



Research

# IT Services in Georgia

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## Sector Snapshots

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# Summary



- The growth of Georgia's IT services sub-sector has been significantly driven by government policies and incentives aimed at attracting foreign investment and promoting IT exports. Key initiatives include the **International Company Status** introduced in **2020**, offering a reduced 5% profit tax (instead of 15%) and 5% personal income tax (instead of 20%), to companies which export their services. In addition, the **FDI Grant Program**, also launched in **2020**, provides up to **15% cashback** on capital investments and training-related expenses.
- While we focus primarily here on IT services, a look at Georgia's broader information and communications technology (ICT) sector reveals similar growth trends. The sector has experienced rapid expansion, with real GDP increasing by **69.8%** year-on-year (YoY) in **2022**, contributing **GEL 4,208 million** (5.2% of the country's GDP) in **2023**. This growth has been largely driven by the IT services sub-sector.
- Tax revenues from IT services quadrupled between **2020 and 2023**, driven largely by international companies, and that was despite a reduced **5%** profit tax rate. In fact, their share of total tax revenues grew by **14 percentage points** over the same period.
- From **2017 to 2023**, the IT services workforce expanded **5.4-fold**, with significant YoY growth rates in **2022 (61%)** and **2023 (30%)**, reaching **24,760** employees. Notably, in terms of gender distribution, the workforce shifted from a nearly even balance in **2020** to **60%** of it being male from **2021** onward.
- The actual IT-skilled workforce extends beyond official figures. Of note, the number of **GitHub-registered developers** tripled between **2020 and 2023**, surpassing **100,000** in **2023** (**4.5 times** the official employment figure), reflecting growing interest and participation in the IT field.
- The average monthly salary in Georgia's IT services grew **2.5 times** from **2020 to 2023**, reaching **GEL 5,381**, driven by rising labor

demand from international companies.

- Labor productivity also saw a strong increase in the same period, nearly **tripling** between **2017 and 2023** to **GEL 96,668** per worker. Despite a sharp rise in employment in **2022**, productivity still recorded a **33% YoY increase**, with growth moderating to **3%** in **2023**.
- The sector experienced substantial turnover growth from **2017 to 2023**, rising from **GEL 232 million** to **GEL 3,003 million** - a **13-fold** increase. Growth peaked in **2021-2022**, with turnover surging to **GEL 2,165 million**, followed by a **28% YoY** rise in **2023**.
- **Value-added** also increased from **GEL 153 million** in **2017** to **GEL 2,394 million** in **2023** - a **15-fold** rise. A major spike occurred in **2022** with a **74% YoY** increase, followed by steady YoY growth of **32%** in **2023**. The parallel rise in turnover and value-added highlights the sector's enhanced capacity to generate economic value alongside revenue growth.
- Georgia's trade balance in IT services stayed positive from **2017 to 2023**, driven by strong export growth, which outpaced imports. Exports peaked in **2022** with a **235.3% YoY** growth rate, reaching **USD 512 million** - six times higher than imports (**USD 88 million**).
- Overall, Georgia's IT sector benefits from a **favorable business environment** and **government incentives**, supported by a large **English-speaking workforce**. Key challenges include **limited export skills** and **weak digital skills**. Looking ahead, potential opportunities lie in the successful implementation of **GITA 2.0 programs**, **public IT procurement**, and improved **private education collaboration**. However, risks like **political instability** and **specialist migration** may hinder long-term growth.
- The future of Georgia's IT services sub-sector depends on a sustainable strategy with enhanced access to finance, a more reputable global image, as well as improved remote work policies and IT residency. Creating knowledge-sharing platforms and outsourcing government IT services will further accelerate growth too.

## Government Policies:

- One of the main factors contributing to the growth of the IT services sub-sector has been policies and incentives that the Government of Georgia (GoG) introduced to promote ICT sector growth and attract foreign investment .
- In 2020, new legislation granting **International Company Status** was adopted, offering IT companies that export their services a preferential tax regime, including a reduced 5% profit tax (instead of 15%) and a 5% personal income tax (instead of 20%).
- In 2020, the GoG also introduced the **FDI Grant Program** for international companies operating in high-tech production and export-oriented business process/services outsourcing, which provides up to 15% cashback on capital investments and training-related costs for investors. However, the eligibility criteria, which require companies to create between 100 and 200 new jobs depending on the sector, have limited the number of firms able to obtain and utilize this grant.

## Impact of Global Events:

- The **COVID-19 pandemic** boosted the global IT sector and pushed companies to shift to remote work, further incentivizing international companies to enter Georgia for various reasons. The widespread adoption of remote work allowed firms to retain foreign clients while leveraging Georgia's skilled workforce, competitive labor costs, and favorable tax regime. As a result, a number of large international IT companies have entered the country in recent years.

- The Russo-Ukrainian War has also had an impact, resulting in a wave of Russian, Ukrainian, and Belarusian specialists entering the Georgian market.

## Role of Government Agencies:

- Two government agencies, **Georgia's Innovation and Technology Agency (GITA)** and Enterprise Georgia, play integral roles in the IT sector . GITA is responsible for the development of an innovation-friendly ecosystem and the promotion of knowledge and innovation commercialization. It supports innovative start-ups and enterprises through grant financing, technology transfer programs, innovation infrastructure development, business acceleration, and trainings.
- **Enterprise Georgia** is a private sector development agency supporting SME development, FDI attraction, and export promotion. IT represents one of the priority sectors of the agency in export promotion. In particular, Enterprise Georgia provides an export promotion program, including support in product certification, branding, and access to international networks.

## IT Education Development:

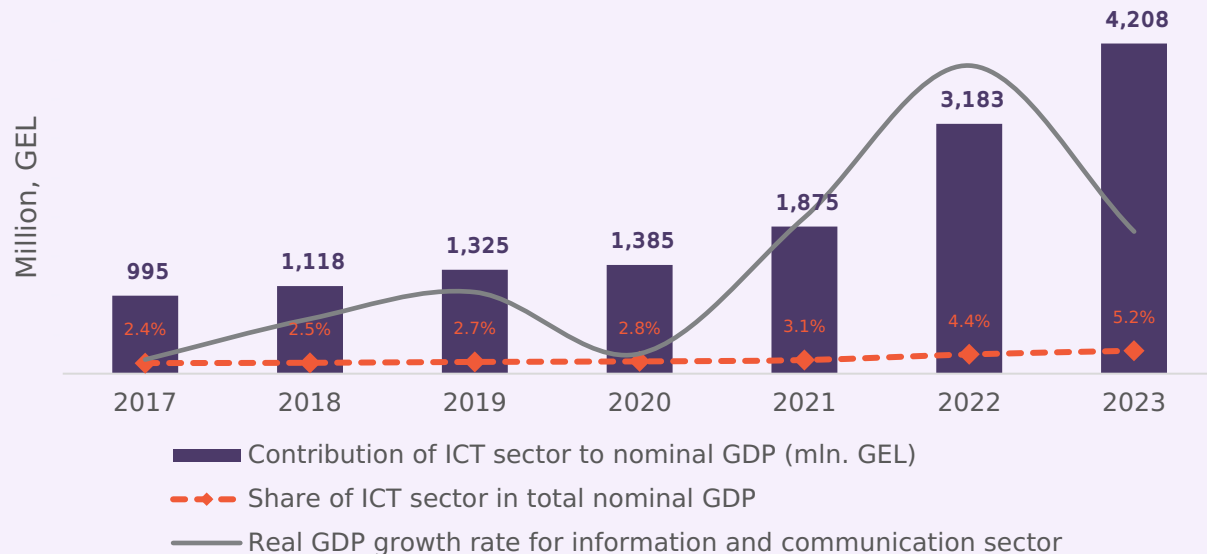
- Across Georgia, there are 57 vocational education and training (VET) institutions, including 15 public schools, offering 19 different ICT programs such as computer networks, engineering, and development. In 2024, a total of 3,731 students were enrolled in these programs. As for universities, IT programs are available at 21 institutions, with a total enrollment of 3,840 students in 2024.

# Economic Indicators of IT Services

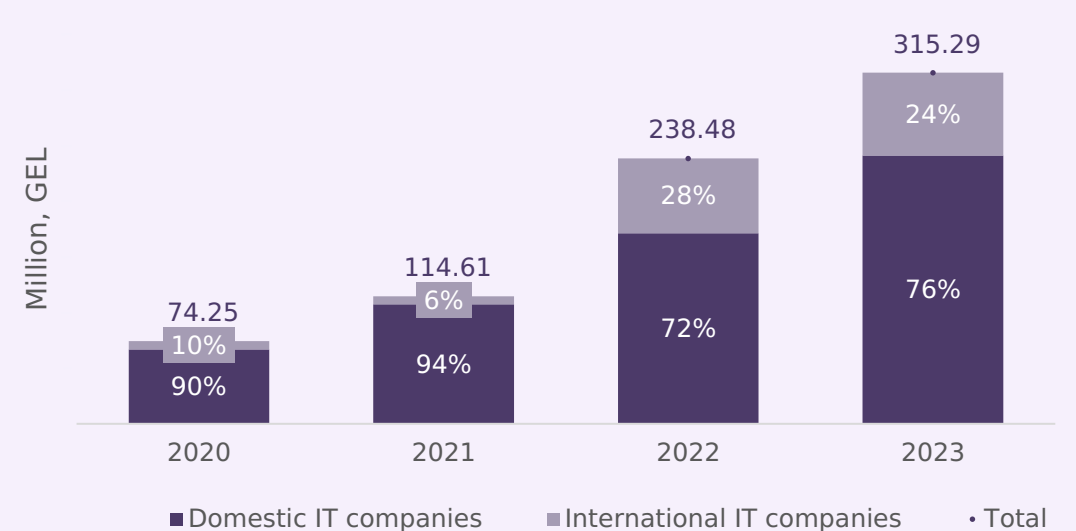
- Before examining the key economic indicators of the IT services sub-sector, it is important to first consider overall trends in the broader ICT sector. Notably, the ICT sector has emerged as a key driver of economic growth in Georgia in recent years. The sector's real GDP growth rate has shown a steady upward trend since 2017, with significant acceleration beginning in 2021, and peaking at an impressive 69.8% in 2022.
- Rapid expansion from 2021 to 2023 elevated the ICT sector's contribution to Georgia's total nominal GDP, reaching GEL 4,208 million in 2023, equivalent to 5.2% of the country's total nominal GDP. Notably, the IT services sub-sector has played a key role in accelerating the expansion of the ICT sector overall.

- Between 2020 and 2023, tax revenues from IT services in Georgia saw a fourfold increase, reflecting significant growth in the sub-sector. Meanwhile, the entry of more international companies into the Georgian market has notably boosted the distribution of tax revenues. Despite benefiting from a reduced tax rate of 5% compared to the standard 15%, their contribution to total tax revenues grew by approximately 14 percentage points from 2020 to 2023.
- Interestingly, if international companies had been taxed at the standard 15%, their share would have been nearly equal to that of local companies (with a 52%-48% split in favor of domestic companies).

Contribution of ICT sector to GDP and real GDP growth rate



IT services tax revenues (2020-2023)

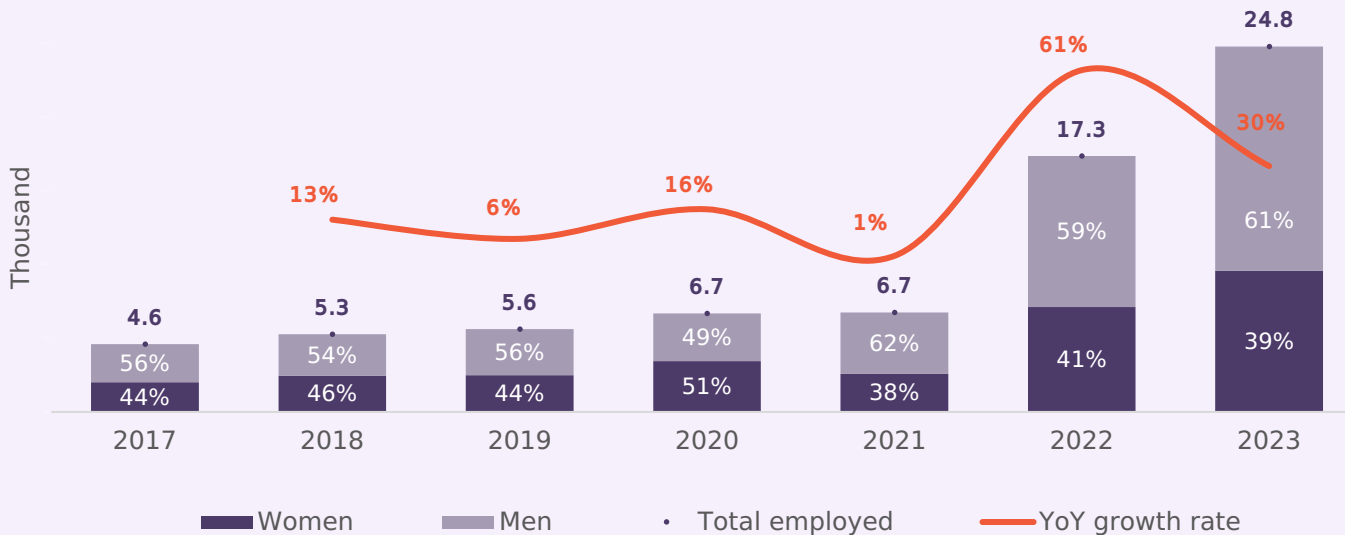


# Employment in IT services

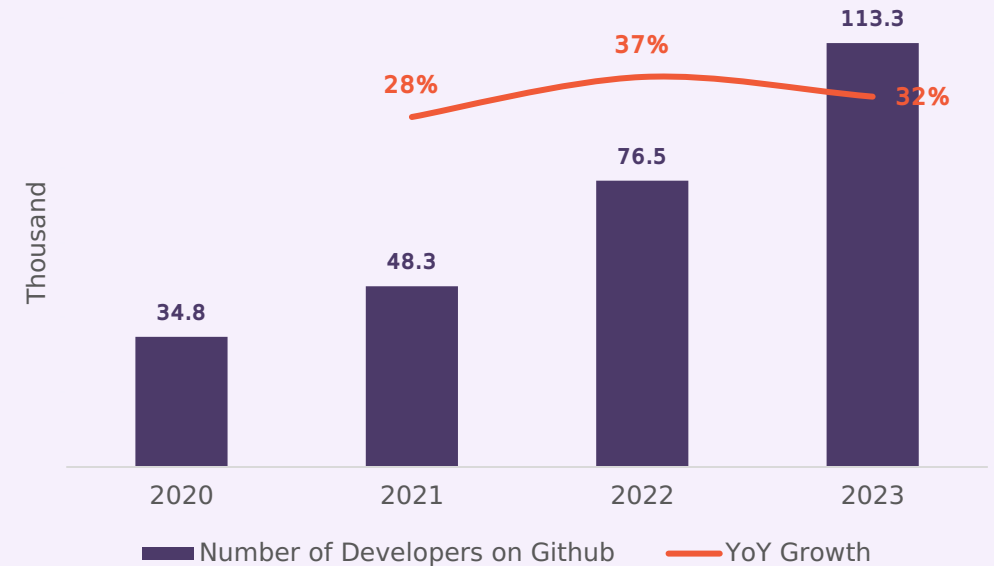
- Over the period of 2017-2023, the number of employees in IT services increased 5.4 times. Particularly substantial growth occurred in 2022 and 2023, when the number of employees increased significantly by 61% and 30%, respectively, reaching 24,760.
- Initially, gender distribution here was fairly balanced, with women even outnumbering men in 2020. However, from 2021 onwards, the proportion of men grew again, and has since consistently remained at around 60% of the workforce.

- To estimate the total IT-skilled workforce in Georgia, analyzing the number of GitHub-registered developers is insightful.\* Indeed, the number of developers on GitHub tripled from 2020 to 2023, with YoY growth always exceeding 25%.
- In 2023, the number of developers exceeded 100,000, which was 4.5 times greater than the official number of employees in the IT services sub-sector at that point. This increase indicates a growing interest in the IT field, which is further supported by the rise in the number of students enrolled in computer programming courses.<sup>1</sup>

Number of employees, gender distribution and YoY growth rate in IT services



Number of developers on GitHub and YoY growth rate



\*GitHub is the most popular platform for developers to host, share and collaborate on software projects worldwide.

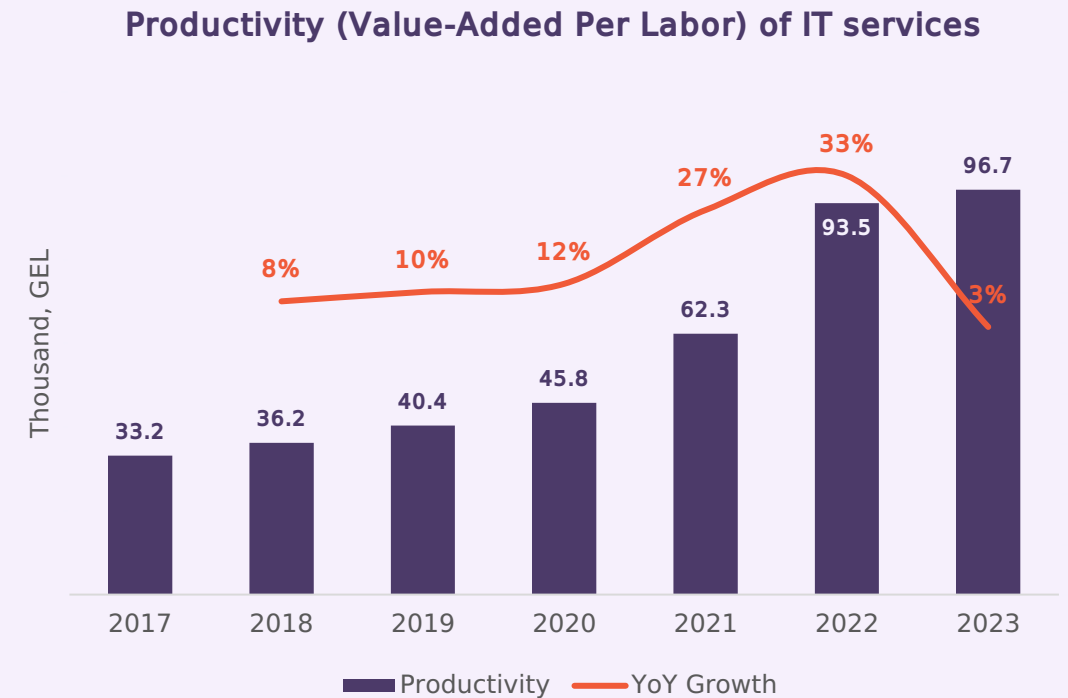
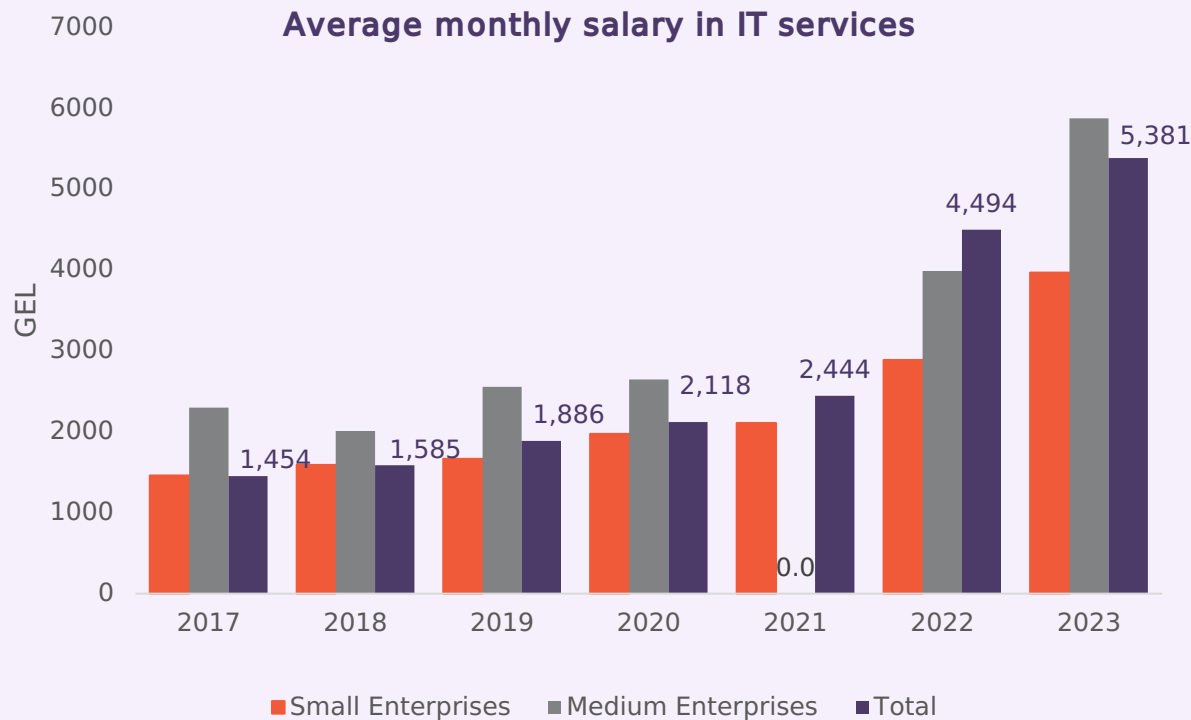


# IT Services Salaries and Productivity Trends

- The average monthly salary in the IT services sub-sector has seen substantial growth in recent years, driven mainly by an increased demand for labor following the entry of large international companies into the market. By 2023, the average monthly salary in IT services reached GEL 5,381, marking a 2.5-fold increase compared to 2020.
- However, in 2023, small enterprises paid 35.6% less than the average salary. Medium enterprises' salaries rose by 47%, reaching GEL 5,872, nearly matching those of large

enterprises at GEL 5,691, indicating intensifying competition.

- Labor productivity, measured as value-added per worker, grew in parallel with employment numbers. Between 2017 and 2023, this nearly tripled, reaching GEL 96,668 per employee in 2023.
- Notably, although the number of employees nearly tripled in 2022, labor productivity still grew by 33%, indicating that the additional workforce generated even greater value. Growth then eased to 3% in 2023, indicating stabilization.



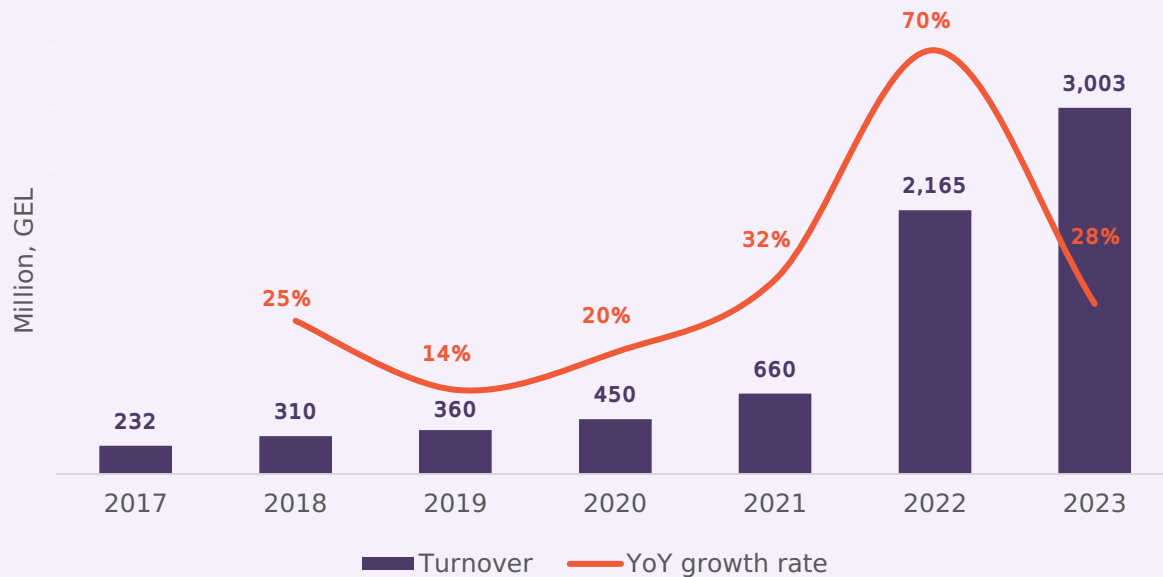
# IT Services Performance

- The IT services sub-sector in Georgia experienced significant turnover growth from 2017 to 2023. From GEL 232 million in 2017, IT services turnover saw steady increases thereafter, with particularly high growth rates in 2021 and then in 2022, when it reached GEL 2,165 million.
- By 2023, the growth rate slightly stabilized, yet turnover still increased by 28% YoY, reaching GEL 3,003 million - 13 times the corresponding figure in 2017.
- The value-added of the IT services sub-sector in Georgia has also seen impressive growth. Beginning at GEL 153 million in 2017,

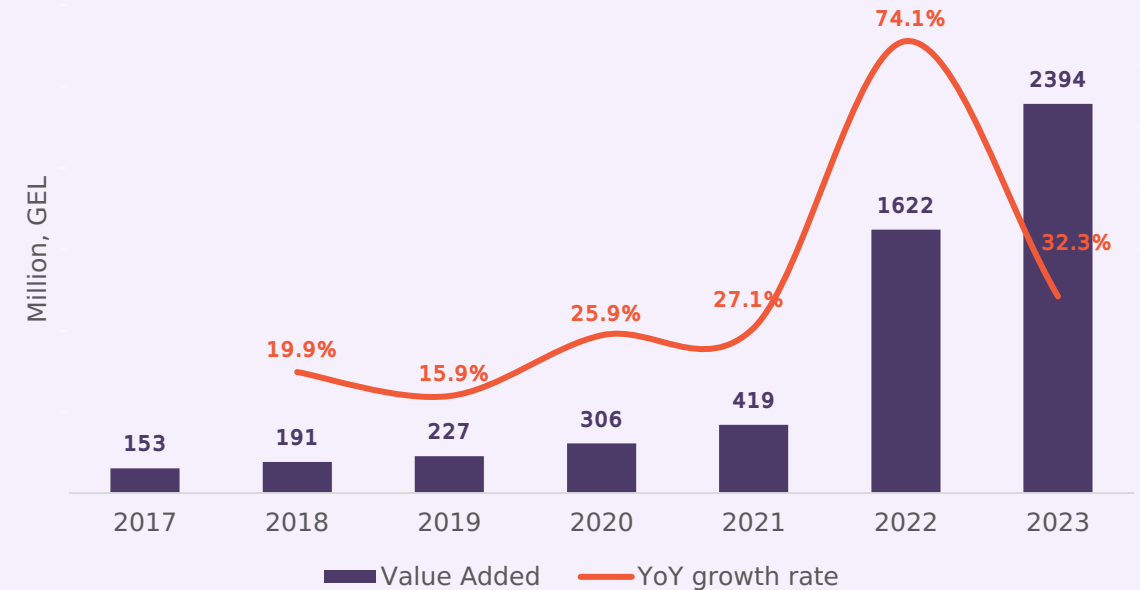
there have since been consistent increases. Similar to turnover, a remarkable YoY increase occurred in 2022, when value-added surged by 74%, reaching GEL 1,622 million.

- By 2023, the growth rate moderated but remained strong at 32%, hitting GEL 2,394 million - more than 15 times the corresponding figure in 2017. These increases mirror the growth experienced in the sub-sector's turnover, suggesting that the revenue gains made in IT services were complemented by a significant rise in companies' capacity to generate economic value.

Turnover and YoY growth rate in IT services



Value-added and YoY growth rate in IT services





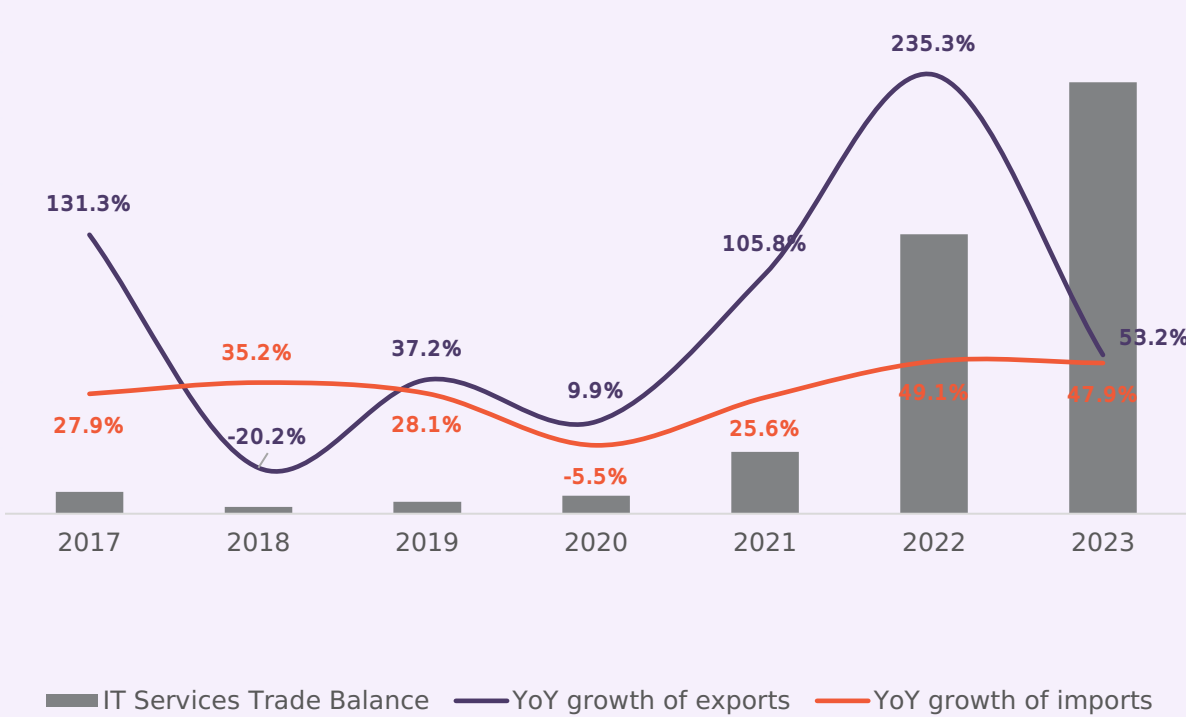
# Trade in IT services

- Georgia’s trade balance in IT services remained positive throughout the 2017-2023 period, driven mainly by strong export growth that consistently outpaced imports. The YoY export growth rate peaked in 2022 at 235.3%, totaling USD 512 million, which was around six times higher than the corresponding rate for imports (USD 88 million).
- The share of IT services in total trade in services has also

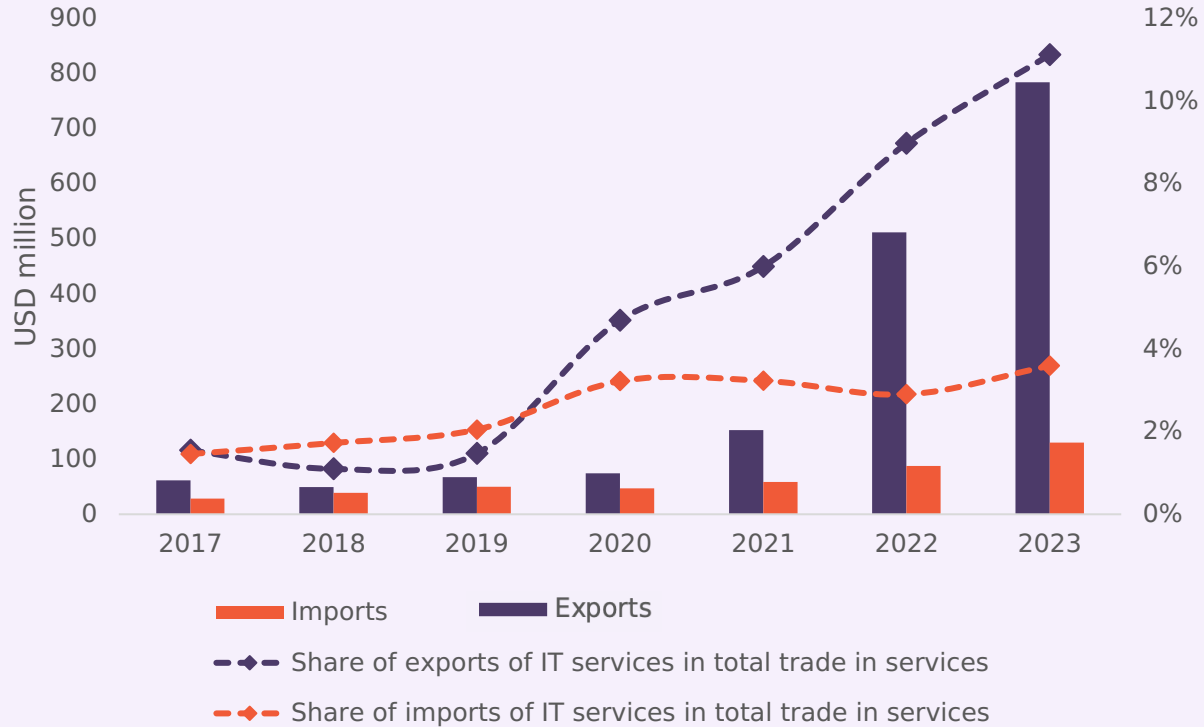
expanded substantially. Exports grew from 1.5% in 2017 to 11.1% in 2023, while imports rose relatively modestly from 1.5% in 2017 to 3.6% in 2023.

- The rapid growth in IT services exports can be largely attributed to favorable regulations supporting export-oriented IT companies and the increased presence of international IT companies in Georgia.

Trade balance in IT services



Exports and Imports of IT Services



## STRENGTHS

- Attractive business environment
- High growth sector
- Inflow of IT specialists
- State incentives and private sector support programs
- High number of English-speaking population

## WEAKNESSES

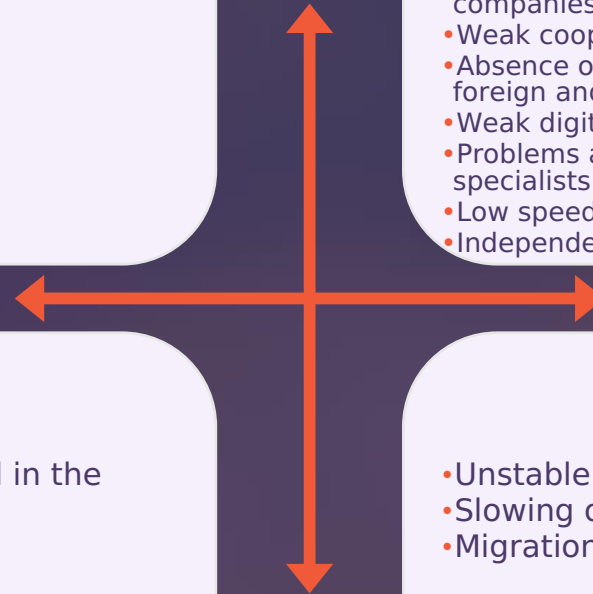
- Lack of export skills in companies
- Absence of research and analysis of target markets
- Lack of trust and absence of image on EU market
- Lack of legal knowledge of EU regulations, also on elaborating proper contracts with EU clients
- Limited access to finance
- Uncompetitive tax environment between local and foreign IT companies
- Weak cooperation between private and educational sectors
- Absence of channels for knowledge and experience sharing between foreign and local companies
- Weak digital skills
- Problems associated with issuance of resident permits to foreign specialists
- Low speed of the internet
- Independent development of IT solutions by public sector entities'

## OPPORTUNITIES

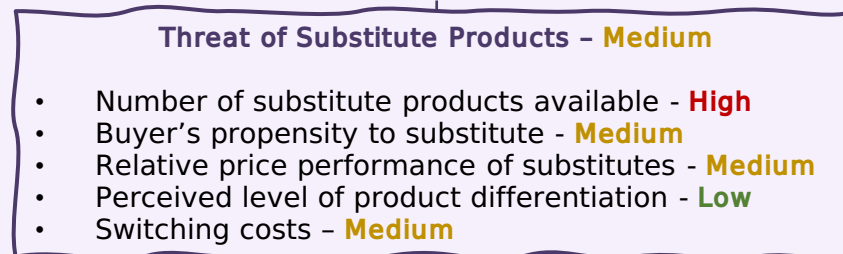
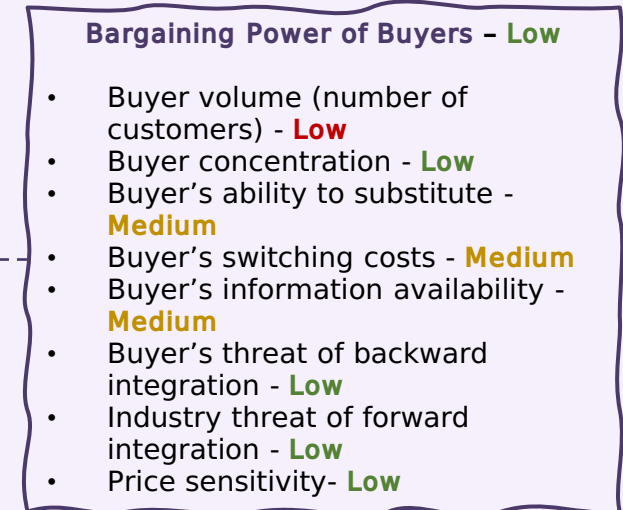
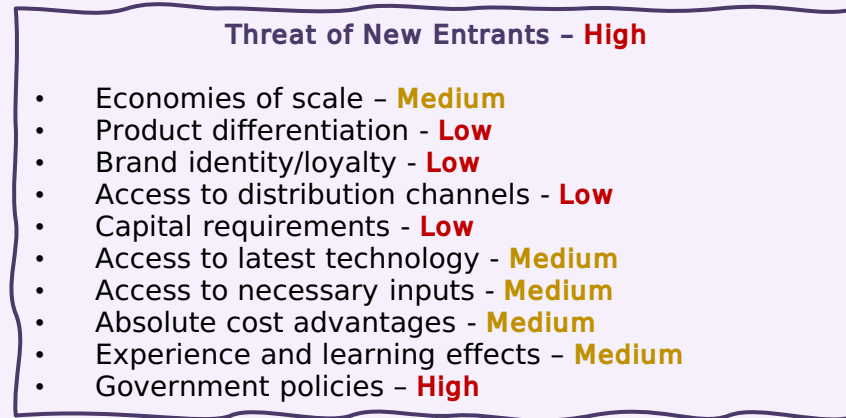
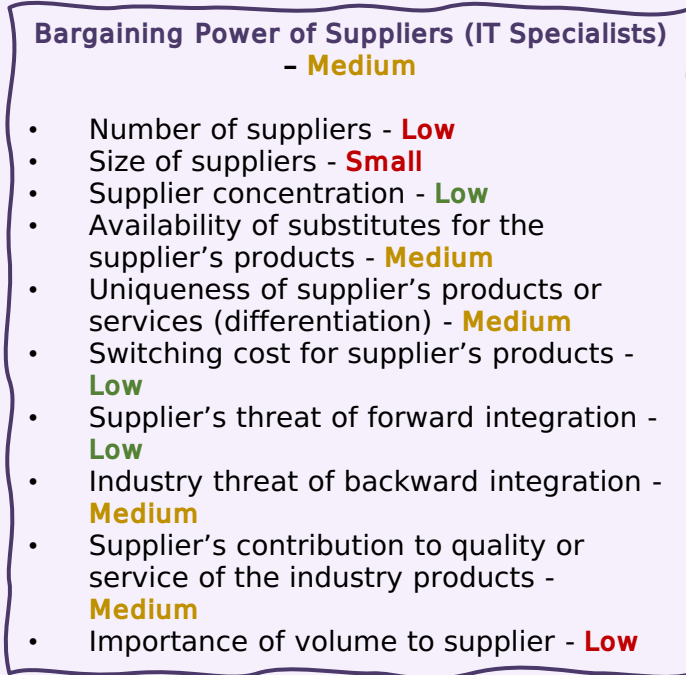
- Implementation of support programs announced in the framework of GITA 2.0
- Procurement of IT services by the governmental institutions via public procurement
- Research and analysis of target export markets and revealing competitive niche products
- Elaboration of sector development strategy
- Labor market analysis and improvement of cooperation between private and education sectors
- Increased quantity of IT graduates
- Development of high-value innovation products

## THREAT

- Unstable political and economic environment
- Slowing of EU integration process
- Migration of specialists abroad



# Porter's Five Forces\*



\*The following analysis evaluates the competitive forces shaping Georgia's ICT sector using Porter's Five Forces framework, derived from PMCG's project on enhancing Georgian SMEs' exports to EU markets.<sup>2</sup>

# Recommendations

- To foster a more competitive and resilient IT sector in Georgia, the following recommendations outline key strategic actions aimed at enhancing investment, talent attraction, and innovation.
- **Enhancing Specialized Access to Finance:** The private and public sectors, along with the National Bank of Georgia (NBG), should collaborate within the public-private dialogue (PPD) framework to improve IT sector financing. This includes developing sector-specific collateral mechanisms by engaging banks and ICT companies to recognize intellectual property, software licenses, and future receivables as viable collateral, supported by government-backed guarantees. In addition, supporting alternative financial institutions, such as venture capital funds and angel investors, through co-investment programs would help to attract funding for Georgian MSMEs with high growth potential, strengthening the IT sector's financial ecosystem.
- **Improving the Image of and Level of Trust Toward Georgia's IT sector :** The **Trade with Georgia** website managed by Enterprise Georgia must be updated. The platform should provide a comprehensive overview, including company profiles, sector contributions to GDP, growth trends, employment, wages, exports, state support programs, ICT education, and success stories. Moreover, showcasing ICT connectivity, Georgia's positions on global rankings, and categorizing companies by sub-sectors would all help to highlight core competences and strengthen the sector's credibility.
- **Amendment of Regulations Associated with Permits to Work from Abroad:** Regulations should be revised to allow employees of international status companies to work remotely for at least three months per year. To facilitate necessary changes, a PPD format should be established.
- **Introduction of IT Residency for Foreign IT Specialists:** The introduction of IT residency is essential to attract and retain highly qualified specialists. The GoG should define criteria for residence and work permits, including IT education, a relevant academic degree, and a concrete job offer from a Georgian IT company.
- **Enhancing Knowledge Sharing Between Foreign and Local IT Companies:** Organizing hackathons and other tech related events can strengthen linkages between international and Georgian IT companies. These events can align global demand with local capabilities, fostering collaboration, knowledge transfer, and partnership development in the process.
- **Outsourcing of IT Product Development by Governmental Agencies:** The participation of the private sector in the development of public IT services would enhance the development of new products and generate greater cash flow in the private sector through product development and maintenance activities.
- **Elaboration of a National IT Sector Development Strategy:** A working group comprising central government, governmental agencies (GITA and Enterprise Georgia), ICT associations, universities, and VET institutions should develop a medium-term strategy. It should outline the current ICT landscape, a vision for the sector, strategic priorities, action plans, financing sources, responsible institutions, and a monitoring framework to ensure that progress is made and goals are achieved as desired.

*\*The following recommendations are based on insights from PMCG's project on enhancing Georgian SMEs' exports to EU markets, incorporating strategic measures to strengthen Georgia's ICT sector.*



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**Giorgi Khishtovani**

Research Director

[g.khishtovani@pmcginternational.com](mailto:g.khishtovani@pmcginternational.com)

**Giorgi Shogiradze**

Junior Researcher

[g.shogiradze@pmcginternational.com](mailto:g.shogiradze@pmcginternational.com)

**Amiran Kvantaliani**

Economic Analyst (Contact Person)

[a.kvantaliani@pmcginternational.com](mailto:a.kvantaliani@pmcginternational.com)

Address: 61 Aghmashenebeli Avenue, 3rd floor,  
Tbilisi 0102, Georgia.

Tel: (+995 32) 557 170 660

Email: [research@pmcginternational.com](mailto:research@pmcginternational.com)

Website: [pmcresearch.org](http://pmcresearch.org)