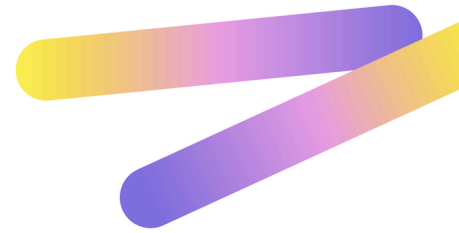




# ASSOCIATION'S “UNICORNS LITHUANIA” VISION FOR LITHUANIA



## OUR VISION FOR LITHUANIA

Lithuania is the European leader in the information and communication technologies (ICT) sector, a magnet for global talent and capital.

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To make this vision a reality, we propose an ambitious goal:

Aim for the ICT sector to contribute 20% of the country's GDP by 2030.

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## SOLUTIONS FOR ACHIEVING THIS VISION

### 1. A future-proof education system

- 1.1. Lithuania's education system should aim to become a European leader in the Programme for International Student Assessment (PISA) rankings. One of the measures to achieve this is to change the education model to the "6+3+3" model, where 6 years are dedicated to primary education, 3 years to lower secondary education, and 3 years to upper secondary education.
- 1.2. Ensuring quality STEM and IT education in all schools, equipping every Lithuanian pupil with practical financial literacy and entrepreneurial skills.
- 1.3. Updating the career and remuneration model for teachers by linking positions and salaries to their achievements, competencies, and performance outcomes.

### 2. Talents working and creating for Lithuania

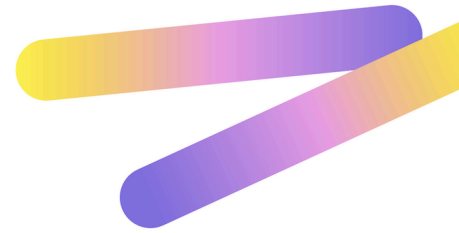
- 2.1. Establishing a model for attracting international talent and members of the Lithuanian diaspora: reducing the income tax for highly skilled workers who move to Lithuania for work to 15% for the first five years.
- 2.2. Ensuring the best functioning Startup Visa scheme in the world.
- 2.3. Developing financial tools for universities to attract and retain the best STEM students in Lithuania.

### 3. A thriving innovation and venture capital ecosystem

- 3.1. Ensuring innovative companies have access to venture capital at all stages of their development, in particular at the earliest stages where funding gaps are most critical.
- 3.2. Fostering technological development, innovation, and investment in breakthrough sectors, and supporting innovators through R&D cost reimbursement.
- 3.3. Encouraging profit reinvestment in business growth by implementing a distributed corporate tax model, where only profits distributed as dividends are taxed.

### 4. A safe environment for people, businesses, and capital

- 4.1. Increasing defence spending to 4% of GDP to enhance national security.
- 4.2. Promoting the development and application of defence and dual-use innovations in Lithuania.
- 4.3. Conducting positive international communication campaigns to highlight the country's efforts to create a secure and stable environment for investment.



## PRESENTING OUR VISION TO LITHUANIA

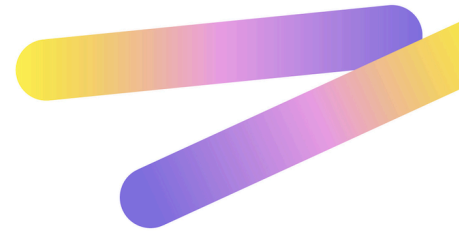
Unicorns Lithuania is an association that unites more than 120 tech companies, including unicorns Vinted, Nord Security, Baltic Classifieds Group, and Flo Health, that cumulatively employ more than 9,000 talents. Our aim is to bring together the Lithuanian startup and technology community and contribute to building the future of Lithuania - a successful modern country with a high value-added economy.

In the coming decades, Lithuania will face problems that will challenge the country's economic growth: an aging population, a shrinking labour pool, and a lack of skilled specialists.<sup>1</sup> Compared to other, more economically developed EU countries, the challenges facing Lithuania are greater. Lithuania risks falling into the "middle-income trap", which is the risk of not developing a high-value-added economy beyond the current level of economic development.

The vision of Lithuania as a leader in ICT, while ambitious, is realistic. We can achieve set goals through targeted measures that build Lithuania's advantages: an improved education system, a flexible policy of attracting and retaining talent, the most competitive business environment, and continuous effort to ensure national security. Comparable success cases show that even small countries that face geopolitical threats can achieve ambitious goals, and we believe Lithuania could be successful too.<sup>2</sup>

The suggestions presented further are based on drawing on the best global practices and the experience of the Unicorns Lithuania community. We believe that by implementing these suggestions, Lithuania would:

- 1) nurture **new talent**, develop future-proof skills, and help attract and retain highly skilled professionals to Lithuania;
- 2) **foster the creation of new startups, attract funding**, and support the rapid growth of internationally competitive tech companies in Lithuania;
- 3) nurture established startups by creating competitive conditions for ICT businesses to successfully **develop high-value-added activities**;
- 4) ensure **a secure business environment** by significant investment in national security.



## PRESENTING SOLUTIONS NEEDED TO ACHIEVE THIS VISION

### 1. A future-proof education system

A high-value-added economy can only flourish with a world-class education system in place. Lithuania's present education system faces ongoing challenges in a number of areas: from the efficiency of the school network and teacher shortage to a funding model that needs to be improved. We therefore propose:

- 1.1. Lithuania's education system should become a European leader in the Programme for International Student Assessment (PISA) rankings. One of the measures to achieve this is to change the education model to "6+3+3", where 6 years are dedicated to primary education, 3 years to lower secondary education, and 3 years to upper secondary education.**

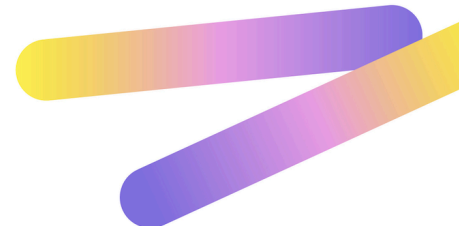
PISA results reflect the quality of the education system and the perspective for growing the country's economy, and there is a clear link to improving PISA results in the countries that transition to the 6+3+3 model. At the same time, the 6-year primary education model has many advantages: better-prepared students, higher academic achievement, and a stronger social foundation. In addition, a 6-year primary education system would address the challenges faced by the school network, improve school accessibility, and address teacher shortages.

- 1.2. Ensuring quality STEM and IT education in all schools, equipping every Lithuanian pupil with practical financial literacy and entrepreneurial skills.**

Lithuania's talent pool must be equipped to thrive in an innovation-driven, technology-centered labor market, capable of developing solutions to future challenges. Achieving this requires high-quality IT and STEM (science, technology, engineering, and mathematics) education that is equally effective across all Lithuanian schools. Additionally, fostering entrepreneurship education and promoting the growth of student-led learning companies in the technology sector are essential steps. These initiatives will help build a skilled, adaptable workforce ready to lead in tomorrow's economy

- 1.3. Updating the career and remuneration model for teachers by linking positions and salaries to their achievements, competencies, and performance outcomes.**

The current teacher career system lacks appeal for young professionals and does little to motivate teachers to advance in their fields. To address this, we propose establishing substantial pay differentials between job grades and tying promotions to teachers' achievements and competencies. Additionally, it is crucial to tailor the allocation of time for various teaching-related activities—such as lesson planning, mentoring, and curriculum development—according to job grade. This approach will create a more dynamic, rewarding career path that encourages professional growth and excellence in teaching.



## 2. Talents working and creating for Lithuania

Long-term forecasts indicate that Lithuania's workforce will shrink by approximately 10%, or over 100,000 people, in the next decade. To unlock the potential of a high-value economy, it will be essential to attract Lithuanian expatriates who have gained experience abroad, bring in international talent, and cultivate and retain local expertise. Achieving this requires a comprehensive, sustained strategy focused on attracting, developing, and retaining highly qualified professionals from both domestic and international talent pools. We therefore propose:

### **2.1. Establishing a model for attracting international talent and members of the Lithuanian diaspora: reducing the income tax for highly skilled workers who move to Lithuania for work to 15% for the first five years.**

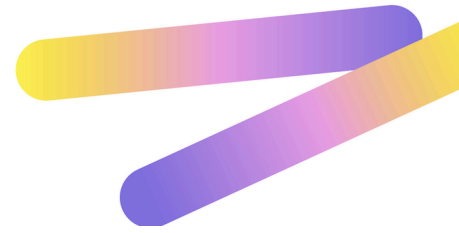
For highly skilled professionals, both from the diaspora and internationally, who are considering relocating to Lithuania for work and seeking high salaries, the tax burden is a significant factor influencing their decision. Currently, Lithuania's personal income tax (PIT) rates are tiered at 15%, 20%, and 32%. This structure can deter top local and international talent, which ultimately hinders Lithuania's long-term competitiveness. To meet the ambitious goal of retaining domestic talent and attracting top international professionals, a more competitive tax approach is needed. Implementing a flat 15% personal income tax rate for the first five years post-relocation would be a game-changer. A well-designed PIT model like this could effectively attract and retain high-level professionals, fueling Lithuania's economic growth and positioning it as a desirable destination for global talent.

### **2.2. Ensuring the best functioning Startup Visa scheme in the world.**

To boost the number of startups with the potential to grow into successful tech companies in Lithuania, it is essential to create more opportunities to attract international startup founders. The Startup Visa, along with its supporting services (such as soft-landing and ecosystem integration), should become a key hallmark of Lithuania, positioning the country as a global startup hub.

### **2.3. Developing financial tools for universities to attract and retain the best STEM students in Lithuania.**

Research and innovation-driven solutions have immense potential to generate significant economic value for the country. With a declining population and rising demand for STEM talent, Lithuania must actively compete with other nations for the best professionals. To achieve this, targeted funding is essential to help universities attract and retain top students, scientists, and researchers from Lithuania, the diaspora, and abroad, while also fostering the commercialization of innovations.



### 3. A thriving innovation and venture capital ecosystem

Innovative, technology-driven businesses attract venture capital, generate profits, and contribute significantly to long-term economic growth. However, early-stage companies in this sector face unique challenges. Startups, whether in their infancy or already established, often struggle with insufficient funds for expansion, especially if they have not yet secured significant investments. This lack of working capital leads to higher payroll tax burdens, limiting their capacity to innovate. While progress has been made in attracting international accelerators and developing government funding programs, Lithuania's venture capital (VC) ecosystem remains underdeveloped, which is crucial for supporting technology startups. Additionally, there are no tax incentives to encourage private investment in startups, and the number of local VC funds is still limited. Moreover, Lithuania ranks among the lowest in public funding for R&D, including both direct funding (grants, public procurement) and indirect incentives through the tax system.<sup>4</sup>

#### **3.1. Ensuring innovative companies have access to venture capital at all stages of their development, in particular at the earliest stages where funding gaps are most critical.**

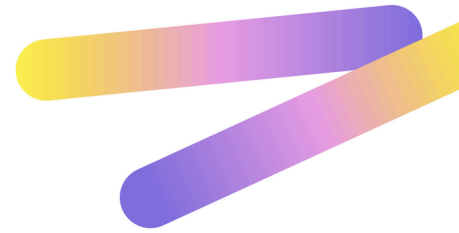
For innovation and technology-driven solutions to drive economic growth, it is essential to ensure that venture capital and other financing instruments for high-growth, technology-based startups are predictable, consistent, and aligned with the needs of companies at various stages of development. One potential solution is the creation of a high-tech business finance fund, which would reduce reliance on the cyclical nature of EU Structural Funds and ensure the availability of venture capital throughout all stages of a startup's growth, particularly for early-stage tech businesses.

#### **3.2. Fostering technological development, innovation, and investment in breakthrough sectors, and supporting innovators through R&D cost reimbursement.**

R&D tax incentives in Lithuania are unattractive for small and young companies because they are only applied through the profit tax rebate. We propose not only to allow companies to recover part of their R&D costs but also to ensure a targeted strategy of state investment in priority areas (e.g. cyber security, deep technology), which would enable Lithuania to create globally competitive innovations and successfully commercialize them. The establishment of specialized incubators and accelerators, such as those in the life sciences field, should be further promoted to provide the necessary infrastructure for the sector and to provide the services needed to incubate and grow businesses, including consultancy services on innovation development, commercialization, standards, and processes.

#### **3.3. Encouraging profit reinvestment in business growth by implementing a distributed corporate tax model, where only profits distributed as dividends are taxed.**

The introduction of a model of distributed corporate income tax would tax profits at the time of distribution, ensuring that the company would have the current funds to pay taxes in the event of a dividend payment, while profits would be zero-rated when reinvested. Exempting reinvested profits from taxation would encourage companies to invest more in innovation and business expansion. In the long term, a system of distributed corporate tax would have a significant impact on keeping capital in the country and generate economic benefits through business sector growth, investment in technology, and job creation.



## 4. A safe environment for people, businesses, and capital

Both business founders and local and foreign investors assess the benefits and risks when choosing a location for their investment. Therefore, in order to retain and nurture startups and growing businesses and attract investment to Lithuania, we need to make every effort to ensure the security of the country's physical and critical infrastructure and to increase our resilience to cyber-attacks.

### 4.1. Increasing defence spending to 4% of GDP to enhance national security

Lithuania needs to become one of the NATO countries with the largest share of GDP - at least 4% annually - devoted to defence. Consistent efforts by the state to strengthen its defence and its ability to ensure the physical security of investments, even in critical periods, maintain the confidence of the public and business. State investment in national defence is a priority for businesses investing in Lithuania, so security is now paramount.

### 4.2. Promoting the development and application of defence and dual-use innovations in Lithuania.

To go from being purchasers to developers of defence and dual-use products and services in the long term, we need to continue and expand funding, tools and the involvement of defence structures in the development, application, and acquisition of defence and dual-use innovation and solutions in Lithuania.

### 4.3. Conducting positive international communication campaigns to highlight the country's efforts to create a secure and stable environment for investment.

Coordinated communication about Lithuania's security investments and related campaigns in the international arena would help foreign talent, companies, and investors considering investing in Lithuania to rationalize and counter potential concerns about the state's response to geopolitical risks and build confidence in its efforts to ensure a secure and stable investment environment. Proactive communication by the state on strengthening national defence or new security initiatives sends a signal to the international community that the country is ready to protect its citizens, business, and infrastructure from external threats.