone to get help from. As in, people with real experience. Malta Enterprise for example, is all government people in suits telling you what to do, and they’ve never actually had the experience themselves’.¹⁷²

The report on the results of public consultation on the Entrepreneurship 2020 Action Plan states that ‘existing programmes in Europe and the United States prove that advice and mentoring by experienced entrepreneurs improves resilience, increases internationalization, leads to greater growth and more newly founded enterprises’.¹⁷³ This is supported by Ram, Jones and Villares-Varela who in their academic work expressed that migrants experience unfamiliarity with their new surroundings, crippling entrepreneurs due to their lack of knowledge.¹⁷⁴ Thus, this is an element that could provide more support to aspiring entrepreneurs.

If it is challenging for Maltese young people to get access to entrepreneurship education, then it is arguably even more difficult for migrants for a number of reasons. Migrants often have to rely on the support of NGOs to deliver workshops and training that is often on a project basis, because as previously discussed, these are not readily available from the government. The Agency for the Welfare of Asylum Seekers (AWAS) is a government agency that helps in ‘the implementation of

¹⁶⁹ Interview with Professor Eric Flask, Director of Innovation and Entrepreneurship of the Malta College of Arts, Science and Technology, 18th June 2018

¹⁷⁰ Interview with Professor Eric Flask, Director of Innovation and Entrepreneurship of the Malta College of Arts, Science and Technology, 18th June 2018

¹⁷¹ Interview with Bernard Montebello, Young Entrepreneur, 19th of June 2018

¹⁷² Ibid.

¹⁷³ European Commission: DG Enterprise and Industry, ‘The Report on the results of public consultation on The Entrepreneurship 2020 Action Plan’, https://ec.europa.eu/growth/smes/promoting-entrepreneurship/action-plan_en, p. 12.

¹⁷⁴ Ram, Monder; Jones, Trevor and Villares-Varela Maria. 2017. ‘Migrant entrepreneurship: Reflections on research and practise’. International Small Business Journal. Vol. 35, No.1, Pp. 3-18.

national legislation and policy concerning the welfare of refugees, persons enjoying international protection and asylum seekers', which offers information programmes in areas of employment, but not specifically entrepreneurship.¹⁷⁵ Nonetheless, if a migrant's asylum application has been rejected (the current rejection rate for 2017 is 17%), or a migrant fails to apply, then it may not be possible to take part in these programmes.¹⁷⁶

Additionally, entrepreneurial support would also contribute to networking opportunities which would benefit both migrants and local youth in the setting up of a business. Non-locals and migrants may find establishing networks substantially more challenging because they are less familiar with the country and the local context, often relying on their own communities instead. This prevents them from accessing resources and expertise which would have otherwise been available, such as knowledge of where it could be possible to rent sufficient space for a business. As remarked by Professor Russell Smith, 'More can be done to raise awareness of programmes.'¹⁷⁷ This could be through networking, and increased coordination between key stakeholders. Networking can offer information about sources of funding that are available and guidance from experienced entrepreneurs. This would provide the prospective entrepreneurs with the opportunity to make new contacts and establish a customer base, helping them to integrate with their communities in the process.¹⁷⁸

As well as education-related issues, another challenge for young Maltese and young migrants, is that their age can pose many barriers. For some young people interviewed, they stated that this wasn't actually an issue in their case.¹⁷⁹ However, Evolveco stated that some people were of the opinion that they were too young to go into business, and that as a consequence they are not always taken seriously. On the other hand, the group stated that their age also presents an opportunity for them, as others admired them for starting the business at such a young age, and that this helped increase sales.¹⁸⁰

As previously stated, young Maltese people are cautious of setting up their own business due to the fear of failure. Often, this can be due to the fact that entrepreneurs are not getting the educational support they need, and they do not feel confident enough to take risks if they lack knowledge in this area. Furthermore, as previously explained, young entrepreneurs often have to use their own savings or rely on family support to set up their business, meaning more is at stake and the element of risk is greater. Instead, they can feel more comfortable and secure in fixed employment, where a salary is guaranteed. As explained by Professor Eric Flask;

'The fear factor is still a huge issue. Maybe something comes up they don't know how to deal with it. I can give examples of people who had all the help etc through KBIC [Kordin Business Incubation

¹⁷⁵ Agency for the Welfare of Asylum Seekers, <https://homeaffairs.gov.mt/en/MHAS-Departments/awas/Pages/AWAS.aspx>

¹⁷⁶ Asylum Information Database. 'Malta'.

<http://www.asylumineurope.org/reports/country/malta/statistics><http://www.asylumineurope.org/reports/country/malta>

¹⁷⁷ Interview with Professor Russell Smith, Director Centre for Entrepreneurship and Business Incubation, 2nd July 2018

¹⁷⁸ 'Evaluation and Analysis of Good Practice in Promoting and supporting Migrant Entrepreneurship'. 2016. European Commission. <http://ec.europa.eu/DocsRoom/documents/18421>

¹⁷⁹ Interview with Bernard Montebello, 19th June 2018; Interview with Gregory Klumov, 13th September 2018; Interview with Zafar Mughal, 7th September 2018.

¹⁸⁰ Interview with Evolveco, 13th July 2018.

Centre] and the ideas were there, it was ready to go. They almost pulled the plug on the whole thing because they were offered what appeared to be a stable job'.¹⁸¹

However, as previously outlined, a characteristic that is viewed as a social advantage for migrants is the trait of resilience. In an interview with a Somali street vendor, who wished to remain anonymous, it was affirmed that sometimes going into business and selling products is the only way to 'try to survive'¹⁸², especially when undocumented with no access to labour market. This suggests that there can be many different reasons why migrants are more likely to take risks. However, although it has been affirmed that migrants and third country nationals are often more resilient and more open to taking risks, there is an additional challenge to this in that it can also lead to failures. Ritianne Ellul has indicated that migrants are more prone to failure because 'They don't plan before and then go for it'.¹⁸³ The report on the results of public consultation on The Entrepreneurship 2020 Action Plan has demonstrated that offering support to migrants was considered "important" and "very important" by around two thirds of the respondents surveyed, demonstrating a need for this additional learning platform.¹⁸⁴

Integration is one of the most difficult social challenges faced by migrants. In 2015, MIPEX ranked Malta in 33rd place out of 38 countries in terms of successful integration¹⁸⁵, highlighting that more needs to be achieved to help improve the situation.¹⁸⁶ Furthermore, as outlined by Jeffrey Bugeja, 'it might be a challenge for them, to get integrated, and accepted by locals'.¹⁸⁷ It was also suggested by some interviewees, that it is difficult for some foreigners and migrants to feel integrated and welcomed at educational institutions.¹⁸⁸ This presents a further challenge, as this could discourage migrants from continued attendance, and starting their own business as a result.

Moreover, interviews showed that there seemed to be an issue of trust amongst Maltese about migrants, meaning that some Maltese people are warier of supporting migrants' businesses. This presents itself as a challenge because if the Maltese are not prepared to visit these small businesses, then it is highly unlikely that they will be successful. As expressed by Jeffrey Bugeja;

'For locals, for us, it's a personal challenge who to buy from and where to go. But it's also an opportunity for them in their own communities to sell things from their home countries etc. it's a challenge but if they want to flourish and grow they have a niche and they might entice locals to try their food, something new. So that could be a good idea. That's one of the challenges.'

The issue of discrimination as a difficulty in business was raised by Baderin Elsaafi, a Libyan who has set up an events and music consultation business. He stated that when Maltese locals have developed similar business ideas, they have had success much more quickly. He also spoke of issues

¹⁸¹ Interview with Professor Eric Flask, Director of Innovation and Entrepreneurship of the Malta College of Arts, Science and Technology, 18th June 2018

¹⁸² Interview with street vendor, 6th September 2018.

¹⁸³ Interview with Ritianne Ellul from Malta Microfinance, 26th June 2018

¹⁸⁴ 'The Report on the results of public consultation on The Entrepreneurship 2020 Action Plan'. European Commission. DG Enterprise and Industry Unit D.1 – Entrepreneurship 2020, p.27, https://ec.europa.eu/growth/smes/promoting-entrepreneurship/action-plan_en

¹⁸⁵ Migration Integration Policy Index 2015: Malta, <http://www.mipex.eu/malta>

¹⁸⁶ Calleja, Isabella; Colino, Cesar and Pirotta, Godfrey A. 2017. 'Malta Report – Sustainable Governances Indicators 2017'. Sustainable Governance Indicators, p. 20, http://www.sgi-network.org/docs/2017/country/SGI2017_Malta.pdf

¹⁸⁷ Interview with Jeffrey Bugeja, Director of Policy Development and Programme Implementation Directorate at the Ministry for the Economy, Investment and Small Businesses, 25th June 2018

¹⁸⁸ Interview with Professor Eric Flask, Director of Innovation and Entrepreneurship of the Malta College of Arts, Science and Technology, 18th June 2018

when trying to develop a network in the initial stage of setting up the business, in that many people were not willing to work with him, and that the issues experienced were primarily due to nationality and the perception of Libyan people.¹⁸⁹ This was supported by Zafar Mughal, a successful businessman, who stated that one of the principal reasons that business was slow starting for him in Malta was racism, and the attitude of locals preferring to do business with other Maltese, rather than with him.¹⁹⁰

The final challenge that was highlighted by interviewees was the fact the Malta is a very small country, and that this comes with limitations, especially for certain sectors. Marvin Zammit from MightyBox games confirmed this; 'Obviously being located in Malta is a little bit more challenging, especially in the video games industry.'¹⁹¹ This was reiterated by Karl Scerri who attested that with regard to growing an agricultural business in Malta, there simply is not enough land, and when there is, it is of poor quality and very expensive.¹⁹² Conversely, Gregory Klumov asserted that in the case of his cryptocurrency business, this is actually an opportunity in the sense that in larger countries, business can take a lot longer; 'Malta is much smaller, and this makes it easier, there is one guy at the high level who answers any questions. That is the reason why I chose Malta because important decisions are made namely by one or two guys.'¹⁹³

Young people in Malta face many challenges related to entrepreneurship. This includes financial challenges such as accessing loans and funding schemes, educational challenges and a lack of training initiatives. There are also social challenges related to age, for both target groups, and for young migrants, challenges related to discrimination and integration.

VI: Conclusions and Recommendations

This report examined the state of play in Malta and the legal, policy and institutional frameworks with regard to entrepreneurship, as well as the existing initiatives that prospective entrepreneurs can take advantage of. Moreover, through primary research such as interviews with key stakeholders and young entrepreneurs, the opportunities and challenges faced by potential and existing entrepreneurs were analysed and the possible ways in which these can be overcome.

There is not an extensive basis within Maltese legislation which deals specifically with entrepreneurship. There are however provisions which focus on tax incentives and measures to facilitate the continuation of running a family business. There are a number of useful policies to look at which highlight challenges as well as initiatives in place, although these are embedded within other policies with limited emphasis on entrepreneurship. Moreover, these are often more targeted towards young Maltese people, rather than addressing the issue of migrants and third country nationals going into business. There are however a few specific schemes which have been particularly beneficial to migrants, including the business loans offered by Malta Microfinance and the ZAAR crowdfunding platform.

Initiatives offered vary from funded schemes, to business incubation opportunities as well as various initiatives and schemes offered by the educational institutions in Malta, including adaptations to the way teaching and studying are carried out, and changing the focus so that entrepreneurship is a 'key skill' that is included in all disciplines. As outlined, despite the fact that there are a number of schemes and that this is increasing, it is often not clear who is eligible to participate or beneficial, as

¹⁸⁹ Interview with Baderin Elsaafi, 16th August 2018.

¹⁹⁰ Interview with Zafar Mughal, 7th September 2018.

¹⁹¹ Interview with Marvin Zammit, MightyBox games, 28th August 2018.

¹⁹² Interview with Karl Scerri, 10th September 2018.

¹⁹³ Interview with Gregory Klumov, 13th September 2018.

well as limited to no evaluation as to whether such schemes have been successful. There are however certain opportunities that have come to light through interviews specific to the Maltese, and the migrant context, including a high usage of social media, cultural opportunities, a changing and adapting education system, as well as resilience and risk-taking ability.

However, there are a number of challenges and barriers that are encountered by both local youths and young migrant entrepreneurs. The two groups face many of the same challenges when it comes to acquiring the sufficient funds required for their business. Banks do not offer loans without requiring large guarantees and are unwilling to take risks (that young people and migrants often present). Furthermore, access to funding initiatives is often difficult and competitive for first-time entrepreneurs, especially migrants. Thus, the financial factor remains the biggest challenge to both the local youth and the migrants, as without any funds it is impossible to start a business. Maltese youth also face a different issue of the very traditional education system in Malta that can be said to limit innovation and risk taking. Young people in Malta are not encouraged to take risks and the stability of being employed is often stressed as preferable. This is a difficult challenge to address as something engrained in society, but a more welcome approach to entrepreneurship in schools and higher education institutions could inspire more young people to take a more innovative approach.

Migrants can face yet more barriers to entrepreneurship in Malta because of their circumstances. It is increasingly difficult for migrants to set up their own business without any identity cards, and other documents, leading to many administrative hurdles. Furthermore, migrants often do not have access to any assets or savings, thus do not have the resources to set up a business, even in terms of applying for a self-employment licence due to the high amount of money required, even if they have an innovative idea. Lastly, migrants face many problems with integration as they can experience issues such as discrimination and the language barrier. However, it is often new businesses that can help bring the communities together, as witnessed with the migrant women's food truck. Nonetheless, it is very difficult to achieve considerable change without political intervention, and increased coordination between key stakeholders to strive for improvement. Moreover, initiatives must be open to everyone including migrants and third country nationals so that all entrepreneurs and prospective entrepreneurs can develop innovative ideas that benefit Malta and its residents.

Recommendations for Malta are as follows;

- Develop a National Entrepreneurship Policy which would cover measures and plans to facilitate entrepreneurship for youths and for migrants, rather than just including this within other key policies.
- Develop opportunities and initiatives aimed at migrants, as well as extend some existing schemes to this cohort.
- Increase coordination between entities, ministries, NGOs and other stakeholders, for best practice sharing as well as ensuring that all stakeholders are up to date with schemes, law and policy.
- Tailor entrepreneurship training programmes to the needs of the key social target groups and ensure that advice provided is accurate and up-to-date.
- Increase the availability of entrepreneurship training and on starting a business for both local young people and migrant youth.

- As part of such training, ensure that individuals are aware of financial obligations and aim to improve financial literacy.

Annex 1

List of interviewees

Experts

1. Director of Innovation and Entrepreneurship at Malta College of Arts, Science and Technology (MCAST) – Professor Eric Flask – 18th June 2018
2. CEO of Malta Business Bureau – Joe Tanti – 20th June 2018
3. Director of the Policy Development and Programme Implementation Directorate at the Ministry for the Economy, Investment and Small Businesses – Jeffrey Bugeja – 25th June 2018
4. Malta Microfinance – Ritianne Ellul – 26th June 2018
5. CEO of the General Retail and Traders Union – Abigail Mamo – 27th June 2018
6. Director of the Centre for Entrepreneurship and Business Incubation at the University of Malta – Professor Russell Smith – 2nd July 2018
7. Executive (EU and Institutional Affairs) at Bank of Valletta – Mark Scicluna Bartoli - 6th July
8. Manager of the Foundation for the Promotion of Entrepreneurial Initiatives (FPEI) and the ZAAR Crowdfunding platform – Matthew Caruana – 10th July 2018
9. CEO of Junior Achievement Young Enterprise (JAYE) – Julian Azzopardi – 6th August 2018

Entrepreneurs

1. Stephanie Borg - graphic designer/artist – 13th July 2018
2. Steven Frigerio – project coordinator of Saha! Foodtruck (Migrant Women Association) – 18th July 2018

Young Entrepreneurs – Maltese

1. Bernard Montebello – digital artist – 19th June 2018
2. Evolveco (A Junior Achievement Young Enterprise Company) – retail of bioplastic products - 13th September 2018
3. Marvin Zammit – small game development company – 28th August 2018
4. Karl Scerri – young farmer, working on exports and modernisation projects – 10th September 2018

Young entrepreneurs – Migrant/TCN

1. Bader Elsaafi (Libyan) – Music consultation company and event planning business– 16th August 2018
2. Street vendor (Somali) – 6th September 2018
3. Zafar Mughal (Pakistani) – manufacturer and exporter of dental products – 7th September 2018
4. Samy Zeghmati (Algerian) – potential entrepreneur and musician – 10th September 2018
5. Gregory Klumov (Russian) – CEO and founder of a cryptocurrency company – 13th September 2018