

# General Lithuania's Software R&D industry overview

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## Key facts

Lithuania is well established in international rankings and is listed together with the most developed countries in terms of business environment, digital infrastructure and talent

### Business environment:

- The **8<sup>th</sup>** in **International Tax Competitiveness Index** Rankings among 38 OECD countries  
Source: International Tax Competitiveness Index Rankings, 2022
- The **12<sup>th</sup>** globally in the **Economic Freedom Ranking**  
Source: Fraser Institute, 2022
- The **39<sup>th</sup>** in the **World Innovation Index** among 132 countries  
Source: World Intellectual property Organization, 2021

### Talent:

- **4<sup>th</sup>** in EU by **young specialists joining ICT sector** (age 15-34)  
Source: Eurostat, 2020
- **1<sup>st</sup>** in the EU for **ICT specialists having tertiary education**  
Source: Eurostat, 2020
- **2<sup>nd</sup>** in the EU for share of **students choosing STEM**  
Source: Statistics of Lithuania, 2019
- **1<sup>st</sup>** of the EU for **women in labor force** (over 50%)  
Source: Eurostat, 2019

### Digital infrastructure:

- **1<sup>st</sup>** globally for public Wi-Fi speed  
Source: Ooma, 2020
- **4<sup>th</sup>** in the EU for enterprises using at least two AI technologies  
Source: Digital Economy and Society Index, 2021
- **6<sup>th</sup>** globally in global cybersecurity index  
Source : Global Cybersecurity Index, International Telecommunication Union, 2020

## Software R&D – booming sector of Lithuania's economy

**Maturing Lithuania's software R&D company ecosystem.** At first, Lithuania was being chosen by corporates that would set up their IT support centers here. However, as talent pool grew together with international projects, it strengthened tech business environment leading to product-based companies such as WIX, Uber, Simplex come to Lithuania to scale their organizations there with more complex IT functions. As well, at the same time ecosystem was enriched with growing local tech startups. In the recent years these has been a shift in Lithuania's tech industry, Previously, seeing Lithuania as outsourcing hub, low-cost location, now more product-based companies started to set up there with new more complex functions and end-to-end process approach. Now we see that companies establish their centers of excellence that lead technology strategies in their organizations. Some centers even start to develop new products there.

**Lithuania – a gateway to Europe.** Lithuania continues to serve as a gateway for international software R&D companies to access European markets. This particular feature has been emphasized by software companies as one of the most attractive qualities to establish in Lithuania.

**Political and economical stability.** Being a part of European Union, NATO, Eurozone and OECD puts Lithuania in politically and economically strong position which is one of the most attractive qualities for software R&D companies in site selection process.

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## Target sub-sectors

### Cybersecurity

Lithuania, now ranked **6th** globally in the National Cybersecurity Index and **4th** in the EU in ITU Global Cybersecurity Index, offers both: EU-leading connectivity and internet speeds, and a strong pipeline of dedicated IT specialists. **Cyber Rapid Response Teams** (developed under PESCO) & **Regional Cyber Defense Centre**: two Lithuanian-led flagship projects dedicated to developing innovative cyber capabilities aimed to support EU Member States, partners, institutions, and common security policy missions.

In April of 2022 Lithuanian VPN company „Nord Security“ (part of Tesonet accelerator) became **Lithuania's second tech unicorn**. Among Lithuanian local companies focused on cyber security (Tesonet, Surfshark, Syntricks, PassCamp), our tech ecosystem includes foreign players like Cujo AI, Oracle, vArmour, Digital.AI, Cognizant, HWG Cyber Security.

### HealthTech

In Lithuania, the growth of the Healthtech industry is propelled by two main factors: **the COVID-19 pandemic**, which enabled **rapid digitization of health services and patient data collection**, and a **strong Life Sciences industry**, which is **high on the political agenda**. This support is boosting the country's **evolving network of science valleys and universities**, which provide prime talent for a growing number of Lithuania-based biotech companies, both homegrown and international.

**Lithuania is leading the Baltics with US\$101.30 million in revenue of the Healthtech industry** while Latvia is 2nd with US\$46.72 million and Estonia 3rd with US\$39.28 million.

One of its largest players, **Kilo Health**, was ranked **2nd among the fastest-growing companies in Europe** in the Financial Times FT1000 6th annual list of Europe's fastest-growing companies.

Lithuania also introduced new opportunities for local and international Healthtech companies through the process of **opening patient data**. The new law offers the possibility to **access compliant health data collected by different data owners**, such as social institutions, hospitals and clinics.

Lithuania's tech ecosystem is enriched by both local (Kilo Health, Oxipit, Fleming, etc.) and international players (Auriga, Drager, Cast AI, Seca, Flo Health, etc.) in the Healthtech industry.

### Artificial Intelligence

**Lithuania is 4th in the EU for enterprises using at least two AI technologies**. Lithuania has a strong AI community with an ever-evolving AI ecosystem. There are regular AI meetups gathering hundreds of participants. Some Lithuanian AI companies and startups have really shined and are helping to discover Lithuania as a country of AI developers. „**Artificial Intelligence Association of Lithuania**“ - community of professionals and enthusiasts dedicated to promoting and encouraging AI integration and development.

**Key local players:** Baltic Amadeus, Neurotechnology, Magma solutions (Pixevia), Vilantis, Telesoftas, Easyflow, 1T2B, Agmis.

**Foreign:** Satalia, InData Labs, Beyond Analysis, Jaydevs and others.

### Mobility Tech

Lithuania has a number of MobilityTech players both local and international including **providers of car-sharing services** (Citybee, Spark), **public transportation** (Trafic), **scooter-sharing** (Bolt). As of June 2022, Vilnius has collaborated with local businesses to create **Vilnius Shared Mobility Hub** - a mobility cluster aimed at boosting the city's car-sharing services and economic innovations, as well as promoting sustainability by reducing the number of individual vehicles in the city.

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## Tax reductions and financial incentives

- **Invest LT+ financial incentive:** from 10% to 20% potential reimbursement of the total cost of employment for 24 months if the employment commitments are met.
- **3x R&D expenses deduction** from taxable income.
- A **5% reduced CIT rate** on the profit derived from the commercial exploitation of patented inventions.

## Talent

Lithuania boasts a **multilingual** (53% of population speaks at least 2 foreign languages) and **well-educated talent pool**. Lithuania has **52k ICT specialists employed** and is a leading country in Europe for ICT specialists having **tertiary education**, 2<sup>nd</sup> in students choosing **STEM studies** and 4<sup>th</sup> by **young specialists** (age 15 – 34) joining ICT sector.

Lithuania's IT talent pool primarily comes from **3 streams: universities** (10,6k IT students enrolled in IT studies, ~2000 IT students graduate each year), **private coding academies** (~2500 people requalify as junior developers through private coding schools each year), **positive migration trends** (~4000 IT specialists moved to Lithuanian from non-EU countries in 2022 alone).

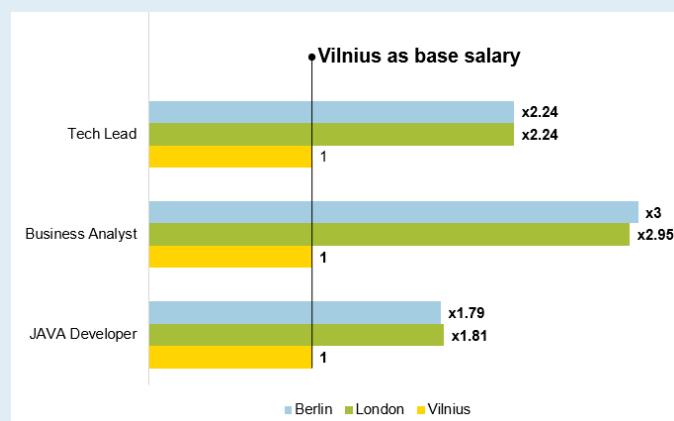
In Lithuania, the society and government are focused on boosting the local talent pipeline. Key examples of these efforts include **continuously improving access to tertiary education** and various **reskilling programs**, as well as promoting Lithuania as an attractive career destination to international professionals and Lithuanian expats.

### Private and governmental initiatives regarding IT talent pool:

- Partnerships between universities and businesses.  
Example: Vilnius University partners with **Nasdaq** and **Tesonet**; KTU has partnerships with **Accenture** and **TransUnion**.
- The Ministry of the Economy and Innovation of the Republic of Lithuania launched **the National Requalification Program**, which is expected to add nearly 19,000 in-demand specialists by 2026. The comprehensive education program is focused on niche areas, such as Cyber Security, Cloud Computing, AI, Automation, Robotics, Data Science and others.
- Promoting IT degrees on the national level.
- Parliament of Lithuania has approved amendments to the Employment Law, which are expected to help **attract more highly qualified specialists from abroad**, where employees can receive **up to 2933 Eur to cover relocation costs** and employers that hire an eligible highly skilled employee from abroad can be granted a financial incentive of not more than **5 000 EUR per each eligible employee**

### Cost to quality

The cost-to-quality ratio is extremely important when considering where to expand or start the business. Lithuania is exceptional in this sense since the salary is considerably lower than in other EU tech hubs, yet the qualifications of the specialists do not disappoint.



Source: Glassdoor, 2022



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Success stories			
		<b>Development office</b>	
<b>Functions</b> Software development, QA, Product Design for Wix.Com web development platform			
<b>Functions</b> Engineering, QA, testing, site reliability, graphic design		<b>Development office</b>	
<b>Headcount:</b> 270	<b>Established:</b> 2013, Vilnius	<b>Headcount:</b> 170	<b>Established:</b> 2009, Vilnius
		<b>Development &amp; support unit</b>	
<b>Functions</b> Critical infrastructure support, DevOps, software development			
<b>Functions</b> Engineering, technical support, quality assurance and accounting		<b>Engineering and technical support centre</b>	
<b>Headcount:</b> 250	<b>Established:</b> 2020, Vilnius	<b>Headcount:</b> 180	<b>Established:</b> 2018, Vilnius
 DEVBRIDGE <sup>®</sup> Cognizant by Softvision		<b>Development office</b>	
<b>Functions</b> Javascript, SQL, C#, HTML, Java, CSS, Git, React.js, Scrum, .Net, Devops, Node.js			
<b>Functions</b> Software development and testing, system operations, and support		<b>Development office</b>	
<b>Headcount:</b> 552	<b>Established:</b> 2005, Vilnius and Kaunas	<b>Headcount:</b> 23	<b>Established:</b> 2018, Vilnius
		<b>Shared services center</b>	
<b>Functions</b> F&A, HR, IT, Legal			
<b>Functions</b> Critical infrastructure support, DevOps, software development		<b>Development office</b>	
<b>Headcount:</b> 4 290 (IT: 1500)	<b>Established:</b> 2012, Vilnius	<b>Headcount:</b> 98	<b>Established:</b> 2011, Kaunas
		<b>Development office</b>	
<b>Functions</b> Critical infrastructure support, DevOps, software development			
<b>Functions</b> Development, data science, quality assurance, security, DevOps, marketing		<b>Development office</b>	
<b>Headcount:</b> 37	<b>Established:</b> 2012, Kaunas	<b>Headcount:</b> 33	<b>Established:</b> 2018, Kaunas and Vilnius