

BalticBusiness Quarterly

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Deep dive into the FINANCE SECTOR

In an era when digital financial services are shaping global economies, Lithuania, Estonia and Latvia have emerged as noteworthy players

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The Skype legacy and beyond: Taavi Rõivas on deep tech's future in the Baltics

In a sector as dynamic and rapidly evolving as deep tech, the insights of industry insiders are invaluable.

by RUSLANAS IRŽIKEVIČIUS

Known primarily for his political roles including serving as Estonia's Prime Minister now Chairman at Auve Tech, Taavi Rõivas speaks to this transformative area with an understanding rooted in his country's own technological journey. This exclusive interview delves into the historical roots and future directions of deep tech in Estonia and the Baltic States.

How and when did the deep tech movement gain traction in Estonia, and can you comment on the Baltic States?

I think that was linked to Skype, a very early unicorn, and I would say most of the Estonian next-generation start-ups, including deep tech companies, have some roots at Skype.

Secondly, there has been a shift from SaaS and marketplace start-ups that used to boom at some stage towards more complicated, more capital-intensive, and I would also say more exciting start-ups. So, recent years have shown the growth of deep tech.

Last but not least, there are two different approaches to these deep techs in this context. A comprehensive definition includes any software solution that uses AI. I would go further and focus on the technologies that utilise the best of science and R&D.

You mentioned Skype, but what is the leading company for deep tech right now in Estonia or the Baltic States?

I wouldn't mention one single company because that would not be fair. I see various sectors emerging. If we want to paint a comprehensive picture, I would say the booming or fast-growing sector is anything green, anything related to climate change.

But if we go into more detail, I would point out at least two. The first is saving energy and optimizing the grid.

A portrait of Taavi Rõivas, a man with short brown hair, wearing a dark suit, white shirt, and a blue patterned tie. He is smiling slightly and looking towards the camera.

"It's no longer enough to have a good idea and then design an app around it. But you must demonstrate exceptional technology to get serious financing to be a big star", Taavi Rõivas, Chairman at Auve Tech

Secondly, smart cities or, more like in Estonia, smart transportation. There are many autonomous driving companies for delivering both people and goods. Where we see most unicorns or successful companies coming are the sectors where they address the mega-trends, so energy transition and reducing CO2 in transport are sectors that address the mega-trends of our time.

What differentiates the deep tech ecosystem in Estonia from the other two Baltic States?

I recently visited the Lithuanian ecosystem. We were guests of Lithuanian VCs and they believed that Lithuania is a couple of years behind Estonia, which, in my opinion as an investor, is excellent because it shows that big things are still happening in Lithuania. I do believe that too, by the way. I saw that there is a vibrant and hungry ecosystem, which is always a good thing. Of course, the present time is not the easiest, but on the other hand, strong companies will survive. I know very little about the Latvian ecosystem. Latvia has a couple of bright stars, but the ecosystem isn't as complete as in Estonia or Lithuania. I see many similarities between Estonia and Lithuania, but Latvia is a different ball game. I hope that the Latvian ecosystem will be more comprehensive at some point and that the success stories from the neighbours have a positive spillover effect on Latvia too.

How does the Baltic deep tech industry compare to neighbouring markets?

I like to describe the Baltics as the New Nordics. We are part of the Nordic value system and the broader start-up ecosystem. Of course, the Nordics are not homogenous either. Sweden stands there as the number of start-ups in the sector and the valuations are highest. Finland and Denmark are somewhat behind, and Norway is even further behind. The Baltic ecosystem fits very well to complement the general Nordic picture. A couple of years ago, I attended the Baltic VCA Summit in Pärnu. I remember one Finnish venture capitalist saying that yes, we would like to invest in Estonia, but you know Estonia is so close to Russia, and we see a lot of danger. And I asked, excuse me, perhaps I am wrong, but where exactly is Finland, or who are Finland's neighbours? This stupid or naive paradox has existed until recently, and I think they don't make sense in the current situation.

Is the Estonian government cooperative?

Well, I think the most essential help was at the early stage. Around ten years ago, we had the co-investment

program, investing with VCs and adding public money to that. That was the most critical thing. All the Baltic governments have been relatively successful in introducing as favourable a tech system as possible. We may have to develop a little more in attracting talent. We have all been somewhat cautious about migration, and it has been challenging to attract international talent. But this is where government can help. For the rest, I would say it's better to have a government that doesn't intervene too much in the business process because usually they can make things worse. And I say this after having worked for the government for two decades.

In deep tech, do you see potential for collaborative projects among the Baltic States?

Yes, I do, and I think this is driven to a great extent. I see that investors have plenty of interest in using the potential, especially in Estonia and Lithuania and less so in Latvia. So, I hope that we see Latvia coming into the picture a bit more. Both in Estonia and Lithuania, I have seen that success creates success. If you have unicorns and real success stories, this creates additional success. Five or six years ago, Lithuania and especially Vilnius took the approach of wanting to be the fintech capital of Europe and that paid off. It was a clear message, and start-ups and investors hear these kinds of messages. I do hope that Latvia finds something similar to this. I have already said that in Estonia, the most important single thing to happen to the ecosystem was Skype. Even though Skype has nothing to do with fintech, it was the most significant source of the biggest fintech in Estonia. The founder was the first guy working for Skype, so the connections are very, very deep. Everything is systematic and logical if you look at it from that perspective.

Where do you envision the Baltic deep tech sector, including green tech, to be in the next five years?

Well, I see two mega-trends. I see that anything green will continue to be the buzzword or the main thing. Of course, anything to do with the military is going to grow for the foreseeable future. But leaving that aside, it will be anything green. The second thing is that the overall ecosystem is getting more diverse and more complex. I think that's a good thing because it's no longer enough to have a good idea and then design an app around it. But you must demonstrate exceptional technology to get serious financing to be a big star. Basic AI is no longer an exceptional technology. Everyone can access basic AI. This is becoming very normal in our lives. So it needs to be more complex. And if we focus on these sectors then we have a real chance.

by RUSLANAS IRŽIKEVIČIUS

The evolution of Paysera: navigating 19 years in fintech innovation

Photo: Paysera

The Baltic region has not been left behind in an era where financial technology is revolutionising traditional banking systems. One of the stalwarts in this industry is Paysera – a company with a rich history spanning 19 years.

Founded in 2004 in Vilnius, Lithuania, Paysera was the brainchild of three visionaries: Kostas Noreika, Audrius Lučiūnas, and Šarūnas Broga. As the company's co-founder and main shareholder, Kostas Noreika claims the initial vision was to «provide convenient and useful services for users.» Paysera etched its name in history by becoming Lithuania's first Electronic Money Institution (EMI). The company pioneered services such as allowing customers to open accounts remotely, introduced payments via QR code scans, and in 2020 became the first fintech company in Lithuania to offer in-app purchases of gold bars and coins for withdrawal. Paysera is one of the largest EMIs in the Baltic States regarding payment transactions and customer money in accounts. Recently, Paysera inked a significant partnership with remittance giant Ria Money Transfer. As the company stated, this partnership strengthens Paysera's «position in the market for remittances to developing countries». This partnership

aims to serve immigrants in the EU who support families back home and also help Ukrainian citizens temporarily residing in the EU due to the ongoing war. Paysera is spreading its wings beyond the Baltic region too. The Central Bank of Georgia granted the country's 15th commercial bank license to Paysera Georgia. Dmitry Kumsishvily, co-owner and director of the new bank, pointed out that the Central Bank's decision underlines the «sustainability of the business model». Another feather in Paysera's cap is its influence in the «buy now, pay later» market. Co-owner Andrius Lučiūnas emphasises that this payment method can help traders «change the common argument of «we are cheaper» to «buy today, pay later for the same amount»», offering them a competitive edge. Paysera's growth is not merely in terms of services and geographical footprint but also its corporate culture. Rasa Gruodytė, Head of Sales, who has been with the company for over 11 years, values its people as they «create great added value». As for the future, CEO Marijus

Plančiūnas signals a «new phase of focused development». Paysera is keen on technological upgrades, diversification, and further geographical expansion. Paysera has evolved from being a local Lithuanian entity to an international group of fintechs. With its strategic partnerships, innovative offerings, and customer-centric approach, Paysera remains a company to watch in the burgeoning fintech industry. When Rasa Gruodytė was asked what she values most about the company and why, she replied, «Definitely the people. They have always been, are and will always be the ones who create great added value, both in communication with customers and partners, in creating and developing new products, and in generating and fostering a positive internal atmosphere.» What would you wish Paysera as a company and for other employees on your birthday? «No matter your challenges, I wish you always follow the rule that there are no problems – only solutions. And to the employees, I wish they continue to work together in the same direction to achieve our goals.»



Paysera etched its name in history by becoming Lithuania's first Electronic Money Institution

Do you import to Germany? This is important for you!

Since January 2019, all companies that bring shipping or product packaging to the German market have had to comply with their recycling obligations. This means that every importer of shipping or product packaging must enter into a contract with a disposal service provider in Germany that will manage the recycling of the packaging.

This applies to manufacturers in Germany on the one hand, but also to importers from abroad. There are no exceptions for small businesses or online traders who offer their goods via trader platforms. Since July 2022 online platforms are required to make sure that traders have an active packaging registry number.



REGISTRATION:

- In order to comply with the obligations, a packaging importer must register with the National Packaging Register (LUCID).
- The State Packaging Register is a transparent database where the public can see which companies comply with their obligations.

LICENSING:

- Every importer of shipping or product packaging must enter into a contract with a disposal service provider that will manage the recycling of the packaging.

report and a year-end report. In the planned quantity report, the company estimates the packaging quantities it plans to export to Germany in the coming year. In the year-end declaration, the actual quantities exported to Germany in the previous year are submitted. The quantity reports must be sent identically to both the disposal company and the packaging register.

- The importer pays the fees to the disposal company with which he has signed the contract. The amount of the licence fee to be paid depends on the quantity and type of packaging put into circulation.
- Importers who do not comply with their obligations may face sanctions that could even lead to a ban on imports to Germany.

DATA REPORTING:

- Companies are obliged to submit an initial planned quantity

Would you like to know whether your company has obligations in Germany or whether your packaging is subject to licensing? The AHK will be happy to assist you with registration, licensing and data reporting and is also available to provide general information on the German Packaging Act.

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